

Annual Financial Statements

for

NXUBA MUNICIPALITY

for the year ended 30 June.:2012

Province:

EASTERN CAPE

Contact Information:	
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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 5 to 38, 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.

Municipal Manager:

Date

31-Aug-12

NXUBA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Note	2012 R	2011 R
ASSETS			
Current assets		15 485 654	24 868 882
Cash and cash equivalents	1	997 175	3 789 914
Trade receivables from exchange transactions	2	7 800 297	13 486 749
Trade receivables from non-exchange transactions	2	1 177 305	3 542 310
Inventories	4	299 690	-
Call investments	5	1 685 189	1 368 378
Investments - fixed deposits	6	15 580	14 000
VAT receivable	12.2	3 510 419	2 667 531
Non-current assets		220 945 728	208 183 798
Property, plant and equipment	7	220 566 849	207 804 919
Intangible assets	8	19 277	19 277
Investment property carried at cost	9	359 602	359 602
Total assets		236 431 382	233 052 680
LIABILITIES			
Current liabilities		22 907 212	23 993 190
Trade and other payables	10	14 611 029	18 877 435
Consumer deposits	11	374 966	352 007
Leave accrual	13	1 855 243	1 105 520
Current portion of unspent conditional grants and rec	14	6 065 974	3 658 228
Non-current liabilities			31 189
Operating lease liability		-	
Total liabilities		22 907 212	24 024 379
Net assets		213 524 170	209 028 301
NET ASSETS			
Accumulated surplus / (deficit)		213 524 171	209 028 301
Total net assets		213 524 171	209 028 301

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

	Note	2012 R	2011 R
REVENUE			
Revenue from non-exchange transactions		31 650 549	27 076 575
Property rates	16	2 823 284	2 600 131
Fines		115 300	13 624
Government grants and subsidies	21	28 711 965	24 462 820
Revenue from exchange transactions		23 730 214	24 114 644
Service charges	- 17	17 934 677	16 479 813
Rental of facilities and equipment	18	113 183	131 241
Interest earned - external investments	19	83 891	43 849
Interest earned - outstanding receivables	20	2 043 335	2 347 394
Licences and permits		1 158 631	1 550 872
Other income	22	2 396 497	3 561 475
Total revenue		55 380 763	51 191 219
EXPENDITURE			
Employee related costs	23	16 319 926	16 522 811
Remuneration of councillors	24	1 856 142	1 303 219
Bad debts provision	27	13 849 523	-
Collection costs		-	-
Depreciation and amortisation expense	25	8 432 485	-
Repairs and maintenance		549 571	281 713
Finance costs	26	152 671	481 530
Bulk purchases	28	17 506 057	12 787 127
Contracted services	29	230 973	-
Grants and subsidies paid	30	1 541 223	1 359 430
General expenses	31	10 118 299	12 894 242
Total expenditure		70 556 870	45 630 072
Surplus / (deficit) for the year		(15 176 106)	5 561 147

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

	Note	Accumulated Surplus/(Deficit) R	Total: Net Assets R
			-
Opening balance as previously reported as at 30 June 2010	34	39 706 892	39 706 892
Grap 17 implementation	35	163 760 262	163 760 262
Prior year adjustments - Transfer of water account to ADM district			-
Restated opening balance 2011		203 467 154	203 467 154
Prior period error			
Surplus / (deficit) for the year		5 561 147	5 561 147
Balance at 30 June 2011		209 028 301	209 028 301
Grap 17 implementation		15 694 218	15 694 218
Prior period adjustment		3 977 758	3 977 758
Surplus / (deficit) for the year		(15 176 106)	(15 176 106)
Balance at 30 June 2012		213 524 171	213 524 171

NXUBA MUNICIPALITY
CASH FLOW STATEMENT

as as 30 June 2012

	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the year		-15 176 106	5 561 147
Adjustments for :			
Staff leave accrual		749 723	85 140
add back Depreciation		8 432 485	
Increase (decrease) in provision for bad debts		13 849 523	-1 278 560
Write-off of assets		835 488	
Operating cash flow before changes in net operating assets		8 691 112	4 367 727
Increase/(Decrease) in payables		-4 266 406	10 670 691
Increase/ (Decrease) Consumer Deposits		22 959	4 924
(Increase)/Decrease in other current assets		-	-1 644 809
(Increase)/Decrease Vat Receivable		-842 888	-2 474 382
(Increase)/Decrease in receivables		-8 051 458	-6 420 857
Prior Year adjustment		3 977 758	-
Increase in Inventories		-299 690	-
Net cash flow from operating activities	32	-768 612	4 503 293
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, plant and equipment		-4 113 482	-
Investments		-1 580.00	-
Net cash flows from investing activities		-4 115 062	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Bank Overdraft		-	-610 328
Increase in Unspent conditional Grants		2 407 745	697 278
Net cash flows from financing activities		2 407 745	86 950
Net increase / (decrease) in net cash and cash equivalents		-2 475 928	4 590 244
Net cash and cash equivalents at beginning of period		5 158 292	568 048
Net cash and cash equivalents at end of period		2 682 363	5 158 292
		2 682 364	5 158 292

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

	Note	R 2012	R 2011
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		668	-
Cash at bank		996 507	3 789 914
		997 175	3 789 914
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
ABSA Bank Limited - Adelaide Branch: Account Number 23 6000 0012			
FNB-Bank Limited - Bedford Branch: Account Number 51640011783			
Cash book balance at beginning of year		3 340 855	628 890
Cash book balance at end of year		981 449	3 340 855
Bank statement balance at beginning of year		2 823 005	163 728
Bank statement balance at end of year		981 449	2 823 005
<u>Current Account (Other Account)</u>			
Absa Bank Limited - Adelaide Branch: Account Number 9198592469			
ABSA Bank Limited - Adelaide Branch: Account Number 40 6308 0837			
Cash book balance at beginning of year		443 157	443 157
Cash book balance at end of year		9 751	443 157
Bank statement balance at beginning of year		443 157	443 157
Bank statement balance at end of year		9 751	443 157
<u>Savings Account</u>			
Absa Bank Limited - Adelaide Branch: Account Number 9074038460			
Cash book balance at beginning of year		4 234	1 806
Cash book balance at end of year		4 308	4 234
Bank statement balance at beginning of year		4 289	1 806
Bank statement balance at end of year		4 308	4 289
<u>Cash on hand</u>		1 668	1 668
Total cash and cash equivalents		997 175	3 789 914
Total bank overdraft		-	-

The balances of cash and cash equivalents equals its fair value.

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

	Note	R 2012	R 2011
2 TRADE RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Trade receivables			
as at 30 June 2012			
Service debtors from exchange transactions			
Electricity	5 953 857	(3 909 777)	2 044 080
Refuse	20 382 087	(14 625 870)	5 756 217
Total	26 335 944	(18 535 648)	7 800 296
Service debtors from non-exchange transactions			
Rates	11 522 458	(10 858 680)	663 778
Other admin, sundry and old housing	8 727 519	(8 213 992)	513 527
Total	20 249 977	(19 072 672)	1 177 305
as at 30 June 2011			
Service debtors from exchange transactions			
Electricity	5 035 583	(3 122 379)	1 913 204
Refuse	23 522 431	(11 948 886)	11 573 545
Total	28 558 014	(15 071 265)	13 486 748
Service debtors from non-exchange transactions			
Rates	11 456 716	(9 296 828)	2 159 888
Other admin, sundry and old housing	7 903 679	(6 521 257)	1 382 421
Total	19 360 395	(15 818 085)	3 542 310
Rates: Ageing			
Current (0 – 30 days)		143 676	141 282
31 - 60 Days		136 912	108 778
61 - 90 Days		98 997	98 112
91 - 120 Days		11 142 873	11 108 545
Total		11 522 458	11 456 716
Electricity : Ageing			
Current (0 – 30 days)		777 046	1 117 690
31 - 60 Days		448 945	535 622
61 - 90 Days		205 171	328 799
91 - 120 Days		4 522 695	3 053 472
Total		5 953 857	5 035 583
Other admin &Sundry Ageing			
Current (0 – 30 days)		306 534	294 415
31 - 60 Days		305 562	291 332
61 - 90 Days		43 446	286 453
91 - 120 Days		8 071 976	7 031 477
Total		8 727 519	7 903 678
Old Housing Ageing			
91 - 120 Days		-	-
Total		-	-
Total Other admin & Sundry and Old Housing Ageing		8 727 519	7 903 678
Basic Refuse: Ageing			
Current (0 – 30 days)		348 198	390 364
31 - 60 Days		318 271	366 579
61 - 90 Days		310 985	354 497
91 - 120 Days		19 404 634	22 410 991
Total		20 382 088	23 522 431
Summary of Debtors by Customer Classification			
	Consumers	Industrial / Commercial	National and Provincial Government
as at 30 June 2012			
Current (0 – 30 days)	902 755	368 080	304 620
31 - 60 Days	733 010	192 235	284 445

