

# **Nkonkobe Local Municipality**



**N K O N K O B E  
M U N I C I P A L I T Y**

**Annual Financial Statements for the year ended  
30 June 2013**

**Nkonkobe Local Municipality**  
**Annual financial statements**  
for the year ended 30 June 2013

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# Annual Financial Statements

for

## ***Nkonkobe Local Municipality***

for the year ended 30 June:	<b>2013</b>
Province:	<b><i>Eastern Cape</i></b>
AFS rounding:	<b><i>R (i.e. only cents)</i></b>

### **Contact Information:**

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**General information**

**Members of the Council**

Ntsangani AW	Mayor
Mlamla NP	Speaker
Makeleni MJ	Member of the Executive Committee
Matyila SP	Member of the Executive Committee
Mgengo ME	Member of the Executive Committee
Sinyongo LL	Member of the Executive Committee
Kgandedi RA	Council Member
Ngwentle SL	Council Whip
Penu SA	Council Member
Ndevu V	Council Member
Nono Daniels CNN	Council Member
Zoki NR	Council Member
Gora NIV	Council Member
Machakela SW	Council Member
Papu ZL	Council Member
Sixolo P	Council Member
Guzi NC	Council Member
Gysman D	Council Member
Dyanti X	Council Member
Malawu B	Council Member
Kanie-Esau LJ	Council Member
Mamase XV	Council Member
Booyesen AA	Council Member
Tyibilika TE	Council Member
Sango - Blackie N	Council Member
Stofile AC	Council Member
Rawana MO	Council Member
Nyangintaka CM	Council Member
Mpendu Z	Council Member
Kleyi S	Council Member
Bantam E	Council Member
Ncume M	Council Member
Nyenyeku MDM	Council Member
Dwanya TP	Council Member
Matshaya MF	Council Member
Xelelwa H	Council Member
Kata MB	Council Member
Ngaye T	Council Member
Mbalo NC	Council Member
Rulashe N	Council Member
Matu T	Council Member

**Municipal Manager**

Mr K.C Maneli

**Acting Chief Financial Officer**

Mr N Nokwe

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**General information (continued)**

<b>Grading of Local Authority</b>	Grade B, Low Capacity Municipality
<b>Auditors</b>	Auditor-General of South Africa
<b>Bankers</b>	First National Bank
<b>Registered Office:</b>	8 Somerset Street
<b>Physical address:</b>	8 Somerset Street Fort Beaufort 5720
<b>Postal address:</b>	PO Box 36 Fort Beaufort 5720
<b>Telephone number:</b>	(046) 645 7400
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**Nkonkobe Local Municipality**  
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**Accounting Officer's Responsibilities and Approval**

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statement and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems, and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year ended 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 7 to 60, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

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**Mr. K. C Maneli**  
**Accounting Officer**

**Nkonkobe Local Municipality**  
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**Mayor's Foreword**

It gives me great pleasure to present the annual financial statements for the 2012/2013 financial year. The Municipal Finance Management Act provides that a municipality must prepare the annual financial statements of the institution and, within two months after the end of the financial year to which those statements relate, submit them to the Auditor General for auditing. During the last financial year we presented improved financial statements to Council. This year, as we endeavour to make further improvements to our financial statements, as the municipality we have tried our utmost best to adhere to the Generally Recognised Accounting Practices when preparing the financial statements - to produce reports attuned to specific needs of the Nkonkobe community.

The annual financial statements for the year under review 2012/2013 - portray a different picture than the last financial year. This is with regards to financial viability and debt management of the municipality. As an institution with a thin revenue base we have devised strategies to enhance our revenue, so that we are able to move away from grant dependency and become a self sufficient municipality.

To this end, we have established a technical unit in order to do most projects in-house, and some of the projects are funded through our own revenue. As a result, I can safely say that the current financial statements are a true reflection of all the institution's financial activities in the year under review. The challenges that the municipality faced before should be a thing of the past and as such, we firmly believe that we can do better to change the situation from qualified to clean audit.

We are especially pleased to have a functional audit committee and we have also beefed-up our internal audit unit. This purports that the municipality is determined to strive for clean audit outcomes. Our audit committee is committed to ensuring that the municipality performs better.

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**A.W Ntsangani**  
**Honourable Mayor**

## Nkonkobe Local Municipality

### Annual Financial Statements

as at 30 June 2013

#### Statement of Financial Position

	Note	2013 R	Restated 2012 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>18 207 696</b>	<b>12 306 587</b>
Cash and cash equivalents	1	10 172	10 096
Trade and other receivables from exchange transactions	2	10 289 728	6 986 100
Other receivables from non-exchange transactions, including taxes and fines	3	5 584 675	3 054 665
VAT receivable	10	1 463 957	1 665 341
Inventories	4	859 164	590 386
<b>Non-current assets</b>		<b>317 128 659</b>	<b>302 159 864</b>
Intangible assets	6	59 329	186 359
Investment property	7	16 829 700	16 386 200
Property, plant and equipment	5	300 239 630	285 587 306
<b>Total assets</b>		<b>335 336 355</b>	<b>314 466 451</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>40 932 079</b>	<b>23 997 852</b>
Trade and other payables from exchange transactions	8	31 742 342	19 068 928
Bank overdraft	1	4 108 564	320 548
Current portion of unspent conditional grants and receipts	11	161 557	170 634
Payments received in advance	8	3 389 344	3 158 349
Other current financial liabilities		57 175	13 052
Consumer deposits	9	1 198 251	1 109 130
Current portion of finance lease liability	12	274 846	157 211
<b>Non-current liabilities</b>		<b>30 809 556</b>	<b>27 568 604</b>
Finance lease liability	12	152 305	201 002
Non-current provisions	13	17 275 947	14 922 407
Defined benefit plan obligations	32	13 381 304	12 445 195
<b>Total liabilities</b>		<b>71 741 635</b>	<b>51 566 456</b>
<b>Net assets</b>		<b>263 594 720</b>	<b>262 899 996</b>
Reserves	Net Assets	2 659 100	2 659 100
Accumulated surplus / (deficit)	Net Assets	260 935 620	260 240 896
<b>Total net assets and liabilities</b>		<b>335 336 355</b>	<b>314 466 451</b>



## Nkonkobe Local Municipality

Annual Financial Statements  
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### Statement of Financial Performance

	Note	2013 R	Restated 2012 R
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
		<b>139 234 516</b>	<b>127 519 361</b>
Property rates	14	19 393 434	19 069 818
Fines, Penalties and Forfeits	21	113 130	76 910
Licences and permits		2 391 312	2 154 470
Government grants and subsidies	19	117 336 641	106 218 163
<b>Revenue from exchange transactions</b>			
		<b>43 141 246</b>	<b>29 691 376</b>
Service charges	15	39 093 231	25 309 430
Rental of facilities and equipment	16	263 835	330 689
Interest earned - external investments	17	899 972	870 954
Interest earned - outstanding receivables	18	1 486 533	1 672 997
Other income	20	1 397 676	1 507 306
<b>Total revenue</b>		<b>182 375 763</b>	<b>157 210 737</b>
<b>Expenses</b>			
Bulk purchases	29	26 214 443	17 090 908
Employee related costs	22	61 427 214	51 149 806
Remuneration of councillors	23	11 700 783	10 464 769
Bad debts	24	5 407 948	7 153 286
Depreciation and amortisation expense	26	24 326 405	22 755 198
Repairs and maintenance	25	9 169 101	11 686 611
Grants and subsidies paid	33	9 300 311	10 640 770
General expenses	28	35 858 264	36 001 347
Finance costs	27	184 602	98 157
<b>Total expenses</b>		<b>183 589 071</b>	<b>167 040 853</b>
<b>Other gains / losses</b>			
		<b>1 908 032</b>	<b>1 423 681</b>
Gain / Loss on sale of assets	30	603 732	-69 319
Gain / Loss on fair value adjustment	31	1 304 300	1 493 000
<b>Surplus / (Deficit) for the period before tax</b>		<b>694 724</b>	<b>-8 406 435</b>
Taxation		-	-
<b>Surplus / (Deficit) for the period</b>		<b>694 724</b>	<b>-8 406 435</b>

## Nkonkobe Local Municipality

Annual Financial Statements  
as at 30 June 2013

### Statement of Changes in Net Assets

	Revaluation Reserve	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R
<b>Balance at 30 June 2011</b>	-	266 061 081	266 061 081
<b>Balance at 1 July 2011 - Restated balance</b>	-	266 061 081	266 061 081
Surplus / (deficit) on revaluation of property of property, plant and equipment	4 152 100	-	4 152 100
Surplus / (deficit) for the period	-	-8 406 435	-8 406 435
<b>Balance at 30 June 2012</b>	<b>4 152 100</b>	<b>257 654 646</b>	<b>261 806 766</b>
Correction of prior period error (Note 46)	-1 493 000	2 586 250	1 093 250
<b>Balance at 1 July 2012 - Restated balance</b>	<b>2 659 100</b>	<b>260 240 896</b>	<b>262 899 996</b>
Surplus / (deficit) for the period		694 724	694 724
<b>Balance at 30 June 2013</b>	<b>2 659 100</b>	<b>260 935 620</b>	<b>263 594 720</b>

## Nkonkobe Local Municipality

### Annual Financial Statements

as at 30 June 2013

#### Statement of Cash Flows

	Note	2013 R	Restated 2012 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>		<b>171 335 560</b>	<b>157 821 410</b>
Property Rates		19 393 434	19 069 818
Other Operating Revenue		2 655 146	2 485 159
Service charges		28 053 028	25 920 103
Grants		117 336 641	106 218 163
Interest, Dividends and Rent on land		2 386 504	2 543 950
Fines, penalties and forfeits		113 130	76 910
Other Receipts		1 397 676	1 507 306
<b>Payments</b>		<b>137 805 270</b>	<b>125 530 600</b>
Compensation of Employees		73 127 997	61 614 575
Goods and Services		55 192 361	53 177 097
Interest paid		184 602	98 157
Other payments		9 300 311	10 640 770
<b>Net cash flows from operating activities</b>	34	<b>33 530 289</b>	<b>32 290 810</b>
<b>Cash flows from investing activities</b>			
Purchase of assets		-38 769 901	-31 948 750
Proceeds from sale of property plant and equipment			109 301
Proceeds from sale of investment property		1 464 532	-
Purchase of other intangible assets		-81 798	-158 397
<b>Net cash flows from investing activities.</b>		<b>-37 387 167</b>	<b>-31 997 846</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-3 520 171
Movmen in finance lease obligations		68 938	358 213
<b>Net cash flows from financing activities</b>		<b>68 938</b>	<b>-3 161 958</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-3 787 940</b>	<b>-2 868 994</b>
Cash and cash equivalents at the beginning of the year	35	-310 452	2 558 542
<b>Cash and cash equivalents at the end of the year</b>		<b>-4 098 392</b>	<b>-310 452</b>

# NKONKOBE LOCAL MUNICIPALITY

## Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013

### 1 BASIS OF ACCOUNTING

#### 1.1 BASIS OF PRESENTATION

These annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

All amounts have been rounded off to the nearest rand in accordance with GRAP 1 paragraph 54 (e).

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in note 46 "Prior period errors".

#### 1.2 PRESENTATION CURRENCY

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

#### 1.3 GOING CONCERN ASSUMPTION

These annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

#### 1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, 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.

The presentation and classification of items in the current year is consistent with prior periods. Where there has been a reclassification or restatement, the nature and reasons for the reclassification and restatement are disclosed in note 48 "Restatement of comparative information" to the Financial Statements.

## NKONKOBE LOCAL MUNICIPALITY

### Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013

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

The following Standards of GRAP have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The municipality has **not early-adopted** any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

<b>GRAP Standard</b>	<b>Effective date</b>
GRAP 18 Segment Reporting - issued March 2005	Not given
GRAP 20 Related Parties - issued June 2011	Not given
GRAP 105 Transfer of functions between entities under common control - Issued November 2010	Not given
GRAP 106 Transfer of functions between entities not under common control - Issued Nov 2010	Not given
GRAP 107 Mergers - Issued November 2010	Not given

#### ***GRAP 18 Segment Reporting:***

The standard requires the identification and aggregation of the operating segments of the entity into reportable segments. For each of the reportable segments identified details of the financial performance and financial position will be disclosed. The precise impact of this on the financial statements of the entity is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

#### ***GRAP 20 Related Parties***

This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. The precise impact of this on the financial statements of the entity is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date

#### ***GRAP 105 Transfer of functions between entities under common control***

This standard requires the entity to recognise or derecognise assets acquired or transferred and liabilities assumed or relinquished at carrying amounts for transactions that involve transfer of functions between entities under common control. The precise impact of this on the financial statements of the entity is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date

#### ***GRAP 106 Transfer of functions between entities not under common control***

This standard requires the entity to recognise identifiable assets acquired and liabilities assumed at fair value and the difference recognised in surplus or deficit for transactions that involve transfer of functions between entities that are not under common control. The precise impact of this on the financial statements of the entity is still being assessed but is not expected to be significant. This standard does not yet have an effective date

Management has considered all the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality. Management applied Directive 5 in determining its reporting framework and accounting policies.

