

**NXUBA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 36, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Municipal Manager:

Date

**NXUBA MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2012

	Note	2012 R	2011 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>15,574,420</b>	<b>24,869,207</b>
Cash and cash equivalents	1	983,200	3,789,914
Trade receivables from exchange transactions	2	7,725,240	13,487,074
Trade receivables from non-exchange transactions	2	1,252,361	3,542,310
Inventories	3	299,690	-
Call investments	4	1,685,189	1,368,378
Investments - fixed deposits	5	15,580	14,000
VAT receivable	12.1	3,613,160	2,667,531
<b>Non-current assets</b>		<b>222,719,753</b>	<b>220,979,933</b>
Property, plant and equipment	7	203,354,570	202,500,303
Intangible assets	8	33,421	38,322
Investment property carried at cost	9	19,331,762	18,441,308
<b>Total assets</b>		<b>238,294,174</b>	<b>245,849,140</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>25,590,036</b>	<b>18,318,974</b>
Trade and other payables	10	17,061,524	13,093,895
Consumer deposits	11	360,615	340,265
Leave accrual	13	2,101,924	1,195,396
Current portion of unspent conditional grants and receipts	14	6,065,974	3,658,228
Operating lease liability	15	-	31,189
<b>Total liabilities</b>		<b>25,590,036</b>	<b>18,318,974</b>
<b>Net assets</b>		<b>212,704,137</b>	<b>227,530,166</b>
<b>NET ASSETS</b>			
Accumulated surplus / (deficit)		212,704,137	227,530,166
<b>Total net assets</b>		<b>212,704,137</b>	<b>227,530,166</b>

**NXUBA MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2012

	Note	2012 R	2011 R
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>		<b>31,650,549</b>	<b>27,076,575</b>
Property rates	16	2,823,284	2,600,131
Fines		115,300	13,624
Government grants and subsidies	21	28,711,965	24,462,819
<b>Revenue from exchange transactions</b>		<b>23,744,566</b>	<b>24,066,168</b>
Service charges	17	17,934,677	16,426,056
Rental of facilities and equipment	18	113,479	131,242
Interest earned - external investments	19	83,891	43,849
Interest earned - outstanding receivables	20	2,043,335	2,347,394
Licences and permits		1,733,399	1,550,872
Other income	22	1,835,785	3,566,755
<b>Total revenue</b>		<b>55,395,115</b>	<b>51,142,742</b>
<b>EXPENDITURE</b>			
Employee related costs	23	16,319,172	16,417,343
Remuneration of councillors	24	1,867,769	1,303,219
Depreciation and amortisation expense	25	8,452,386	-
Repairs and maintenance		550,537	283,090
Finance costs	26	-	1,320
Bad debts	27	13,816,184	-
Bulk purchases	28	17,506,057	12,787,127
Grants and subsidies paid	30	1,518,701	1,383,854
General expenses	31	8,737,122	13,405,642
<b>Total expenditure</b>		<b>68,767,929</b>	<b>45,581,594</b>
<b>Surplus / (deficit) for the year</b>		<b>(13,372,814)</b>	<b>5,561,148</b>

**NXUBA MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2012

	Note	Accumulated Surplus/(Deficit) R	Total: Net Assets R
<b>Opening balance as previously reported as at 30 June 2010</b>	34	39,706,892	39,706,892
Prior period error	34.11	5,705,732	5,705,732
Prior year adjustments - Transfer of water account to ADM district		-	-
<b>Restated opening balance 2011</b>		<b>45,412,624</b>	<b>45,412,624</b>
Surplus / (deficit) for the year		5,561,146	5,561,146
<b>Balance at 30 June 2011</b>		<b>50,973,770</b>	<b>50,973,770</b>
<b>GRAP 17 Implementation</b>		<b>182,792,443</b>	<b>182,792,443</b>
Prior period adjustment for creditors	34.14	<b>(5,705,732)</b>	<b>(5,705,732)</b>
Other adjustment	34.13	<b>(992,497)</b>	<b>(992,497)</b>
Surplus / (deficit) for the year		(13,372,814)	(13,372,814)
<b>Balance at 30 June 2012</b>		<b>213,695,170</b>	<b>213,695,170</b>

**NXUBA MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2012

	Note	Accumulated Surplus/(Deficit) R	Total: Net Assets R
<b>Opening balance as previously reported as at 30 June 2010</b>	34	39,706,892	39,706,892
Prior period error	34.1	5,705,732	5,705,732
Prior year adjustments - Transfer of water account to ADM district			-
<b>Restated opening balance 2011</b>		<b>45,412,624</b>	<b>45,412,624</b>
Surplus / (deficit) for the year		5,561,146	5,561,146
<b>Balance at 30 June 2011</b>		<b>50,973,770</b>	<b>50,973,770</b>
<b>GRAP 17 Implementation</b>		<b>182,792,443</b>	<b>182,792,443</b>
Prior period adjustment for creditors		<b>(5,705,732)</b>	<b>(5,705,732)</b>
Other adjustment		<b>(992,497)</b>	<b>(992,497)</b>
Surplus / (deficit) for the year		(13,372,814)	(13,372,814)
<b>Balance at 30 June 2012</b>		<b>213,695,170</b>	<b>213,695,170</b>

**NXUBA MUNICIPALITY**  
**CASH FLOW STATEMENT**

as as 30 June 2012

	Note	2012 R	2011 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Sale of goods and services		15,994,353	16,404,406
Grants		28,711,965	24,462,819
Interest received		83,891	43,849
Taxation		384,831	-
Other receipts		3,682,664	5,248,869
		<u>48,857,703</u>	<u>46,159,943</u>
<b>Payments</b>			
Employee costs		18,186,942	17,720,562
Interest Paid		-	1,320
Supplier payments		28,312,418	27,859,712
	32	<u>46,499,359</u>	<u>45,581,594</u>
<b>Net cash flow from operating activities</b>		<b>2,358,344</b>	<b>578,349</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, plant and equipment		-7,196,253	-6,878,265
Purchase of Intangible assets		-28,850	-
Increase in fixed Investments		1,580	-
<b>Net cash flows from investing activities</b>		<u><b>-7,223,523</b></u>	<u><b>-6,878,265</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(Decrease) in Bank Overdraft		-	-610,328
Decrease in Lease liability		-31,189	-
Increase in Unspent conditional Grants		2,407,745	8,146,533
<b>Net cash flows from financing activities</b>		<u><b>2,376,556</b></u>	<u><b>7,536,205</b></u>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>-2,488,623</b>	<b>1,236,289</b>
<b>Net cash and cash equivalents at beginning of period</b>		<u><b>5,172,292</b></u>	<u><b>3,936,003</b></u>
<b>Net cash and cash equivalents at end of period</b>		<u><b>2,683,669</b></u>	<u><b>5,172,292</b></u>

**NXUBA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES NOTES**  
as at 30 June 2012

**1. BASIS OF ACCOUNTING**

**1.1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.1.4 COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

*1.1.5.1 The following GRAP standards and interpretations have been issued but are not yet effective and are not relevant to the municipality or cannot be early adopted:*

- GRAP 18 Segment Reporting – issued March 2005
- GRAP 20 Related Party Disclosure – issued June 2011
- GRAP 20 Related Party Disclosure – issued June 2011
- GRAP 103 Heritage Assets – issued July 2008
- GRAP 105 Transfer of functions between entities under common control – issued November 2010
- GRAP 106 Transfer of functions between entities not under common control – issued November 2010

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GRAP 107 Mergers – issued November 2010

1.1.5.2 The following GRAP standard have been issued but are not yet effective and have not been early adopted by the municipality:

Standard Title	Expected Impact
GRAP 25: Employee Benefits	<p>General Requirements</p> <p>Employee benefits include:</p> <p>a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, bonus, incentive and performance related payments (if payable within 12 months of the end of the reporting period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;</p> <p>b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;</p> <p>c) other long-term employee benefits, which may include long-service leave or sabbatical leave, other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the reporting period, bonus, incentive and performance related payments, as well as deferred compensation; and</p> <p>d) Termination benefits.</p> <p>When an employee has rendered service to an municipality during a reporting period, the municipality shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:</p> <p>a) as a liability (accrued expenses), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an municipality shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and b) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset e.g. inventory.</p> <p><b>Expected impact on the financial statement</b> The standard is not significantly different from IAS 19 currently applied and the impact of implementing GRAP 25 is not expected to be significant</p>

1.1.5.3 The following GRAP standards and interpretations have been issued but are not yet effective and have been early adopted by the municipality:

- GRAP 21 Impairment of cash generating assets
- GRAP 23 Revenue from non-exchange transactions (taxes and transfers)
- GRAP 26 Impairment of cash-generating assets

## 1.2 PROPERTY, PLANT AND EQUIPMENT

### 1.2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for

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administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1. 2. 2 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**1.2.3 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Useful life
<b>Immovable Assets</b>	
Electricity assets	20 – 30 years
Roads	10 –30 years
Community Assets	30 years
Buildings	30 years
Pedestrian Malls	20 years
Recreational Facilities	20 years
Security measures	3 – 20 years

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<b>Movable Assets</b>	
Furniture and fittings	5 – 7 years
Office equipment	5 – 7 years
IT equipment	3 years
Other items of property, plant and equipment	5 – 7 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### **1.2.4 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.3 INTANGIBLE ASSETS**

#### **1.3.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially

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measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### **1.3.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### **1.3.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

<b>Item</b>	<b>Useful life</b>
Computer software	3 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### **1.3.4 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance

## **1.4 INVESTMENT PROPERTY**

### **1.4.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the

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investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

#### **1.4.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### **1.4.3 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Item</b>	<b>Useful life</b>
Buildings	20 – 30 years

#### **1.4.4. DE-RECOGNITION**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.5. INVENTORIES**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

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**1.5.1 SUBSEQUENT MEASUREMENT**

Inventories are measured using First In First Out method (FIFO method for valuation). At year end inventories are measured at lower of cost and realisable value.

**1.6 FINANCIAL INSTRUMENTS**

**1.6.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

**1.6.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and is in accordance with GRAP 104.

**1.6.3 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**1.6.4 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable

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is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **1.6.5 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **1.6.6 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### **1.7 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.8 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.9 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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## **1.10 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## **1.11. LEASES**

### **1.11.1 MUNICIPALITIES AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of

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interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

### **1.12.1 REVENUE**

#### **1.12.2 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue arising from the use by others of municipality assets yielding interest, is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and,
- The amount of the revenue can be measured reliably.

Interest revenue is recognised, in surplus or deficit, using the effective interest rate method.

Revenue from the sale of goods and services is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another municipality (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services

#### **1.12.3 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another municipality without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

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Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality. Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**1.12.4 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**1.13. IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

#### **1.14 USE OF ESTIMATES**

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

#### **1.15 EMPLOYEE BENEFITS**

##### *Long-term employee benefits*

The municipality contributes to the following post retirement funds - Cape Joint Pension fund, Cape Joint Retirement fund, SALA, SAMWU Retirement fund, municipal employee pension fund and councilors pension funds which provide for retirement benefits to its employees.

##### *Short-term employee benefits*

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

**NXUBA MUNICIPALITY**  
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for the year ended 30 June 2012

Note	R 2012	R 2011
<b>1 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of the following:		
Cash on hand	1,008	1,668
Cash at bank	982,192	3,788,246
	<u>983,200</u>	<u>3,789,914</u>
The Municipality has the following bank accounts: -		
<b><u>Current Account (Primary Bank Account)</u></b>		
ABSA Bank Limited - Adelaide Branch: Account Number 23 6000 0012		
Cash book balance at beginning of year	648,223	64,274
Cash book balance at end of year	<u>(1,586,528)</u>	<u>648,223</u>
Bank statement balance at beginning of year	717,085	64,274
Bank statement balance at end of year	<u>685,221</u>	<u>717,085</u>
<b><u>Current Account (Other Account)</u></b>		
ABSA Bank Limited - Library Account Adelaide Branch: Account Number 4055145556	-	69,031
ABSA Bank Limited - FMG Adelaide Branch: Account Number 4063080837	-	35,112
ABSA Bank Limited - Development Plan Adelaide Branch: Account Number 9057274100	15,625	15,087
ABSA Bank Limited - Operating Account Adelaide Branch: Account Number 9074038460	4,308	4,246
ABSA Bank Limited - Nxuba Electricity Adelaide Branch: Account Number 9081226121	19,162	1,149,733
ABSA Bank Limited - Grant In Aid Adelaide Branch: Account Number 9103862998	2,072	2,006
ABSA Bank Limited - MSP Fund Adelaide Branch: Account Number 9116410431	495,779	46,995
ABSA Bank Limited - 127 Zinc Houses Adelaide Branch: Account Number 9120314689	52,010	50,219
ABSA Bank Limited - FMG Adelaide Branch: Account Number 9167907774	3,968	3,831
ABSA Bank Limited - Traffic Department Adelaide Branch: Account Number 9198592469	8,949	443,157
FNB Bank Limited - Public Sector Cheque Account Adelaide Branch: Account Number 51640011783	2,555,480	2,692,631
FNB Bank Limited - Investment Account Bedford Branch: Account Number 74277793095	-	-
FNB Bank Limited - Money Market Account Adelaide Branch: Account Number 62066064793	45,237	44,231
Bank statement balance at beginning of year	<u>4,113,122</u>	<u>4,470,552</u>
Bank statement balance at end of year	<u>3,193,652</u>	<u>4,113,122</u>

**NXUBA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Note	R 2012	R 2011	
<b>2 TRADE RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS</b>	<b>Gross Balances R</b>	<b>Provision for Doubtful Debts R</b>	<b>Net Balance R</b>
<u>Trade receivables</u>			
as at 30 June 2012			
Service debtors from exchange transactions			
Electricity	5,953,857	(3,984,834)	1,969,023
Refuse	20,382,087	(14,625,870)	5,756,217
<b>Total</b>	<b>26,335,944</b>	<b>(18,610,704)</b>	<b>7,725,240</b>
Service debtors from non-exchange transactions			
Rates	11,524,015	(10,858,680)	665,335
Other admin, sundry and old housing	8,725,961	(8,138,935)	587,026
<b>Total</b>	<b>20,249,977</b>	<b>(18,997,615)</b>	<b>1,252,361</b>
as at 30 June 2011			
Service debtors from exchange transactions			
Electricity	12,132,797	(3,122,379)	9,010,418
Refuse	16,425,542	(11,948,886)	4,476,656
<b>Total</b>	<b>28,558,339</b>	<b>(15,071,265)</b>	<b>13,487,074</b>
Service debtors from non-exchange transactions			
Rates	11,458,991	(9,296,827)	2,162,163
Other admin, sundry and old housing	7,901,404	(6,521,257)	1,380,147
<b>Total</b>	<b>19,360,395</b>	<b>(15,818,085)</b>	<b>3,542,310</b>
<u>Rates: Ageing</u>			
Current (0 – 30 days)		133,644	144,354
31 - 60 Days		86,588	93,654
61 - 90 Days		104,193	158,465
91 - 120 Days		11,199,589	11,062,518
<b>Total</b>		<b>11,524,015</b>	<b>11,458,991</b>
<u>Electricity : Ageing</u>			
Current (0 – 30 days)		597,337	638,526
31 - 60 Days		345,716	405,737
61 - 90 Days		131,964	142,520
91 - 120 Days		11,057,779	10,946,014
<b>Total</b>		<b>12,132,797</b>	<b>12,132,797</b>
<u>Other admin &amp;Sundry Ageing</u>			
Current (0 – 30 days)		63,754	74,000
31 - 60 Days		41,738	51,685
61 - 90 Days		56,391	69,523
91 - 120 Days		3,994,113	2,470,692
<b>Total</b>		<b>4,155,996</b>	<b>2,665,900</b>
<u>Old Housing Ageing</u>			
91 - 120 Days		4,569,965	5,235,504
<b>Total</b>		<b>4,569,965</b>	<b>5,235,504</b>
<b>Total Other admin &amp; Sundry and Old Housing Ageing</b>		<b>8,725,961</b>	<b>7,901,404</b>
<u>Basic Refuse: Ageing</u>			
Current (0 – 30 days)		349,146	402,546
31 - 60 Days		219,942	350,250
61 - 90 Days		312,621	423,546
91 - 120 Days		15,543,833	15,249,200
<b>Total</b>		<b>16,425,542</b>	<b>16,425,542</b>