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

	Note	R 2012	R 2011
61 - 90 Days	466 791	113 231	78 577
91 - 120 Days	40 757 784	2 060 318	324 075
Sub-total	42 860 340	2 733 864	991 717
Less: Provision for doubtful debts	-36 374 864	-1 233 456	-
Total debtors by customer classification	6 485 476	1 500 408	991 717
as at 30 June 2011			
Current (0 – 30 days)	1 018 284	461 724	463 743
31 - 60 Days	778 425	289 130	234 756
61 - 90 Days	729 196	154 857	183 808
91 - 120 Days	33 866 558	2 172 528	1 653 060
121 - 365 Days	-	-	-
+ 365 Days	-	-	-
Sub-total	36 392 463	3 078 239	2 535 367
Less: Provision for doubtful debts	-29 434 008	-1 455 342	-
Total debtors by customer classification	6 958 455	1 622 897	2 535 367

Reconciliation of the doubtful debt provision for exchange and

2.1 non-exchange transactions

Balance at beginning of the year	23 758 797	25 037 357
Provision raised in current year	13 849 523	(1 278 560)
Provision utilised in current year	-	-
Balance at end of year	37 608 320	23 758 797

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 526 88 (2011: R4 313 923) were past due but not impaired.

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

1 month past due	1 209 690	1 943 751
2 months past due	658 599	1 302 311
3 months past due	658 599	1 067 861

Trade and other receivables impaired

As of 30 June 2012, trade and other receivables of R 37 608 320 (2011: R30 889 350) were impaired and provided for.

The ageing of these receivables is as follows:

Above 3 months	42 818 102	36 039 086
	-	-
	42 818 102	36 039 086

The fair value of trade and other receivables approximates their carrying amounts.

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

	Note	R 2012	R 2011
3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		R	R
Prepayments		(377 716)	(171)
Total		<u>(377 716)</u>	<u>(171)</u>
4 INVENTORIES			
Other goods held for resale – at cost		-	-
Opening balance of inventories		<u>-</u>	<u>-</u>
Other goods held for resale - at cost		299 690	-
Closing balance of inventories		<u>299 690</u>	<u>-</u>
<p>Inventories consists of road Construction material, electrical items for repairs and maintenance and stationery items held by the municipality for its projects and other daily activities.</p>			
5 CALL INVESTMENTS			
Current portion of unspent conditional grants and receipts		6 065 974	3 658 228
Current portion of unspent unconditional grants and receipts		-	-
Total call investments		<u>6 065 974</u>	<u>3 658 228</u>
<p>These investments are in respect of unspent conditional and unconditional grants from call accounts balances.</p>			
6 INVESTMENTS - SECURITIES			
<u>Financial Instruments</u>			
Capital		14 000	14 000
Interest - current		1 580	-
Total investments - securities		<u>15 580</u>	<u>14 000</u>
<p>These investments are held as securities for bonds over properties purchased by municipal staff.</p>			

NXUBA MUNICIPALITY
ACCOUNTING POLICIES NOTES
as at 30 June 2012

1.1. BASIS OF PREPARATION

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 Directive 5 "Determining the GRAP Reporting Framework", issued by the Accounting Standards Board and in a manner required by the MFMA.

The standards are summarised as follows:

No.	Reference	Topic
1	GRAP Framework	Framework for the preparation and presentation of financial statements
2	GRAP 1	Presentation of financial statements
3	GRAP 2	Cash flow statements
4	GRAP 3	Accounting policies, changes in accounting estimates and errors
5	GRAP 4	The effects of changes in foreign exchange rates
6	GRAP 5	Borrowing costs
7	GRAP 6	Consolidated and separate financial statements
8	GRAP 7	Investments in associates
9	GRAP 8	Interests in joint ventures
10	GRAP 9	Revenue from exchange transactions
11	GRAP 10	Financial reporting in hyperinflationary economies
12	GRAP 11	Construction contracts
13	GRAP 12	Inventories
14	GRAP 13	Leases
15	GRAP 14	Events after the reporting date
16	GRAP 16	Investment property
17	GRAP 17	Property, plant and equipment
18	GRAP 19	Provisions, contingent liabilities and contingent assets
19	GRAP 23	Revenue from non-exchange transactions
20	GRAP 24	
19	GRAP 100	Non-current assets held for sale and discontinued operations
21	GRAP 102	Intangible assets
22	IFRS 7	Financial instruments: Disclosures
23	IAS 19	Employee benefits
24	IAS 32	Financial instruments: Presentation
25	IAS 39	Financial instruments: Recognition and measurement
26	IPSAS 20	Related party disclosures
27	IPSAS 21	Impairment of non-cash generating assets
30	IFRIC 4	Determining whether an Arrangement contains a Lease
31	Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
32	Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
33	Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
34	Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
35	Directive 5	Determining the GRAP Reporting Framework
36	ASB guide 1	Guideline on Accounting for Public Private Partnerships

NXUBA MUNICIPALITY
ACCOUNTING POLICIES NOTES

as at 30 June 2012

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories;
GRAP 13 – Leases;
GRAP 16 – Investment Property;
GRAP 17 – Property, Plant and Equipment;
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets;
GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations;
GRAP 102 – Intangible Assets.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

The municipality executes the Government's mandate and will continue to do so in the future with the assistance of the South African Government. In light of this, these annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material 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.

1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 25	Employee costs
GRAP 26	Impairment of cash-generating assets
GRAP 104	Financial instruments

1.6. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include material errors, and the treatment of assets financed by external grants.

NXUBA MUNICIPALITY
ACCOUNTING POLICIES NOTES
as at 30 June 2012

1.7. LEASES

1.7.1 Municipality 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. Transfer of ownership is not required to be recognised as a finance lease. 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 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 and 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.

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

1.7.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.8. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

1.9. 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 resource 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 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.

NXUBA MUNICIPALITY
ACCOUNTING POLICIES NOTES
as at 30 June 2012

(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.

(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.

1.10. EMPLOYEE BENEFITS

(a) Pension obligations

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 provides for retirement benefits to its employees.

(b) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.11. PROPERTY, PLANT AND EQUIPMENT

1.11.1 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 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 assets 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.

1.11.2 Subsequent Measurement

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

Where the entity 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.