## NKONKOBE LOCAL MUNICIPALITY

### Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013

#### 1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The following accounting standards have been issued and are effective from 1 April 2012, **which were adopted** by the entity during the current financial period.

<b>GRAP Standard</b>	<b>Effective date</b>
GRAP 21 Impairment of Non-cash-generating Assets	1 April 2012
GRAP 23 Revenue From Non-exchange Transactions (Taxes and Transfers)	1 April 2012
GRAP 24 Presentation of Budget Information in Financial Statements	1 April 2012
GRAP 104 Financial Instruments	1 April 2012

#### ***GRAP 21 Impairment of Non-cash generating Assets***

This standard requires entities to annually assess at each reporting date, by considering internal and external factors, whether there is an indication that a non-cash-generating asset may be impaired. If any such indications are triggered, the entity is required to estimate the recoverable service amount of that asset. A non-cash-generating asset will be impaired when its carrying amount exceeds its recoverable service amount.

#### ***GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)***

The Standard deals with issues that need to be considered in recognising and measuring revenue from non-exchange transactions, including the identification of contributions from owners. It requires revenue from non-exchange transactions to be accounted for using the 'assets and liabilities' approach rather than using an 'earnings' approach which is followed for exchange revenue.

#### ***GRAP 24 Presentation of Budget Information in Financial Statements***

The standard requires entities that make their budgets publicly available to present a comparison between:

- (a) the budget and actual amounts;
- (b) between the last budget approved by Parliament, the legislatures or municipal councils, and the final budget (which includes those changes made by management within the prescribed limits); and
- (c) include an explanation of the material differences between the budget and actual amounts in the notes to the financial statements (unless these explanations are included in another document published at the same time as the financial statements).

#### ***GRAP 104 Financial Instruments***

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. It requires financial assets and financial liabilities to be initially recognised at fair value and subsequently measured either at fair value or, amortised cost or cost. The standard also requires extensive disclosures on the significance of financial instruments for an entity's statement of financial position and performance, as well as the nature and extent of the risks that an entity is exposed to as a result of its financial instruments.

Management has considered and assessed the precise impact of all the above-mentioned GRAP standards on the financial statements and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality. It is expected that this will result in additional disclosures without affecting the underlying accounting. Management applied Directive 5 in determining its reporting framework and accounting policies.

#### 1.7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE BUT NOT RELEVANT TO ENTITY

The following standards have been issued and are effective from 1 April 2012 but are **not relevant to the operations of the entity**. These standards have not been used in formulating any accounting policy.

<b>GRAP Standard</b>	<b>Effective date</b>
GRAP 26 Impairment of Cash-generating Assets	1 April 2012
GRAP 103 Heritage Assets	1 April 2012

## **NKONKOBE LOCAL MUNICIPALITY**

### **Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013**

## **2 SIGNIFICANT JUDGEMENTS AND ESTIMATES**

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

### **Judgements**

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

### **Estimates**

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies the following estimates, were made:

#### **2.1 Provision for Rehabilitation of Refuse Landfill Sites**

The entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value, representing the time value of money.

#### **2.2 Other provisions**

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

#### **2.3 Post-employment medical benefits**

Post-employment medical benefits offered by the entity take the form of defined benefit plans. The cost of the post employment medical benefits, and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future medical increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

For key actuarial assumptions, refer to Note 32 "Defined benefit plan obligation"

#### **2.4 Depreciation and amortisation**

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life.

## **NKONKOBE LOCAL MUNICIPALITY**

### **Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013**

## **2 SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)**

### **2.5 Allowance for doubtful debts**

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

### **2.6 Fair value determination of properties (excluding heritage assets)**

In determining the fair value of investment property (and / or property, plant and equipment ) the entity applies a valuation methodology to determine the fair value of the properties based on any one of, or a combination of the following factors:

- The market related selling price of the property; or
- The market related rental that can be earned for the property; or
- The market related selling price of similar properties in the area; or
- The rentals currently or previously earned by the property.

### **2.7 Impairments of non-financial assets**

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

## **3 PROPERTY, PLANT AND EQUIPMENT**

### **3.1 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 recognised as assets when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition. Items of property plant and equipment recognised at initial adoption of GRAP17 is carried at fair value, which is deemed to be the cost of the asset. 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, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. These major components are depreciated separately over their useful lives.

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

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



## NKONKOBÉ LOCAL MUNICIPALITY

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### 3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### 3.1 INITIAL RECOGNITION (CONTINUED)

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.

#### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

##### Subsequent expenditure

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

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

#### 3.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an assets' residual value, where applicable.

The annual depreciation rates are based on the following estimated average asset lives in line with National Treasury guidelines:

<b>Land &amp; Buildings</b>	<b>Useful Life Range in Years</b>
<i>Buildings</i>	15 - 50
<i>Land</i>	Indefinite Life
<b>Infrastructure Assets</b>	<b>Useful Life Range in Years</b>
<i>Roads and Pavings</i>	3 - 50
<i>Electricity Reticulation &amp; Supply</i>	10 – 80
<i>Sewerage Mains &amp; Purification Works</i>	15 – 80
<i>Waste Disposal Facilities</i>	20 -100
<i>Water Supply &amp; Reticulation</i>	10 – 50
<b>Other Assets</b>	<b>Useful Life Range in Years</b>
<i>Vehicles</i>	5
<i>Office Furniture &amp; Fittings</i>	6
<i>Landfill Sites</i>	50
<i>Mobile offices</i>	10
<i>Specialist Vehicles</i>	6
<i>Computer Hardware</i>	3
<i>Office Equipment</i>	5
<i>Specialised plant and equipment</i>	10
<b>Community Assets</b>	<b>Useful Life Range in Years</b>
<i>Cemeteries</i>	15 - 50
<i>Community Halls</i>	15 - 50
<i>Public Conveniences</i>	15 - 50
<i>Recreational Facilities</i>	15 - 50
<i>Parks and Gardens</i>	15 - 50
<b>Finance lease assets</b>	
<i>Office equipment</i>	5 years
<i>Other assets</i>	3 - 6 years

## NKONKOBE LOCAL MUNICIPALITY

### Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013

## 3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### 3.3 DEPRECIATION AND IMPAIRMENT (CONTINUED)

The Municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for certain Machinery and Equipment and Transport assets with significant carrying values. For Machinery and Equipment and Transport (Above R5,000) the residual value and the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance. Minor assets (Below R5,000) are recognised and depreciated annually to R1 and is included in the asset register mainly for completeness and monitoring purposes.

#### Impairments

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

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance

### 3.4 DERECOGNITION

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

## 4 INTANGIBLE ASSETS

### 4.1 INITIAL RECOGNITION AND MEASUREMENT

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

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

- a) The entity intends to complete the intangible asset for use or sale.
- b) It is technically feasible to complete the intangible asset.
- c) The entity has the resources to complete the project.
- d) It is probable that the entity will receive future economic benefits or service potential.
- e) The entity has the ability to measure reliably the expenditure during development.

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.

## NKONKOBE LOCAL MUNICIPALITY

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### 4 INTANGIBLE ASSETS (CONTINUED)

#### 4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

#### 4.3 AMORTISATION AND IMPAIRMENT

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

<i>Intangible</i>	<b>Useful Life Range in Years</b>
<i>Computer Software</i>	3 – 5

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

#### **Impairments**

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

#### 4.4 DERECOGNITION

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

## **NKONKOBÉ LOCAL MUNICIPALITY**

### **Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013**

## **5 INVESTMENT PROPERTY**

### **5.1 INITIAL RECOGNITION AND MEASUREMENT**

Investment property includes property (land or a building, or part of a building, or both land or 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.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

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) or taken on at a deemed value, its cost is its fair value as at the date of acquisition.

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

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 (property, plant and equipment), 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 entity 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 day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

### **5.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. This entails determining the fair value of investment properties on a regular basis. To the extent that the fair value model is applied investment property is not depreciated. Fair value gains / losses that result from the revaluation are recognised in the Statement of Financial Performance.

The assumptions for determining the fair value of the Investment property is set out in note 7 of the Financial Statements.

#### **Derecognition**

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

## **6 FINANCIAL INSTRUMENTS**

### **6.1 INITIAL RECOGNITION**

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

## NKONKOBE LOCAL MUNICIPALITY

### Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013

#### 6 FINANCIAL INSTRUMENTS (CONTINUED)

##### 6.2 INITIAL MEASUREMENT

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

##### 6.3 SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost

All financial assets and financial liabilities are measured after initial recognition using the following categories:

###### a) Financial instruments at fair value.

- Derivatives.
- Compound instruments that are designated at fair value i.e. an instrument that includes a derivative and a
- Instruments held for trading.
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are
- An investment in a residual interest for which fair value can be measured reliably.

Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

###### b) Financial instruments at amortised cost.

Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition or are held for trading.

###### c) Financial instruments at cost.

Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

##### 6.4 DERECOGNITION

A financial asset is derecognised at trade date, when:

The cash flows from the asset expire, are settled or waived;

- a) Significant risks and rewards are transferred to another party; or
- b) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

##### 6.5 GAINS AND LOSSES

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

## NKONKOBE LOCAL MUNICIPALITY

### Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013

## 6 FINANCIAL INSTRUMENTS (CONTINUED)

### 6.6 OFFSETTING

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

### 6.7 IMPAIRMENTS

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### **For financial assets held at amortised cost:**

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity 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 the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### **For financial assets held at cost:**

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

### 6.8 POLICIES RELATING TO SPECIFIC FINANCIAL INSTRUMENTS

#### 6.8.1 INVESTMENTS

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

## **NKONKOBÉ LOCAL MUNICIPALITY**

### **Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013**

#### **6 FINANCIAL INSTRUMENTS (CONTINUED)**

##### **6.8.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment and subsequently carried at amortised cost.

All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value.

The amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

##### **6.8.3 TRADE PAYABLES AND BORROWINGS**

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

##### **6.8.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, 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, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets.

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.

#### **7 UNAUTHORISED EXPENDITURE**

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

#### **8 IRREGULAR EXPENDITURE**

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

## **NKONKOBÉ LOCAL MUNICIPALITY**

### **Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013**

#### **9 FRUITLESS AND WASTEFUL EXPENDITURE**

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

#### **10 RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE**

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 probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income in the Statement of Financial Performance.

#### **11 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

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

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

The municipality has raised the following provisions for the current year

##### **Provision for Post retirement Healthcare Liability**

The Post Retirement Healthcare Liability represents the obligation of the municipality to meet the medical aid contributions of retired employees. The amount of the liability is the present value of the obligation less the fair value of any plan assets held in respect of the post-retirement medical scheme. There are no plan assets in this valuation. For Key assumptions refer to Note 13 "Post Retirement Health Care Liability"

##### **Provision for Long Service awards**

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover. For Key assumptions refer to Note 13 "Provision for Long Service Awards"

##### **Provision for Rehabilitation of Landfill sites**

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted over an average period as determined by values. For Key assumptions refer to Note 13 "Provision for Rehabilitation of Landfill sites"



## **NKONKOBÉ LOCAL MUNICIPALITY**

### **Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013**

## **12 LEASES**

### **12.1 MUNICIPALITY AS LESSEE**

#### **Recognition**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### **Measurement**

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

#### **Derecognition**

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

## **NKONKOBE LOCAL MUNICIPALITY**

### **Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013**

#### **12 LEASES (CONTINUED)**

##### **12.2 MUNICIPALITY AS LESSOR**

###### **Recognition**

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

###### **Measurement**

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments **and** unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

###### **Derecognition**

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

## **NKONKOBÉ LOCAL MUNICIPALITY**

### **Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013**

#### **13 REVENUE**

Revenue is only recognised once all of the following criteria have been satisfied:

- a) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Municipality has an obligation in terms of legislation to collect all revenue and as such, the Municipality does not consider the collectability of the revenue on initial recognition. The Municipality will assess collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss will be recognised as an expense.

#### **13.1 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 excluding indirect taxes, rebates and discounts.

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. The estimates of consumption between meter readings are based on average consumption. Revenue arising from the consumption of electricity in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

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

Revenue from services rendered is recognised with reference to the stage of completion of the service being rendered when the outcome of the transaction can reliably estimated. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied: The amount of revenue can be measured reliably, It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, The stage of completion of the transaction at the reporting date can be measured reliably, The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

## **NKONKOBÉ LOCAL MUNICIPALITY**

### Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013

## **13 REVENUE (CONTINUED)**

### **13.2 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.

Interest revenue is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

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

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.

### **13.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional and funds are invested until it is utilised. 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 in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

## **14 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

## **NKONKOBÉ LOCAL MUNICIPALITY**

### **Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013**

#### **15 EMPLOYEE BENEFITS**

##### **15.1 SHORT-TERM EMPLOYEE BENEFITS**

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. These include salaries and wages, short-term compensated absences and bonus plans.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs. The entity recognises a liability and corresponding expense for short-term employee benefits when an employee has rendered services that entitle him/her to the benefits.

