NYANDENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2013

INDEX

NYANDENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the period ended

30 June 2013

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 to 50, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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N Nomandela
Municipal Manager
31 August 2013

NYANDENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Notes	2,013 R '1	2012 R '1 RESTATED
NET ASSETS AND LIABILITIES			
Net assets		315,987,172	333,021,041
Reserves			
Accumulated surplus		315,987,172	333,021,041
Non-current liabilities		1,075,286	477,164
Finance lease liability	11	1,075,286	477,164
Current liabilities		**20,135,750**	17,894,602
Current portion of finance lease liability	11	368,674	297,469
Payables from exchange transactions	12	15,184,852	10,901,235
Other payables from exchange transactions	13	-	-
Unspent conditional grants and receipts	14	-	1,839,416
Provisions	15	2,133,150	2,333,150
Income received in advance	16	419,352	90,956
Retentions	17	2,029,723	2,432,376
Total Net Assets and Liabilities		**337,198,207**	**351,392,806**
ASSETS			
Non-current assets		**250,942,631**	279,306,123
Property, plant and equipment	9	204,460,864	217,892,184
Intangible assets	10	1,161,767	940,589
Investment property	8	45,320,000	60,473,350
Current assets		**86,255,576**	**72,086,683**
Investments	3	69,005,441	51,055,503
Other receivables from exchange transactions	4	10,825	1,169,717
Receivables from non-exchange transactions	5	1,828,339	9,799,873
Receivables from exchange transactions	6	1,609,982	624,880
Cash and cash equivalents	7	13,681,274	9,436,711
Inventories	18	119,715	-
Total Assets		**337,198,207**	**351,392,806**

NYANDENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2013

	Notes	2013	2012 Restated
REVENUE		R '1	R '1
Revenue from exchange transactions			
Property rates	20	4,162,316	4,356,467
Service charges - refuse	21	167,786	158,526
Rental of facilities and equipment	22	136,699	101,644
Interest earned	19	2,849,749	2,551,653
Fair value gain on short term investments	19	171,435	191,396
Other income	25	2,782,526	2,551,435
Revenue from non-exchange transactions			
Fines	23	276,794	602,350
Recoveries	19	2,670,475	-
Transfers and subsidies	24	170,771,416	161,184,594
Total Revenue		**183,989,195**	**171,698,066**
EXPENDITURE			
Employee related costs	26	61,357,576	55,186,994
Remuneration of Councillors	27	13,718,501	12,333,148
Depreciation and amortisation	9	39,655,530	31,480,245
Bad Debts		1,160,990	-
Impairment loss		-	-
Finance costs	28	1,302,169	760,431
Loss on disposal of assets		-	-
Rates rebate	20	-	-
Repairs and maintenance		4,435,819	3,708,162
Bulk purchases	29	4,771,417	7,158,407
Fair value loss on short term investment		129,548	124,484
General expenses	30	57,995,310	42,562,238
Total expenditure		**184,526,860**	**153,314,109**
Fair value adjustments		14,066,500	1,086,850
SURPLUS / (DEFICIT) FOR THE YEAR		**-14,604,165**	**19,470,807**

NYANDENI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2013

	Notes	Capital replacement reserve	(Accumulated Deficit) / Accumulated Surplus	Total Audited		(Accumulated Deficit) / Accumulated Surplus
2012						
Balance at 01 July 2011		-	308,126,265	308,126,265		343,387,208
Change in accounting policy	2		(34,013,600)	(34,013,600)		(34,013,600)
Balance at 01 July 2011		-	274,112,665	274,112,665		309,373,608
Surplus for the year			18,969,731	18,969,731		19,470,807
Restated amounts	31			0.00-		
Prior year adjustments						
Balance at 30 June 2012 as restated			293,082,396	293,082,396		328,844,415
2013						
Balance at 01 July 2012		-	293,082,396	293,082,396		328,844,415
Change in accounting policy	2		-	-		
Balance at 01 July 2012		-	293,082,396	293,082,396		328,844,415
Correction of prior period error		-	-	-		(2,429,703)
Surplus for the year			-14,604,165	(14,604,165)		
Restated amounts						
Prior year adjustments						
Balance at 30 June 2013		**-**	**278,478,231**	**278,478,231**		**326,414,711**

NYANDENI LOCAL MUNICIPALITY
CASH FLOW STATEMENT
For the year ended 30 June 2013

	Notes	2013 R '1	2012 R '1
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Taxation		-	
Cash received from ratepayers, government and other		172,668,851	172,668,851
Cash paid to suppliers and employees		(141,328,012)	(133,166,371)
Cash generated/ (utilized) by operations		31,340,839	39,502,480
Depreciation		(39,655,530)	
Interest received		2,849,749	
Interest paid		(1,302,169)	
NET CASH FROM OPERATING ACTIVITIES	**33**	**(6,767,112)**	**39,502,480**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		13,431,320	(34,750,353)
Proceeds from sale of property, plant and equipment		-	-
Purchase of other intangible assets	**10**	(221,178)	(135,205)
(Increase) / Decrease in investment properties		15,153,350	(1,086,850)
(Increase)/Decrease in call investment deposits		(17,949,939)	326,672
Proceeds from sale of financial assets		-	-
NET CASH FROM INVESTING ACTIVITIES		**10,413,553**	**(35,645,736)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		598,122	85,291
NET CASH FROM FINANCING ACTIVITIES		**598,122**	**85,291**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,244,564**	**3,942,035**
Cash and cash equivalents at the beginning of the year		**9,436,710**	**5,494,675**
Cash and cash equivalents at the end of the year	**7**	**13,681,274**	**9,436,710**

1. BASIS OF ACCOUNTING

1.1 Basis of presentation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The Minister has determined the effective date for the following standards:

GRAP 1 Presentation of Financial Statements (as revised in 2010)
GRAP 2 Cash Flow Statements (as revised in 2010)
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
GRAP 4 The Effects of Changes in Foreign Exchange Rates (as revised in 2010)
GRAP 5 Borrowing costs
GRAP 6 Consolidated financial statements and accounting for controlled entities
GRAP 7 Accounting for Investments in Associates
GRAP 8 Financial Reporting of Interests in Joint Ventures
GRAP 9 Revenue from Exchange Transactions (as revised in 2010)
GRAP 10 Financial reporting in hyperinflationary economies (as revised in 2010)
GRAP 11 Construction contracts (as revised in 2010)
GRAP 12 Inventories (as revised in 2010)
GRAP 13 Leases (as revised in 2010)
GRAP 14 Events After the Reporting Date (as revised in 2010)
GRAP 16 Investment property (as revised in 2010)
GRAP 17 Property, Plant and Equipment (as revised in 2010)
GRAP 19 Provisions, Contingent Liabilities and Contingent Asset (as revised in 2010)
GRAP 100 Non-current assets held for sale and discontinued operations (as revised in 2010)
GRAP 101 Agriculture
GRAP 102 Intangible assets

Directives issued and effective that municipalities are required to apply (paragraph.14 of Directive 5):

Directive 1 Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2 Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions

Directive 3 Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities.
Directive 4 Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities.
Directive 5 Determining the GRAP Reporting Framework.

Directive 6 Transitional Provisions for Revenue Collected by the South African Revenue Service (SARS)
Directive 7 The Application of Deemed Cost on the Adoption of Standards of GRAP

Interpretations of the Standards of GRAP approved that municipalities are required to apply (paragraph .10 of Directive 5):

GRAP 1 Applying the Probability Test on Initial Recognition of Exchange Revenue
GRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities
GRAP 3 Determining whether an Arrangement Contains a Lease
GRAP 4 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
GRAP 5 Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
GRAP 6 Loyalty Programmes
GRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
GRAP 8 Agreements for the Construction of Assets from Exchange Transactions
GRAP 9 Distributions of Non-cash Assets to Owners
GRAP 10 Assets Received from Customers
GRAP 13 Operating Leases – Incentives
GRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
GRAP 15 Revenue – Barter Transactions Involving Advertising Services

Approved guideline of Standards of GRAP that municipalities are required to apply (paragraph .15 of Directive 5):

Guide 1 Guideline on Accounting for Public Private Partnerships

Effective accrual based IPSAS that municipalities are required to apply (paragraphs .16 to .20 of Directive 5):

IPSAS 20 Related Party Disclosures

Effective IFRSs and IFRICs that municipalities are required to apply (paragraphs .21 to .27 of Directive 5):

IFRS 4 (AC 141) Insurance Contracts
IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources
IAS 12 (AC 102) Income Taxes
SIC – 21 (AC 421) Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC – 25 (AC 425) Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429) Service Concession Arrangements – Disclosures
IFRIC 12 (AC 445) Service Concession Arrangements

Standards of GRAP approved, where an effective date has been determined by the Minister of Finance, and that municipalities may early adopt (paragraph .11 of Directive 5):

GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of Cash-generating Assets
GRAP 103	Heritage Assets

Standards of GRAP approved, but for which the Minister of Finance has not yet determined an effective date, and that municipalities may consider in formulating an accounting policy (paragraph .30 of Directive 5) before applying the hierarchy in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors:

GRAP 25	Employee Benefits
GRAP 104	Financial Instruments
GRAP 105	Transfers of Functions Between Entities Under Common Control
GRAP 106	Transfers of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

Approved Standards of GRAP that municipalities are not required to apply:

GRAP 18	Segment Reporting

Exemptions from these standards as they relate to the interim arrangements on the implementation of GRAP are detailed under each relevant accounting policy note below as they apply to the municipality.