NXUBA MUNICIPALITY
ACCOUNTING POLICIES NOTES
as at 30 June 2012

**Useful Lives of
Property, Plant and
Equipment**

	Asset Life		Asset Life
INFRASTRUCTURE ASSETS			
ELECTRICITY:		GAS:	
Power stations	30	Meters	20
Cooling towers	30	Mains	20
Transformer Kiosks	30	Storage tanks	20
Meters	20	Supply/reticulation	20
Load control equipment	20		
Switchgear equipment	20	SEWERAGE	
Supply/reticulation	20	Sewers	20
Mains	20	Outfall sewers	20
		Purification works	20
		Sewerage pumps	15
ROADS:			
Motorways	15	Sludge machines	15
Other roads	10		
Traffic islands	10	PEDESTRIAN MALLS:	
Traffic lights	20	Footways	20
Street lighting	25	Kerbing	20
Overhead bridges	30	Paving	20
Storm water drains	20		
Bridges, subways & culverts	30	AIRPORTS:	
Car parks	20	Aprons	20
Bus terminals	20	Runways	20
		Taxiways	20
COMMUNITY ASSETS		Airports/Radio Beacons	20
BUILDINGS:		RECREATIONAL FACILITIES:	
Ambulance stations	30	Bowling greens	
Aquariums	30	Tennis courts	20
Beach developments	30	Swimming pools	20
Care centers	30	Golf courses	20
Cemeteries	30	Jukskei pitches	20
Civic theatres	30	Outdoor sports facilities	20
Clinics/Hospitals	30	Organ & Case	20
Community centers	30	Lakes and dams	20
Fire stations	30	Fountains	20
Game Reserves/Rest Camps	30	Floodlighting	20
Indoor sports	30		
Libraries	30	SECURITY MEASURES:	
Museums/Art galleries	30	Fencing	
Parks	30	Security systems	3
Public conveniences/Bathhouses	30	Access control	5
Recreation centers	30		
Stadiums	30		5
		WATER	
Zoos	30	Meters	15
		Mains	20
		Rights	20
		Supply/reticulation	20
		Reservoirs & Tanks	20

1.11.3 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed 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.

1.12. INTANGIBLE ASSETS

1.12.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software. 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 capitalised, while development expenditure is only capitalised to the extent that:

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- 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 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.

1.12.2 Subsequent Measurement

Intangible assets are measured at Cost less amortisation. The intangible asset is tested for impairment annually

Useful Life

The Useful lives of Intangible Assets ranges from 3 years to 20 years

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1.13. INVESTMENT PROPERTY

1.13.1 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 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.

1.13.2 Subsequent Measurement

The municipality is implementing GRAP for the first time and has taken Directive 4 exemption applicable for the first three years of initial adoption of GRAP to Low Capacity Municipalities. The effect of this is that assets are not depreciated or assessed for impairment in the first three years. Progress towards full compliance with the requirement of GRAP 17 will be disclosed in the annual financial statements for the next three years. The municipality is under going process of implementing a full GRAP compliant fixed asset register and it is expected to be finalised by the end of 2010/2011 financial year.

1.13.3 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.

1.14. INVENTORIES

1.14.1 Initial Recognition

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.

1.14.2 Subsequent Measurement

The inventory is recorded at the lower of Cost and Net Realisable Value. Cost is determined by the First in First Out method.

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1.15. FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position include trade and other receivables, cash and cash equivalents, and trade and other payables.

1.15.1 Initial Recognition

Financial instruments are initially recognised at fair value.

1.15.2 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, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.15.2.1 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 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.

1.15.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

1.15.2.3 Trade Payables and Borrowings

Financial liabilities are held at amortised cost, are initially recognised at fair value and are subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest. Trade payables are stated at cost which approximates the fair value of the consideration to be paid as payables are paid within 30 days as required by Treasury regulations, therefore the time effect is negligible.

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1.15.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that 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, highly liquid deposits and 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.

1.15.3 De-recognition of Financial Instruments

1.15.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.15.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.15.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.15.5 Impairment of Financial Assets

The Municipality assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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ACCOUNTING POLICIES NOTES
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1.16. REVENUE

1.16.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity 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 property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fines constitute both spot fines and summonses. Revenue from spot fines and summons is recognised when payment is received and at year-end provision is made for the income from outstanding fines based on historical payment information. A provision is only raised in the event that the fines and summonses remain unpaid at year end.

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, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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.

1.16.2 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.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. This is the most prudent approach that management has elected since this is low capacity municipality and has no capacity/systems in place to dermine usage of electricity by each individual customer.

Service charges relating to refuse removal are recognised on an annual basis applying the approved tariff to each household and business premises. Tariffs are determined per category of property and usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised using the effective interest method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant - tariff. This includes the issuing of licences and permits.

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as at 30 June 2012

1.16.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants (including conditional 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. Unspent public contributions are disclosed in the financial statements as unspent conditional grants.

1.17. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, the Mayor and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

All related parties transactions are conducted and recorded at arm's length and disclosed in the notes to the financial statements. The municipality performs a CIPC search on all the above mentioned personnel, including the Councilors and Section 57 managers so as to identify any related party transactions. There were no related party transactions identified.

1.18. 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 a 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.

1.19. 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, and (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.

1.20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could 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.

1.21. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the financial statements note 39.

1.22. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Accounting for Investment Properties

Management has used their judgement in recoding Investment Properties at cost.

Implementation of GRAP

The Municipality fully complies with applicable GRAP standards

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as at 30 June 2012

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7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2011	51 462 500	246 703	119 807 963	20 996 812	44 507	529 326	-	193 087 811
Cost/Revaluation	1 586 496	4 026 403	27 593 985	5 576 678	-	2 406 134	-	41 189 695
Correction of error (note 48)	49 876 004	(3 768 493)	107 030 384	16 406 770	46 251	(1 291 302)	-	168 299 613
Cost/Revaluation	49 876 004	(3 785 303)	107 030 384	16 201 964	46 251	(1 291 302)	-	168 077 998
Depreciation	-	16 809	-	204 806	-	-	-	221 615
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	-	666 955	3 289 152	-	-	157 376	-	4 113 482
Capital under Construction	-	-	8 648 448	-	-	-	-	8 648 448
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	-	-	-	-
as at 30 June 2012	54 747 700	785 926	124 176 866	20 724 923	43 633	478 721	-	197 402 268
Cost/Revaluation	54 747 700	940 264	146 561 968	22 253 748	46 251	1 271 600	-	222 266 031
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'1A1](#)

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7.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 30 June 2010	1 586 496	3 278 886	22 670 302	4 812 483	-	2 477 345	-	34 825 512
Cost/Revaluation	1 586 496	10 675 938	22 389 607	4 812 483	-	3 115 494	-	42 580 018
Correction of error (note 48)		(7 397 052)	280 695			(638 149)		(7 754 506)
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	747 517	-	764 195	-	651 344	-	2 163 056
Capital under Construction	-	-	4 923 683	-	-	-	-	4 923 683
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	722 555	-	722 555
Cost/Revaluation	-	-	-	-	-	722 555	-	722 555
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
as at 1 July 2011	1 586 496	4 026 403	27 593 985	5 576 678	-	2 406 134	-	41 189 695
Cost/Revaluation	1 586 496	4 026 403	27 593 985	5 576 678	-	2 406 134	-	41 189 695
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

Nxuba Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note

8 INTANGIBLE ASSETS

8.1 Reconciliation of carrying value

	Computer Software	Total
	R	R
as at 1 July 2010	-	-
Cost	19 277	19 277
Correction of error (note 48)	(19 277)	(19 277)
Change in accounting policy (note 47)	-	-
Accumulated amortisation and impairment losses	-	-
Acquisitions	48 126	48 126
Amortisation	4 902	4 902
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2012	43 225	43 225
Cost	48 126	48 126
Accumulated amortisation and impairment losses	(4 902)	(4 902)

8.2 Reconciliation of carrying value

	Computer Software	Total
	R	R
as at 1 July 2010	19 277	19 277
Cost	19 277	19 277
Correction of error (note 48)	-	-
Change in accounting policy (note 47)	-	-
Accumulated amortisation and impairment losses	-	-
Acquisitions	-	-
Amortisation	-	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2011	19 277	19 277
Cost	19 277	19 277
Accumulated amortisation and impairment losses	-	-