##### **15.2 POST EMPLOYMENT BENEFITS**

The municipality provides post employment benefits for its officials. These benefits are provided as a defined benefit plans. The entity identifies as defined benefit plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

The regular contributions constitute periodic costs for the year in which they are due and such are included in the staff costs.

##### **15.3 LEAVE PAY ACCRUAL**

The Municipality recognises an accrual for leave pay. The liability is based on the total amount of leave days due to the employees at reporting date and on the total remuneration package of the employees.

##### **15.4 ANNUAL BONUSES**

The municipality pays out an Annual bonus to its employees during the month of their birthday or annually from date of employment. An accrual in respect of the liability relating to the anticipated bonuses payable is raised and is based on the monthly basic salary of the individual.

#### **16 IMPAIRMENT OF NON-FINANCIAL ASSETS**

##### **Recognition**

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

##### **Measurement**

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset.

## NKONKOBÉ LOCAL MUNICIPALITY

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### 16 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

#### Measurement (Continued)

Where the asset is a non-cash generating asset the value in use is determined through one of the following approaches:

- ▶ Depreciated replacement cost approach – The current replacement cost of the asset is used as the basis for this value. This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.
- ▶ Restoration cost approach - Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- ▶ Service units approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state.

The decision as to which approach to use is dependent on the nature of the identified impairment.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Entity makes an estimate of the assets or cash-generating unit's recoverable amount.

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

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

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

#### Reversal of impairment losses

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### 17 INVENTORIES

#### Initial recognition and measurement

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost refers to the purchase price, plus 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 entity 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.

## **NKONKOBÉ LOCAL MUNICIPALITY**

### **Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013**

#### **17 INVENTORIES (CONTINUED)**

##### **Subsequent measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

##### **Derecognition**

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

#### **18 SURPLUS OR DEFICIT**

##### **Gains and Losses**

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented separately from other revenue in the Statement of Financial Performance.

Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

#### **19 EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified:

- a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- b) those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amounts recognised in the Annual Financial Statements to reflect adjusting events after the reporting date once the event occurred.

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Annual Financial Statements.

#### **20 VALUE ADDED TAX (VAT)**

The Municipality accounts for Value Added Tax on the payments basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT recoverable from or payable to, the taxation authority is disclosed on the face of the statement of financial position.

## **NKONKOBÉ LOCAL MUNICIPALITY**

### **Annual Financial Statements Summary of Significant Accounting Policies for the year ending 30 June 2013**

#### **21 RELATED PARTIES**

The entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the entity any one or more related parties, and those transactions were not within:

(a) normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and

(b) terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

Further details about those transactions are disclosed in the notes to the financial statements. Refer to Note 44 for identified related parties and related party transactions.

#### **22 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS**

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which are given effect through authorising legislation, appropriation or similar procedures.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

(a) the approved and final budget amounts;

(b) the actual amounts on a comparable basis; and

(c) by way of note disclosure, an explanation of material differences between the budget for which the group is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.



**NKONKOBÉ LOCAL MUNICIPALITY**

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	2013 R	2012 R
<b>1 Cash and Cash Equivalents</b>		
Cash and cash equivalents consist of the following:		
Cash on hand	-	-
Cash at bank	-	-
Call deposits	10 172	10 096
	<b>10 172</b>	<b>10 096</b>

The entity has the following bank accounts: -

**FNB**

Cash book balance at beginning of year	(320 548)	2 481 164
Cash book balance at end of year	(4 108 564)	(320 548)
Bank statement balance at beginning of year	2 207 669	8 146 376
Bank statement balance at end of year	1 120 891	2 207 669

**Cash on hand**

Total cash and cash equivalents	<b>10 172</b>	<b>10 096</b>
Total bank overdraft	<b>4 108 564</b>	<b>320 548</b>

**The terms and conditions of the bank overdraft during 2013 and 2012 are as follows:**

Cash book balance reflects an overdraft due to undeposited cheques. Actual balance at the bank was positive at year end.

**Overdraft Defaults**

During the year no defaults occurred relating to the overdraft facilities of the municipality.

**2 Trade and Other Receivables from Exchange Transactions**

**Balance as at 30 June 2013**

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Electricity	5 979 123	-1 538 025	4 441 098
Refuse	10 044 947	-9 015 114	1 029 834
Other receivables	5 720 943	-902 146	4 818 797
<b>Total Trade and other receivables as at 30 June 2013</b>	<b>21 745 013</b>	<b>-11 455 284</b>	<b>10 289 729</b>

**Balance as at 30 June 2012**

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Electricity	2 932 679	-2 280 814	651 865
Refuse	7 363 941	-5 727 112	1 636 829
Other receivables	4 697 406	-	4 697 406
<b>Total Trade and other receivables as at 30 June 2012</b>	<b>14 994 026</b>	<b>-8 007 926</b>	<b>6 986 100</b>

**Refuse: Ageing**

Current (0 – 30 days)	622 294	444 587
31 - 60 Days	489 866	396 189
61 - 90 Days	453 786	5 962 871
91+ Days	8 479 001	560 294
<b>Total</b>	<b>10 044 947</b>	<b>7 363 941</b>

**Electricity: Ageing**

Current (0 – 30 days)	3 136 034	466 246
31 - 60 Days	710 257	267 649
61 - 90 Days	914 822	946 023
91+ Days	1 218 010	1 252 761
<b>Total</b>	<b>5 979 123</b>	<b>2 932 679</b>

**Other receivables: Ageing**

Current (0 – 30 days)	382 158	2 217 332
31 - 60 Days	152 377	209 579
61 - 90 Days	85 843	92 191
91 - 120 Days	5 100 564	2 178 303
<b>Total</b>	<b>5 720 942</b>	<b>4 697 406</b>

## NKONKOBÉ LOCAL MUNICIPALITY

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### 2 Trade and Other Receivables from Exchange Transactions (Continued)

Summary of Debtors by Customer Classification	Consumers	Industrial / Commercial	Provincial and National Government	Total
	R	R	R	
<b>as at 30 June 2013</b>				
Current (0 – 30 days)	3 304 988	866 599	613 025	4 784 612
31 - 60 Days	1 052 020	406 832	423 443	1 882 295
61 - 90 Days	1 984 182	304 514	135 228	2 423 923
91+ Days	21 896 059	7 511 592	1 700 770	31 108 421
Sub-total	<b>28 237 249</b>	<b>9 089 537</b>	<b>2 872 465</b>	<b>40 199 251</b>
Less: Provision for doubtful debts	-17 104 321	-5 505 861	-1 739 956	-24 350 137
<b>Total debtors by customer classification</b>	<b>11 132 928</b>	<b>3 583 676</b>	<b>1 132 509</b>	<b>15 849 114</b>

<b>as at 30 June 2012</b>				
Current (0 – 30 days)	1 073 239	1 375 559	416 428	2 865 225
31 - 60 Days	1 074 034	597 420	211 432	1 882 885
61 - 90 Days	823 536	405 612	193 694	1 422 841
91+ Days	18 805 054	4 593 877	893 498	24 292 429
Sub-total	<b>21 775 862</b>	<b>6 972 467</b>	<b>1 715 051</b>	<b>30 463 380</b>
Less: Provision for doubtful debts	-13 458 727	-5 522 084	-1 840 619	-20 821 430
<b>Total debtors by customer classification</b>	<b>8 317 135</b>	<b>1 450 383</b>	<b>(125 568)</b>	<b>9 641 950</b>

Included in the total debtors by customer classification is the following amounts related to property rates (Refer to Note 3)

Property Rates	18 454 239	15 867 734
Provision for doubtful debts	-12 894 854	-12 813 504
Subtotal	<b>5 559 384</b>	<b>3 663 239</b>

#### 2.1 Reconciliation of the doubtful debt provision

Balance at beginning of the year	8 007 926	10 455 406
Contributions to provision (Note 24)	5 326 598	2 751 155
Vat on contribution to provision reversed	745 724	-
Doubtful debts written off against provision	-2 624 964	-5 198 635
<b>Balance at end of year</b>	<b>11 455 283</b>	<b>8 007 926</b>

#### Trade and other receivables past due but not impaired

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

Neither past due nor impaired		
Less than 30 days		
31 to 60 days	773 723	211 432
61 to 90 days	162 098	193 694
91+ Days	2 049 876	1 502 507
Greater than 120 days	349 106	-
	<b>3 334 802</b>	<b>1 907 633</b>

#### Trade and other receivables impaired

The amount of the provision was R 11 455 283 as at 30 June 2013 (2012: R 8 007 926)

#### 2.2 Credit quality of trade and other receivables from exchange transactions

The municipality does not have a formal credit quality assessment process.

#### 2.3 Fair value of trade and other receivables

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

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	2013 R	2012 R
<b>3 Other Receivables from Non-Exchange Transactions</b>		
Property Rates	18 454 239	15 867 734
Provision for doubtful debts	-12 894 854	-12 813 504
<b>Subtotal</b>	<b>5 559 384</b>	<b>3 054 230</b>
Recoverable Expenditure	25 290	435
<b>Total Other Debtors</b>	<b>5 584 675</b>	<b>3 054 665</b>
<b>Rates: Ageing</b>		
Current (0 – 30 days)	621 809	1 231 830
31 - 60 Days	520 625	666 812
61 - 90 Days	964 723	13 187 876
90+ Days	16 347 082	781 216
<b>Total</b>	<b>18 454 239</b>	<b>15 867 734</b>
<b>Reconciliation of the doubtful debt provision</b>		
Balance at beginning of the year	12 813 504	8 411 014
Contributions to provision (Note 24)	81 350	4 402 131
Doubtful debts written off against provision	-	-
<b>Balance at end of year</b>	<b>12 894 854</b>	<b>12 813 504</b>

**3.1 Terms and Conditions of Debtors**

**Property Rates**

Interest is charged on all accounts that are overdue for more than 30 days. Interest charged is at prime rate plus 1%.

**Recoverable Expenditure**

No interest charged due to the short term nature of the debt.

**4 Inventories**

**Carrying value of inventory**

<b>859 164</b>	<b>590 386</b>
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**Inventory consist out of:**

Consumable stores

859 164	590 386
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**NKONKOBÉ LOCAL MUNICIPALITY**

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**5 Property, Plant and Equipment**

**5.1 Reconciliation of Carrying Value**

	2013			2012		
	Cost	Accumulated Depreciation & Impairment	Carrying Value	Cost	Accumulated Depreciation & Impairment	Carrying Value
	R	R	R	R	R	R
Land	5 352 200	-	5 352 200	5 352 200	-	5 352 200
Buildings	48 894 708	-2 738 382	46 156 326	47 168 158	-1 625 480	45 542 678
Vehicles	9 581 141	-6 353 701	3 227 440	9 537 379	-4 575 840	4 961 538
Capital Work in Progress	30 462 201	-	30 462 201	-	-	-
Furniture & Fittings	4 372 488	-2 585 235	1 787 253	4 004 559	-2 252 723	1 751 835
Plant, Machinery & Equipment	13 601 108	-4 521 985	9 079 123	13 339 290	-2 674 305	10 664 985
Computer Equipment	2 143 286	-1 216 014	927 272	1 283 119	-959 909	323 211
Parks and Recreation	14 764 541	-2 389 025	12 375 515	13 736 280	-1 789 229.81	11 947 050
Roads	200 489 589	-66 706 233	133 783 357	199 752 153	-50 016 281	149 735 873
Electricity Transmission Networks	51 265 273	-6 039 334	45 225 939	49 049 417	-4 657 016	44 392 402
Solid Waste Disposal	12 336 800	-473 806	11 862 995	11 270 878	-355 354	10 915 524
<b>Total</b>	<b>393 263 335</b>	<b>-93 023 704</b>	<b>300 239 630</b>	<b>354 493 434</b>	<b>-68 906 128</b>	<b>285 587 306</b>

**5.2 Reconciliation of Property Plant and Equipment - 2013**

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment	Revaluation	Carrying Value Closing Balance
	R	R	R	R	R	R	R	R
Land	5 352 200	-	-	-	-	-	-	5 352 200
Buildings	45 542 678	1 726 550	-	-	-1 112 901	-	-	46 156 326
Vehicles	4 961 538	43 762	-	-	-1 777 860	-	-	3 227 440
Capital Work in Progress	-	30 462 201	-	-	-	-	-	30 462 201
Furniture & Fittings	1 751 835	367 929	-	-	-332 512	-	-	1 787 253
Plant, Machinery & Equipment	10 664 985	261 818	-	-	-1 847 680	-	-	9 079 123
Computer Equipment	323 211	860 167	-	-	-256 105	-	-	927 272
Parks and Recreation	11 947 060	1 028 261	-	-	-599 796	-	-	12 375 525
Roads	149 735 873	737 436	-	-	-16 689 952	-	-	133 783 357
Electricity Transmission Networks	44 392 402	2 215 856	-	-	-1 382 318	-	-	45 225 939
Solid Waste Disposal	10 915 524	1 065 922	-	-	-118 451	-	-	11 862 995
<b>Total</b>	<b>285 587 306</b>	<b>38 769 901</b>	<b>-</b>	<b>-</b>	<b>-24 117 576</b>	<b>-</b>	<b>-</b>	<b>300 239 630</b>