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

1.4 Comparative & Budget information

1.4.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparativ eamounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.4.2 Budget comparison

Budget information in accordance with GRAP 1 and GRAP 24 has been provided in note 46 to these financial statements and forms part of the annual financial statements.

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

1.5 Accounting policies, changes in accounting estimates and errors

The municipality is fully complying with all the relevant GRAP standards.
The details of any resulting changes in accounting policy and comparative restatements are given in Note 2 of the Annual Financial Statements.

The municipality changes in accounting policy only in the following instances:
(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 entity's financial position, financial performance or cash flow.
The details of any changes in accounting policies and comparative restatements are explained in the relevant policy.

1.6 Significant judgement and sources of estimation uncertainty

In preparing the straight-line basis, management is required to make estimates and assumptions that affect the amounts represented in the straight-line basis and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the statement of financial position date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated 100 - lower or 100 - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as (list economic factors such as exchange rates inflation interest).

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.7 Offsetting

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

1.8 Use of Estimates

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

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality is the net profit or loss for the year. The capital replacement reserve was transferred to accumulated surplus in the prior year.

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 for more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. The Municipality is complying with Directive 5

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no cost or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be a provisional amount.

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 the provisional amount.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them for more than one year. 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. PROPERTY, PLANT AND EQUIPMENT (Cont.)

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.

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.

Item	Average useful life
Buildings	30-40 years
Plant & Equipment	5 - 20 years
Motor Vehicles	7 years
Furniture and office equipment	10 years
Computer equipment	10 years
Access Roads	10 - 20 years
Infrastructure	30 - 60 years
Community	15-25 years

3.3 Depreciation and impairment

As the municipality has applied Directive 5 with regards to GRAP17 - Property, plant and equipment as relates to measurement, depreciation has been accounted for in the annual financial statements.

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

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 and/or when it is transfered to other organ of state(funder). 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. INVESTMENT PROPERTY

4.1 Initial recognition

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.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where an investment property 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 the provisional amount.

4.2 Subsequent measurement - revaluation model

Investment property is measured using the revaluation model and a revaluation will be performed every five years. Under the revaluation model, investment property is carried at its fair value after taking into account any impairments at the reporting date. Any gain or loss arising from the revaluation is included revaluation reserve.

4.3 Derecognition

Items of Investment Property 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.

5. INTANGIBLE ASSETS

5.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, 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 subjected to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
> the municipality intends to complete the intangible asset for use or sale;
> it is technically feasible to complete the intangible asset;
> the municipality has the resources to complete the project; and
> it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

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

5.2 Subsequent measurement - cost model

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

5.3 Depreciation 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:

Computer software : 5 years

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

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

5.4 Derecognition

Other intangible assets are either amortized or assessed for impairment on the same basis as property,plant and equipment, or not amortized and subject to annual impairment testing. Upon recognition, if an intangible asset's economic life can be estimated, it is amortized during that life. If the useful life cannot be estimated, and it otherwise qualifies as an assets (i.e has future value), it is not amortized. When it is determined that an intangible asset's life is estimable, the asset is prospectively amortized and then treated as other amortized intangible assets

6. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

7. TRADE AND OTHER RECEIVABLES

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

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of 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.

8. 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 repayment, plus interest.

9. 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 with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets, loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on the 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.

10. INVENTORIES

10.1 Initial Recognition

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

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

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

10.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, 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 in this way. 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 in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

11. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
> cash;
> a residual interest of another entity; or a contractual right to:
> receive cash or another financial asset from another entity; or
> exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
> deliver cash or another financial asset to another entity; or
> exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
> equity instruments or similar forms of unitised capital;
> a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
> a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are 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

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
> derivatives;
> combined instruments that are designated at fair value;
> instruments held for trading. A financial instrument is held for trading if:
- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Trade receivables	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Accounts payable	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts forthat part of a concessionary loan that is:
> a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
> non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
> Financial instruments at fair value.
> Financial instruments at amortised cost.
> Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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. The carrying amount of the asset is reduced directly OR 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, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does 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.

Financial assets measured 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.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
> the contractual rights to the cash flows from the financial asset expire, are settled or waived;
> the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
> the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the
servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

11. FINANCIAL INSTRUMENTS (continued)

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

NYANDENI LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
> the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or > the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
> an entity's decision to terminate an employee's employment before the normal retirement date; or
> an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
> wages, salaries and social security contributions;
> short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
> bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
> non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
> as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
> as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
> as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
> as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable than an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. 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 (this for example applies in the case of obligations for the rehabilitation of the landfill site).

The municipality does not recognise a contingent liability or contingent asset. A contigent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is removed. 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 the 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 deficits. The present obligation under an onerous contract is recognised and measured as a provision.

14 LEASES

14.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating leases are accrued and accounted for on a straight-line basis over the term of the relevant lease, this on the basis of the of the cash flows in the lease agreeement. The principle of smoothing the current and future lease payments has not been applied. Notwithstanding the exemptions on the recognition of operating lease agreement, the municipality has early adopted IAS 17 (AC 105).

14.2 Municipality as lessor

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

15. CONDITIONAL GRANTS AND RECEIPTS

Revenue from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligation embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met.

16. REVENUE

16.1 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.

Interest revenue is recognised on a time proportion basis.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant 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 passes to the consumer.

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.

The municipality has opted to take advantage of the exemption on accounting for revenue in terms of GRAP 09. That means revenue has initially been measured at cost and not at fair value wherein all future receipts are discounted at the imputed rate of return.

16.2 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.

Fines constitute both spot fines and summons. Revenue from spot fines and summons is recognised when payments is received, together with an estimate of spot fines and summons that will be received based on past experience of amounts collected.

16.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (Continued)

Revenue from public contributions and donations is recognised when all the 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 propety, 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 (56 of 2003) and is recognised when the recovery thereof from the responsible councilrs or officials is virtually certain.

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

15. UNSPENT CONDITIONAL GRANTS AND SUBSIDIES

Unutilised conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, 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 (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.

17. IRREGULAR EXPENDITURE

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

18. 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.

19. 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.

20. RETIREMENT BENEFITS

The municipality operates a defined contribution plan in the form of a provident fund scheme covering employees. The assets of the scheme are held separately from those of the municipality and are administered by the scheme's trustees. Contributions to the defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to contributions.

21. IMPAIRMENT OF ASSETS

The municipality has taken advantage of the transitional arrangements with respect to IAS 36 (AC 128) impairment of assets, meaning that the municipality is exempted from complying with this standard.

22. SEGMENT REPORTING

The municipality has taken advantage of the transitional arrangements with respect to IAS 14 (AC 115) segment reporting, accordingly the municipality is exempted from complying with this standard.

23. EVENTS AFTER THE REPORTING DATE

The municipality considers events that occur after the reporting date for inclusion in the annual financial statements. Events that occur after the reporting date (30 June 2012) and the date on which the audit of the financial statements is completed (30 November 2012) are considered for inclusion in the annual financial statements.

24. RELATED PARTIES

In considering each possible related-party relationship, attention is directed to the substance of the relationship and not merely the legal form.

If there have been transactions between related parties, the municipality shall disclose the nature of the related party relationship as well as the following information for each related party relationship (if applicable):
- The amount of the transactions;
- The amount of outstanding balances;
- Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement;
- Details of guarantees given or received;
- Provisions for doubtful debts related to the amount of outstanding balances; and
- The expense recognised during the period in respect of bad or doubtful debts due from related parties.

25. ACCOUNTING POLICIES, CHANGING IN ACCOUNTING ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 2 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 31 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

26. New standards and interpretations

In the current year, the municipality has adopted the mentioned standards and interpretations that are effective for the current financial year and that are relevant to its operations:

26.1 Standards and interpretations effective and adopted in the current year

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2011 or later periods:

GRAP 18: Segment Reporting

The effective date of the standard is not yet determined.