Nxuba Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note

9 INVESTMENT PROPERTY CARRIED AT COST

9.1 Reconciliation of carrying value	Investment properties R	Total R
as at 1 July 11	18 441 308	18 441 308
Cost	359 602	359 602
Correction of error (note 48)	18 732 598	18 732 598
Change in accounting policy (note 47)	-	-
Accumulated depreciation and impairment losses	(650 892)	(650 892)
Recognition/derecognition	-	-
Depreciation	(325 446)	(325 446)
Carrying value of disposals	-	-
Cost	-	-
Accumulated depreciation	-	-
Impairment loss/Reversal of impairment loss	976 326	976 326
Transfers	-	-
Other movements	1 215 900	1 215 900
as at 30 June 2012	20 308 088	20 308 088
Cost	20 308 100	20 308 100
Accumulated depreciation and impairment losses	(12)	(12)

9.2 Reconciliation of carrying value	Investment property R	Total R
as at 1 July 2010	359 602	359 602
Cost	359 602	359 602
Correction of error (note 48)	-	-
Change in accounting policy (note 47)	-	-
Accumulated depreciation and impairment losses	-	-
Acquisitions	-	-
Depreciation	-	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated depreciation	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2011	359 602	359 602
Cost	359 602	359 602
Accumulated depreciation and impairment losses	-	-

9.3 Investment property pledged as security
There were no properties pledged as security

9.4 Fair value of investment property carried at cost:

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NOTES TO THE FINANCIAL STATEMENTS
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7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Motor Vehicles	Other Assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2011	1 586 496	3 278 886	30 695 231	4 812 483	3 325	1 667 962	2 000 274	31 860 736
Cost/Revaluation	1 586 496	3 278 886	30 695 231	4 812 483	3 325	1 667 962	2 000 274	31 860 736
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	3 878 297	-	-	-	65 500	3 943 797
Unverified assets written off	-	-	-	-	-	-	(621 567)	(621 567)
as at 30 June 2012	1 586 496	3 278 886	34 573 528	4 812 483	3 325	1 667 962	1 444 207	47 366 888
Cost/Revaluation	1 586 496	3 278 886	34 573 528	4 812 483	3 325	1 667 962	1 444 207	47 366 888
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

The municipality is implementing GRAP for the first time and has taken Directive 4 exemption applicable for the first three years of initial adoption of GRAP to Low Capacity Municipalities. The effect of this is that assets are not depreciated or assessed for impairment in the first three years. Progress towards full compliance with the requirement of GRAP 17 will be disclosed in the annual financial statements for the next three years. The municipality is under going process of implementing a full GRAP complaint fixed asset register and it is expected to be finalised by the end of 2010/2011 financial year.

36 426 099

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7.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Motor Vehicles	Other Assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2010	1 586 496	3 278 886	13 438 887	4 812 483	3 323	1 240 581	1 891 302	26 251 958
Cost/Revaluation	1 586 496	3 278 886	13 438 887	4 812 483	3 323	1 240 581	1 891 302	26 251 958
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	5 072 423	-	2	427 381	108 972	5 608 778
as at 30 June 2011	1 586 496	3 278 886	30 695 231	4 812 483	3 325	1 667 962	2 000 274	31 860 736
Cost/Revaluation	1 586 496	3 278 886	30 695 231	4 812 483	3 325	1 667 962	2 000 274	31 860 736
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

The municipality is implementing GRAP for the first time and has taken Directive 4 exemption applicable for the first three years of initial adoption of GRAP to Low Capacity Municipalities. The effect of this is that assets are not depreciated or assessed for impairment in the first three years. Progress towards full compliance with the requirement of GRAP 17 will be disclosed in the annual financial statements for the next three years. The municipality is under going process of implementing a full GRAP compliant fixed asset register and it is expected to be finalised by the end of 2010/2011 financial year.

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for the year ended 30 June 2012

	Note	2012 R	2011 R
8 INTANGIBLE ASSETS			
8.1 Reconciliation of carrying value		Computer Software	Total
as at 1 July 2011		4 014	4 014
Cost		4 014	4 014
Acquisitions		15 263	15 263
as at 30 June 2012		19 277	19 277
Cost		19 277	19 277
8.2 Reconciliation of carrying value		Computer Software	Total
as at 1 July 2010		1	1
Cost		1	1
Acquisitions		4 013	4 013
as at 30 June 2011		4 014	4 014
Cost		4 014	4 014
9 INVESTMENT PROPERTY CARRIED AT COST			
9.1 Reconciliation of carrying value		Investment property	Total
as at 1 July 2011		359 602	359 602
Cost		359 602	359 602
as at 30 June 2012		359 602	359 602
Cost		359 602	359 602
9.2 Reconciliation of carrying value		Investment property	Total
as at 1 July 2010		359 602	359 602
Cost		359 602	359 602
as at 30 June 2011		359 602	359 602
Cost		359 602	359 602

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

	Note	2012 R	2011 R
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9.3 Details of property:

Investment property

residential properties and a multiple use property which are Erf No. 1, 81, 84, 85, 86, 215, 264, 390, 1160, 1162 and 1164. The properties are all valued at cost in the financial statements, their fair values

Detail of Property	Ad	Extent	Fair Value
		20740000	
Erf No.1 MULTIPLE USE PROPERTY:		SQM	4 600 000
Erf No.81 RESIDENTIAL PROPERTY VACANT LAND	2141	SQM	94 000
Erf No.84 RESIDENTIAL PROPERTY VACANT LAND	929	SQM	40 000
Erf No.85 RESIDENTIAL PROPERTY VACANT LAND	929	SQM	40 000
Erf No.86 RESIDENTIAL PROPERTY VACANT:	1859	SQM	80 000
Erf No.215 RESIDENTIAL PROPERTY VACANT LAND	4283	SQM	150 000
Erf No.264 RESIDENTIAL PROPERTY:	1428	SQM	76 000
Erf No.390 RESIDENTIAL PROPERTY:	4005	SQM	770 000
Erf No.1160 RESIDENTIAL PROPERTY:	566	SQM	94 000
Erf No.1162 RESIDENTIAL PROPERTY:	562	SQM	110 000
Erf No.1164 RESIDENTIAL PROPERTY:	924	SQM	110 000
			6 164 000

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

	Note	2012 R	2011 R
10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		12 773 458	17 218 936
Other creditors		<u>1 837 571</u>	<u>1 658 499</u>
Total creditors		<u>14 611 029</u>	<u>18 877 435</u>
The fair value of trade and other payables approximates their carrying amounts.			
11 CONSUMER DEPOSITS			
Electricity		<u>374 966</u>	<u>352 007</u>
Total consumer deposits		<u>374 966</u>	<u>352 007</u>
Included in consumer deposits is deposits for electricity, there is no interest attached to this and is to be refunded to consumers.			
12 Value Added Tax			
12.1 VAT PAYABLE			
VAT payable		<u>-</u>	<u>-</u>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			-
12.2 VAT RECEIVABLE			
VAT receivable		<u>3 510 419</u>	<u>2 667 531</u>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
13 LEAVE ACCRUAL			
Leave accrual		<u>1 855 243</u>	<u>1 105 520</u>
The movement in current provisions are reconciled as follows: -			
Balance at the beginning of the year		902 648	902 648
Contributions to provision		1 170 768	340 827
Expenditure incurred		<u>(218 173)</u>	<u>(137 955)</u>
Balance at the end of the year		<u>1 855 243</u>	<u>1 105 520</u>
14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Municipal Infrastructure Grants		6 065 974	3 406 475
Bucket Eradication		-	-
Cemetery - Adelaide		-	-
Cemetery - Bedford		-	-
Finance Management Grant		-	21 309
Ndlovini Fund		-	-
Nxuba Electricity Account (NER)		-	-
Municipal Support		-	230 444
Nxuba Housing - 172 Zinc House		-	-
Nxuba Housing - 200 Units Goo		-	-
Nxuba Housing - 428 Mud House		-	-
Nxuba Housing - 481 Units		-	-
Nxuba Housing - 624 Units		-	-
Total Unspent Conditional Grants and Receipts		<u>6 065 974</u>	<u>3 658 228</u>
Current portion of unspent conditional grants and receipts		6 065 974	3 658 228