Summary of Debtors by Customer Classification

	Consumers	Industrial / Commercial	National and Provincial Government
as at 30 June 2012			
Current (0 – 30 days)	417,468	454,573	125,546
31 - 60 Days	387,190	203,080	30,986
61 - 90 Days	421,535	295,480	25,133
91 - 120 Days	28,312,476	1,210,432	1,733,596
Sub-total	<b>29,538,669</b>	<b>2,163,565</b>	<b>1,915,261</b>
Less: Provision for doubtful debts	-28,781,261	-2,108,088	-
<b>Total debtors by customer classification</b>	<b>757,408</b>	<b>55,476</b>	<b>1,915,261</b>
as at 30 June 2011			
Current (0 – 30 days)	1,068,398	771,737	167,918
31 - 60 Days	804,466	380,928	149,608
61 - 90 Days	743,433	306,028	86,923
91 - 120 Days	34,565,075	3,715,001	669,986
121 - 365 Days	-	-	-
+ 365 Days	-	-	-
Credits	(169,065.16)	(183,331.38)	(1,071,035.06)
Sub-total	<b>37,012,307</b>	<b>4,990,363</b>	<b>3,400</b>
Less: Provision for doubtful debts	(23,772,738)	(2,215,723)	-
<b>Total debtors by customer classification</b>	<b>13,239,569</b>	<b>2,774,641</b>	<b>3,400</b>

Reconciliation of the doubtful debt provision for exchange and non-exchange transactions

Balance at beginning of the year	(3,135,789)	-
Provision raised in current year	-	9,358,440
Provision utilised in current year	0	-
<b>Balance at end of year</b>	<b>(3,135,789)</b>	<b>9,358,440</b>

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2012, R2,443,036 (2011: R 2,954,806) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1,143,881	1,259,426
2 months past due	693,985	901,326
3 months past due	605,170	794,054

Trade and other receivables impaired

As of 30 June 2012, trade and other receivables of R 37,608,319 (2011: R30,889,349) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 6 months	2,503,826	1,052,356
Over 6 months	35,104,493	29,836,993
The fair value of trade and other receivables approximates their carrying amounts.	<b>(37,608,319)</b>	<b>(30,889,349)</b>

**NXUBA MUNICIPALITY**  
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for the year ended 30 June 2012

Note	R 2012	R 2011
<b>3 INVENTORIES</b>		
Other goods held for resale – at cost	299,690	-
<b>Opening balance of inventories</b>	<u>299,690</u>	<u>-</u>
Other goods held for resale - at cost	299,690	-
<b>Closing balance of inventories</b>	<u>299,690</u>	<u>-</u>
<b>4 CALL INVESTMENTS</b>		
Current portion of unspent conditional grants and receipts	1,115,951	1,146,435
Current portion of unspent unconditional grants and receipts	569,238	221,943
<b>Total call investments</b>	<u>1,685,189</u>	<u>1,368,378</u>
These investments are in respect of unspent conditional and unconditional grants from call accounts balances.		
<b>5 INVESTMENTS - SECURITIES</b>		
<u>Financial Instruments</u>		
Fixed Deposits	15,580	14,000
<b>Total investments - securities</b>	<u>15,580</u>	<u>14,000</u>
These investments are held as securities for bonds over properties purchased by municipal staff.		

**NXUBA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**7 PROPERTY, PLANT AND EQUIPMENT**

**7.1 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Capital under construction	Heritage	Other Assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2011</b>	<b>51,123,406</b>	<b>246,704</b>	<b>121,497,795</b>	<b>20,996,812</b>	<b>6,616,642</b>	<b>44,507</b>	<b>1,974,436</b>	<b>202,500,303</b>
Cost/Revaluation	51,123,406	257,910	136,314,201	21,983,448	6,616,642	46,251	2,559,942	218,901,799
Change in accounting policy (note 34)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(11,206)	(14,816,406)	(986,635)	-	(1,744)	(585,505)	(16,401,496)
Acquisitions	246,682	666,955	3,289,152	-	2,855,936	-	137,529	7,196,253
Depreciation	-	-	-	-	-	-	-	-
Depreciation	-	(143,132)	(7,568,697)	(542,189)	-	(874)	(207,373)	(8,462,266)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	(15,400)	-	-	-	-	607	(14,793)
Transfers	-	-	-	-	-	-	-	-
Other movements*	3,285,200	-	-	270,300	-	-	-	3,555,500
<b>as at 30 June 2012</b>	<b>54,655,288</b>	<b>785,926</b>	<b>117,218,250</b>	<b>20,724,923</b>	<b>9,472,578</b>	<b>43,633</b>	<b>458,875</b>	<b>203,359,472</b>
Cost/Revaluation	54,655,288	940,264	139,603,352	22,253,748	9,472,578	46,251	2,696,864	229,668,345
Accumulated depreciation and impairment losses	-	(154,338)	(22,385,102)	(1,528,824)	-	(2,619)	(792,879)	(24,863,762)

Refer to Appendix B for more detail on property, plant and equipment

[App B'IA1](#)

**NXUBA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**7.2 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Capital under construction	Heritage	Other Assets	Total
	R	R	R	R	R	R	R	R
<b>as at 30 June 2010</b>	<b>51,123,406</b>	<b>(495,210)</b>	<b>123,982,315</b>	<b>20,725,935</b>	<b>1,901,433</b>	<b>45,379</b>	<b>893,290</b>	<b>198,176,548</b>
Cost/Revaluation	1,586,496	10,675,938	22,389,607	4,812,483	208,474	-	3,115,494	42,788,492
Correction of error (note 34)	-	(7,397,052)	280,695	-	-	-	(638,149)	(7,754,506)
Change in accounting policy (note 34)	49,536,910	(3,768,493)	108,720,216	16,406,770	1,692,959	46,251	(1,291,302)	171,343,310
Accumulated depreciation and impairment losses	-	(5,603)	(7,408,203)	(493,318)	-	(872)	(292,753)	(8,200,748)
Acquisitions	-	747,517	-	764,195	-	-	651,344	2,163,056
Capital under Construction	-	-	-	-	4,715,209	-	-	4,715,209
Depreciation	-	(5,603)	(7,408,203)	(493,318)	-	(872)	(292,753)	(8,200,748)
Carrying value of disposals	-	-	-	-	-	-	<b>722,555</b>	<b>722,555</b>
Cost/Revaluation	-	-	4,923,683	-	-	-	722,555	5,646,238
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
<b>as at 1 July 2011</b>	<b>51,123,406</b>	<b>246,704</b>	<b>121,497,795</b>	<b>20,996,812</b>	<b>6,616,642</b>	<b>44,507</b>	<b>1,974,436</b>	<b>202,500,303</b>
Cost/Revaluation	51,123,406	257,910	136,314,201	21,983,448	6,616,642	46,251	2,559,942	218,901,799
Accumulated depreciation and impairment losses	-	(11,206)	(14,816,406)	(986,635)	-	(1,744)	(585,505)	(16,401,496)