The municipality is not yet sure when it will adopt the standard, as the first year of effectiveness is not yet determined for municipalities.

GRAP 20: Related party disclosures

The effective date of the standard is not yet determined.

Where no effective dates have been indicated for the GRAP standars issued but not effective the relevant standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.
The effective date of the standard is for years beginning on or after 01 April 2012.
The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.
It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.
The effective date of the standard is for years beginning on or after 01 April 2012.
The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.
It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an 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:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity 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.

The effective date of the standard is for years beginning on or after 01 April 2012.
The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:
- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The effective date of the standard is for years beginning on or after 01 April 2013.
The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.
The effective date of the standard is for years beginning on or after 01 April 2012.
The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The effective date of the standard is for years beginning on or after 01 April 2012.
The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

GRAP 105: Transfers of function between entities under common control

The effective date of the standard is not yet determined.

Where no effective dates have been indicated for the GRAP standars issued but not effective the relevant standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

GRAP 106: Transfers of function between entities not under common control

The effective date of the standard is not yet determined.

Where no effective dates have been indicated for the GRAP standars issued but not effective the relevant standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

GRAP 107: Mergers

The effective date of the standard is not yet determined.

Where no effective dates have been indicated for the GRAP standars issued but not effective the relevant standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

27. COMMITMENTS

The term 'commitments' may be referred to as the intention to commit to an outflow from the agency of resources embodying economic benefits.

Generally, a commitment arises when a decision is made to incur a liability e.g. a purchase contract. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.

A municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the municipality has contracted for expenditure but no work has started and no payments have been made.

28. CONTIGENT LIABILITIES

Contingent liabilities are differentiated from provisions on the criteria of probability. With a contingent liability a possibility, rather than a probability, will exist with respect to the future commitment to the outflow from the entity of resources embodying economic benefits.

A contingent liability may progress to become a provision and then to become a liability. For example, when a lawsuit is commenced against an agency, a contingent liability will probably exist. If at balance date, the decision has gone against the municipality, but the amount to be paid or the time by which the amount has to be paid, is the subject of some uncertainty, the municipality must recognise a provision. When these uncertainties become certainties, a liability will exist.

	2013 R '1	2012 RESTATED R '1

2 Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised

Accounting Practice on a basis consistent with the prior year except for adoption of new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2013 is as follows:

Statement of financial position

	2013	2012 RESTATED
Property, plant and equipment		
Adjustment		(34,013,600)
	0	**(34,013,600)**

The change in accounting policy was due to the municipality been fully compliant with GRAP provisions. Previously, the municipality had applied Directive 4 of Transitional provisions, but the 3 years has since lapsed, and the GRAP 17 provisions were applied retrospectively.
This led to restatement of property, plant and equipment to bring assets into the accounting records.

Cash flow statement

Management do not sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing costs. For this reason the change in accounting policy is applied prospectively.

(If retrospective application is impracticable for the particular prior period, or for periods before those presented, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.)

The municipality has not applied the new (name the standard or interpretation) issued, and effective for periods commencing (Describe the new required treatment and the current treatment.) The estimated impact of the implementation of the new standard on the 2012 annual financial statements is as follows:

NYANDENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

	2013	2012 RESTATED
	R '1	R '1

3 Investments

	2013	2012
Short Term Investments		
Development 388655305-403 STD	287,223	280,638
Nyandeni 388680237-001 STD	84,759	82,438
Tiered Rates 388680172-002	3,166	3,136
Nyandeni 74187331349 FNB	16,130,895	15,307,222
32 Day 388655305-004 STD	903,690	867,798
Revolving Fund 388655305-002 STD	231,815	226,500
Stanlib 3 54781067	27,700	26,294
Stanlib 2 IPOO5728	1,253,397	1,198,014
Stanlib 1 IPOO5439	2,786,861	2,659,960
32 Day Interest 72399019737	15,017	14,708
Eradication of Bucket System 548736855-001	709,746	691,887
Investments (Recovery VAT) 74182161238	34,754,693	27,540,561
MIG account 62159914704	10,596,269	1,855,480
MSIG account 62159915853	54,212	8,724
FMG account 62159921751	323,785	132,556
Property Valuation Account 62159922551	151,128	148,387
LGSETA account 62159915340	11,313	11,200
EPWP - 62396357298	74,769	-
INEG - 62396356539	605,002	-
	69,005,441	**51,055,503**
Current assets		
Total other financial assets	69,005,441	51,055,503

Management's valuation of unlisted investments R 69 005 441 (2011: R 51 055 503)

Average rate of return on investments 2013 : 5% (2012 : 5.5%)

Funds are invested according to Circular No C/46/1994 issued by the Provincial Administration Community Services Branch with approved banking institutions.

No investments were pledged as security.

4 Other receivables from exchange transactions

	2013	2012
Housing	140,569	140,569
Impairment for doubtful debts - housing debtors	(140,569)	(140,569)
Vehicle loans	-	148,444
Provision for Motor vehicle Loan	-	(148,444)
Sundry Customers	10,825	3,727
Staff Debtors	(0)	1,165,990
	10,825	1,169,717

The housing loan is fully recoverable from the Department of Human Settlements (Eastern Cape).
The project is being delayed due to unforseen circumstances therefore there were no repayments
The Vehicle loans were written off in the previous years.
The Sundry customer was for IEC Rental for January 2012 outstanding at year end.
The Staff Debtors were the amount paid to Senior Managers without Council approval and or authority.
The Council took a resolution to recover these monies paid in 2007 -2008 financial year. In the 2012/2013 Financial Year the council has taken a resolution to write off the amounts that were paid to previous Senior Managers as it deemed these balances irrecoverable.

	2013	2012 RESTATED
	R '1	R '1

5 Receivables from non-exchange transactions

	2013	2012
VAT	1,828,339	9,799,873

These are monies due from SARS for VAT claimed in the June 2013 Vat period, as well invoices captured not yet paid and debtors billed not yet received.

6 Receivables from exchange transactions

	2013	2012
Gross balances		
Rates	6,640,426	8,319,477
Old Balances	2,350,190	2,480,232
Refuse	425,383	301,662
	9,415,999	**11,101,371**
Less: Provision for debt impairment		
Rates	(5,139,213)	(10,181,086)
Old Balances	(2,276,710)	-
Refuse	(390,094)	(295,406)
	(7,806,017)	**(10,476,492)**
Net balance		
Rates	1,501,213	618,624
Old Balances	73,480	
Refuse	35,289	6,256
	1,609,982	**624,880**
Rates		
Current (0-30 days)	(754,232)	(245,061)
31-60 days	77,560	
61-90 days	74,114	79,781
91-120 days	74,377	307,294
+120 days	6,756,931	10,082,132
Impairment	(5,139,213)	(10,181,086)
	1,089,537	**43,060**
Old Balances		
Current (0-30 days)		7,088
31-60 days		
61-90 days		8,924
91-120 days		35,470
+120 days	2,350,189	259,737
Impairment	(2,276,710)	-
	73,480	**311,219**
Refuse		
Current (0-30 days)	20,790	7,088
31-60 days	11,501	
61-90 days	11,215	8,924
91-120 days	11,065	35,470
+120 days	363,137	259,737
Impairment	(390,094)	(295,406)
	27,614	**15,813**

	2013	2012 RESTATED
	R '1	R '1
6 Consumer debtors (continued)		
Summary of debtors by customer classification		
Households / Church		
Current (0-30 days)	23,282	(42,679)
31-60 days	53,420	57,388
61-90 days	52,898	224,347
91-120 days	53,672	-
+120 days	5,584,374	5,194,270
	5,767,646	5,433,325
Less: Provision for debt impairment	(5,004,347)	(5,409,324)
	763,299	**24,002**
Business		
Current (0-30 days)	33,365	(7,006)
31-60 days	33,135	25,343
61-90 days	29,987	94,523
91-120 days	29,469	-
+120 days	1,609,610	1,405,918
	1,735,566	1,518,778
Less: Provision for debt impairment	(1,505,878)	(1,509,323)
	229,687	**9,455**
Government / Municipal		
Current (0-30 days)	(790,089)	(184,175)
31-60 days	2,506	5,973
61-90 days	2,444	23,894
91-120 days	2,302	-
+120 days	2,276,272	3,734,442
	1,493,436	3,580,134
Less: Provision for debt impairment	(1,295,792)	(3,557,846)
	197,644	**22,288**
Total		
Current (0-30 days)	(733,442)	(233,861)
31-60 days	89,061	88,705
61-90 days	85,329	342,764
91-120 days	85,442	-
+120 days	9,470,257	10,334,629
	8,996,647	10,532,237
Add: Income received in advance	419,352	
Less: Provision for debt impairment	(7,806,017)	(10,476,492)
	1,609,981	**55,745**
Reconciliation of impairment of debtors		
Balance at beginning of the year	(10,476,492)	(8,718,652)
(Contributions) / Reduction to provision	2,670,475	(1,757,840)
	(7,806,017)	**(10,476,492)**