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

	Note	2012 R	2011 R
15 STRAIGHT LINING OF OPERATING LEASE			
Straight lining of operating lease liability		-	31 189
16 PROPERTY RATES			
Actual			
Residential		2 823 284	2 600 131
Total property rates		2 823 284	2 600 131
Property rates - penalties imposed and collection charges		-	-
Total		2 823 284	2 600 131
Valuations			
Residential		1 101 081	
Commercial		1 411 642	
State		282 328	
Municipal		28 233	
Total Property Valuations		2 823 284	
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.			
17 SERVICE CHARGES			
Sale of electricity		14 009 947	12 695 743
Refuse removal		3 924 730	3 784 070
Total Service Charges		17 934 677	16 479 813
18 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		113 183	131 241
Total rentals		113 183	131 241
19 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		83 891	43 849
Total interest		83 891	43 849
20 INTEREST EARNED - OUTSTANDING RECEIVABLES			
Assessment rates		1 773 192	1 400 702
Electricity		270 143	946 692
Total interest		2 043 335	2 347 394

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

	Note	2012	2011
		R	R
21 GOVERNMENT GRANTS AND SUBSIDIES		2012	2011
		R	R
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
Total Government Grant and Subsidies		<u>28 711 965</u>	<u>24 462 820</u>
21.1 Equitable Share			
<p>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and operation of the municipality. All registered indigents receive a monthly subsidy of 50 units of electricity (2011; 55 units), which is funded from the grant.</p>			
21.2 MIG Grant			
Balance unspent at beginning of year		3 406 475	2 601 089
Current year receipts		9 669 000	8 039 000
Conditions met - transferred to revenue		-7 009 501	-7 233 614
Conditions still to be met - remain liabilities		<u>6 065 974</u>	<u>3 406 475</u>
<p>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.</p>			
21.3 Other Government Grants and Subsidies			
Balance unspent at beginning of year		251 754	327 028
Current year receipts		2 240 000	1 950 000
Conditions met - transferred to revenue		-2 491 754	-2 025 274
Conditions still to be met - remain liabilities		<u>(0)</u>	<u>251 754</u>
<p>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.</p>			
21.4 Changes in levels of government grants			
<p>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.</p>			
22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS			
22.1 Other income		2 396 497	3 561 475
Total Other Income		<u>2 396 497</u>	<u>3 561 475</u>
22.2 Public contributions and donations		2 396 497	3 561 475
Total public contributions and donations		<u>2 396 497</u>	<u>3 561 475</u>
<p>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.</p>			
23 EMPLOYEE RELATED COSTS			
Employee related costs - Salaries and Wages		12 298 854	13 460 483
Employee related costs - Contributions for UIF, pensions and medical aids		2 491 012	2 416 583
Travel, motor car, accommodation, subsistence and other allowances		492 923	585 475
Housing benefits and allowances		26 990	36 885
Overtime payments		114 799	23 385
Performance and other bonuses		895 348	-
Total Employee Related Costs		<u>16 319 926</u>	<u>16 522 811</u>
<p>There were no advances to employees.</p>			
Remuneration of the Municipal Manager			
Annual Remuneration		399 945	344 502
Travel, motor car, accommodation, subsistence and other allowances		-	236 039
Total		<u>399 945</u>	<u>580 541</u>
Remuneration of the Chief Finance Officer			
Annual Remuneration		508 490	210 788
Travel, motor car, accommodation, subsistence and other allowances		-	276 643
Total		<u>508 490</u>	<u>487 431</u>
Remuneration of Individual Directors - Technical Services			
Annual Remuneration		428 898	133 837
Travel, motor car, accommodation, subsistence and other allowances		-	97 544
Total		<u>428 898</u>	<u>231 381</u>

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

	Note	2012 R	2011 R
24 REMUNERATION OF COUNCILLORS			
Speaker/Mayor		431 604	387 250
Councillors' allowances		1 424 538	915 969
Total Councillors' Remuneration		<u><u>1 856 142</u></u>	<u><u>1 303 219</u></u>
25 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		8 432 485	-
Intangible assets		-	-
Investment property carried at cost		-	-
Biological assets carried at cost		-	-
Total Depreciation and Amortisation		<u><u>8 432 485</u></u>	<u><u>-</u></u>
26 FINANCE COSTS			
Borrowings		-	-
Consumer deposits		-	-
Bank overdrafts		-	-
Total Finance Costs		<u><u>-</u></u>	<u><u>-</u></u>
27 BAD DEBTS			
Provision for doubtful debts		13 849 523	-
Trade receivables write off		-	-
Total bad debts		<u><u>13 849 523</u></u>	<u><u>-</u></u>
28 BULK PURCHASES			
Electricity		17 506 057	12 787 127
Penalty		-	-
Interest		-	-
Total Bulk Purchases		<u><u>17 506 057</u></u>	<u><u>12 787 127</u></u>
29 CONTRACTED SERVICES			
Contracted services for:			
Telephone services		230 973	-
		<u><u>230 973</u></u>	<u><u>-</u></u>
30 GRANTS AND SUBSIDIES PAID			
Grant/subsidy to suppliers		1 696 692	1 359 430
		<u><u>1 696 692</u></u>	<u><u>1 359 430</u></u>

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

	Note	2012 R	2011 R
31 GENERAL EXPENSES		2012 R	2011 R
Included in general expenses are the following:-			
Accommodation		120 150	-
Advertising		91 608	67 492
Agency payments		1 541 843	713 108
Assessment rates		-	-
Audit fees		234 454	1 508 063
Bank charges		-	-947 072
Bedford garden festival		244 594	222 885
Consulting fees		-18 288	264 406
Departmental consumption		-	992 637
Disposal of RDP houses		-	6 717 895
Election fund		-	-
Entertainment		27 118	5 861
Fuel and oil		403 006	294 412
Fines and penalties		-	109 644
HIV / AIDS programme		-	-
IDP review		-	22 840
Insurance		845 278	836 370
IT support		-	13 657
Landfill sites		-	-
Legal expenses		186 052	-
License fees - vehicles and computers		26 594	-
Membership fees		1 386	-
Motheo payment		-	-
Other		5 303 185	168 659
Rental of office equipment		81 437	66 156
Postage		244 296	173 569
Printing and stationary		224 084	192 031
Refuse bags		23 280	26 274
Royalties and license fees		-	26 710
Service charges - service of amperes		-	53 757
Skills development levies		91 521	-
Software IT		25 212	6 926
Stocks and material		65 683	-
Street lighting		-	-
Subscription & publication		6 700	12 141
Telephone cost		488 124	709 706
Telkom		-	-
Tourism promotion and expenses		9 132	-
Training		102 389	123 273
Travel and subsistence		237 585	213 328
Unverified assets written off		-	-
Workshops		-	299 514
		10 118 299	12 894 242

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

	Note	2012 R	2011 R
32 CASH GENERATED BY OPERATIONS		2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the year		-15 176 106.33	5 561 147.00
Adjustments for :			
Staff leave accrual		749 722.75	85 139.88
add back Depreciation		8 432 484.52	
Increase (decrease) in provision for bad debts		13 849 522.84	-1 278 560.00
Write-off of assets		835 488.00	
Operating cash flow before changes in net operating assets		8 691 111.78	4 367 726.88
Increase/(Decrease) in payables		-4 266 405.79	10 670 691.16
Increase/ (Decrease) Consumer Deposits		22 959.17	4 923.55
(Increase)/Decrease in other current assets		-	-1 644 809.00
(Increase)/Decrease Vat Receivable		-842 887.61	-2 474 382.31
(Increase)/Decrease in receivables		-8 051 457.71	-6 420 857.13
(Increase)/Decrease in inventories			
Prior Year adjustment		3 977 758.00	-
Increase in Inventories		-299 689.55	-
Net cash flow from operating activities		-768 611.71	4 503 293.15