**5.3 Reconciliation of Property Plant and Equipment - 2012**

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment	Revaluation	Carrying Value Closing Balance
	R	R	R	R	R	R	R	R
Land	4 863 000	489 200	-	-	-	-	-	5 352 200
Buildings	28 260 876	14 874 646	-	3 082 916	-675 761	-	-	45 542 678
Vehicles	5 573 420	459 608	-	-	-1 071 489	-	-	4 961 538
Furniture & Fittings	1 095 161	1 001 046	17 773	-	-362 145	-	-	1 751 835
Plant, Machinery & Equipment	6 758 961	4 812 997	-76 301	-	-830 673	-	-	10 664 985
Computer Equipment	464 316	222 674	-120 092	-	-243 686	-	-	323 211
Parks and Recreation	12 412 577	-	-	134 279	-599 796	-	-	11 947 060
Roads	161 608 981	1 914 335	-	3 420 323	-17 207 766	-	-	149 735 873
Electricity Transmission Networks	45 944 740	-	-	-	-1 552 339	-	-	44 392 402
Solid Waste Disposal	9 363 514	-	-	1 670 462	-118 451	-	-	10 915 524
<b>Total</b>	<b>276 345 546</b>	<b>23 774 506</b>	<b>-178 620</b>	<b>8 307 980</b>	<b>-22 662 106</b>	<b>-</b>	<b>-</b>	<b>285 587 306</b>

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	2013	2012
	R	R
<b>5.4 Capitalised expenditure</b>		
<i>Details of expenses that were capitalised to WIP</i>		
Surfacing of Fort Beaufort tTown - MIG	9 877 710	-
Balfour internal streets	784 250	-
Park - MIG	168 110	-
Newtown retention	1 172 522	-
Paving Debe-nek	159 778	-
chicken abattoir	574 071	-
Licencing and Testing center in Fort Beaufort	426 283	-
LLoyd Community Hall	102 692	-
Council Chamber	7 883 652	-
Constuction of Pre-schools (WIP)	712 523	-
Multi Purpose Centre in Middledrift	5 768 524	-
Grade A Testing Center - MIG	737 436	-
Durban Street	1 111 628	-
Paving Debe-Nek- MIG	352 050	-
Paving of Sommerset Street	689 551	-
Fencing of Alice Town Cemeteries	1 028 261	-
Mbizana Community hall	910 150	-
Zibi Community Hall	910 793	-
Mathole Community Hall	1 013 418	-
Dyamala Community Hall	331 204	-
Maarsdorp Community Hall	355 349	-
Hala Community Hall	1 100 444	-
	<b>36 170 397</b>	<b>-</b>
<b>5.5 Compensation received for losses on property, plant and equipment – included in operating surplus</b>		
Motor Vehicles	112 222	-
Property, Plant and Equipment	8 058	-
Computer Equipment	17 239	-
Buildings	5 800	-
	<b>143 319</b>	<b>-</b>
<b>5.6 Details of valuation</b>		
The municipality carries Property, Plant and Equipment at cost less accumulated depreciation. No revaluation of PPE was done during the current year.		
<b>5.7 Contractual commitments for the acquisition of property, plant and equipment</b>		
By the date that the financial statements were authorised for issue the following contractual commitments for the acquisition of property, plant and equipment existed.		
Purchase of new property, plant and equipment	11 759 496	-
Construction of new property, plant and equipment	19 605 761	-
<b>Total</b>	<b>31 365 257</b>	<b>-</b>

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**6 Intangible Assets**

**6.1 Reconciliation of Carrying Value**

	2013			2012		
	Cost	Accumulated Amortisation & Impairment	Carrying Value	Cost	Accumulated Amortisation & Impairment	Carrying Value
	R	R	R	R	R	R
Computer Software	377 973	-318 645	59 329	296 175	-109 817	186 358
<b>Total</b>	<b>377 973</b>	<b>-318 645</b>	<b>59 329</b>	<b>296 175</b>	<b>-109 817</b>	<b>186 358</b>

**6.2 Reconciliation of Intangible Assets - 2013**

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment	Carrying Value Closing Balance
	R	R	R	R	R	R	R
Computer Software	186 359	81 798	-	-	-208 828	-	59 329
<b>Total</b>	<b>186 359</b>	<b>81 798</b>	<b>-</b>	<b>-</b>	<b>-208 828</b>	<b>-</b>	<b>59 329</b>

**6.3 Reconciliation of Intangible Assets - 2012**

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment	Carrying Value Closing Balance
	R	R	R	R	R	R	R
Computer Software	121 418	158 397	-	-	-93 456	-	186 359
<b>Total</b>	<b>121 418</b>	<b>158 397</b>	<b>-</b>	<b>-</b>	<b>-93 456</b>	<b>-</b>	<b>186 359</b>

**7 Investment Property Carried at Fair Value**

**7.1 Reconciliation of Investment Property Carried at Fair Value - 2013**

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Fair Value Adjustment	Carrying Value Closing Balance
	R	R	R	R	R	R
Vacant Land	14 128 000	-	-860 800	-	1 164 737	14 431 937
Land	59 900	-	-	-	-	59 900
Buildings	2 198 300	-	-	-	139 563	2 337 863
<b>Total</b>	<b>16 386 200</b>	<b>-</b>	<b>-860 800</b>	<b>-</b>	<b>1 304 300</b>	<b>16 829 700</b>

**7.2 Reconciliation of Investment Property Carried at Fair Value - 2012**

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Fair Value Adjustment	Carrying Value Closing Balance
	R	R	R	R	R	R
Vacant Land	12 838 400	-	-	-	1 289 600	14 128 000
Land	54 400	-	-	-	5 500	59 900
Buildings	2 000 400	-	-	-	197 900	2 198 300
<b>Total</b>	<b>14 893 200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 493 000</b>	<b>16 386 200</b>

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	2013 R	2012 R
<b>7.3 Investment property pledged as security</b>		
<b>Asset:</b>		
Vacant Land	-	-
Land	-	-
Buildings	-	-
	<u>-</u>	<u>-</u>

**7.4 Restriction to the title of Investment property**

There are currently no restrictions to the title of the Investment property owned by the municipality.

**7.5 Details of property**

***Vacant Land (Various ERFs)***

Purchase price:	11 977 600	12 838 400
Additions/Revaluations since purchase	2 661 237	1 289 600
Capitalised expenditure	-	-
	<u>14 638 837</u>	<u>14 128 000</u>

***Land (Municipal Land rented out)***

Purchase price:	54 400	54 400
Additions/Revaluations since purchase	5 500	5 500
Capitalised expenditure	-	-
	<u>59 900</u>	<u>59 900</u>

***Buildings (Municipal Buildings rented out)***

Purchase price	2 000 400	2 000 400
Additions/Revaluations since purchase	337 463	197 900
Capitalised expenditure	-	-
	<u>2 337 863</u>	<u>2 198 300</u>

<b>Total</b>	<u>17 036 600</u>	<u>16 386 200</u>
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Rental income from investment property	141 270	179 840
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Due to the number of the properties, it is not practical to disclose details of each property in the financial statements. A register indicating the full details of every property is available on request from the registered office of the municipality

**7.6 Details of valuation**

The valuation of Land and Buildings was performed by an independent valuator, namely PJ Lindstrom who is not connected to the municipality.

The valuation of properties leased out and treated as Investment property was performed using the Direct Comparison Method. Vacant Land was valued using the Direct Comparison Method based on other sales of vacant land in town.

These assumptions are based on current market conditions.

The carrying value of the revalued assets under the cost model would have been:

Vacant Land	11 977 600	11 977 600
Land	54 400	54 400
Buildings	1 814 316	1 860 837
	<u>13 846 316</u>	<u>13 892 837</u>

**Fair value adjustments recognised in Statement of Financial Performance:**

Amounts recognised in surplus or deficit for the year.	<u>1 304 300</u>	<u>1 493 000</u>
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	2013 R	2012 R
<b>8 Trade and Other Payables from Exchange Transactions</b>		
Trade creditors	23 612 640	13 069 458
Staff leave and bonus accrual	6 754 763	4 960 828
Other creditors	1 374 938	1 038 642
<b>Subtotal</b>	<b>31 742 342</b>	<b>19 068 928</b>
Payments received in advance	3 389 344	3 158 349
<b>Total Trade and other payables</b>	<b>35 131 686</b>	<b>22 227 277</b>

**Fair value of trade and other payables**

The effect of discounting Trade creditors to fair value was considered immaterial. Accordingly Trade and other payables approximate fair value.

<b>9 Consumer Deposits</b>		
Electricity and Water	1 198 251	1 109 130
<b>Total consumer deposits</b>	<b>1 198 251</b>	<b>1 109 130</b>

Consumer deposits collected do not accrue any interest .

<b>10 VAT Receivable</b>		
VAT receivable	1 463 957	1 665 341

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors. All VAT returns were submitted and paid on time during the year.

<b>11 Unspent Conditional Grants and Receipts</b>		
<b>11.1 Unspent Conditional Grants from other spheres of Government</b>		
Equitable Share	-	-
MIG Grants	-	-
LED Capacity Grant	14 164	23 242
LED Strategy Grant	147 392	147 392
Sports Arts and Culture Grant	-	-
<b>Total Unspent Conditional Grants and Receipts</b>	<b>161 557</b>	<b>170 634</b>
<b>Non-current unspent conditional grants and receipts</b>	-	-
<b>Current portion of unspent conditional grants and receipts</b>	<b>161 557</b>	<b>170 634</b>

For the reconciliation of Unspent Conditional Grants and Receipts refer to note 19.

2013	Minimum lease payment	Future finance charges	Present value of minimum lease payments
	R	R	R
<b>Amounts payable under finance leases</b>			
Within one year	300 523	-25 677	274 846
Within two to five years	160 500	-8 196	152 305
Later than five years	-	-	-
	461 024	-33 872	427 151
Less: Amount due for settlement within 12 months	-300 523	25 677	-274 846
	<b>160 500</b>	<b>-8 196</b>	<b>152 305</b>
<b>2012</b>	<b>Minimum lease payment</b>	<b>Future finance charges</b>	<b>Present value of minimum lease payments</b>
	R	R	R
<b>Amounts payable under finance leases</b>			
Within one year	181 873	-24 662	157 211
Within two to five years	212 185	-11 183	201 002
Later than five years	-	-	-
	394 059	-35 846	358 213
Less: Amount due for settlement within 12 months	-181 873	24 662	-157 211
	<b>212 185</b>	<b>-11 183</b>	<b>201 002</b>

The municipality leases labour saving devices. The lease term is for 3 years commencing September 2011. Interest rates are linked to prime + .085%. The lease has a fixed repayment rate of R 15 156 per month. No arrangements have been entered into for contingent rent.



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### 13 Non-Current Provisions

#### Reconciliation of Movement in Provision - 2013

	Provision for rehabilitation of landfill sites	Provision for long-service awards	Total
	R	R	R
<b>Opening Balance</b>	12 445 196	2 477 211	14 922 407
Provisions Raised	1 339 205	-	1 339 205
Amounts Used	-	-103 242	-103 242
Movements		1 117 583	1 117 583
<b>Closing Balance</b>	<b>13 784 401</b>	<b>3 491 552</b>	<b>17 275 953</b>

#### Reconciliation of Movement in Provision - 2012

	Provision for rehabilitation of landfill sites	Provision for long-service awards	Total
	R	R	R
<b>Opening Balance</b>	8 100 000	2 046 693	10 146 693
Provisions Raised	3 400 000	-216 400	3 183 600
Amounts Used	-1 009 249	-122 886	-1 132 135
Movements	1 954 445	769 804	2 724 249
<b>Closing Balance</b>	<b>12 445 196</b>	<b>2 477 211</b>	<b>14 922 407</b>

#### Provision for rehabilitation of landfill sites

The municipality operates 4 refuse disposal sites in an around Nkonkobe Municipality ( Alice, Middledrift, Fort Beaufort and Seymour). In accordance with legislation , every year the municipality raises a provision for the estimated cost of rehabilitating the land over which the sites are situated. The provision is assessed every year by a qualified valuer and a liability raised. Movements in the provision are recognised in the statement of financial performance.

#### Principal assumptions:

<i>Discount Rate</i>	10.00%
<i>Direct Contract costs</i>	99 per square metre
<i>Indirect Professional Fees</i>	20 000 - 500 000
<i>Rehabilitation (Cleaning and covering)</i>	141.90 per square meter

#### Provision for long-service awards

The municipality offers employees LSA for every 5 years of service completed, from 5 years of service to 45 years of service, inclusive. The LSA is not a funded arrangement.