	2013	2012
		RESTATED
	R '1	R '1

7 Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
Cash on hand	15	15
Bank balances	13,681,259	9,436,696
	13,681,274	9,436,711

The Municipality has the following bank accounts:

	Bank statement balances			Cash book balances	
					Restated
Account number / description	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012
First National Bank	11,428,966	6,011,933	154,038	11,221,297	6,010,644
Type : Current Account No 62152951614					
Bank statement balance as at 30 June 2013					
Standard Bank	2,459,662	3,425,752	712,854	2,459,962	3,426,052
Type : Current Account No 80847978					
Bank statement balance as at 30 June 2013					
Other	-	-			
Total	**13,888,628**	**9,437,685**	**866,892**	**13,681,259**	**9,436,696**

8 Investment property

	2013			2012		
	Cost / Valuation	Acc Dep & Acc Impairment	Carrying Value	Cost / Valuation	Acc Dep & Acc Impairment	Carrying Value
Investment property	45,320,000	-	45,320,000	60,473,350	-	60,473,350

Reconciliation of investment property - 2013

	Opening balance	Fair value adjustments	Fair value deficit	Total
Investment property	60,473,350	-	-15,153,350	45,320,000

Reconciliation of investment property - 2012

	Opening balance	Fair value surplus	Fair value deficit	Total
Investment property	59,386,500	1,086,850	-	60,473,350

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 01 July 2009 to 30 June 2013. Revaluations were performed by an independent valuer, Mr Boateng, of Redemption Estates. Redemption Estates is not connected to the entity and have recent experience in location and category of the investment property being valued.

The municipality has appointed Primeland Properties represented by Mr Edward Baleni, Registered Property Valuer to perform a new valuation roll to be implemented from 01 July 2013 to 30 June 2017. The inspection and valuation of municipal properties was conducted in the last quarter of 2012/2013, hence we have relied on the new valuation roll to determine the investment properties values at year end. The personnel from Primeland Properties are not connected to the municipality and have the relevant professional expertise.
The valuation was based on open market value for existing use.

NYANDENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

9 PROPERTY PLANT AND EQUIPMENT **PROPERTY PLANT AND EQUIPMENT**

				RESTATED		
	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying Value	Cost / Valuation	Accumulated depreciation	Carrying Value
Land and buildings	25,225,670	2,398,440	22,827,230	25,225,670	1,779,478	23,446,192
Infrastructure	267,769,605	102,363,892	165,405,713	243,331,915	67,264,239	176,067,676
Community assets	4,600,192	755,630	3,844,562	4,600,192	548,613	4,051,579
Motor vehicles	2,139,237	1,037,988	1,101,249	1,805,792	715,009	1,090,782
Computer equipment	1,720,656	779,257	941,400	1,452,477	334,473	1,118,004
Furniture and office equipment	2,599,620	1,200,655	1,398,965	2,340,667	809,856	1,530,811
Plant & Equipment	15,337,111	7,970,532	7,366,579	15,785,897	6,044,038	9,741,859
Finance lease assets	2,257,004	681,837	1,575,167	1,272,280	426,999	845,281
Total	**321,649,095**	**117,188,231**	**204,460,864**	**295,814,890**	**77,922,706**	**217,892,184**

NYANDENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

9.1 RECONCILIATION OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013

	Cost / Revaluation					Accumulated Depreciation				Carrrying Value
	Opening Balance	Additions / Revaluation	Under Construction	Transfer / Completed	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and buildings	25,225,670	-			25,225,670	1,779,478	618,962		2,398,440	22,827,230
Infrastructure	243,331,915	24,437,690			267,769,605	67,264,239	35,099,653		102,363,892	165,405,713
Community assets	4,600,192	-			4,600,192	548,613	207,018	-	755,630	3,844,562
Computer assets	1,452,477	268,179			1,720,656	334,473	444,783		779,257	941,400
Plant & Equipment	15,785,897	-448,786			15,337,111	6,044,038	1,926,494		7,970,532	7,366,579
Furniture & Office Equipment	2,340,667	258,953			2,599,620	809,856	390,798		1,200,655	1,398,965
Motor vehicles	1,805,792	333,445			2,139,237	715,009	322,979		1,037,988	1,101,249
Finance lease asset	1,272,280	984,724	-	-	2,257,004	426,999	254,838	-	681,837	1,575,167
	295,814,890	**25,834,205**	**-**	**-**	**321,649,095**	**77,922,706**	**39,265,525**	**-**	**117,188,231**	**204,460,864**

NYANDENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

9.2 RECONCILIATION OF RESTATED PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost / Revaluation					Accumulated Depreciation				Carrrying Value
	Opening Balance	Additions / Revaluation	Under Construction	Transfer / Completed	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and buildings	25,225,670	-			25,225,670	1,186,382	593,097		1,779,478	23,446,192
Infrastructure	207,363,161	35,968,753			##########	#########	27,094,721		#########	176,067,676
Community assets	4,600,193	-0			4,600,192	365,845	182,767	-	548,613	4,051,579
Computer assets	631,778	820,699			1,452,477	236,110	98,363		334,473	1,118,004
Plant & Equipment	15,248,899	536,998			15,785,897	3,845,272	2,198,765		6,044,038	9,741,859
Furniture & Office Equipment	1,700,081	640,585			2,340,667	702,554	107,302		809,856	1,530,811
Motor vehicles	1,635,178	170,614			1,805,792	690,655	24,354		715,009	1,090,782
Finance lease asset	#REF!	#REF!	-	-	1,272,280	#REF!	#REF!	-	426,999	845,281
	#REF!	**#REF!**	**-**	**-**	**##########**	**#REF!**	**#REF!**	**-**	**#########**	**217,892,184**

10 INTANGIBLE ASSETS

	2013			2012		
	Cost / Valuation	Accum Amort & Acc Impairment	Carrying Value	Cost / Valuation	Accum Amort & Acc Impairment	Carrying Value
Financial Management System	1,161,767	-	1,161,767	940,589	-	940,589

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Total
Financial Management System	940,589	221,178	1,161,767

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Total
Financial Management System	805,384	135,205	940,589

	2013	2012
		RESTATED
	R '1	R '1

11 Finance lease obligations

	2013	2012
Minimum lease payments due		
- within one year	437,729	353,751
- in second to fifth year inclusive	1,289,480	555,873
	1,727,209	909,624
less: future finance charges	(283,249)	(134,993)
Present value of minimum lease payments	**1,443,959**	**774,632**
Present value of minimum lease payments due		
- within one year	368,674	297,469
- in second to fifth year inclusive	1,075,286	477,164
	1,443,959	**774,632**
Non- current liabilities	1,075,286	477,164
Current liabilities	368,674	297,469
	1,443,959	**774,632**

It is municipality policy to lease certain telecommunications and equipment under finance leases.

The average lease term was 5 years and the effective borrowing rate was 9% (2011: 10%)

The municipality 's obligations under finance leases are secured by the lessor's charge over the leased assets.

		2013	2012 RESTATED
		R '1	R '1
12	**Payables from exchange transactions**		
	Trade creditors	6,845,413	1,170,107
	Leave accrual	3,784,999	3,617,766
	Bonus provision	1,288,581	1,085,760
	Accruals	3,251,506	5,011,954
	Other creditors	14,353	15,648
		15,184,852	**10,901,235**

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFA).
No interest is charged for the first 30 days from the date of receipt of the invoice.
The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame.

Management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

The fair value of creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

		2013	2012 RESTATED
13	**Other payables from exchange transactions**		
	Unknown Deposits	-	-

		2013	2012 RESTATED
14	**Unspent conditional grants and receipts**		
	Unspent conditional grants and receipts comprises of:		
	MIG Grant	-	-
	Electrification grant	-	1,839,416
		-	**1,839,416**
	Movement during the year		
	Balance at the beginning of the year	1,839,416	5,888,918
	Additions during the year	3,600,000	45,121,000
	Income recognition during the year	(5,439,416)	(49,170,502)
		-	**1,839,416**

15 PROVISIONS

Reconciliation of provisions - 2013

	Opening Balance	Movements	Total
Legal obligations	2,200,000	-200,000	2,000,000
Environmental rehabilitation provision	133,150	-	133,150
Other creditors		-	
	2,333,150	**-200,000**	**2,133,150**

Reconciliation of provisions - 2012

	Opening Balance	Movements	Total
Legal obligations	2,200,000	-	2,200,000
Environmental rehabilitation provision	97,274	35,876	133,150
Other creditors		-	
	2,297,274	**35,876**	**2,333,150**

The municipality has a landfill site where it will need to rehabilitate the land at the end of its useful life. The estimated cost at this time is as per the above.