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

Note

2012
R

2011
R

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

Note

2012
R

2011
R

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

	Note	2012 R	2011 R
33 CORRECTION OF PRIOR YEAR ERROR			
33.1 Accumulated Surplus			
As previously reported on June 2011 Annual Financial Statements			2011 -53021146
Balance per audited TB			-45268039.31
GRAP 17 Implementation			-163760262
Grap 17 implementation -current year			-209028301.3
Prior period adjustment -net effect of journal adjustments			(15 694 218)
Deficit for the year			(3 977 758)
Total for current year			15176106.54 -213524170.6
33.2 Trade and other Receivables			
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			13424205
Other receivables			4847823
			18272028
Restated position : Trade and Other receivables			13486749
			3542310
			17029059
No net effect on Statement of Financial Position			-1242969
Net effect on surplus/(deficit) for the year			1242969
33.3 Valued Added Tax			
During the year ended 30 June 2011, VAT was incorrectly reported :-			
As previously stated : VAT			2669241
Restated position : VAT			2667531
No net effect on Statement of Financial Position			-1710
Net effect on Accumulated surplus opening balance			1710
33.4 Leave Pay Accrual			
During the year ended 30 June 2011, leave pay accrual was erroneously understated :-			
As previously stated :Leave accrual			1066930
Restated position : Leave accrual			1105520
The comparative amount has been restated as follows:			
Corrections of understatement of leave pay accrual			38590
Net effect on surplus/(deficit) for the year			-38590
33.5 Call accounts			
During the year ended 30 June 2011, call accounts were erroneously overstated :-			
The comparative amount has been restated as follows:			
As previously stated :Call accounts			3329987
Restated position : Call accounts			1368378
Corrections of overstatement of call accounts due to unprocessing of call accounts			-1961609
Net effect on surplus/(deficit) for the year			1961609
33.6 Prepayments			
During the year ended 30 June 2011, prepayments were written off :-			
The comparative amount has been restated as follows:			
As previously stated :Prepayments accounts			1217388
Restated position : Prepayments			0
Corrections of overstatement of prepayments due to the prepayments not being there			-1217388
Net effect on surplus/(deficit) for the year			1217388
33.7 Suspense Accounts			
During the year ended 30 June 2011, suspense accounts were cleared and reconciled :-			
The comparative amount has been restated as follows:			

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

	Note	2012 R	2011 R
As previously stated :Suspense Accounts			602811
Restated position : Suspense accounts			0
Corrections of overstatement of suspense accounts due to reconciliations			-602811
Net effect on surplus/(deficit) for the year			602811

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

	Note	2012 R	2011 R
During the year ended 30 June 2011, cash and cash equivalent was understated due to the			
33.8	discovering of bank accounts not on the general ledger :- The comparative amount has been restated as follows:		
	As previously stated :cash and cash equivalent		3000131
	Restated position : cash and cash equivalent		3789914
	Corrections of understatement of cash and cash equivalents		789783
	Net effect on surplus/(deficit) for the year		-789783
During the year ended 30 June 2011, the Municipality implemented Grap 17 for the first time			
33.9	The comparative amount has been restated as follows:		
	As previously stated :Implementation of Grap 17		41189696
	Restated position : Implementation of Grap 17		207804919
	Implementation of Grap 17		166615223
	Net effect on surplus/(deficit) for the year		-166615223
During the year ended 30 June 2011, Trade and Other Payables were understated due to non			
33.1	accrual of creditors at yearend. The comparative amount has been restated as follows:		
	As previously stated :Trade and Other Payables		4550477
	Restated position : Trade and Other Payables		18877435
	Non accrual of creditors		-14326958
	Net effect on surplus/(deficit) for the year		14326958
During the year ended 30 June 2011, Consumer deposits were overstated .			
33.11	The comparative amount has been restated as follows:		
	As previously stated :Consumer deposits		896936
	Restated position : Consumer deposits		352007
	Correction of overstatement of consumer deposits		544929
	Net effect on surplus/(deficit) for the year		-544929
During the year ended 30 June 2011, unspent conditional grants were overstated.			
33.2	The comparative amount has been restated as follows:		
	As previously stated :unspent conditional grants		11107483
	Restated position : unspent conditional grants		3658228
	Correction of overstatement of unspent conditional grants		7449255
	Net effect on surplus/(deficit) for the year		-7449255

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

	Note	2012 R	2011 R
34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		2012 R	2011 R
34.1 Unauthorized and irregular expenditure			
Opening balance -		-	-
Irregular expenditure current year		116 646	-
Condoned or written off by Council		-	-
Irregular expenditure awaiting condonement		<u>116 646</u>	<u>-</u>
With respect to Irregular expenditure please refer to Annexure A - Irregular Expenditure			
34.2 Fruitless and wasteful expenditure			
Reconciliation of fruitless and wasteful expenditure			
Opening balance -		481 530	-
Fruitless and wasteful expenditure current year		896 936	481 530
Condoned or written off by Council		-	-
Fruitless and wasteful expenditure awaiting condonement		<u>1 378 466</u>	<u>481 530</u>
With respect to Fruitless and Wasteful expenditure please refer to Annexure B - Fruitless and Wasteful Expenditure			
35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
35.1 Contributions to organised local government			
Amount charged - current		11 496	12 061
Balance unpaid (included in payables)		<u>11 496</u>	<u>12 061</u>
35.2 Audit fees			
Opening balance		3 181 816	2 196 866
Current year audit fee		1 667 347	1 706 233
Amount paid - current year		-90 000	-721 283
Balance unpaid (included in payables)		<u>4 759 163</u>	<u>3 181 816</u>
35.3 VAT			
VAT input receivables and VAT output payables are shown in note 12.2.			

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

	Note	2012 R	2011 R
35.4 PAYE and UIF			
Opening balance		314 968	-
Current year payroll deductions		1 571 737	1 556 414
Amount paid - current year		<u>-1 231 281</u>	<u>-1 241 445</u>
Balance unpaid (included in payables)		<u>655 423</u>	<u>314 968</u>

The balance represents PAYE and UIF deducted from the June 2012 payroll. All these amounts were paid during June 2012.

35.5 Pension and Medical Aid Deductions

Opening balance		-39 067	-
Current year payroll deductions and Council Contributions		2 302 623	2 143 368
Amount paid - current year		-2 302 623.00	-2 182 435
Amount paid - previous years		-	-
Balance unpaid (included in payables)		<u>-39 067</u>	<u>(39 067)</u>

The balance represents pension and medical aid contributions deducted from employees in the June 2012 payroll as well as Council's contributions to pension and medical aid funds. All these amounts were paid during June 2012.