**NXUBA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**7 PROPERTY, PLANT AND EQUIPMENT**

**7.1 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Capital under construction	Heritage	Other Assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2011</b>	<b>51,123,406</b>	<b>246,704</b>	<b>121,497,795</b>	<b>20,996,812</b>	<b>6,616,642</b>	<b>44,507</b>	<b>1,974,436</b>	<b>202,500,303</b>
Cost/Revaluation	51,123,406	257,910	136,314,201	21,983,448	6,616,642	46,251	2,559,942	218,901,799
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(11,206)	(14,816,406)	(986,635)	-	(1,744)	(585,505)	(16,401,496)
Acquisitions	246,682	666,955	3,289,152	-	2,855,936	-	137,529	7,196,253
Depreciation	-	-	-	-	-	-	-	-
Depreciation	-	(143,132)	(7,568,697)	(542,189)	-	(874)	(207,373)	(8,462,266)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	(15,400)	-	-	-	-	607	(14,793)
Transfers	-	-	-	-	-	-	-	-
Other movements*	3,285,200	-	-	270,300	-	-	-	3,555,500
<b>as at 30 June 2012</b>	<b>54,655,288</b>	<b>785,926</b>	<b>117,218,250</b>	<b>20,724,923</b>	<b>9,472,578</b>	<b>43,633</b>	<b>458,875</b>	<b>203,359,472</b>
Cost/Revaluation	54,655,288	940,264	139,603,352	22,253,748	9,472,578	46,251	2,696,864	229,668,345
Accumulated depreciation and impairment losses	-	(154,338)	(22,385,102)	(1,528,824)	-	(2,619)	(792,879)	(24,863,762)

Refer to Appendix B for more detail on property, plant and equipment

**7.2 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Capital under construction	Heritage	Other Assets	Total
	R	R	R	R	R	R	R	R
<b>as at 30 June 2010</b>	<b>51,123,406</b>	<b>(495,210)</b>	<b>123,982,315</b>	<b>20,725,935</b>	<b>1,901,433</b>	<b>45,379</b>	<b>893,290</b>	<b>198,176,548</b>
Cost/Revaluation	1,586,496	10,675,938	22,389,607	4,812,483	208,474	-	3,115,494	42,788,492
Correction of error (note 48)	-	(7,397,052)	280,695	-	-	-	(638,149)	(7,754,506)
Change in accounting policy (note 47)	49,536,910	(3,768,493)	108,720,216	16,406,770	1,692,959	46,251	(1,291,302)	171,343,310
Accumulated depreciation and impairment losses	-	(5,603)	(7,408,203)	(493,318)	-	(872)	(292,753)	(8,200,748)
Acquisitions	-	747,517	-	764,195	-	-	651,344	2,163,056
Capital under Construction	-	-	-	-	4,715,209	-	-	4,715,209
Depreciation	-	(5,603)	(7,408,203)	(493,318)	-	(872)	(292,753)	(8,200,748)
Carrying value of disposals	-	-	-	-	-	-	<b>722,555</b>	<b>722,555</b>
Cost/Revaluation	-	-	4,923,683	-	-	-	722,555	5,646,238
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
<b>as at 1 July 2011</b>	<b>51,123,406</b>	<b>246,704</b>	<b>121,497,795</b>	<b>20,996,812</b>	<b>6,616,642</b>	<b>44,507</b>	<b>1,974,436</b>	<b>202,500,303</b>
Cost/Revaluation	51,123,406	257,910	136,314,201	21,983,448	6,616,642	46,251	2,559,942	218,901,799
Accumulated depreciation and impairment losses	-	(11,206)	(14,816,406)	(986,635)	-	(1,744)	(585,505)	(16,401,496)

**NXUBA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**7 PROPERTY, PLANT AND EQUIPMENT**

**7.1 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Capital under construction	Heritage	Other Assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2011</b>	<b>51,123,406</b>	<b>246,704</b>	<b>121,497,795</b>	<b>20,996,812</b>	<b>6,616,642</b>	<b>44,507</b>	<b>1,974,436</b>	<b>202,500,303</b>
Cost/Revaluation	51,123,406	257,910	136,314,201	21,983,448	6,616,642	46,251	2,559,942	218,901,799
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(11,206)	(14,816,406)	(986,635)	-	(1,744)	(585,505)	(16,401,496)
Acquisitions	246,682	666,955	3,289,152	-	2,855,936	-	137,529	7,196,253
Depreciation	-	-	-	-	-	-	-	-
Depreciation	-	(143,132)	(7,568,697)	(542,189)	-	(874)	(207,373)	(8,462,266)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	(15,400)	-	-	-	-	607	(14,793)
Transfers	-	-	-	-	-	-	-	-
Other movements*	3,285,200	-	-	270,300	-	-	-	3,555,500
<b>as at 30 June 2012</b>	<b>54,655,288</b>	<b>785,926</b>	<b>117,218,250</b>	<b>20,724,923</b>	<b>9,472,578</b>	<b>43,633</b>	<b>458,875</b>	<b>203,359,472</b>
Cost/Revaluation	54,655,288	940,264	139,603,352	22,253,748	9,472,578	46,251	2,696,864	229,668,345
Accumulated depreciation and impairment losses	-	(154,338)	(22,385,102)	(1,528,824)	-	(2,619)	(792,879)	(24,863,762)

Refer to Appendix B for more detail on property, plant and equipment

[App B'IA1](#)

**NXUBA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**7.2 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Capital under construction	Heritage	Other Assets	Total
	R	R	R	R	R	R	R	R
<b>as at 30 June 2010</b>	<b>51,123,406</b>	<b>(495,210)</b>	<b>123,982,315</b>	<b>20,725,935</b>	<b>1,901,433</b>	<b>45,379</b>	<b>893,290</b>	<b>198,176,548</b>
Cost/Revaluation	1,586,496	10,675,938	22,389,607	4,812,483	208,474	-	3,115,494	42,788,492
Correction of error (note 48)	-	(7,397,052)	280,695	-	-	-	(638,149)	(7,754,506)
Change in accounting policy (note 47)	49,536,910	(3,768,493)	108,720,216	16,406,770	1,692,959	46,251	(1,291,302)	171,343,310
Accumulated depreciation and impairment losses	-	(5,603)	(7,408,203)	(493,318)	-	(872)	(292,753)	(8,200,748)
Acquisitions	-	747,517	-	764,195	-	-	651,344	2,163,056
Capital under Construction	-	-	-	-	4,715,209	-	-	4,715,209
Depreciation	-	(5,603)	(7,408,203)	(493,318)	-	(872)	(292,753)	(8,200,748)
Carrying value of disposals	-	-	-	-	-	-	<b>722,555</b>	<b>722,555</b>
Cost/Revaluation	-	-	4,923,683	-	-	-	722,555	5,646,238
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
<b>as at 1 July 2011</b>	<b>51,123,406</b>	<b>246,704</b>	<b>121,497,795</b>	<b>20,996,812</b>	<b>6,616,642</b>	<b>44,507</b>	<b>1,974,436</b>	<b>202,500,303</b>
Cost/Revaluation	51,123,406	257,910	136,314,201	21,983,448	6,616,642	46,251	2,559,942	218,901,799
Accumulated depreciation and impairment losses	-	(11,206)	(14,816,406)	(986,635)	-	(1,744)	(585,505)	(16,401,496)