	2013 R	2012 R
<b>Principal actuarial assumptions:</b>		
Discount rate	7.14%	6.19%
General Salary Inflation	6.75%	5.97%
Net effective discount rate	0.36%	0.20%
Active members expected to continue after retirement	100%	100%
Average retirement age	63	63
Mortality pre-retirement	SA85-90	SA85-90

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	2013 R	2012 R
<b>14 Property Rates</b>		
<b>Actual</b>		
Residential	2 575 946	7 152 899
Commercial	3 843 482	2 527 407
Light Industries	11 828 294	4 797 894
Heavy Industries	1 247 077	265 333
State	-101 364	4 326 285
<b>Total property rates</b>	<b>19 393 434</b>	<b>19 069 818</b>
Property rates - penalties imposed and collection charges	-	-
<b>Total</b>	<b>19 393 434</b>	<b>19 069 818</b>
<b>Valuations</b>		
Residential	973 467 444	1 018 900 244
Commercial	960 073 923	976 279 533
State	685 585 813	683 439 743
Municipal	103 267 542	37 795 602
<b>Total Property Valuations</b>	<b>2 722 394 722</b>	<b>2 716 415 122</b>
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed annually in September to take into account changes in individual property values due to alterations.</p> <p>A general rate of 0.0071 (residential), 0.0117(business), 0.0155 (state) is applied to property valuations to determine assessment rates. Rebates of 15000 are granted to residential property owners and a rebate of 20% of the property value is granted to state property owners.</p> <p>Rates are levied on a monthly or annual basis with the final date of payment being 30 September for annual levies. Interest at prime + 1% per month (2012: prime + 1% ) is levied on outstanding rates.</p>		
<b>15 Service Charges</b>		
Sale of electricity	30 206 695	18 316 839
Refuse removal	8 886 537	6 992 591
<b>Total Service Charges</b>	<b>39 093 231</b>	<b>25 309 430</b>
<b>16 Rental of Facilities and Equipment</b>		
Rental of facilities	<b>262 325</b>	<b>330 088</b>
- Straight-lined operating lease receipts	262 325	330 088
- Contingent rentals	-	-
Other rentals	1 510	602
<b>Total rentals</b>	<b>263 835</b>	<b>330 689</b>
<b>17 Interest Earned - External Investments</b>		
Bank	93 735	89 209
Financial assets	806 237	781 745
<b>Total interest</b>	<b>899 972</b>	<b>870 954</b>
<b>18 Interest Earned - Outstanding Receivables</b>		
Receivables	1 486 533	1 672 997
<b>Total interest</b>	<b>1 486 533</b>	<b>1 672 997</b>

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**19 Government Grants and Subsidies**

**Reconciliation of Movement in Grant - 2013**

	<b>Balance unspent at beginning of year</b>	<b>Current year receipts</b>	<b>Conditions met - transferred to revenue</b>	<b>Conditions still to be met - remain liabilities</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Equitable Share	-	86 351 000	86 351 000	-
MIG Grant	-	26 315 000	26 315 000	-
MSIG	-	800 000	800 000	-
FMG	-	1 500 000	1 500 000	-
LED Capacity Grant	23 242	240 632	249 709	14 164
LED Strategy Grant	147 392	-	-	147 392
Sports Arts and Culture Grant	-	801 000	801 000	-
Expanded Public Works Programme (EPWP)	-	1 181 000	1 181 000	-
Provincial LED projects 1	-	138 931	138 931	-
<b>Total Government Grant and Subsidies</b>	<b>170 634</b>	<b>117 327 563</b>	<b>117 336 641</b>	<b>161 557</b>

**Reconciliation of Movement in Grant - 2012**

	<b>Balance unspent at beginning of year</b>	<b>Current year receipts</b>	<b>Conditions met - transferred to revenue</b>	<b>Conditions still to be met - remain liabilities</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Equitable share	-	76 099 000	76 099 000	-
MIG Grant	-	21 693 000	21 693 000	-
MSIG	-	790 000	790 000	-
FMG	-	1 450 000	1 450 000	-
LED Capacity Grant	430 394	67 187	474 339	23 242
LED Strategy Grant	345 000	-	197 608	147 392
Sports Arts and Culture Grant	508 534	1 708 683	2 217 217	-
Expanded Public Works Programme (EPWP)	-	3 297 000	3 297 000	-
<b>Total Government Grant and Subsidies</b>	<b>1 283 927</b>	<b>105 104 870</b>	<b>106 218 163</b>	<b>170 634</b>

**Unspent conditional grants at year end consist of the following;**

LED Strategy grant - The grant is intended to promote local spatial development framework for Middledrift. The grant is utilised as the related expenditure is incurred. At year end, the grant was not utilised fully. The utilised portion has been recognised as revenue and the unutilised portion as a liability.

LED Capacity grant - The grant is intended to capacitate and strengthen the IDP section of the municipality. The amount recognised is related to the actual expenditure incurred by the IDP section. At year end, the grant was not utilised fully. The utilised portion has been recognised as revenue and the unutilised portion has been recognised as a liability.

**19.1 Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R84.08 (2012: R81.51), which is funded from the grant.

**19.2 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

**20 Other Income**

	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
Other income	1 397 676	1 507 306
<b>Total Other Income</b>	<b>1 397 676</b>	<b>1 507 306</b>

**21 Fines, Penalties and Forfeits**

Fines	113 130	76 910
<b>Total</b>	<b>113 130</b>	<b>76 910</b>

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	2013 R	2012 R
<b>22 Employee Related Costs</b>		
Employee related costs - Salaries and Wages	36 516 945	29 219 751
Employee related costs - Contributions for UIF, pensions and medical aids	6 858 662	5 381 202
Travel, motor car, accommodation, subsistence and other allowances	2 560 186	1 866 266
Housing benefits and allowances	429 765	461 036
Overtime payments	1 989 717	1 616 026
Performance and other bonuses	2 568 388	2 014 774
Long-service awards	1 117 584	553 400
Other employee related costs	7 431 648	8 449 187
<b>Employee Related Costs</b>	<b>59 472 894</b>	<b>49 561 642</b>
 <b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	519 571	461 121
Travel, motor car, accommodation, subsistence and other allowances	456 049	394 142
Contributions to UIF, Medical and Pension Funds	198 554	9 086
<b>Total</b>	<b>1 174 174</b>	<b>864 349</b>
 <b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	295 419	384 260
Travel, motor car, accommodation, subsistence and other allowances	483 610	330 729
Contributions to UIF, Medical and Pension Funds	1 118	8 826
<b>Total</b>	<b>780 147</b>	<b>723 814</b>
 <b>Total employee costs</b>	<b>61 427 214</b>	<b>51 149 806</b>

**Remuneration of Individual Executive Directors - 2013**

	Annual Remuneration	Performance- and other bonuses	Travel, motor car, accommodation, subsistence and other allowances	Contributions to UIF, Medical and Pension Funds
	R	R	R	R
Technical Services	375 000	-	258 065	126 548
Corporate Services	32 919	-	180 182	5 048
Community Services	-	-	-	-
<b>Total</b>	<b>407 919</b>	<b>-</b>	<b>438 247</b>	<b>131 596</b>

**Remuneration of Individual Executive Directors - 2012**

	Annual Remuneration	Performance- and other bonuses	Travel, motor car, accommodation, subsistence and other allowances	Contributions to UIF, Medical and Pension Funds
	R	R	R	R
Technical Services	219 665	-	263 565	5 609
Corporate Services	384 260	-	293 605	7 623
Community Services	61 531	-	160 113	1 974
<b>Total</b>	<b>665 456</b>	<b>-</b>	<b>717 283</b>	<b>15 206</b>

**23 Remuneration of Councillors**

	2013 R	2012 R
Mayor	674 879	656 342
Speaker	537 608	513 306
Executive Committee Members	1 940 184	2 286 826
Councillors	5 207 308	226 844
Councillors' pension and medical aid contributions	520 579	285 954
Councillors' allowances	2 820 224	6 495 498
<b>Total Councillors' Remuneration</b>	<b>11 700 783</b>	<b>10 464 769</b>

**In-kind Benefits**

The Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of the Council owned vehicle for official duties and is also allocated a driver at the expense of the Council.

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	2013 R	2012 R
<b>24 Debt Impairment</b>		
Exchange transactions	5 326 598	2 751 155
Non exchange transactions	81 350	4 402 131
<b>Total Contributions to debt impairment provision</b>	<b>5 407 948</b>	<b>7 153 286</b>
<b>25 Repairs and Maintenance</b>		
Repairs and maintenance expense	9 169 101	11 686 611
<b>26 Depreciation and Amortisation Expense</b>		
Property, plant and equipment	24 214 172	22 661 742
Intangible assets	112 233	93 456
<b>Total Depreciation and Amortisation</b>	<b>24 326 405</b>	<b>22 755 198</b>
<b>27 Finance Costs</b>		
Borrowings	-	154 224
Finance leases	37 072	-
Trade and other payables	147 529	-56 067
<b>Total Finance Costs</b>	<b>184 602</b>	<b>98 157</b>
<b>28 General Expenses</b>		
Included in general expenses are the following:-		
Advertising	680 121	559 293
Audit fees	1 929 212	2 376 117
Bank charges	223 357	270 880
Bursaries	180 153	55 117
Cleaning	236 739	-
Conferences and delegations	3 248 111	2 672 901
Consulting fees	4 813 967	5 125 732
Consumables	431 853	535 747
Entertainment	351 077	261 796
Fuel and oil	2 670 931	1 369 578
Insurance	766 420	739 814
Legal expenses	249 237	407 185
Licence fees - vehicles	248 524	168 325
Membership fees	4 035	90 402
Postage	369 824	144 522
Printing and stationery	692 831	574 573
Rental of office equipment	1 494 179	1 265 063
Other rentals	125 660	122 487
Security costs	257 729	156 234
Skills development levies	401 652	-
Stocks and material	115 786	-
Subscription & publication	332 368	60 417
Telephone cost	2 834 215	2 841 781
Training	846 749	1 044 482
Travel and subsistence - Local	94 314	-
Uniforms & overalls	451 542	284 233
Valuation costs	1 150 680	213 597
Water and Sanitation	500 000	1 229 408
Other	9 883 715	13 431 663
	<b>35 858 264</b>	<b>36 001 347</b>
<b>29 Bulk Purchases</b>		
Electricity	26 214 443	17 090 908
<b>Total Bulk Purchases</b>	<b>26 214 443</b>	<b>17 090 908</b>
<b>30 Gain / (Loss) on Sale of Assets</b>		
Property, plant and equipment	-	-69 319
Investment property	603 732	-
<b>Total Gain / (Loss) on Sale of Assets</b>	<b>603 732</b>	<b>-69 319</b>

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	2013 R	2012 R
<b>31 Profit / (Loss) on Fair Value Adjustment</b>		
Investment property carried at fair value	1 304 300	1 493 000
<b>Total Profit / (Loss) on Fair Value Adjustment</b>	<b>1 304 300</b>	<b>1 493 000</b>

**32 Employee Benefits**

**32.1 Defined Benefit Plans**

**Statement of Financial Position**

Post employment medical benefits	13 381 304	12 445 195
<b>Total</b>	<b>13 381 304</b>	<b>12 445 195</b>

**Statement of Financial Performance**

Post employment medical benefits	1 087 416	-1 671 665
<b>Total</b>	<b>1 087 416</b>	<b>-1 671 665</b>

The defined benefit plan is focused on the liability that the municipality faces in respect of employees and continuation members currently covered by health care arrangements

the municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In service members will receive a post retirement subsidy of 70% of the contribution payable. Widows and orphans of eligible in service members are entitled to receive 60% subsidy on and after the death in service of an employee. All continuation members currently receive a 70% subsidy. Upon a member's death-in retirement, the surviving dependants will continue to receive the same 70% subsidy.

<b>Medical benefits</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Present value of unfunded obligations	<b>13 381 304</b>	<b>12 445 195</b>	<b>14 253 000</b>	<b>12 841 000</b>
Total present value of obligations	13 381 304	12 445 195	14 253 000	12 841 000
Fair value of plan assets	-	-	-	-
Unrecognised past service costs (Asset)/Liability for defined benefit obligations in the statement of financial position	-	-	-	-
	<b>13 381 304</b>	<b>12 445 195</b>	<b>14 253 000</b>	<b>12 841 000</b>

	2013 R	2012 R
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
<b>Defined benefit obligation as at 1 July</b>	<b>12 445 195</b>	<b>14 253 000</b>
Current service costs	680 239	878 000
Interest costs	982 666	1 319 000
Actuarial losses/(gains)	-575 489	-3 868 665
Benefits paid	-151 307	-136 140
<b>Defined benefit obligation as at 30 June</b>	<b>13 381 304</b>	<b>12 445 195</b>
Current service costs	680 239	878 000
Interest costs	982 666	1 319 000
Actuarial gains and losses	-575 489	-3 868 665
<b>Total Expense</b>	<b>1 087 416</b>	<b>-1 671 665</b>

**Principal actuarial assumptions:**

Discount rate	9.03%	8.20%
Health Care cost inflation rate	7.99%	7.09%
Net effective discount rate	0.97%	1.04%
Active members expected to continue after retirement	100%	100%
Average retirement age	63	63
Mortality pre-retirement	SA85-90 ultimate table, adjusted for female lives	
Mortality post-retirement	PA90 ultimate table adjusted down by 2 yrs. of age	

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**32 Employee Benefits (Continued)**

**32.1 Defined Benefit Plans (Continued)**

**Discount rate**

The discount rate was deduced from the JSE Zero Coupon bond yield after market close on 28 June 2013. The rate is calculated by using a liability - weighted average of yields for the three components of the liability i.e. In service members' retirement liability, Death in service liability and Pensioners liability. For each of the three liability components, yields were determined by looking at the average term of the liability component and finding the fixed-interest and index-linked gilt yields at the relevant duration of the JSE (Best Decency) Zero Coupon yield curve.