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

	Note	2012 R	2011 R
35.6 Councilor's arrear consumer accounts			
The following Councilors had arrear accounts outstanding for more than 90 days as at: -			
	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
as at 30 June 2012			
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	-
Total Councilor Arrear Consumer Accounts	<u>10 065</u>	<u>1 757</u>	<u>8 308</u>
as at 30 June 2011			
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
Total Councilor Arrear Consumer Accounts	<u>39 536</u>	<u>2 939</u>	<u>36 597</u>

35.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No non compliance with the MFMA was incurred during the year

36 CAPITAL COMMITMENTS

36.1 Commitments in respect of capital expenditure

- Approved and contracted for Infrastructure	<u>4 409 044</u>	<u>7 238 303</u>
Total	<u>4 409 044</u>	<u>7 238 303</u>
This expenditure will be financed from:		
- Government Grants	<u>4 409 044</u>	<u>7 238 303</u>
	<u>4 409 044</u>	<u>7 238 303</u>

36.2 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year	306 281	280 831
In the second to fifth year inclusive	470 988	777 269
Total	<u>777 269</u>	<u>1 058 100</u>

Municipality do not sublease any of it lease equipments

Operating Leases consists of the following:
Operating lease payments represent rentals payable by the municipality for certain of photocopying machines leased by the municipality from Nashua and Minolta

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

	Note	2012 R	2011 R
37 COMPARISON OF BUDGET VERSUS ACTUAL	Budget	2011/2012	Actual 2011/2012
REVENUE			
Property rates		2 945 000.00	2 823 283.72
Service charges		17 040 172.00	17 934 676.80
Rental of facilities		96 000.00	113 183.41
Fines		12 000.00	115 300.00
Licence and permits		900 500.00	1 158 631.16
Government grants and subsidies		30 536 000.00	28 711 965.16
Other income		4 011 057.00	2 396 497.04
Interest received-investment		-	2 127 225.99
Total revenue		55 540 729.00	55 380 763.28
EXPENDITURE			
Employee costs		14 986 549.00	16 319 926.45
Remuneration of councillors		1 757 498.00	1 856 141.53
Finance costs		-	-
Repairs and maintenance		1 931 452.00	549 570.70
Bulk purchases		10 815 279.00	17 506 057.06
Contracted services		12 854 250.00	230 973.12
Grants and subsidies paid		3 566 400.00	1 541 223.40
General expenses		9 629 301.00	10 270 970.20
Depreciation		-	8 432 484.52
Bad Debts Provision		-	13 849 522.84
Total expenditure		55 540 729.00	70 556 869.82
Deficit		-	-15 176 106.54

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

38	Note	2012 R	2011 R
	795 151 924		
Reconciliation of budget/surplus/deficit with the surplus/deficit in the statement of financial performance		2012	2011
Net surplus per statement of Financial Performance		15 176 106.54	5 561 147.00
Adjusted for			
Fair Value adjustment			-298 737
Increase in provision		13 849 522.84	2 979 168
Write off of inventory balances			6 716 887
Net Interest received		2 127 225.99	-1 948 281
Other adjustments		-9 233 126.81	361 122
Variances per Departments			-7 579 131
Depreciation		8 432 484.52	-
Surplus/deficit per budget		<u>30 352 213.08</u>	<u>5 792 175.00</u>

39 CONTINGENT LIABILITY

The municipality has a potential contingent liability . It is for the rehabilitation of land fill sites within the

39.1 municipality. There is uncertainty regarding the possible cash outflows or their timing.
The potential liability is to the total of R788 400

39.2 There is a court case against the Municipality by suspended employees
The potential liability is approximately R1 055 463.36

40 CONTINGENT ASSET

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

41 RELATED PARTIES

The municipality did not have related part transactions during the 2010/2012 financial period

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

	Note	2012 R	2011 R
42 EVENTS AFTER THE REPORTING DATE		2012	2011
		R	R
There were no significant events identified after balance sheet.			
43 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS			
The following areas involve a significant degree of estimation uncertainty:			
Provision for doubtful debts		37 608 320	30 889 350
Impairment of assets			

The following areas involved judgments, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Impairment of assets
Provisions

44 RISK MANAGEMENT

44.1 Maximum credit risk exposure

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:

Current Account (Other Account)

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

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

	Note	2012	2011
45 RESTATEMENT OF COMPARATIVE INFORMATION		R	R
		2012	2011
		R	R
 See note 33 on Prior Year adjustments			
		1 020 379	903 467
46 Events after reporting date			
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.			
47 GRAP 16 - Investment Properties			
This standard has been complied with in full			
48 GRAP 102 - Intangible Assets			
Computer Software; Intangible assets financed by way of grants; Intangible assets transferred as a result of the transfer of functions; and Servitudes.			
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
Total not previously recognized now restated retrospectively		19 277	19 277
49 GRAP 12 - Inventories			
The standard was adopted in full			

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

Note	2012 R	2011 R
	2012 R	2011 R

50 Financial instruments

50.1 Capital risk management

The municipality does not have share capital that is publicly tradable on the capital markets.

The objectives when managing capital (retained earnings) are to safeguard the municipality's ability to continue as a going concern on the cost-recovery basis and to execute government priorities through service delivery. The annual financial statements of the municipality have been prepared on the going concern basis.

50.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expense) for each class of financial asset and financial liability are disclosed in note 1.

50.3 Categories of financial instruments

Financial assets

Cash and bank balances (Note 1)
Trade and other receivables (Note 2)

Financial liabilities

Trade and other payables (Note 10)

51 Financial risk management objectives

The municipality has limited exposure to financial risks due to the funding of any cash deficit by the Government. The municipality has not exposure to foreign currency risk, cash flow interest risk and equity price risk.

51.1 Market risk

Market risk comprises the risk that changes in market prices such as foreign exchange rates, interest rate and equity or other prices will affect the municipality's revenue or value of its holdings of financial instruments.

Foreign exchange rate risk

The trade receivables balance comprise South African debtors only, and thus no exposure to foreign exchange risk affecting the municipality's holding of financial instruments, exists at the reporting date.

Interest rate risk

The municipality does not finance its own operating activities through borrowings. Due to the nature of the organization, as well as the nature of the interest reflected in the financial statements, the municipality is not exposed to interest rate risk as at the reporting date.

Equity rate risk

The municipality does not invest in equity and is not exposed to market risk by way of market prices affecting its investment's equity prices.

As the municipality is not exposed to any of the components comprising market risk, the current management objectives, policies and process for managing and monitoring of this risk is adequate, and no sensitivity analysis is disclosed. No changes in the market risk profile, or management's considerations and monitoring with regard thereto occurred from the previous accounting period.

51.2 Credit risk management

Credit risk comprises the risk of financial loss to the municipality if counterparty to a financial instrument fails to meet its contractual obligations.

The municipality makes use of only National Treasury approved banks representing high credit quality financial institutions.

The municipality does not hold any collateral or other credit enhancements to cover credit risk. The carrying amount of trade and other receivables recorded in the financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk.

There has been no significant change during the financial year, or since the end of the financial year, to the municipality exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk.

51.3 Liquidity risk management

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

Note	2012 R	2011 R
Liquidity risk comprises the risk that the municipality will not be able to meet its financial obligations as they fall due.		
The municipality manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.		

Maturity analysis

The municipality's remaining contractual maturity for all its financial liabilities are between one and three months.

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

	Note	2012	2011
		R	R
51.4 Fair value of financial instruments			
<p>The carrying amounts of financial assets and financial liabilities approximate their fair values. The municipality charges interest on overdue amounts at prime rate. This ensures that the time value of money is preserved on overdue amounts.</p>			
<p><u>Financial assets at amortised cost</u> Trade and other receivables - refer to note 2.</p>			
<p><u>Financial liabilities at amortised cost</u> Trade and other payables - refer to note 10</p>			