**NXUBA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>8 INTANGIBLE ASSETS</b>			
<b>8.1 Reconciliation of carrying value</b>			
		<b>Computer Software</b>	<b>Total</b>
as at 1 July 2011		19,277	19,277
Cost		19,277	19,277
Acquisitions		28,850	28,850
as at 30 June 2012		<b>48,127</b>	<b>48,127</b>
Cost		48,127	48,127
Accumulated amortisation and impairment losses		-	-
<b>8.2 Reconciliation of carrying value</b>			
		<b>Computer Software</b>	<b>Total</b>
as at 1 July 2010		1	1
Cost		1	1
Acquisitions		19,276	19,276
as at 30 June 2011		<b>19,277</b>	<b>19,277</b>
Cost		19,277	19,277
<b>9 INVESTMENT PROPERTY CARRIED AT COST</b>			
<b>9.1 Reconciliation of carrying value</b>			
		<b>Investment property</b>	<b>Total</b>
as at 1 July 2011		<b>20,308,088</b>	<b>20,308,088</b>
Cost		359,602	359,602
Change in accounting policy (note 47)		19,948,486	19,948,486
as at 30 June 2012		<b>20,308,088</b>	<b>20,308,088</b>
Cost		20,308,088	20,308,088
Accumulated depreciation and impairment losses		-	-
<b>9.2 Reconciliation of carrying value</b>			
		<b>Investment property</b>	<b>Total</b>
as at 1 July 2010		<b>359,602</b>	<b>359,602</b>
Cost		359,602	359,602
as at 30 June 2011		<b>359,602</b>	<b>359,602</b>
Cost		359,602	359,602
Accumulated depreciation and impairment losses		-	-

**9.3 Details of property:**

**Investment property**

Investment Property is in respect of various residential properties and a multiple use property .  
The properties are all valued at cost in the financial statements, their fair values as per the  
revaluation report were R 20 308 088

**NXUBA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>			
Trade creditors		13,824,615	10,714,506
Other creditors		3,236,909	2,379,389
<b>Total creditors</b>		<u><b>17,061,524</b></u>	<u><b>13,093,895</b></u>
The fair value of trade and other payables approximates their carrying amounts.			
<b>11 CONSUMER DEPOSITS</b>			
Electricity		360,615	340,265
<b>Total consumer deposits</b>		<u><b>360,615</b></u>	<u><b>340,265</b></u>
Included in consumer deposits is deposits for electricity, there is no interest attached to this and is to be refunded to consumers.			
<b>12 Value Added Tax</b>			
<b>12.1 VAT RECEIVABLE</b>			
VAT receivable		<u><b>3,613,160</b></u>	<u><b>2,667,531</b></u>
VAT is payable on the payment basis. VAT is paid over to SARS only once payment is received from debtors.			
<b>13 LEAVE ACCRUAL</b>			
Leave accrual		<u><b>1,335,303</b></u>	<u><b>1,186,190</b></u>
The movement in current provisions are reconciled as follows: -			
<b>Balance at the beginning of the year</b>		1,186,190	1,069,190
Contributions to provision		229,332	304,075
Expenditure incurred		(80,218)	(187,075)
<b>Balance at the end of the year</b>		<u><b>1,335,303</b></u>	<u><b>1,186,190</b></u>
<b>Landfill site provision</b>		246,682	-
<b>Bonus provision</b>		519,939	9,206
		<u><b>2,101,924</b></u>	<u><b>1,195,396</b></u>
<b>14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>			
Municipal Infrastructure Grants		6,065,974	3,406,475
Finance Management Grant		-	21,309
Municipal Support		-	230,444
<b>Total Unspent Conditional Grants and Receipts</b>		<u><b>6,065,974</b></u>	<u><b>3,658,228</b></u>
<b>Current portion of unspent conditional grants and receipts</b>		<b>6,065,974</b>	<b>3,658,228</b>

**NXUBA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>15 STRAIGHT LINING OF OPERATING LEASE</b>			
Straight lining of operating lease liability		-	31,189
<b>16 PROPERTY RATES</b>			
<u>Actual</u>			
Residential		2,823,284	2,600,131
<b>Total property rates</b>		<b>2,823,284</b>	<b>2,600,131</b>
Property rates - penalties imposed and collection charges		-	-
<b>Total</b>		<b>2,823,284</b>	<b>2,600,131</b>
<u>Valuations</u>			
Residential		1,376,508	
Commercial		1,792,576	
State		337,202	
Municipal		33,396	
<b>Total Property Valuations</b>		<b>3,539,682</b>	
Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.			
A general rate of R0.005 (2009) was applied to property valuations to determine assessment rates. Rebates of R 15,000 were granted to residential and state property owners. Rates are levied on an annual basis on property owners.			
<b>17 SERVICE CHARGES</b>			
Sale of electricity		14,009,947	12,641,986
Refuse removal		3,924,730	3,784,070
<b>Total Service Charges</b>		<b>17,934,677</b>	<b>16,426,056</b>
<b>18 RENTAL OF FACILITIES AND EQUIPMENT</b>			
Rental of facilities		113,479	131,242
<b>Total rentals</b>		<b>113,479</b>	<b>131,242</b>
<b>19 INTEREST EARNED - EXTERNAL INVESTMENTS</b>			
Bank		83,891	43,849
<b>Total interest</b>		<b>83,891</b>	<b>43,849</b>
<b>20 INTEREST EARNED - OUTSTANDING RECEIVABLES</b>			
Assessment rates		3,311,784	926,274
Electricity		238,762	74,743
<b>Total interest</b>		<b>2,043,335</b>	<b>2,347,394</b>

**NXUBA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>21 GOVERNMENT GRANTS AND SUBSIDIES</b>			
Equitable share		15,043,505	12,935,983
MIG Grant		7,009,501	3,662,527
Other Government Grants and Subsidies		6,658,960	7,864,310
<b>Total Government Grant and Subsidies</b>		<b><u>28,711,965</u></b>	<b><u>24,462,819</u></b>

**21.1 Equitable Share**

In terms of the Constitution, this grant is used to subsidize the provision of basic services to indigent community members and operation of the municipality. All registered indigents receive a monthly subsidy of R84 (2009; R70), which is funded from the grant.

**21.2 MIG Grant**

<b>Balance unspent at beginning of year</b>	1,808,582	1,426
Current year receipts	5,701,590	5,735,410
Conditions met - transferred to revenue	-4,909,083	-3,928,254
<b>Conditions still to be met - remain liabilities</b>	<b><u>2,601,089</u></b>	<b><u>1,808,582</u></b>

This grant is for infrastructure such as roads in Adelaide and Bedford. Revenue is recognized when expenditure for these infrastructure have been incurred and they are supported by relevant documentation.

**21.3 Other Government Grants and Subsidies**

<b>Balance unspent at beginning of year</b>	182,495	317,009
Current year receipts	4,548,298	3,052,669
Conditions met - transferred to revenue	-4,370,932	-3,187,183
<b>Conditions still to be met - remain liabilities</b>	<b><u>359,861</u></b>	<b><u>182,495</u></b>

These grants consist of finance management grant, municipal system improvement grant and primary health. All these grants have their own conditions per service agreement that need to be met before the grant can be recognized as revenue.

**21.4 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act of 2010), significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

**22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**

**22.1 Other income**

	1,835,785	3,566,755
CLEARANCE & VALUATION CERTIF	13,075	14,259
LOST BOOKS	-	59
ELECTION STATION	-	184,766
INTEREST RECEIVED-INTERNAL L	490,467	298,737
SUNDRY REVENUE	1,012,717	1,503,661
BUILDING PLANS	37,887	34,287
COMMISSION MOTOR REGISTRATIO	166,572	174,870
POUND FEES	2,526	5,281
BURIAL FEES	112,541	105,918
Provision for bad debts - reversal	-	1,244,918
<b>Total Other Income</b>	<b><u>1,835,785</u></b>	<b><u>3,566,755</u></b>

Amount received from public contribution and donations for the year are not conditional income that need to be met before recognizing the income as revenue.