**Expected rates of salary increase**

Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

	2013 R	2012 R
<b>Sensitivity Analysis</b>		
<b>1% Increase in healthcare costs would the following effects</b>		
Effect on the aggregate current service cost and interest cost	2 010 200	2 650 000
Effect on the defined benefit obligation	15.815	14.694
<b>1% Decrease in healthcare costs would the following effects</b>		
Effect on the aggregate current service cost and interest cost	1 390 900	1 840 000
Effect on the defined benefit obligation	11.436	10.646
<b>A one year age reduction in the assumed rates of post retirement mortality</b>		
Effect on the aggregate current service cost and interest cost	1 724 600	2 280 000
Effect on the defined benefit obligation	13.895	12.924
<b>A one year decrease in the assumed average retirement age</b>		
Effect on the aggregate current service cost and interest cost	1 696 300	2 240 000
Effect on the defined benefit obligation	14.15	13.127

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	2013 R	2012 R
<b>33 Grants and Subsidies Paid</b>		
Nkonkobe Economic Development Agency (NEDA)	1 363 242	966 603
Indigent Subsidy (Free Basic Electricity)	4 380 510	6 191 154
Other	3 556 558	3 483 013
	<b>9 300 311</b>	<b>10 640 770</b>
<b>Other grants and subsidies paid include the following amounts :</b>		
Parraffin and other supplied to indigent consumers R3 356 558 (2012: R3 083 013), Cricket development amounting to R200 000 (2012:R400 000).		
<b>34 Cash flows from operating activities</b>		
Surplus/(deficit) for the year from:		
Continuing operations	694 724	-8 406 435
Adjustment for:-		
Depreciation and Amortisation	24 326 405	22 755 198
(Gain) / loss on sale of assets	-603 732	69 319
Fair value adjustments	-1 304 300	-1 493 000
Movement in provisions	3 016 367	9 144 711
<b>Operating surplus before working capital changes:</b>	<b>26 129 464</b>	<b>22 069 793</b>
(Increase)/decrease in inventories	-268 778	-25 031
(Increase)/decrease in trade and other receivables	-5 833 638	8 251 794
(Increase)/decrease in VAT receivable	201 383	-487 834
Increase/(decrease) in conditional grants and receipts	-9 077	-866 370
Increase/(decrease) in trade and other payables	12 948 533	3 276 365
Increase/(decrease) in consumer deposits	89 121	72 092
<b>Net cash flows from operating activities</b>	<b>33 257 007</b>	<b>32 290 810</b>
<b>35 Cash and Cash Equivalents</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	10 172	10 096
Bank overdrafts	-4 108 564	-320 548
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>-4 098 392</b>	<b>-310 452</b>
<b>36 Purchase of Property, Plant and Equipment</b>		
During the period, the municipality acquired property, plant and equipment with an aggregate cost of R 38 769 901, of which R 14 218 819 was acquired by means of capital grants by the national government. Cash payments of R15 812 080 were made to purchase property, plant and equipment.		
<b>Total value of PPE procured during the year.</b>		
Buildings	1 726 550	-
Vehicles	43 762	-
Capital Work in Progress	30 462 201	-
Furniture & Fittings	367 929	-
Plant, Machinery & Equipment	261 818	-
Computer Equipment	860 167	-
Parks and Recreation	1 028 261	-
Roads	737 436	-
Electricity Transmission Networks	2 215 856	-
Solid Waste Disposal	1 065 922	-
<b>Total</b>	<b>38 769 901</b>	<b>-</b>
<b>37 Change in Accounting Policy</b>		
<b>Accounting Policies have been consistently applied, except as indicated below:</b>		
The municipality changes an accounting policy only if the change:		
a) is required by a Standard of GRAP; or		
b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.		
No changes in accounting policy have been done in the current year. All accounting policies utilised are consistent with prior year.		



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	2013 R	2012 R
<b>38 Unauthorised, Irregular, Fruitless and Wasteful Expenditure Disallowed</b>		
<b>38.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure		
Opening balance	147 530 543	18 964 980
Unauthorised expenditure current year	-	147 530 543
Approved by Council or condoned	-147 530 543	-18 964 980
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>-</u>	<u>147 530 543</u>

<b>38.2 Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	15 306	285 106
Fruitless and wasteful expenditure current year	2 221 015	15 305
Condoned or written off by Council	-15 306	-285 106
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>2 221 014</u>	<u>15 306</u>

**Details of Fruitless and Wasteful expenditure**

*The following expenditure relates to expenditure incurred on projects that have since been discontinued. The expenses incurred have been written off.*

Fire Rescue and Disaster Management Center - Alice	129 411
Solid Waste Site in Seymour and Hogsback - Seymour	96 985
Solid Waste Transfer station in Seymour	1 847 090
	<u>2 073 485</u>

*The following expenditure incurred relates to interest charges for late payments by the municipality:*

Auditor General	22 460
Eskom	856
Telkom	101 776
Khangela Satellite	22 437
	<u>147 529</u>

**Total fruitless and Wasteful expenditure**

2 221 015

**38.3 Irregular expenditure**

Reconciliation of irregular expenditure		
Opening balance	1 808 350	4 926 868
Irregular expenditure current year	2 200 152	1 808 350
Condoned or written off by Council	-4 008 503	-4 926 868
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>-</u>	<u>1 808 350</u>

**Details of Irregular Expenditure for Current year**

*The following services were procured without following three quotation system. No disciplinary steps were taken regarding these incidents because due to the location of the municipality, the service provider is the Sole supplier.*

<b>Supplier</b>	<b>Amount</b>
Actom	6 699
Anderson electrical	6 500
Automall Nissan	3 173
Babcock equipment	4 860
Beka	87 620
Bytes connect	3 192
Conlog (Pty) Ltd	79 844
Construction equipment suppliers	55 558
Daily dispatch	251 215
Datnis Nissan	7 543
Ferobrake	14 174
Fleet Dynamics	4 346
Forte FM	5 600
<b>Sub-total</b>	<u>530 325</u>

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**38.3 Irregular expenditure (Continued)**

**Details of Irregular Expenditure for current year (Continued)**

<b>Supplier</b>	<b>Amount</b>
Government printing	9 956
Grizzly Engineering	61 218
Interect cc	45 697
Media 24	27 394
Joe Davis Locksmith and Hardware Trust	10 482
Motor vehicle elec cc	29 403
Meyers Motors	22 386
Pay day	5 141
Scaw Metals	14 911
Picasso headline	28 629
Lithotech (Pty) Ltd	14 213
Port Elizabeth traffic College	7 682
Nosa (Pty) Ltd	17 543
Sanca Central Eastern Cape	14 950
Pugela Consulting	6 990
Synchronized traffic system cc	13 452
TFM Manufactures	78 972
Workshop electronics	816 852
Winterberg panel beaters	7 980
Industries Education & Training Institute	4 931
	<b>1 769 108</b>

**38 Unauthorised, Irregular, Fruitless and Wasteful Expenditure Disallowed (Continued)**

**Details of Irregular Expenditure for Current year (Continued)**

*The following expenditure from the below mentioned suppliers was incurred without following the SCM process of obtaining quotations. No disciplinary steps taken because the Acquisition was an emergency*

<b>Supplier</b>	<b>Amount</b>
Abduls auto spring suppliers	7 173
Ado Research Labs	6 594
Eyabantu Professional Services	18 590
Eyethu Entertainment centre	5 750
G & B Motors	25 672
KWT Motors Engineering	47 487
National Locksmith	3 990
Stofile construction	17 150
Thesens generator	2 086
Trans-Atlantic Equipment	17 761
	<b>152 253</b>

*The following expenditure from the below mentioned suppliers was incurred without following the normal SCM process. No disciplinary steps were taken because these were exceptional cases and it would have been impractical and impossible to follow the official procurement processes*

<b>Supplier</b>	<b>Amount</b>
Andres Auto Electrical	88 000
Bosch Stemele	29 640
Fort Cox College	42 500
Ikwezi band cc	10 000
Industrial Armature Winders cc	34 200
Thubalethu High School	12 000
Umhlobo Wenene Fm	20 110
	<b>236 450</b>

*During the financial year, the finance portfolio head, Councillor Ngcakaza JN passed away. Council decided to contribute to her funeral expenses and incurred expenditure to an amount of R 42 342. This was an exceptional cases and it would have been impractical and impossible to follow the official procurement processes*

<b>Supplier</b>	<b>Amount</b>
Funeral costs	42 342
<b>Total irregular expenditure</b>	<b>2 200 152</b>

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**39 Additional Disclosures in Terms of Municipal Finance Management Act**

	2013 R	2012 R
<b>39.1 Contributions to organised local government</b>		
Opening balance	-	-
Council subscriptions	173 278	105 803
Amount paid - current	-173 278	-105 803
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>39.2 Audit fees</b>		
Opening balance	547 926	627 216
Current year audit fee	2 074 698	2 765 940
Amount paid - current year	-1 072 917	-2 694 978
Amount paid - previous years	-480 637	-150 252
<b>Balance unpaid (included in payables)</b>	<b>1 069 071</b>	<b>547 926</b>

The balance unpaid represents the outstanding audit fee for 2011/12 financial year.

**39.3 PAYE, SDL and UIF**

Opening balance	-	-
Current year payroll deductions	8 115 254	10 134 087
Amount paid - current year	-8 115 254	-10 134 087
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>0</b>

All payroll deductions related to employee costs have been paid to SARS at year end.

**39.4 Pension and Medical Aid Deductions**

Opening balance	-	-
Current year payroll deductions and Council Contributions	12 208 835	15 282 826
Amount paid - current year	-12 208 835	-15 282 826
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

All payroll deductions have been paid at year end.

**39.5 Councillor's arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
<b>as at 30 June 2013</b>			
Councillor S P Matyila	1 693	304	1 389
Councillor R A Kganedi	1 511	625	886
Councillor C N Nono	1 192	292	900
Councillor N V Gora	3 474	325	3 149
Councillor P Sixolo	3 474	325	3 149
Councillor D Gysman	982	274	709
Councillor Kanie-Esau LJ	3 577	325	3 252
Councillor A A Booysen	113	112	1
Councillor E Bantam	922	304	617
Councillor T P Dwanya	305	-	305
Councillor N Rulashe	437	368	69
Councillor N Ndlazi	259	59	200
Councillor S Maqoma	639	274	365
<b>Total Councillor Arrear Consumer Accounts</b>	<b>18 579</b>	<b>3 587</b>	<b>14 992</b>
<b>as at 30 June 2012</b>			
Councillor AR Kganedi	1 148	1 148	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>1 148</b>	<b>1 148</b>	<b>-</b>

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	2013 R	2012 R
<b>40 Capital Commitments</b>		
<b>40.1 Commitments in respect of capital expenditure</b>		
<b>- Approved and contracted for</b>	<b>31 365 257</b>	<b>55 386 324</b>
Infrastructure	19 605 761	47 372 790
Community	1 550 682	-
Heritage	-	-
Other	10 208 814	8 013 535
<b>- Approved but not yet contracted for</b>	-	-
Infrastructure	-	-
Community	-	-
Heritage	-	-
Other	-	-
<b>Total</b>	<b>31 365 257</b>	<b>55 386 324</b>
This expenditure will be financed from:		
- External Loans	-	-
- Government Grants	7 769 480	55 386 324
- Own resources	23 595 777	-
- District Council Grants	-	-
	<b>31 365 257</b>	<b>55 386 324</b>

**41 Operating leases**

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

**Operating lease arrangements**

**Lessee**

**The major category of asset leased is Cell phone lines**

At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Up to 1 year	1 249 156	-
1 to 5 years	340 824	-
More than 5 years	-	-
	<b>1 589 979</b>	<b>-</b>

Leases are negotiated for an average term of two years and rentals are fixed for an average of two years. No contingent rent is payable.

**The major category of asset leased is network cables**

At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Up to 1 year	55 524	55 524
1 to 5 years	148 063	203 587
More than 5 years	-	-
	<b>203 587</b>	<b>259 111</b>

Leases are negotiated for an average term of five years and rentals are fixed for an average of five years. No contingent rent is payable.

**The major category of asset leased is photocopying machines**

At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Up to 1 year	725 736	725 736
1 to 5 years	2 902 944	-
More than 5 years	-	-
	<b>3 628 680</b>	<b>725 736</b>

Leases are negotiated for an average term of five years and rentals are fixed for an average of five years. No contingent rent is payable.