Included in legal obligations idenified above are known litigations in progress against Nyandeni Local Municipality at balance sheet date.

The following is a list of probable outcomes that has been disclosed by the Municipality's legal representative:

Selina Nontembeko Matanda vs NLM case no. 2071/2010

In this matter the municipality is being sued for a sum of R 1 000 000.00 (one million rand) by the plaintiff who claims that his child was killed (when he drowned in a hole) as a result of the negligence of some municipal employee who had failed to close a hole that had been dug when Thabo Mbeki township was being constructed. The municipality is defending the matter on the basis that it is not the municipality who constructed the township and therefore it has never been the responsibility of the municipality to close the said holes. The matter is currently waiting for the trial date.

Tamsanqa Dotyeni vs NLM case no. 2070/2010

In this matter the municipality is being sued for a sum of R 1 000 000.00 (one million rand) by the plaintiff who claims that his child was killed (when he drowned in a hole) as a result of the negligence of some municipal employee who had failed to close a hole that had been dug when Thabo Mbeki township was being constructed. The municipality is defending the matter on the basis that it is not the municipality who constructed the township and therefore it has never been the responsibility of the municipality to close the said holes. The matter is currently waiting for the trial date.

16 Income received in advance

Receivables from exchange transactions in credit	419,352	84,502
Site rental received in advance - Vodacom	-	6,455
	419,352	90,956

17 Retentions

Amounts due and withheld from contractors for the year	2,029,723	2,432,376
	2,029,723	2,432,376

		2013	2012 RESTATED
		R '1	R '1
18	**Inventories**		
	Stock on hand at year end	119,715	-
		-	-
		119,715	**-**

Physical inventory stock count was performed at 30 June 2013

		2013	2012 RESTATED
19	**Revenue**		
	Property rates	4,162,316	4,356,467
	Service charges	167,786	158,526
	Interest earned	2,849,749	2,551,653
	Fair value gain on short term investments	171,435	191,396
	Rental of facilities and equipment	136,699	101,644
	Recoveries	2,670,475	-
	Fines	276,794	602,350
	Other income	2,782,526	2,551,435
	Government grants	170,771,416	161,184,594
		183,989,195	**171,698,066**

The amount included in revenue arising from exchange of goods or services are as follows:

	2013	2012 RESTATED
Service charges	167,786	158,526
Rental of facilities and equipment	136,699	101,644
Interest earned	2,849,749	2,551,653
Fair value gain on short term investments	171,435	191,396
Other income	2,782,526	2,551,435
Taxation revenue		
Property rates	4,162,316	4,356,467
	10,270,511	**9,911,122**

The amount included in revenue arising from non -exchange of goods or services are as follows:

	2013	2012 RESTATED
Fines	276,794	602,350
Recoveries	2,670,475	-
Transfer revenue		
Levies	170,771,416	161,184,594
	173,718,684	**161,786,944**

	2013	2012 RESTATED
	R '1	R '1

20 PROPERTY RATES

Rates assessed

	2013	2012
Residential	751,122	681,966
Commercial	441,518	753,085
Municipal	19,511	42,015
Government	331,826	351,634
Roads	53,118	265,559
Schools	3,341,763	4,148,752
Clinics	843,711	426,132
Less: Revenue Forgone	(1,620,253)	(2,312,676)
Total assessment rates	**4,162,316**	**4,356,467**

Assessment rates are levied on the value of land and improvements, which valuation must be performed every 4 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.
The last general valuation came into effect in 2009. The basis was 2c per rand on land and improvements. Rebates are applied according to council's policy.
Rates are levied annually on property owners. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable on the last day of the month.

Valuations	Tarriffs	2013	2012
Residential		64,821,250	64,821,250
Commercial		44,971,200	44,971,200
Government		30,798,700	30,798,700
Municipal		92,408,950	92,408,950
Church		20,489,000	20,489,000
Roads (Government)		279,535,921	279,535,921
Schools		243,864,106	243,864,106
Clinics		26,360,290	26,360,290
Other		47,236,413	47,236,413
		850,485,830	**850,485,830**

The new general valuation will be implemented on 01 July 2013.

21 SERVICE CHARGES

	2013	2012
Refuse removal	167,786	158,526
	167,786	**158,526**

The amount disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

22 Rental of facilities and equipment

	2013	2012
Rental of facilities	114,220	84,423
Advertising fees rentals	22,479	17,221
	136,699	**101,644**

23 Traffic fines

Revenue of R 276 794 (2012: R 602 350) is generated through traffic fines

NYANDENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

		2013	2012 RESTATED
		R '1	R '1
24	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Equitable share	121,517,000	111,925,000
	Financial Management Grant	1,500,000	1,450,000
	Municipal Systems Improvement Grant	800,000	790,000
	EPWP GRANT	1,462,000	-
	LIBRARY SUBSIDIES	300,000	-
	Mlengane ECO-Tourism Development Project/ EU Grant	-	199,092
	Electrification Grant	5,439,416	8,160,584
	MIG Grant	39,753,000	38,659,918
	Total government grants and subsidies	**170,771,416**	**161,184,594**

NB: there are no transfers(grants) that are made out by the Municipality

Equitable share
Although this is an unconditional grant in terms of the constitution, the municipality uses the grant to subsidise the provision of basic services to indigent community services.

MIG Grant

	2013	2012
Balance unspent at the beginning of the year	(0)	5,888,918
Current year receipts as per DORA	39,753,000	35,121,000
Conditions met - transferred to revenue	(39,753,000)	(41,009,918)
Transferred to MIG Grant		
Conditions not met - transferred to liability	**(0)**	**(0)**

This grant was used for the upgrading of access roads to rural areas.

EU Grant - Mlengane ECO-Tourism Development Project

	2013	2012
Balance unspent at the beginning of the year	-	-
Current year receipts as per DORA	-	199,092
Conditions met - transferred to revenue	-	(199,092)
Transferred to MIG Grant		
Conditions not met - transferred to liability	**-**	**-**

This grant was fully utilised for the development of Mlengane ECO-Tourism Trust

FMG Grant

	2013	2012
Balance unspent at the beginning of the year	-	-
Current year receipts as per DORA	1,500,000	1,450,000
Conditions met - transferred to revenue	(1,500,000)	(1,450,000)
Conditions not met - transferred to liability	**-**	**-**

This grant was fully expensed in obtaining financial management assistance

EPWP Grant

	2013	2012
Balance unspent at the beginning of the year	-	-
Current year receipts as per DORA	1,462,000	-
Conditions met - transferred to revenue	(1,462,000)	-
Conditions not met - transferred to liability	**-**	**-**

This grant was fully expensed in employing casual workers within community based projects, especially within Infrastructure Dep

Library Subsidies Grant

	2013	2012
Balance unspent at the beginning of the year	-	-
Current year receipts as per DORA	300,000	-
Conditions met - transferred to revenue	(300,000)	-
Conditions not met - transferred to liability	**-**	**-**

This grant was fully expensed in development of the Libraries within the municipality

Municipal Systems Improvement Grant

	2013	2012
Balance unspent at the beginning of the year	-	-
Current year receipts as per DORA	800,000	790,000
Conditions met - transferred to revenue	(800,000)	(790,000)
Conditions not met - transferred to liability	**-**	**-**

This grant is meant to help with the improvement and upgrading of municipal systems and expenditure is only incurred for this purpose.

Electrification Grant

	2013	2012
Balance unspent at the beginning of the year	1,839,416	-
Current year receipts as per DORA	3,600,000	10,000,000
Conditions met - transferred to revenue	(5,439,416)	(8,160,584)
Conditions not met - transferred to liability	**0**	**1,839,416**

Conditions still to be met - remain liabilities (see note 14).