**23 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	12,311,568	11,789,656
Employee related costs - Contributions for UIF, pensions and medical aids	2,513,071	2,311,115
Travel, motor car, accommodation, subsistence and other allowances	489,359	1,406,240
Housing benefits and allowances	32,990	36,885
Overtime payments	76,836	23,385
Performance and other bonuses	895,348	850,062
<b>Total Employee Related Costs</b>	<b><u>16,319,172</u></b>	<b><u>16,417,343</u></b>

There were no advances to employees.

**Remuneration of the Municipal Manager**

Annual Remuneration	334,460	290,838
Travel, motor car, accommodation, subsistence and other allowances	222,955	211,674
<b>Total</b>	<b><u>557,415</u></b>	<b><u>502,512</u></b>

**Remuneration of the Chief Finance Officer**

Annual Remuneration	194,647	169,554
Travel, motor car, accommodation, subsistence and other allowances	244,629	232,241
<b>Total</b>	<b><u>439,276</u></b>	<b><u>401,795</u></b>

**NXUBA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

Note	2012 R	2011 R
<b>Remuneration of Individual Directors - Corporate Services</b>		
Annual Remuneration	161,669	189,309
Travel, motor car, accommodation, subsistence and other allowances	<u>176,481</u>	<u>181,707</u>
<b>Total</b>	<b><u>338,150</u></b>	<b><u>371,016</u></b>
<b>Remuneration of Individual Directors - Community Services</b>		
<b>2011</b>		
Annual Remuneration	176,412	206,772
Travel, motor car, accommodation, subsistence and other allowances	<u>193,248</u>	<u>201,703</u>
<b>Total</b>	<b><u>369,660</u></b>	<b><u>408,475</u></b>

**NXUBA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>24 REMUNERATION OF COUNCILLORS</b>			
Speaker/Mayor		431,604	387,250
Councillors' allowances		1,436,165	915,969
<b>Total Councillors' Remuneration</b>		<b><u>1,867,769</u></b>	<b><u>1,303,219</u></b>
<b>25 DEPRECIATION AND AMORTISATION EXPENSE</b>			
Property, plant and equipment		8,452,386	-
<b>Total Depreciation and Amortisation</b>		<b><u>8,452,386</u></b>	<b><u>-</u></b>
<b>26 FINANCE COSTS</b>			
Borrowings		-	1,320
<b>Total Finance Costs</b>		<b><u>-</u></b>	<b><u>1,320</u></b>
<b>27 BAD DEBTS</b>			
Provision for doubtful debts		13,816,184	-
<b>Total bad debts</b>		<b><u>13,816,184</u></b>	<b><u>-</u></b>
<b>28 BULK PURCHASES</b>			
Electricity		17,308,225	12,712,605
Penalty		140,335	-
Interest		57,497	74,522
<b>Total Bulk Purchases</b>		<b><u>17,506,057</u></b>	<b><u>12,787,127</u></b>
<b>30 GRANTS AND SUBSIDIES PAID</b>			
Grant/subsidy to suppliers		1,518,701	1,383,854
COMPUTER & PRINTER		-	88
FURNITURE & EQUIPMENT		25,354	17,529
FURNITURE & EQUIPMENT		788,951	806,003
FURNITURE & EQUIPMENT		2,300	2,987
FINANCE MANAGEMENT GRANT EXP		602,456	522,967
PERFORMANCE MANAGEMENT		5,200	6,808
MUNICIPAL SYSTEMS IMPROVEMEN		8,500	8,860
COMPUTER & PRINTER		85,940	17,529
OFFICE EQUIPMENT		-	1,084
		<b><u>1,518,701</u></b>	<b><u>1,383,854</u></b>

**NXUBA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>31 GENERAL EXPENSES</b>		<b>2012 R</b>	<b>2011 R</b>
Included in general expenses are the following:-			
Accommodation		167,247	69,985
Advertising		62,809	66,268
Agency payments		1,541,843	1,012,621
Cleaning		-	371
Audit fees		136,464	1,431,060
Bank charges		168,319	-947,072
Bedford garden festival		244,594	215,390
Consulting fees		-18,288	184,581
Entertainment		27,118	5,861
Fuel and oil		403,006	294,412
HIV / AIDS programme		-	30,445
Insurance		823,220	836,370
Legal expenses		186,052	79,825
License fees - vehicles and computers		47,213	27,120
Membership fees		1,386	1,500
Other	See disclosure below	3,398,394	7,592,858
Rental of office equipment		81,631	66,156
Postage		244,296	173,569
Printing and stationary		224,084	192,031
Refuse bags		23,280	26,274
Skills development levies		91,521	105,468
Software IT		25,212	16,123
Stocks and material		65,683	992,266
Street lighting		-	-30,108
Subscription & publication		6,700	10,641
Telephone cost		488,124	709,706
Tourism promotion and expenses		9,132	20,331
Training		102,389	72,497
Travel and subsistence		185,694	149,093
		<b><u>8,737,122</u></b>	<b><u>13,405,642</u></b>
<b>Other</b>			
DEPARTMENTS: WATER		1,527,777	-
DEPARTMENTS: ELECTRICITY		15,000	-
DEPARTMENTS: ELECTRICITY		33,339	-
PUBLIC PARTICIPATION		29,905	10,333
SPU S		37,313	6,043
AUDIT COMMITTEE		97,990	77,003
LED FORUM		4,310	1,008
LOSS-DISPOSAL PROP PLANT & EQU		-	6,716,887
MAYORS DISCRETIONARY FUND		281,145	4,050
DEPARTMENTS: WATER		39,474	-
PROTECTIVE CLOTHING		724	-
ADELAIDE HOBBIES		-	7,495
IDP REVIEW		110,383	22,840
REPLACEMENT: LOST BOOKS		2,217	-
AWARENESS CAMPAIGN PROGRAM		94,814	84,723
POUND FEES		2,474	-
PROTECTIVE CLOTHING		7,855	30,769
ROAD SIGNS		-	6,729
TREE FELLING		1,990	-
FINES AND PENALTIES		1,104,309	481,530
FINES AND PENALTIES		-	109,644
PROTECTIVE CLOTHING		2,786	30,817
PERFORMANCE MANAGEMENT		-	2,987
PROTECTIVE CLOTHING		4,590	-
		<b><u>3,398,394</u></b>	<b><u>7,592,858</u></b>

**NXUBA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2012 R	2011 R
<b>32 CASH GENERATED BY OPERATIONS</b>			
<b>Surplus/(deficit) for the year</b>		<u><b>(13,372,814)</b></u>	<b>5,561,148</b>
Adjustment for:-			
Staff leave accrual		149,113	117,000
Bad debts		13,816,184	-
Collection costs		-	-
Depreciation and amortisation expense		8,452,386	-
<b>Operating surplus before working capital changes:</b>		<b>9,044,869</b>	<b>5,678,148</b>
Increase in Inventory		-	-
Increase/(Decrease) in payables		3,967,629	(3,656,267)
Increase/ (Decrease) Consumer Deposits		20,350	549,853
Increase/ (Decrease) Vat Receivable		(945,629)	(2,476,092)
(Increase)/Decrease in other current assets		(31,189)	-
(Increase)/Decrease Grant Payable		2,407,745	8,146,533
(Increase)/Decrease in receivables		8,051,783	(7,663,826)
(Increase)/Decrease in inventories		(299,690)	-
Other: Accumulated profit Adjustment on grants		(19,857,524)	-
<b>Cash generated by/(utilised in) operations</b>		<b>2,358,344</b>	<b>578,349</b>
Other payments		-	-
<b>Net cash flows from operating activities</b>		<u><b>2,358,344</b></u>	<u><b>578,349</b></u>
<b>33 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		983,200	3,789,914
<b>Net cash and cash equivalents (net of bank overdrafts)</b>		<u><b>983,200</b></u>	<u><b>3,789,914</b></u>