**Total**

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**41 Operating leases (Continued)**

**2013**  
**R**

**2012**  
**R**

At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Up to 1 year	2 030 415	781 260
1 to 5 years	3 391 831	203 587
More than 5 years	-	-
	<b>5 422 246</b>	<b>984 847</b>

**Lessor**

**The major class of asset being leased is Land and Buildings in Middlerift**

At the reporting date the entity had contracted with tenants for the following future minimum lease payments:

Up to 1 year	43 560	39 600
1 to 5 years	108 900	138 600
More than 5 years	-	-
	<b>152 460</b>	<b>178 200</b>

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

**The major class of asset being leased is Land and Buildings in Middlerift**

At the reporting date the entity had contracted with tenants for the following future minimum lease payments:

Up to 1 year	65 340	59 400
1 to 5 years	136 125	183 150
More than 5 years	-	-
	<b>201 465</b>	<b>242 550</b>

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 years. There are no contingent rents receivable.

**The major class of asset being leased is Vacant Land in Stockenström**

At the reporting date the entity had contracted with tenants for the following future minimum lease payments:

Up to 1 year	14 520	13 200
1 to 5 years	25 410	36 300
More than 5 years	-	-
	<b>39 930</b>	<b>49 500</b>

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 years. There are no contingent rents receivable.

**The major class of asset being leased is Land and Buildings in Alice**

At the reporting date the entity had contracted with tenants for the following future minimum lease payments:

Up to 1 year	9 174	8 340
1 to 5 years	15 291	22 241
More than 5 years	-	-
	<b>24 465</b>	<b>30 582</b>

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 years. There are no contingent rents receivable.

**The major class of asset being leased is Vacant Land in Middledrift**

At the reporting date the entity had contracted with tenants for the following future minimum lease payments:

Up to 1 year	9 174	8 340
1 to 5 years	16 055	22 936
More than 5 years	-	-
	<b>25 230</b>	<b>31 277</b>

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 years. There are no contingent rents receivable.

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	2013 R	2012 R
<b>41 Operating leases (Continued)</b>		
<b>The major class of asset being leased is Vacant Land in Alice</b>		
At the reporting date the entity had contracted with tenants for the following future minimum lease payments:		
Up to 1 year	31 944	29 040
1 to 5 years	87 846	108 900
More than 5 years		
	<b>119 790</b>	<b>137 940</b>
	<b>119 790</b>	<b>137 940</b>
Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 years. There are no contingent rents receivable.		
<b>Total</b>		
At the reporting date the entity had contracted with tenants for the following future minimum lease payments:		
Up to 1 year	173 713	157 921
1 to 5 years	389 627	512 127
More than 5 years	-	-
	<b>563 340</b>	<b>670 048</b>
	<b>563 340</b>	<b>670 048</b>
<b>42 Contingent Liabilities</b>		
<b>42.1 Claim for damages</b>		
<b>Claim 1</b>		
PLM Construction vs Nkonkobe Municipality - PLM Construction is suing the Municipality for payment in terms of a breach of contract on the construction of a road in Fort Beaufort. The claim was reduced by the Plaintiff and the matter is still pending.	50 000	100 000
<b>Claim 2</b>		
B.E Baba vs Nkonkobe Municipality - The plaintiff is claiming for damages caused to his vehicle after it collided with one belonging to the municipality. The outcome of the case is still pending.	50 000	50 000
<b>Claim 3</b>		
Spaire (DUMA) vs Nkonkobe Municipality - The plaintiff has instituted civil proceedings against the municipality for wrongly burying another person on a grave site bought by the plaintiff. The case was withdrawn by the plaintiff and no amount was paid by the Municipality	-	70 000
	<b>100 000</b>	<b>220 000</b>
	<b>100 000</b>	<b>220 000</b>
<b>42.2 Fines and Penalties</b>		
<b>Case 1</b>		
The municipality is operating 3 landfill sites without the required permits from the Department of Environmental Affairs. The Department may impose a penalty of up to R 10 000 000 per landfill site operated without the required permits or for non-compliance with permit conditions. There is uncertainty if the penalties will be imposed.	30 000 000	30 000 000
<b>Case 2</b>		
In the previous year the municipality did not comply with Electricity Regulation Act, by communicating their tariff increase with NERSA. A possible fine of R 2 000 000 would have been imposed as a result of non-compliance, however no fine was imposed. For the current year the municipality communicated with NERSA and tariff increases were in line with approved NERSA amounts.	-	2 000 000
	<b>30 000 000</b>	<b>32 000 000</b>
	<b>30 000 000</b>	<b>32 000 000</b>

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	2013 R	2012 R
<b>43 Contingent Assets</b>		
<b>Case 1</b> Nkonkobe Municipality vs Mdila & Williams Civil - the municipality is suing to recoup funds on a contract illegally entered into. At year end the Case is still pending.	208 000	200 000
<b>Case 2</b> Nkonkobe Municipality vs Mdlalo & Luthweyi Civil - The employees were charged of embezzling funds. The municipality is in a process of recovering funds from their provident fund to the amount of R593 000. The claim is for legal costs incurred and at year end the amount has not been recovered.	104 000	-
<b>Case 3</b> Nkonkobe Municipality vs TradeMart - The municipality is suing for amounts outstanding on the auctioning of municipal property. The case was dropped because the supplier was liquidated and no amount was received by the municipality.	-	100 000
<b>Case 4</b> Nkonkobe Municipality vs Randall & Another - the municipality is suing the defendant for unlawful eviction. The municipality decided to drop the case, no amount was recovered from the company.	-	10 000
<b>Case 5</b>  Nkonkobe Municipality vs Q Williams - the municipality is claiming favourable costs from the defendant incurred during the hearing. The matter is complete and the costs are with the taxing master.	-	25 000
<b>Total</b>	<u>312 000</u>	<u>335 000</u>
<b>44 Related Parties</b>		
<b>Municipal Entity.</b>		
Nkonkobe Economic Development Agency is 100% owned by the Nkonkobe Local Municipality		
The municipality provides a transfer subsidy to the development agency to assist with its operations. In addition the municipality also settles the entity's audit fees on its behalf.		
<b>Members of key management:</b>		
Municipal manager :		Mr KC Maneli
CFO (Acting) :		Mr N Nokwe
LED Senior Manager :		Mr L Matiwane
Technical Services Senior Manager :		Mr Z Nkosinkulu
<b>Other related party relationships</b> Compensation to councillors and other key management (refer to note 22 and 23)		
<b>Related party transactions</b> Subsidy paid to Nkonkobe Economic Development Agency	<u>1 363 242</u>	<u>966 603</u>

**45 Events After the Reporting Date**

No events have occurred after 30 June 2013 which necessitates adjustment or disclosure within the annual financial statements.

## NKONKOBÉ LOCAL MUNICIPALITY

Annual Financial Statements  
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### 46 Prior period restatements

#### 46.1 Reclassifications

During the current period the following reclassifications occurred:

##### **Cash and Cash equivalents**

Items of cash and cash equivalents which had a positive balance as the reporting date was incorrectly off-set against the bank overdraft. An amount of R10 096 was reclassified from bank overdraft to cash and cash equivalents.

##### **Trade and other payables**

Payments received in advance was included in the balance for trade and other payables in prior periods. An amount of R3 158 349 was reclassified to be presented separately on the face of the statement of financial position.

##### **Provisions**

Included in the balance for provisions in the prior period was amounts relating to the municipality's Post Employment Benefit Plan. The obligation of R20 576 442 was reclassified to be disclosed separately on the face of the Statement of Financial Position.

#### 46.2 Correction of errors

##### **Investment properties**

During June 2012, a fair value adjustment of R1 493 000 relating to the municipality's investment properties was incorrectly accounted for as an increase in revaluation surplus in the statement of net assets, instead off as a fair value adjustment in the Statement of Financial Performance.

##### **Post-employment medical benefit**

The post-employment medical aid obligation recognised during the 2011/2012 financial year, included, in error, employees of the municipality who were not entitled to the benefits. The obligation, as a result of the change in the assumptions decreased with R8 131 247.

##### **Trade and other receivables**

Trade and other receivables suspense votes amounting to R 851 386 (an amount of R453 005 relating to exchange transaction and R398 381 to non-exchange transactions) emanating from 2009/10 which came about during GRAP conversion as journal entries, were written off against accumulated surplus. A council approval for the write off was obtained.

Interest charged on Department of public works accounts in prior periods amounting to R 609 009 was reversed against accumulated surplus following negotiations between the department and the municipality.

##### **Property, plant and equipment**

Work in progress which was included under property plant and equipment to the value of R 2 073 485, was written off against accumulated surplus as the projects have been discontinued.

##### **Provision for landfill rehabilitation**

Provision for land site rehabilitation was understated in the prior year by R2 011 117. An re-assessment was performed during the current year based on relevant and more accurate information. The error was corrected retrospectively.



**NKONKOBE LOCAL MUNICIPALITY**

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**46 Prior period restatements (Continued)**

Presented below are the prior period adjustments contained in the Statement of Financial Performance and Statement of Financial Position

**Statement of Financial Performance**

**As at 30 June 2012**

	<b>As previously reported R</b>	<b>Reclassified R</b>	<b>Correction of errors R</b>	<b>Restated Amount R</b>
<b>Revenue</b>				
<b>Non-exchange Revenue</b>				
Property rates	19 069 818			19 069 818
Government grants and subsidies	106 218 163			106 218 163
Fines	76 910			76 910
<b>Exchange Revenue</b>				
Service charges	25 309 430			25 309 430
Rental of facilities and equipment	330 689			330 689
Interest earned - external investments	870 954			870 954
Interest earned - outstanding receivables	1 672 997			1 672 997
Licences and permits	2 154 470			2 154 470
Other income	1 507 306			1 507 306
<b>Total revenue</b>	<b>157 210 737</b>	<b>-</b>	<b>-</b>	<b>157 210 737</b>
<b>Expenses</b>				
Employee related costs	51 149 806			51 149 806
Remuneration of councillors	10 464 769			10 464 769
Bad debts	7 153 286			7 153 286
Depreciation and amortisation expense	22 755 198			22 755 198
Repairs and maintenance	11 686 611			11 686 611
Finance costs	98 158			98 158
Bulk purchases	17 090 908			17 090 908
Grants and subsidies paid	10 640 770			10 640 770
General expenses	36 001 347			36 001 347
				-
<b>Total expenses</b>	<b>167 040 854</b>	<b>-</b>	<b>-</b>	<b>167 040 854</b>
(Loss) on sale of assets	(69 319)			(69 319)
Fair value adjustments investment properties	-		1 493 000	1 493 000
				-
<b>Deficit for the year</b>	<b>(9 899 436)</b>	<b>-</b>	<b>1 493 000</b>	<b>(8 406 436)</b>

**NKONKOBE LOCAL MUNICIPALITY**

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**46 Prior period restatements (Continued)**

**Statement of Financial Position**

**As at 30 June 2012**

	As previously reported R	Reclassified R	Correction of errors R	Restated Amount R
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	-	10 096		10 096
Trade and other receivables from exchange transactions	7 439 105		-1 062 003	6 377 102
Other receivables from non-exchange transactions	4 062 054		-398 381	3 663 674
Inventories	590 382			590 382
VAT Receivable	1 665 341			1 665 341
<b>Non-current assets</b>				
Property, plant and equipment	287 660 781		-2 073 485	285 587 296
Intangible assets	186 359			186 359
Investment property carried at fair value	16 386 200			16 386 200
				-
<b>Total assets</b>	<b>317 990 221</b>	<b>10 096</b>	<b>-3 533 869</b>	<b>314 466 449</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	22 227 280	-3 158 349		19 068 931
Consumer deposits	1 109 130			1 109 130
Payments received in advance	-	3 158 349		3 158 349
Bank overdraft	310 452	10 096		320 548
Current portion of unspent conditional grants and receipts	170 634			170 634
Current portion of finance lease liability	157 211			157 211
Other current financial liabilities	13 052			13 052
<b>Non-current liabilities</b>				
Non-current finance lease liability	201 002			201 002
Non-current provisions	33 487 726	-20 576 442	2 011 117	14 922 401
Defined benefit plan obligations	-	20 576 442	-8 131 247	12 445 195
<b>Total liabilities</b>	<b>57 676 487</b>	<b>10 096</b>	<b>-6 120 130</b>	<b>51 566 453</b>
				-
<b>Net assets</b>	<b>260 313 735</b>	<b>-</b>	<b>2 586 261</b>	<b>262 899 996</b>
<b>NET ASSETS</b>				
Reserves	4 152 100		-1 493 000	2 659 100
Accumulated surplus	256 161 635		4 079 261	260 240 895
				-
				-
<b>Total net assets</b>	<b>260 313 735</b>	<b>-</b>	<b>2 586 261</b>	<b>262 899 995</b>

## NKONKOBÉ LOCAL MUNICIPALITY

Annual Financial Statements  
Notes to the Financial Statements  
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### 47 Risk Management

#### 47.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Sales to customers are settled in cash or with bank guaranteed cheques.

The financial assets carried at amortised cost expose the entity to credit risk. The value of the maximum exposure to credit risk are as follows for each of classes of financial assets at amortised cost:

Financial assets	2013 R	2012 R
Cash and cash equivalents	10 172	10 096
Trade and other receivables from exchange transactions	10 289 729	6 986 100
Other receivables from non-exchange transactions, including taxes and fines	5 584 675	3 054 665

#### Collateral held and other credit enhancements

The municipality does not hold any collateral in relation to the financial assets above.