25	Other Income	2013	2012
			RESTATED
		R'1	R'1
	Auction Sale	-	482
	Building plan approval	19,299	3,681
	Commission	115,545	87,251
	D.L.T.C	1,696,389	1,646,702
	Funeral Fees	5,089	3,860
	Insurance claim	196,433	750
	Library Fees	11,212	-
	Other	88,858	444,554
	Pound Fees	40,158	24,452
	Sale of items	-	
	Tender Fees	222,196	228,391
	Training - LG SETA	331,491	95,196
	Vending	55,564	15,289
	Wood Sales	293	827
		2,782,526	**2,551,435**

	2013	2012 RESTATED
	R '1	R '1

26 EMPLOYEE RELATED COSTS

	2013 R '1	2012 RESTATED R '1
Backpay	403,610	202,772
Bonus	2,529,373	2,569,634
Car Allowance	4,457,557	3,653,161
Contributions to UIF, Medical and Pension Funds	11,139,566	9,513,387
Double pay	-	-
Employee related costs - Salaries and wages	35,594,641	32,557,478
Housing subsidy / allowances	1,897,126	1,684,391
Other benefits and allowances	1,525,370	2,163,397
Overtime & Double Pay	3,810,333	2,842,774
Total employee related costs	**61,357,576**	**55,186,994**

Remuneration of the Municipal Manager
N. Nomandela

	2013 R '1	2012 RESTATED R '1
Acting Allowance	13,749	78,311
Basic salary	676,593	412,436
Travelling allowance	232,091	171,849
Cellphone allowance	22,462	20,622
Retirement Annuity	23,956	48,118
	968,851	**731,336**

P.B. Mase was municipal manager till 31st March 2012, N Nomandela was appointed in the acting capacity
N. Nomandela was subsequently appointed in a full-time capacity from September 2012.

Remuneration of the Planning and Development Manager
G.M. Cekwana

	2013 R '1	2012 RESTATED R '1
Basic Salary	556,436	467,428
Travelling allowance	219,430	194,759
Provident fund	43,886	38,952
Medical Aid (Employer portion)	43,886	38,952
Cellphone Allowance	43,886	38,952
	907,525	**779,043**

Remuneration of the Corporate Services
S.V. Poswa

	2013 R '1	2012 RESTATED R '1
Basic Salary	483,367	467,428
Travelling allowance	202,145	70,113
Provident fund	73,256	46,742
Medical Aid (Employer portion)	82,224	194,759
	840,992	**779,042**

Remuneration of the Technical Services Manager
Q. Madikida

	2013 R '1	2012 RESTATED R '1
Basic Salary	500,247	467,428
Travelling allowance	202,145	194,759
Provident fund	40,429	38,952
Medical Aid (Employer portion)	66,119	38,952
Cellphone Allowance	40,429	38,952
	849,369	**779,043**

Remuneration of the Chief Finance Officer
B.K. BENXA

	2013 R '1	2012 RESTATED R '1
Annual remuneration	655,528	598,871
Car allowance	121,288	89,019
Contribution to UIF and other payments	54,007	133,243
	830,823	**821,133**

	2013	2012 RESTATED
	R '1	R '1

26 EMPLOYEE RELATED COSTS (CONTINUED)

Remuneration of the Community Services
J. Sikhuni

	2013	2012
Acting allowance	24,723	24,723
Basic Salary	368,746	506,380
Travelling allowance	136,978	194,759
Medical Aid (Employer portion)	32,712	38,952
Cellphone Allowance	18,445	38,952
	581,605	**803,766**

N. Nomandela was Community services manager till 31st March 2012.
J. Sikhuni was appointed from 1st April 2012 to 30 April 2013 as the Acting Senior Manager: Community Ser
Mr. G Zide was a appointed as a Senior Manager: Community Services on a 5 year-fixed contract starting 01

Remuneration of the Community Services
G.M. Zide

	2013	2012
Basic Salary	484,777	467,419
Travelling allowance	202,145	194,759
Provident fund	40,429	38,952
Medical Aid (Employer portion)	70,931	38,952
Cellphone Allowance	40,429	38,952
	838,711	**779,034**

Mr. G Zide was a appointed as a Senior Manager: Community Services on a 5 year-fixed contract starting 01
Previously he was Senior Manager : Operations until resigning at end of April 2013.

		2013	2012 RESTATED
		R '1	R '1
27	**REMUNERATION OF COUNCILLORS**		
	Mayor's allowance	645,549	611,896
	Speaker's allowance	516,439	357,667
	Chief Whip	264,288	54,630
	Full time executive committee members	1,355,653	917,843
	Part time executive committee members	1,597,733	1,766,849
	Councillor's allowance	9,338,839	8,624,263
		13,718,501	**12,333,148**

In-kind benefits

The Mayor, Chief Whip and two (2) Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.
The Mayor has use of a Council owned vehicle for official duties.
Councillor's salaries, allowances and benefits are within prescribed upper limits.

		2013	2012 RESTATED
28	**FINANCE CHARGES**		
	Interest on overdue accounts	153,110	95,691
	Interest expenses paid on finance leases	131,589	4,022
	Interest on discounting of payables	1,017,470	660,718
		1,302,169	**760,431**
29	**BULK PURCHASES**		
	Electricity	4,771,417	7,158,407
		4,771,417	**7,158,407**

This purchase is a result of a grant from DME for the electrification program.

		2013	2012
			RESTATED
		R'1	R'1
30	**GENERAL EXPENDITURE**		
	ACCOUNTING & AUDIT FEES	4,450,729	3,117,944
	ADMINISTRATION FEES	3,111,370	2,406,111
	ADVERTISING	390,779	403,448
	AMENITIES & COMMUNITY FACILITIES	325,991	231,917
	BANK CHARGES	185,175	285,732
	BURSARIES - PERSONNEL	-	-
	CAPEX	10,139,256	1,038,237
	CLEANING	205,008	230,334
	COMMUNICATIONS	410,859	475,831
	COMMUNITY BASED PUBLIC WORKS PROGRAM (EPWP)	842,818	-
	COMPUTER EXPENSES	-16,167	10,000
	CONFERENCES AND MEETINGS	5,353,910	5,771,056
	CONSULTING FEES	2,010,321	401,321
	CORPORATE EXPENSES	236,410	489,542
	CRIME PREVENTION	157,832	126,505
	DISASTER MANAGEMENT	-	33,350
	DOUBTFUL DEBTS	-	1,757,839
	ELECTORAL EXPENSES	-	172,740
	ELECTRICITY PURCHASES	668,688	522,156
	EMPLOYEE ASSISTANCE PROGRAMME	738,992	571,318
	EQUIPMENT PURCHASES	239,400	437,230
	FINANCIAL MANAGEMENT GRANT	1,747,020	1,909,940
	FUEL AND OIL	2,140,192	1,874,532
	IDP	403,186	554,982
	INSURANCE	532,511	182,956
	LAND SUMMIT	449,851	-
	LED PROJECTS	2,604,609	1,439,976
	LEGAL EXPENSES	634,990	940,506
	LIBRARY SERVICES	157,340	49,212
	LICENSING OF VEHICLES	900,033	932,773
	MAYOR'S DISCRETIONAL FUND	928,234	724,948
	MEMBERSHIP FEES	74,946	1,067,308
	MLENGANE DEVELOPMENT LAND	162,976	490,331
	MUNICIPAL PERFORMANCE MANAGEMENT SYSTEM	92,006	32,980
	MUNICIPAL SYSTEM IMPROVEMENT GRANT	-	297,281
	OTHER EXPENSES	2,519,945	1,367,519
	PMU ADMINISTRATION COSTS	799,720	887,318
	PRINTING & STATIONERY	441,156	564,980
	PROVISION FOR BONUS	202,821	1,085,760
	PROVISION FOR LITIGATION	-	-
	PUBLIC PARTICIPATION	496,173	283,263
	REVIEW OF POLICIES	171,748	10,500
	SALE OF GOODS	463,785	-1,491
	SECURITY COSTS	409,061	242,260
	SPECIAL PROGRAMS UNIT	1,358,420	624,433
	SPORTS & RECREATION	191,081	204,913
	SUBSCRIPTION AND PUBLICATION	21,982	484,420
	SUBSIDY FOR PARAFFIN	3,345,561	627,731
	SUNDRY EXPENSES	-	-
	SUPPORT TO TRADITIONAL INSTITUTIONS	365,340	213,675
	TELEPHONE	1,904,803	2,729,861
	TOURISM	1,000	138,543
	TOWN PLANNING	476,980	471,560
	TRAINING	377,957	113,585
	TRAVEL AND SUBSISTENCE	468,248	485,110
	UNIFORM & OVERALLS	264,618	379,749
	TRANSPORT FORUM	39,275	-
	VAT CONSULTANCY FEES	2,287,542	1,183,858
	VEHICLE HIRE	852,474	836,717
	WASTE MANAGEMENT	172,286	574,248
	WEBSITE MAINTENANCE	84,067	73,392
		57,995,310	**42,562,238**