**NXUBA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2012 R	2011 R
<b>34 CHANGE IN ACCOUNTING POLICY</b>			
<b>34.1 CORRECTION OF PRIOR YEAR ERROR</b>			
<b>Accumulated Surplus</b>			
As previously reported on June 2011 Financial statements			2011 -53,021,146
Balance per audited TB			-45,268,039
GRAP 17 Implementation			-163,760,262
			<hr/>
GRAP 17 implementation -current year			-209,028,301
Prior period adjustment -net effect of journal adjustments			-15,694,218
Deficit for the year			-3,977,758
<b>Total for current year</b>			<hr/> -213,524,171 <hr/>
<b>34.2 Trade and other Receivables</b>			
During the year ended 30 June 2011, Trade and Other Receivables were incorrectly reported :-			
The comparative amount has been restated as follows:			
As previously stated : Trade and Other Receivables			13,424,205
Restated position : Trade and Other receivables			13,486,749
			3,542,310
			17,029,059
No net effect on Statement of Financial Position			-1,242,969
Net effect on surplus/(deficit) for the year			1,242,969
<b>34.3 Valued Added Tax</b>			
During the year ended 30 June 2011, VAT was incorrectly reported :-			
As previously stated : VAT			2,669,241
Restated position : VAT			2,667,531
No net effect on Statement of Financial Position			-1,710
Net effect on Accumulated surplus opening balance			1,710
<b>34.4 Leave Pay Accrual</b>			
During the year ended 30 June 2011, leave pay accrual was erroneously understated :-			
As previously stated :Leave accrual			1,066,930
The comparative amount has been restated as follows:			
Corrections of understatement of leave pay accrual			38,590
Net effect on surplus/(deficit) for the year			-38,590
<b>34.5 Call accounts</b>			
During the year ended 30 June 2011, call accounts were erroneously overstated :-			
As previously stated :Call accounts			3,329,987
Restated position : Call accounts			1,368,378
Corrections of overstatement of call accounts due to unprocessing of call accounts			-1,961,609
Net effect on surplus/(deficit) for the year			1,961,609
<b>34.6 Prepayments</b>			
During the year ended 30 June 2011, prepayments were written off :-			
The comparative amount has been restated as follows:			
As previously stated :Prepayments accounts			1,217,388
Restated position : Prepayments			-
Corrections of overstatement of prepayments due to the prepayments not being there			-1,217,388
Net effect on surplus/(deficit) for the year			1,217,388
<b>34.7 Suspense Accounts</b>			
During the year ended 30 June 2011, suspense accounts were cleared and reconciled :-			
The comparative amount has been restated as follows:			
As previously stated :Suspense Accounts			602,811
Restated position : Suspense accounts			-
Corrections of overstatement of suspense accounts due to reconciliations			-602,811
Net effect on surplus/(deficit) for the year			602,811

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	Note	2012 R	2011 R
During the year ended 30 June 2011, cash and cash equivalent was understated due			
<b>34.8</b>	to the discovering of bank accounts not on the general ledger :- The comparative amount has been restated as follows:		
	As previously stated :cash and cash equivalent		3,000,131
	Restated position : cash and cash equivalent		3,789,914
	Corrections of understatement of cash and cash equivalents		789,783
	Net effect on surplus/(deficit) for the year		-789,783
During the year ended 30 June 2011, the Municipality implemented Grap 17 for the			
<b>34.9</b>	first time The comparative amount has been restated as follows:		
	As previously stated :Implementation of Grap 17		41,189,696
	Restated position : Implementation of Grap 17		207,804,919
	Implementation of Grap 17		166,615,223
	Net effect on surplus/(deficit) for the year		-166,615,223
	Net effect on surplus/(deficit) for the year		14,326,958
<b>34.10</b> During the year ended 30 June 2011, Consumer deposits were overstated . The comparative amount has been restated as follows:			
	As previously stated :Consumer deposits		896,936
	Restated position : Consumer deposits		352,007
During the year ended 30 June 2011, unspent conditional grants were overstated.			
<b>34.11</b>	The comparative amount has been restated as follows:		
<b>34.12</b>	As previously stated :unspent conditional grants		11,107,483
	Restated position : unspent conditional grants		3,658,228
	Correction of overstatement of unspent conditional grants		7,449,255
	Net effect on surplus/(deficit) for the year		<u>-7,449,255</u>
<b>34.13 Correction of previously misstated creditors</b> During the year ended 30 June 2011, Creditors were incorrectly reported :-			
	As previously stated :		16,498,046
	Restated position : Summary of adjustments		10,792,314
	Net effect on Statement of Financial Position		5,705,732
	Net effect on Accumulated surplus opening balance		<u>-5,705,732</u>
<b>34.14 Other adjustment</b> During the year ended 30 June 2012, was incorrectly reported :-			
	As previously stated : Summary of adjustments		3,977,758
	Restated position : Summary of adjustments		<u>2,985,261</u>
	Other transactions through accumulated surplus		992,497
<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>			
<b>35 DISALLOWED</b>		<b>2012</b>	<b>2011</b>
		R	R
<b>36 Unauthorized and irregular expenditure</b>			
Opening balance		8,200,748	-
Bad debts		13,816,184	-
Depreciation and amortisation		8,452,386	8,200,748
Reconciliation of unauthorized expenditure		-	-
		<u>22,268,570</u>	<u>8,200,748</u>
<b>37 Fruitless and wasteful expenditure</b>			
Reconciliation of fruitless and wasteful expenditure			
Opening balance -		481,530	-
Fruitless and wasteful expenditure current year		542,014	481,530
Condoned or written off by Council		-	-
Fruitless and wasteful expenditure awaiting condonement		<u>1,023,544</u>	<u>481,530</u>

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Note	2012 R	2011 R	
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>			
<b>38 MANAGEMENT ACT</b>			
<b>39 Contributions to organised local government</b>			
Opening balance	-	-	
Amount charged - current	11,438	11,047	
Amount paid - previous years	-	-	
<b>Balance unpaid (included in payables)</b>	<b>11,438</b>	<b>11,047</b>	
<b>40 Audit fees</b>			
Opening balance	3,181,817	2,196,867	
Current year audit fee	1,667,347	1,706,233	
Amount paid - current year	-90,000	-721,283	
<b>Balance unpaid (included in payables)</b>	<b>4,759,164</b>	<b>3,181,817</b>	
<b>41 VAT</b>			
VAT input receivables and VAT output payables are shown in note 12.2.			
<b>42 PAYE and UIF</b>			
Opening balance	314,969	-	
Current year payroll deductions	1,571,737	1,556,414	
Amount paid - current year	-1,231,281	-1,241,445	
Amount paid - previous years	-	-	
<b>Balance unpaid (included in payables)</b>	<b>655,425</b>	<b>314,969</b>	
The balance represents PAYE and UIF deducted from the June 2011 payroll. All these amounts were paid during July 2011.			
<b>43 Pension and Medical Aid Deductions</b>			
Opening balance	(39,067)	-	
Current year payroll deductions and Council Contributions	2,302,623	2,143,368	
Amount paid - current year	(2,302,623)	(2,182,435)	
<b>Balance unpaid (included in payables)</b>	<b>(39,067)</b>	<b>(39,067)</b>	
The balance represents pension and medical aid contributions deducted from employees in the June 2011 payroll as well as Council's contributions to pension and medical aid funds. All these amounts were paid during July 2011.			
<b>44 Councilor's arrear consumer accounts</b>			
The following Councilors had arrear accounts outstanding for more than 90 days as at: -			
	<b>Total</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 30 June 2012</b>			
CA Auld	2,582	841	1,740
AD Bruintjies	-	-	-
GM Jack	-	-	-
G DE Lange	757	244	513
SA Ndyambo	4,917	321	4,596
E. Lombard	-	-	-
QP Maloni	1,680	222	1,459
BP Mentoor	130	130	-
<b>Total Councilor Arrear Consumer Accounts</b>	<b>10,065</b>	<b>1,757</b>	<b>8,308</b>
<b>as at 30 June 2011</b>			
AD Bruintjies	7,166	421	6,745
G DE Lange	542	55	487
GM Jack	3,462	267	3,196
CA Auld	9,350	1,276	8,075
SA Ndyambo	7,105	417	6,688
R. Bana	5,321	308	5,013
B Snyman	6,589	196	6,393
<b>Total Councilor Arrear Consumer Accounts</b>	<b>39,536</b>	<b>2,939</b>	<b>36,597</b>
<b>45 Non-Compliance with Chapter 11 of the Municipal Finance Management Act</b>			
<b>Commitments in respect of capital expenditure</b>			
<b>- Approved and contracted for</b>	<b>3,934,777</b>	<b>7,238,303</b>	
Infrastructure	3,934,777	7,238,303	
This expenditure will be financed from:			
- Government Grants	3,934,777	7,238,303	
<b>46 CONTINGENT LIABILITY</b>			
	<b>R</b>	<b>R</b>	
There is a court case against the Municipality by suspended employees at year end. The potential liability is approximately:			
	1,055,463	-	