NXUBA MUNICIPALITY

Prepared by: N.Duze

Reviewed by: N. Ntshingwa

Reference: Fruitless and Wasteful Expenditure

Date of discovery	Reported to Accounting Officer (date)	Reported to Council (date)	Reported to MEC for Local Government	Reported to Auditor General (date)	Reported to Investigation Unit	Reported to SAPS (date)	Payment date	Payment number	Transaction details		Responsible person (committed the F&W)	Status (refer to key)			General comment
									Amount	Incident description		UI	DP	TR	
2012/07/24	not yet reported	not yet reported					2011/11/04	5419	R 606.17	Interest paid to Eskom	Finance				
2012/07/24	not yet reported	not yet reported					2012/04/03	6025	R 1 937.70	Interest paid to Eskom	Finance				
2012/07/24	not yet reported	not yet reported					2011/10/04	5418	R 7 202.59	Interest paid to Eskom	Finance				
2012/07/24	not yet reported	not yet reported					2011/07/04	5109	R 4 291.39	Interest paid to Eskom	Finance				
2012/07/24	not yet reported	not yet reported							R 6 123.60	Interest charged by Auditor General	Finance				
2012/07/24	not yet reported	not yet reported							R 14 703.19	Interest charged by Auditor General	Finance				
2012/07/24	not yet reported	not yet reported							R 5 926.07	Interest charged by Auditor General	Finance				
2012/07/24	not yet reported	not yet reported							R 16 310.13	Interest charged by Auditor General	Finance				
2012/07/24	not yet reported	not yet reported							R 22 210.77	Interest charged by Auditor General	Finance				
2012/07/24	not yet reported	not yet reported							R 23 196.25	Interest charged by Auditor General	Finance				
2012/07/24	not yet reported	not yet reported							R 27 643.66	Interest charged by Auditor General	Finance				
2012/07/24	not yet reported	not yet reported							R 36 771.08	Interest charged by Auditor General	Finance				
2012/07/24	not yet reported	not yet reported							R 566.24	Interest charged by Auditor General	Finance				
2012/07/24	not yet reported	not yet reported							R 33 595.51	Interest charged by Auditor General	Finance				
2012/07/24	not yet reported	not yet reported							R 35 954.13	Interest charged by Auditor General	Finance				
2012/07/24	not yet reported	not yet reported							R 37 274.14	Interest charged by Auditor General	Finance				
2012/07/24	not yet reported	not yet reported							R 323.64	Interest charged for PAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 1 415.49	Interest charged for PAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 952.24	Interest for PAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 141.03	Interest chargedPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 10.51	Interest charged onPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 767.76	Interest charged onPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 79.47	Interest charged onPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 51.27	Interest charged onPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 924.84	Interest charged onPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 21.32	Interest charged onPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 1.59	Interest charged onSDL	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 579.13	Interest charged onPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 854.73	Interest charged onPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 36.67	Interest charged onPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 104.13	Interest charged onPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 1 103.81	PENALTY charged by Sars	Finance				
2012/07/24	not yet reported	not yet reported							R 12 034.51	PENALTY charged by Sars	Finance				
2012/07/24	not yet reported	not yet reported							R 13 098.98	PENALTY charged by Sars	Finance				
2012/07/24	not yet reported	not yet reported							R 15 798.58	PENALTY charged by Sars	Finance				
2012/07/24	not yet reported	not yet reported							R 396.65	Interest charged PAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 69.60	Interest charged PAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 19 559.98	PENALTY charged by Sars	Finance				
2012/07/24	not yet reported	not yet reported							R 1 810.85	Interest charged onPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 1 121.02	Interest charged onPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 431.15	Interest charged onPAYE,SDL,UIF	Corporate Services				
2012/07/24	not yet reported	not yet reported							R 90.85	Interest charged onPAYE,SDL,UIF	Corporate Services				
										Penalty Charged For Licensing Penalty Charged For Licensing Vr324ec					
2012/09/04	not yet reported	not yet reported							R 469.20		Traffic Services				
2012/09/05	not yet reported	not yet reported							R 39.60	CRX197EC	Traffic Services				
2012/09/06	not yet reported	not yet reported							R 2 585.31	Interest charged on vat by SARS	Finance				
2012/09/07	not yet reported	not yet reported							R 12 171.92	PENALTY charged on VAT	Finance				
2012/09/07	not yet reported	not yet reported							R 1 586.00	Interest charged for work compesation fund	Corporate Services				
2012/09/07	not yet reported	not yet reported							R 2 163.00	Interest charged for work compesation fund	Corporate Services				
2012/09/07	not yet reported	not yet reported							R 2 235.00	Interest charged for work compesation fund	Corporate Services				
2012/09/07	not yet reported	not yet reported							R 2 163.00	Interest charged for work compesation fund	Corporate Services				
2012/09/07	not yet reported	not yet reported							R 1 943.70	Interest charged for work compesation fund	Corporate Services				
2012/09/07	not yet reported	not yet reported							R 2 008.49	Interest charged for work compesation fund	Corporate Services				
2012/09/07	not yet reported	not yet reported							R 1 943.70	Interest charged for work compesation fund	Corporate Services				
2012/09/07	not yet reported	not yet reported							R 2 008.49	Interest charged for work compesation fund	Corporate Services				
2012/09/07	not yet reported	not yet reported					15/02/2011	Cheque no-24567,24662,247	R 519 545.88	Money paid to a service provider (Crossbar agencies) who ended up not completing the project and the tender had to be re-advertised .	Technical Services				
									R 896 935.71						

**NXUBA MUNICIPALITY
REPORT ON FINANCIAL MISCONDUCT**

BUDGET & TREASURY OFFICE
MARKET SQUARE ADELAIDE

PERIOD OF REVIEW : July 2011 - Jun 2012

IRREGULAR, UNATHORISED, FRUITLESS & WASTEFUL EXPENDITURE 2011/2012 FINANCIAL PERIOD

NO	SECTION/DEPARTMENT	SUPPLIER NAME	ITEM DESCRIPTION	ORDER NO	ORDER DATE	ORDER AMOUNT	AMOUNT PAID	FINANCIAL PERIOD	COMMITTED BY & POSITION
	budget & treasury office	Bunker Inn	Accomodation	no order attached	no order attached	R 24 750.00	R 24 750.00	2011/2012	Accounting officer
	co-operate service	Royal Hotel	Accomodation	no order attached	no order attached	R 6 400.00	R 6 400.00	2011/2012	Accounting officer
	budget & treasury office	N.Mahlomi	Flight	no order attached	no order attached	R 3 002.00	R 3 002.00	2011/2012	Accounting officer
	human rsources	B.Piko	Fight	no order attached	no order attached	R 2 698.00	R 2 698.00	2011/2012	Accounting officer
	co-operate service	OK Furniture	Kitchen equipment, Fridge & Micro wave	14781	20/09/2011	R 10 647.00	R 10 647.00	2011/2012	Accounting officer
	budget & treasury office	Rakoma and Associates	Response to A.G finding	no order attached	no order attached	R 12 480.00	R 12 480.00	2011/2012	Accounting officer
	budget & treasury office	City Lodge	Accomodation	15225	06/02/2012	R 5 019.50	R 5 019.50	2011/2012	Chief financial officer
	budget & treasury office	Payday Softwares	Training	15301	29/02/2012	R 12 000.00	R 12 000.00	2011/2012	Chief financial officer
	budget & treasury office	Payday Softwares	Training	15301	29/02/2012	R 7 700.00	R 7 700.00	2011/2012	Chief financial officer
	budget & treasury office	See More Guest House	Accomodation	15250&15252	14/04/2012	R 2 250.00	R 2 250.00	2011/2012	Accounting Officer
	infrastructure	Goeges Electrical Wholesales	Repairs	15709	15/01/2011	R 29 699.96	R 29 699.96	2011/2012	Accounting officer
TOTAL AMOUNT							R 116 646.46		

TOTAL NUMBER OF CASES

Compiled By:

Position:.....

Reviewed By:.....

Position:.....

Approved By (Council Member):.....

Position:.....

REASONS FOR IRREGULAR EXPENDITURE	ACTION TAKEN BY SUPERVISOR/MANAGER (eg Charge)	PREVENTATIVE CONTROLS AGAINST RE OCCURRENCE	ACTION BY COUNCIL (Condoned /Not Condoned)	CURRENT STATUS (eg Paid/Pending)	disclosed as Current Accruals? Yes/No

Component/Section:.....

Date:..... Signature:.....

Component/Section:.....

Date:..... Signature:.....

Component/Section:.....

Date:..... Signature:.....