			2013	2011
31	**Prior year adjustments**	**Sub-note**		
	The following restatements have been affected to prior period account balances and classes of transactions due to errors which have been identified			
	Bank balances and cash			
	Balance previously reported			15,009,835
	Duplication of transfers	31.1		1,459,598
	Creditors payments duplicated	31.2		(13,428,565)
	Transfers not recorded	31.1		(753,798)
	Creditors payments not recorded	31.2		252,065
	Bank Reconciliation items	31.3		(2,707,249)
	Restated balance			**-168,113**
	VAT receivable			
	Balance previously reported			924,578.97
	Output Vat not recorded in GL & declared to SARS	31.4		-35,812.36
	Restated balance			**888,766.61**
	Rental Income			
	Balance previously reported			(109,519)
	Vat re-allocation	31.5		11809
	Income recorded in incorrect period			5325
	Restated balance			**(92,385)**
	Effect on accumulated surplus			17134
	Funeral Fees			
	Balance previously reported			(3,500)
	Vat re-allocation	31.5		430
	Restated balance			**(3,070)**
	Effect on accumulated surplus			430
	Pound Fees			
	Balance previously reported			(7,445)
	Vat re-allocation	31.5		914
	Restated balance			**(6,531)**
	Effect on accumulated surplus			914
	Tender Fees			
	Balance previously reported			(132,272)
	Vat re-allocation	31.5		16,244
	Restated balance			**(116,028)**
	Effect on accumulated surplus			16,244
	Sale of Wood			
	Balance previously reported			(7,029)
	Vat re-allocation	31.5		863
	Restated balance			**(6,166)**
	Effect on accumulated surplus			863
	Building Plan Approval			
	Balance previously reported			(45,211)
	Vat re-allocation	31.5		5,552
	Restated balance			**(39,658)**
	Effect on accumulated surplus			5,552
	Other Income			
	Balance previously reported			(253,413)

Record amounts deducted from employee's salary	31.6			30,000
Restated balance				**(223,413)**
Effect on accumulated surplus				**30,000**

Staff Debtors

Balance previously reported				-
Raising debtors from prior years	31.6			1,249,490
Record amounts deducted from employee's salary	31.6			(53,500)
Restated balance				**1,195,990**

Cashbook Suspense

Balance previously reported				(18,303)
Reallocate receipts in incorrect period	31.8			(5,325)
Restated balance				**(23,628)**

Surplus / (Deficit) for the year

Surplus / (Deficit) as per 2011 Trial Balance	31.7			635,435
Surplus / (Deficit) as per 2011 AFS (Balance previously reported)				(1,428,662)
Effect on accumulated surplus				**(2,064,097)**

Assessment Rates

Balance previously reported	31.9			(3,997,070)
Reversal of municipal properties, unknown properties billed in 2011 financial year				639,208
Restated balance				**(3,357,862)**

Property, Plant & Equipment

Balance previously reported	31.12	(178,485,373)		
Grap Implementation		217,892,184		
Effect on accumulated surplus		**39,406,811**		
Effect on accumulated surplus				

Accumulated surplus

Balance previously reported				289,591,263
Duplication of transfers	31.1			(1,459,598)
Creditors payments duplicated	31.2			13,428,565
Transfers not recorded	31.1			753,798
Creditors payments not recorded	31.2			(252,065)
Bank reconciling items	31.3			2,707,249
Vat re-allocation	31.4			(41,137)
Revenue from exchange transactions	31.5			(30,000)
Raising of Staff Debbtors	31.6			1,195,990
Differences is surplus/ (deficit) between AFS & TB	31.7			2,064,097
Reversal of prior years billing of municipal properties	31.9			-
Prior 2011 reversal of municipal properties billing	31.9			(571,000)
2011 audit audjustments not effected on the system	31.10			65,355,794
Investment properties recorded twice in the FAR	31.11			(65,694,508)
Depreciation charged on investment properties reversed	31.11			(472,228)
Reconciliation of Sainet Creditor Account				495
Reconciliation of Vat Control Account		-1,278,595		
Restatement of PPE Asset Register		-1,151,108		39,406,811
Movement		-	56,392,262	
Restated balance		**(2,429,703)**		**345,983,525**

SUB-NOTES

31.1 **Duplication of transfers**

During the 2011 financial year, transfers were duplicated in cash book which have been corrected in the Accounting system

31.2 **Creditors payments**

During the 2011 financial year, unrecorded or duplicated creditors items were identified as not being valid which has now been corrected

31.3 **Bank reconciling items**

During the 2011 financial year, reconciling items were identified as not being valid which has now been corrected

31.4 **VAT re-allocation**
VAT portion was not allocated to the vat control account for 2011 Vatable income sources.
Therefore vat receivable was overstated and vat liability understated.

31.5 **Revenue from exchange transactions**
The output Vat for vatable income was not recorded in the GL, as a consequence
income was overstated and vat liability understated.

31.6 **Staff Debtors**
The Staff Debtors were the amount paid to Senior Managers without Council approval and or authority.
The Council took a resolution to recover these monies paid in 2007 -2008 financial year.

31.7 **Surplus / (Deficit)**
2011 audit audjustments not effected on the system, as result the AFS reflected a loss, whereas the Trial
Balance reflected a profit.

31.8 **Cashbook Suspense**
The 2011 August receipts were errorenously posted into June 2011 accounting period.
We posted these in the cashbook suspense in 201106 and cleared the suspense in 201206 financial year.

31.9 **Assessment rates**
There were properties that were billed incorrectly in the valuation roll, which were municipal properties, some properties
had description of "unknown", "vacant" with no particulars of who the owners are.
There were no receipts received in these accounts, which gave clear indication that they were billed incorrectly.

31.10 **2011 Audit Adjustments**
We were unable to access the detailed audit adjustments, therefore we processed the entry to balance to the
Trial Balance figure at 30 June 2011.

31.11 **Property, plant and equipment**
The investment properties to the value of R 60 486 500, were duplicated in the asset register.
Therefore the amount capitalised from prior years was overstated, this has since been corrected.
There were properties amounting to R 6 597 690 that were valued incorrectly in the Asset Register,
in comparison with the valuation roll.

	2013	2012
	R '1	R '1

32 Retirement benefits

Defined contribution plan

The municipality provides retirement benefits for its employees and councillors. Contributions are made to the South African Municipal Workers Union (SAMWU) to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined contribution funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

Contributions to the South African Municipal Workers Union (SAMWU) and made as follows:
- There are 170 municipal staff are contributions
- The staff member contributes 7,5% of basic salary
- The municipality contributes 18% of basic salary.

		2013	2012 RESTATED
		R '1	R '1
33	**Reconciling non cash items and other**		
	Surplus/(deficit) for the year	(14,604,165)	19,470,807
	Adjustment for:		
	Depreciation	39,655,530	31,480,245
	(Loss) gain on sale of assets and liabilities		
	Investment income	(2,849,749)	(2,551,435)
	Loss on disposal of assets	-	-
	Prior year adjustments	(2,429,703)	(2,355,189)
	Movements in provisions		
	Increase in impairment of debtors		
	Fair value gains		(191,396)
	Interest paid	1,302,169	760,431
	Operating surplus/(deficit) before working capital changes:	**21,074,082**	**46,613,462**
	Increase in inventories	(119,715)	-
	Decrease in receivables from exchange transactions	7,971,534	220,993
	(Increase) / Decrease other receivables from exchange transactions	1,158,892	-
	Increase in creditors	2,315,406	5,617,893
	(Increase) / Decrease in VAT	-	(8,911,037)
	Increase / (Decrease) in unspent conditional grants and receipts	-	(4,049,502)
	Receivables from exchange transactions	(985,103)	-
	Retentions	(402,653)	
	Income received in advance	328,395	
			-
	Cash generated by / (utilised in) operations	**31,340,839**	**39,491,809**

34 Risk management

Maximum credit risk exposure

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

Trade receivables comprise a widespread service beneficiaries base within Municipal area. Management evaluates credit risk relating service beneficiaries on an ongoing basis. Each service beneficiary is independently rated, these ratings are used to access risk control, the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality. The utilisation of credit limits is regularly monitored. Sales to service beneficiaries are settled in cash.

Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. In terms of its borrowings requirements, the entity ensures that adequate funds are available to meet its expected and unexpected financial commitments.
The entity maintains a reasonable balance between the period over which assets generate funds and the period over which the respective assets are funded in order to mitigate the effect of long-term liquidity risk.

The following table provides detail of the entity's remaining contractual maturity for its financial liabilities.
The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay.
The figures below include both estimated interest and principal cash flows of the instruments. Estimated interest of floating interest rate financial liabilities is calculated using the applicable interest rates at the end of the financial year end.