**NXUBA MUNICIPALITY**  
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<b>47 COMPARISON OF BUDGET VERSUS ACTUAL</b>	Note	2012 R	2011 R
	Budget 2011/2012	Actual 2011/2012	Variances
<b>REVENUE</b>			
Property rates	2,945,000	2,823,284	121,716
Service charges	17,040,172	17,934,677	-894,505
Rental of facilities	96,000	113,479	-17,479
Fines	12,000	115,300	-103,300
Licence and permits	900,500	1,733,399	-832,899
Government grants and subsidies	30,536,000	28,711,965	1,824,035
Other income	4,011,057	1,835,785	2,175,272
Interest received-investment	-	2,127,226	-2,127,226
<b>Total revenue</b>	<b>55,540,729</b>	<b>55,395,115</b>	
<b>EXPENDITURE</b>			
Employee costs	14,986,549	16,319,172	-1,332,623
Remuneration of councillors	1,757,498	1,867,769	-110,271
Finance costs	-	-	-
Repairs and maintenance	1,931,452	550,537	1,380,915
Bulk purchases	10,815,279	17,506,057	-6,690,778
Contracted services	12,854,250	-	12,854,250
Grants and subsidies paid	3,566,400	1,518,701	2,047,699
General expenses	9,629,301	8,737,122	892,179
Depreciation	-	8,452,386	-8,452,386
Bad Debts Provision	-	13,816,184	-13,816,184
<b>Total expenditure</b>	<b>55,540,729</b>	<b>68,767,929</b>	<b>-13,227,200</b>
<b>Deficit</b>		<b>(13,372,814)</b>	

The main variance relates to bulk electricity purchases. Inaccurate estimates of electricity consumption were made and losses through electricity theft. The contracted services have been captured under capital expenditure thus they do not form part of the Statement of Financial Performance. Other variances were mainly due to non cash items such as Depreciation, Bad debts. Depreciation and Bad Debts provision were not budgeted for. This has been reported under unauthorised expenditure.

**48 Reconciliation between budget and statement of financial performance**

**Reconciliation of budget/surplus/deficit with the surplus/deficit in the statement of financial performance**

	2012	2011
Net surplus per statement of Financial Performance	(13,372,814)	5,561,147
Adjusted for		
Fair Value adjustment	-	(298,737)
Increase in provision	-	2,979,168
Write off of inventory balances	-	6,716,887
Net Interest received	(2,127,226)	(1,948,281)
Bad debts provision	13,816,184	-
Other adjustments	-	361,122
Grants and subsidies paid	1,518,701	-
Variances per Departments - expenditure	1,549,837	(7,579,131)
Depreciation	8,452,386	-
<b>Surplus/deficit per budget</b>	<b>9,837,068</b>	<b>5,792,175</b>

**49 CONTINGENT ASSET**

The Municipality did not have contingent assets at the year ended 30 June 2012.

**NXUBA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>50 RELATED PARTIES</b>			
The municipality did not have related part transactions during the 2011/2012 financial period			
<b>51 EVENTS AFTER THE REPORTING DATE</b>		<b>2012</b>	<b>2011</b>
There were no significant events identified after balance sheet.			
		R	R
<b>52 Maximum credit risk exposure</b>			
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing.			
Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored.			
Financial assets exposed to credit risk at year end were as follows:			
<b>52.1 Current Account (Other Account)</b>			
<b>Current Account (Other Account)</b>			
ABSA Bank Limited - Library Account Adelaide Branch: Account Number 4055145556		-	69,031
ABSA Bank Limited - FMG Adelaide Branch: Account Number 4063080837		-	35,112
ABSA Bank Limited - Development Plan Adelaide Branch: Account Number 9057274100		15,625	15,087
ABSA Bank Limited - Operating Account Adelaide Branch: Account Number 9074038460		4,320	4,246
ABSA Bank Limited - Nxuba Electricity Adelaide Branch: Account Number 9081226121		19,162	1,149,733
ABSA Bank Limited - Grant In Aid Adelaide Branch: Account Number 9103862998		2,072	2,006
ABSA Bank Limited - MSP Fund Adelaide Branch: Account Number 9116410431		495,779	46,995
ABSA Bank Limited - 127 Zinc Houses Adelaide Branch: Account Number 9120314689		52,010	50,219
ABSA Bank Limited - FMG Adelaide Branch: Account Number 9167907774		3,968	3,831
ABSA Bank Limited - Traffic Department Adelaide Branch: Account Number 9198592469		8,949	443,157
FNB Bank Limited -Public Sector Cheque Account Adelaide Branch: Account Number 51640011783		2,555,480	2,692,631
FNB Bank Limited - Investment Account Bedford Branch: Account Number 74277793095		-	-
FNB Bank Limited - Money Market Account Adelaide Branch: Account Number 62066064793		45,237	44,231
<b>53 RESTATEMENT OF COMPARATIVE INFORMATION</b>		<b>2012</b>	<b>2011</b>
See note 33 on Prior Year adjustments			
Provisions		-	-
Accruals - bonuses		-	-
		<b>1,020,379</b>	<b>903,467</b>
<b>54 Events after reporting date</b>			
The municipal management performs reviews of accounting records, bank statements and major contracts with third parties to identify significant events that occurred after the reporting date. No significant events occurred after the reporting date in the current year.			
<b>55 GRAP 16 - Investment Properties</b>			
This standard has been complied with in full			
Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:			
Land with undetermined use;			
Land;			
Buildings; and			
Land and Buildings.			
Total not previously recognized now restated retrospectively			
<b>56 GRAP 102 - Intangible Assets</b>			
This standard has been complied with in full			
Computer Software;			
Intangible assets financed by way of grants;			
Intangible assets transferred as a result of the transfer of functions; and			
Servitudes.			

**NXUBA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2012 R	2011 R
Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:			
Computer software;		19,277	19,277
Accumulated amortization on computer software		-	-
Total not previously recognized now restated retrospectively		19,277	19,277

**57 GRAP 12 - Inventories**

The standard was adopted in full

**NXUBA MUNICIPALITY**  
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Note

2012  
R

2011  
R