#### Concentration of credit risk

Credit risk is mainly concentrated on Trade and other receivables from exchange transactions.

**The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows (before provisions for doubtful debts):**

	2013 %	2012 %
Consumer debtors	70%	71%
Industrial / Commercial	23%	23%
Provincial and National Government	7%	6%
	<b>100%</b>	<b>100%</b>

#### 47.2 Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2013	No later than 1 year	Later than one year and not later than five years
Gross finance lease obligations	274 846	152 305
Trade and other payables	31 742 342	-
Bank overdraft	4 108 564	-
Consumer deposits	1 198 251	-
	<b>37 324 003</b>	<b>152 305</b>
2012	No later than 1 year	Later than one year and not later than five years
Gross finance lease obligations	157 211	201 002
Trade and other payables	19 068 928	-
Bank overdraft	320 548	-
Consumer deposits	1 109 130	-
	<b>20 655 817</b>	<b>201 002</b>

#### Concentration of credit risk

Liquidity risk is mainly concentrated on the Trade and Other payables balance

#### Collateral held and other credit enhancements

The municipality does not have any collateral and/or credit enhancements that aid in the mitigation of the liquidity risks.

**NKONKOBE LOCAL MUNICIPALITY**

Annual Financial Statements  
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**47 Risk Management (Continued)**

**47.3 Interest rate risk**

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- Bank overdraft

**Concentration of credit risk**

At year end the entity has no significant interest-bearing assets,

**Collateral held and other credit enhancements**

The municipality does not hold any collateral and/or credit enhancements that aid in the mitigation of interest risk.

**Defaults and breaches**

During the year the entity did not default and / or breach any of the contractual terms of its financial liabilities.

**47.4 Impairment and reconciliation disclosures related to financial assets**

**47.4.1 Impairment disclosures for other current financial assets carried at amortised cost**

Reconciliation between gross and net balances	Gross Balances	Provision for Doubtful Debts	Net Balance
	R	R	R
Trade and other receivables from Exchange Transactions	21 745 013	-11 455 284	10 289 729
Trade and other receivables from Non exchange Transactions	18 454 239	-12 894 854	5 559 384
Other	-	-	-
<b>Total</b>	<b>40 199 252</b>	<b>-24 350 138</b>	<b>15 849 113</b>

Reconciliation of the doubtful debt provision	2013 R	2012 R
Balance at beginning of the year	20 821 430	18 866 419
Contributions to provision	6 153 672	7 153 286
Doubtful debts written off against provision	-2 624 964	-5 198 635
Reversal of provision	-	-
<b>Balance at end of year</b>	<b>24 350 137</b>	<b>20 821 070</b>

**Other current financial assets carried at amortised cost past due but not impaired**

Other current financial assets carried at amortised cost which are related to state debtors are not considered to be impaired although they are past due. At 30 June 2013 R3 334 082 (2012: R1 907 633 ) were past due but not impaired.

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

Less than 1 month past due	773 723	211 432
1 month past due	162 098	193 694
2 months past due	2 049 876	1 502 507
3 months past due	349 106	-

**Other current financial assets carried at amortised cost impaired**

As of 30 June 2013 , other current financial assets carried at amortised cost of R 31 108 421 (2012: R 24 292 429) were past due:

The amount of the provision was R 24 350 137 as of 30 June 2013 (2012: R20 821 070).

The ageing of these balances is as follows:

less than 3months	9 090 830	6 170 951
above 3 months	31 108 421	24 292 429

**NKONKOBÉ LOCAL MUNICIPALITY**

Annual Financial Statements  
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	2013	2012
	R	R
<b>47 Risk Management (Continued)</b>		
<b>47.5 Reconciliation disclosure for other non-current financial liabilities</b>		
<b>Other non-current financial liabilities measured at amortised cost</b>		
Provision for Long service Bonus	3 491 552	2 477 211
Provision for Landfill sites	13 784 401	12 445 196
Defined benefit plan obligations	13 381 304	12 445 195
<b>Total</b>	<b><u>30 657 257</u></b>	<b><u>27 367 602</u></b>
<b>Other current financial liabilities measured at amortised cost</b>		
Trade and other payables	31 742 342	19 068 928
Other current financial liabilities measured at amortised cost	57 175	13 052
Consumer deposits	1 198 251	1 109 130
<b>Total</b>	<b><u>32 997 768</u></b>	<b><u>20 191 110</u></b>
<b>Terms and conditions</b>		
There are no conditions attached to the financial liabilities held by the municipality.		
<b>48 Comparison with the budget</b>		
For a comprehensive comparison of actual versus budget refer to Appendix B		

**Nkonkobe Local Municipality  
Annual Financial Statements**

**APPENDIX A**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2013

2012			2013		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R
23 086 090	34 329 593	(11 243 503)	5 500 000	35 253 945	(29 753 945)
49 002 707	15 596 934	33 405 773	52 097 610	29 428 768	22 668 841
3 175 023	7 987 303	(4 812 280)	6 120 641	13 722 482	(7 601 842)
16 502 832	21 619 413	(5 116 581)	19 386 537	12 576 950	6 809 587
47 318 310	60 892 908	(13 574 598)	83 072 250	53 463 499	29 608 751
19 618 775	26 684 021	(7 065 246)	18 106 758	39 143 426	(21 036 668)
<b>158 703 737</b>	<b>167 110 172</b>	<b>(8 406 435)</b>	<b>184 283 795</b>	<b>183 589 071</b>	<b>694 724</b>

**Nkonkobe Local Municipality**  
**Annual Financial Statements**  
**APPENDIX B**  
**STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION**

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget
	1	2	3	4	5	6	7	8	9
	R	R	R	R	R	R	R	R	R
<b>Financial Performance</b>									
Property Rates	22 390 745	25 390 745	-	25 390 745	19 393 434.26	5 997 310.74	-5 997 310.74	76%	87%
Service Charges	37 026 000	43 447 000	-	43 447 000	39 093 231.44	4 353 768.56	-4 353 768.56	90%	106%
Investment Revenue	1 655 000	1 500 000	-	1 500 000	899 971.50	600 028.50	-600 028.50	60%	54%
Transfers Recognised - Operational	93 197 750	92 197 750	-	92 197 750	117 336 640.52	-25 138 890.52	25 138 890.52	127%	126%
Other Own Revenue	17 638 460	19 859 763	-	19 859 763	5 652 485.13	14 207 277.87	-14 207 277.87	28%	32%
<b>Total Revenue (Excluding Capital Transfers &amp; Contributions)</b>	<b>171 907 955</b>	<b>182 395 258</b>	<b>-</b>	<b>182 395 258</b>	<b>182 375 762.85</b>	<b>19 495.15</b>	<b>-19 495.15</b>	<b>3.82</b>	<b>405%</b>
Employee Costs	58 544 249	57 391 595	807 150	58 198 745	61 427 214.21	-3 228 469.21	3 228 469.21	106%	105%
Remuneration Of Councillors	12 785 909	12 688 563	(400)	12 688 163	11 700 782.61	987 380.39	-987 380.39	92%	92%
Debt Impairment	-	31 980 114	-	31 980 114	5 407 948.32	26 572 165.68	-26 572 165.68	0%	0%
Depreciation & Asset Impairment	-	20 429 639	-	20 429 639	24 326 404.67	-3 896 765.67	3 896 765.67	0%	0%
Finance Charges	210 000	210 000	-	210 000	184 601.51	25 398.49	-25 398.49	88%	88%
Materials & Bulk Purchases	23 100 000	23 100 000	3 800 000	26 900 000	26 214 443.00	685 557.00	-685 557.00	97%	113%
Transfers & Grants	630 000	630 000	-	630 000	9 300 311.10	-8 670 311.10	8 670 311.10	1476%	1476%
Other Expenditures	57 803 550	8 711 097	47 803 003	56 514 100	45 027 365.39	11 486 734.61	-11 486 734.61	80%	78%
<b>Total Expenditure</b>	<b>153 073 708</b>	<b>155 141 008</b>	<b>52 409 753</b>	<b>207 550 761</b>	<b>183 589 070.81</b>	<b>23 961 690.19</b>	<b>-23 961 690.19</b>	<b>1939%</b>	<b>1952%</b>
<b>Surplus/(Deficit)</b>	<b>18 834 247</b>	<b>27 254 250</b>	<b>(52 409 753)</b>	<b>(25 155 503)</b>	<b>-1 213 307.96</b>	<b>-23 942 195.04</b>	<b>23 942 195.04</b>	<b>-1557%</b>	<b>-1547%</b>
Transfers Recognised - Capital	24 999 250	24 999 250	-	24 999 250	669 200.00	24 330 050.00	-24 330 050.00	0%	0%
Contributions Recognised - Capital & Contributed Assets	20 150 000	28 570 000	-	28 570 000	1 511 200.00	27 058 800.00	-27 058 800.00	0%	0%
<b>Surplus/(Deficit) After Capital Transfers &amp; Contributions</b>	<b>18 834 247</b>	<b>27 254 250</b>	<b>(52 409 753)</b>	<b>(25 155 503)</b>	<b>967 092.04</b>	<b>27 446 654.96</b>	<b>-27 446 654.96</b>	<b>-1557%</b>	<b>-1547%</b>
Share Of Surplus/(Deficit) Of Associate	-	-	-	-	-	-	-	-	0%
<b>Surplus/(Deficit For The Year)</b>	<b>18 834 247</b>	<b>27 254 250</b>	<b>(52 409 753)</b>	<b>(25 155 503)</b>	<b>967 092.04</b>	<b>27 446 654.96</b>	<b>-27 446 654.96</b>	<b>-1557%</b>	<b>-1547%</b>
<b>Capital Expenditure &amp; Funds Sources</b>									
<b>Capital Expenditure</b>									
Transfers Recognised - Capital	24 999 250	24 999 250	-	24 999 250	24 999 250.00	-	-	100%	-
Public Contributions & Donations	-	-	-	-	-	-	-	0%	-
Borrowing	-	-	-	-	-	-	-	0%	-
Internally Generated Funds	20 150 000	28 570 000	-	28 570 000	28 570 000.00	-	-	100%	-
<b>Total Sources Of Capital Funds</b>	<b>45 149 250</b>	<b>53 569 250</b>	<b>-</b>	<b>53 569 250</b>	<b>53 569 250.00</b>	<b>-</b>	<b>-</b>	<b>2.00</b>	<b>-</b>
<b>Cash flows</b>									
Net Cash From (Used) Operating	-	-	-	-	33 530 289.20	-	-	-	-
Net Cash From (Used) Investing	45 149 250	53 569 250	-	53 569 250	-37 387 166.85	-	-	-	-
Net Cash From (Used) Financing	-	-	-	-	68 937.72	-	-	-	-
<b>Cash/Cash Equivalents At The Year End</b>	<b>45 149 250</b>	<b>53 569 250</b>	<b>-</b>	<b>53 569 250</b>	<b>-3 787 939.92</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**RECONCILIATION IN THE NOTES TO THE FINANCIAL STATEMENTS**

**Reconciliation Of Budget Surplus/Deficit With The Surplus/Deficit In The Statement Of Financial Performance**

Net Surplus/Deficit Per The Statement Of Financial Performance  
Adjusted For:  
Fair Value Adjustments  
Depreciation  
Surplus/Deficit On The Sale Of Assets  
Increases/Decreases In Provisions  
List other relevant adjustments here

	<b>694 724</b>
	1 304 300
	24 326 405
	603 732
	3 016 367
	<b>53 569 250</b>

**Net Surplus/Deficit Per Approved Budget**

**NKONKOBÉ LOCAL MUNICIPALITY**  
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**APPENDIX C**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June		
Equitable Share	National Treasury		35 980 000	28 034 000	22 337 000			35 980 000	28 034 000	22 337 000							Yes	
MIG Grant	National Treasury		16 433 000	5 353 000	4 529 000			3 844 505	2 003 651	5 569 159	14 897 685						Yes	
MSIG	National Treasury		800 000					344 063	429 592	-	26 345						Yes	
FMG	National Treasury		1 500 000					291 168	535 634	214 384	458 814						Yes	
LED Capacity Grant		23 242									9 078						Yes	
LED Strategy Grant		147 392									-						Yes	
Libraries Grant	Dept Sports Arts and Culture		801 000						635 015		165 985						Yes	
Expanded Public Works Programme (EPWP)	Dept of Public Works		472 000	354 000	355 000			11 560	234 051	483 062	452 327						Yes	
Provincial LED projects 1																	Yes	
Subsidies			240 632							240 632							Yes	
<b>Total Grants and Subsidies Received</b>		<b>170 634</b>	<b>56 226 632</b>	<b>33 741 000</b>	<b>27 221 000</b>	<b>-</b>	<b>-</b>	<b>40 471 297</b>	<b>31 871 943</b>	<b>28 844 237</b>	<b>16 010 234</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		

(\*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?