		2013 R '1	2012 R '1
34	**Risk MANAGEMENT (CONTINUED)**		
	Financial assets exposed to credit risk at year end were as follows:		
	Financial instrument		
	First National Bank	11,428,966	11,428,966
	Standard Bank	2,459,662	2,459,662
	Investment accounts	51,055,503	51,055,503
	Trade and other recivables	2,648,559	2,648,559

Risk Disclosure

Market Risk

The entity's activities expose it primarily to the risk of fluctuation in interest rates.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

35 Auditors's remuneration

	2013	2012
Audit Fees	3,859,852	2,252,547

36 Capital commitments

Authorised capital expenditure

	2013	2012
Commitments in respect of capital expenditure		
> Property, plant and equipment	20,809,297	14,385,204

This committed expenditure relates to infrastructure and will be financed by government grants.

37 Going concern

The annual financial statements have been prepared on the basis of accounting policies apllicable to a going concern. This basis presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities, contigent obligations and commitments will occur in the ordinary course of business.

38 Events after the reporting date

Management is not aware of any material event that has occurred between the year end and sign off date.

	2013	2012 RESTATED	2012 AUDITED	2011
	R '1	R '1	R '1	R '1

39 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

	2013 R '1	2012 RESTATED R '1	2012 AUDITED R '1	2011 R '1
Opening balance	18,931,403	1,379,532	1,379,532	1,379,532
Unauthorised expenditure current year	(859,046)	17,551,871	17,551,871	-
Approved by Council or condoned	-	-	-	-
Transfer to receivables for recovery - not condoned	-	-	-	-
Unauthorised expenditure awaiting authorisation	18,072,357	18,931,403	18,931,403	1,379,532

Analysis of unauthorised expenditure

	2013 R '1
Overspending on Executive Council	720,763
Underspending on Finance vote	(1,247,271)
Overspending on Corporate Services / HR vote	1,182,260
Underspending on Planning & Development vote	(466,352)
Underspending on Community Services vote	(4,245,306)
Overspending on Technical Services vote	3,196,860
	(859,046)

40 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

	2013 R '1	2012 RESTATED R '1	2012 AUDITED R '1	2011 R '1
Opening balance	227,918	829,758	829,758	132,227
Fruitless and wasteful expenditure current year	153,110	95,691	95,691	697,531
Approved and written off by Council - Resolution no 972	(130,000)	(697,531)	-	
Transfer to receivables for recovery - not written off	-	-	-	-
Fruitless & wasteful expenditure awaiting authorisation	251,028	227,918	925,449	829,758

Incident	**Disciplinary steps / criminal proceedings**	**Amount**
Late payment of creditors.	None. No municipal employee has been charged for such expenditure, as there were capacity constraints on the part of the staff. All the senior posts have been filled within the Budget & Treasury Department and procedure manuals have been developed to assist	23,110
Administrative Fine paid to Department of Economic Development,Environmental Affairs & Tourism, for the application of 24G of NEMA, in relation to an EIA for the construction of Mdzwina Access Road.	None. No municipal employee has been charged for such expenditure as defined in Council Resolution No. 972 of 2012/2013.	130,000
		153,110

41 Irregular expenditure

	2013 R '1	2012 RESTATED R '1	2012 AUDITED R '1	2011 R '1
Opening balance	31,243,093	663,568	663,568	663,568
Irregular expenditure current year	-	5,095,757	5,095,757	-
Irregular expenditure identfied during audit		27,805,378		
Approved and written off by Council	(44,825,906)	(2,321,610)	(2,321,610)	-
Transfer to receivables for recovery - not written off	-	-	-	-
Irregular expenditure awaiting authorisation	**(13,582,813)**	**31,243,093**	**3,437,715**	**663,568**

The amount of R 663 568 pertains to irregular expenditure in a prior period.
The Irregular expenditure of R 44 825 906 was written off at the council meeting held on the 29 August 2013.

	2013	2012
	R'1	R'1

42 Contigent assets and liabilities

Known litigations against the municipality at Statement of Financial Position date:

	2013	2012
Contigent liabilities		
Zweledinga Jadiso	200,000	200,000
Tamsanqa Livingstone Case 1	18,000	18,000
Kholekile Thwantwa	-	-
HHO Africa	-	-
Tamsanqa Livingstone Case 2	10,500	10,500
Thabile Trading 125 JV BHS Building Contractors vs NLM	2,846,672	2,550,000
NYANDENI LOCAL MUNICIPALITY VS ZAMUXOLO NDAMASE AND OTHERS.	0	66,045
Siyaphambili vs Nyandeni LM	0	5,578,294
Alexander Maintenance vs Nyandeni LM	0	5,584,005
Zukiswa Skenjana	600,000	-
	3,675,172	**14,006,845**
Contigent assets		
Nyandeni Local Municipality vs Ayanda Maqolo	-	-
Nyandeni Local Municipality vs Mthawelanga Ndamase	-	
NYANDENI LOCAL MUNICIPALITY VS ZAMUXOLO NDAMASE AND OTHERS.	-	83,955
	0	**83,955**

The following is a list of possible outcomes:

ZWELEDINGA JADISO vs NYANDENI MUNICIPALITY CASE no 2014/09

The municipality is being sued for a sum of 200 000 by the abovementioned person who alleges that he rented out his electric saw to the municipality at a rate of R50.00 a day in 1994 and it is still with the municipality. The municipality is defending the matter.

THAMSANQA MZIMVUBU vs NYANDENI MUNICIPALITY Case No 54/12

The Plaintiff is suing the municipality for a sum of R18 000 which is allegedly unpaid monies that the municipality owes as a result of hiring his buses. The municipality is defending the matter as it disputes that it ever hired the said buses.

THAMSANQA MZIMVUBU vs NYANDENI MUNICIPALITY Case No 40/12

The Plaintiff is suing the municipality for a sum of R10 500 which is allegedly unpaid monies that the municipality owes as a result of hiring his buses. The municipality is defending the matter as it disputes that it ever hired the said buses.

BHS BUILDING CONTRACTORS CC vs NYANDENI MUNICIPALITY (Case No 55/12)

The municipality is being sued for a sum of R2 846 672.40 for the alleged unlawful cancellation of a contract for the construction of Ngqeleni Road. The municipality is defending the matter as it contends that the cancellation was lawful as the company had failed to honour the conditions of the contract. The municipality has filed its plea and the parties are still exchanging pleadings.

NYANDENI LOCAL MUNICIPALITY vs AYANDA MAQOLO

The municipality is suing the above named person for the illegal invasion of municipal land. The municipality has obtained an interim interdict against the respondent and the matter has been set down in the opposed motion court for September 2013. There is no amount attached to this contingency except, maybe legal costs

NYANDENI LOCAL MUNICIPALITY vs MTHAWELANGA NDAMASE
The municipality is suing the above named person for the illegal invasion of municipal land. The municipality has obtained an interim interdict against the respondent and the matter has been set down in the opposed motion court for August 2013. There is no amount attached to this contingency except, maybe legal costs

ZUKISWA SKENJANA vs NYANDENI LOCAL MUNICIPALITY CASE NO. 1424/12
The municipality is being sued for a sum of R600 000.00 for alleged negligence because the Plaintiff slipped on the stairs in the Municipal hall when she was attending a wedding. The matter is being defended by the municipality and the matter is at the stage of exchanging pleadings.

VV SIBU AND MUSA CONSTRUCTION vs NYANDENI LOCAL MUNICIPALITY& TRAFFIC OFFICER BHUDAZA.
A Motion has been brought against the municipality for the alleged illegal seizure of the Applicant's motor vehicle by the traffic officer cited in the Notice of Motion. The Application is being opposed as it is our contention that the seizure was perfectly legal. The matter has no date.

43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

PAYE, UIF and SDL

Opening balance	-	-
Current year subscription / fee	10,490,051	8,580,097
Amount paid - current year	(10,490,051)	(8,580,097)
Amount paid - previous years	-	-
	-0	**-**

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	16,930,917	6,847,639
Amount paid - current year	(16,930,917)	(6,847,639)
Amount paid - previous years	-	-
	-	-

	2013	2012
	R'1	R'1

43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

Arrears Rates and Services Owed by Councillors

	High Outstanding amount	
Councillor M.S. Qaqa	-	1,546
Councillor M. Dambuza	3,386	2,971
Councillor Mahlungu	-	473
	3,386	**4,990**

44 Municipal Entities

There were no municipal entities under sole or shared control of the municipality for the financial year.

45 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted for is set out in Note 46

45 Actual versus budget (Revenue and expenditure)

Actual 2012	Description	Actual 2013	Approved Budget 2013	Difference	Management reasons
	Revenue				
3,357,862	Taxes	4,162,316	5,800,000	1,637,684	Included in the Actual amount is revenue forgone of R 1 620 253
330,550	Fees, fines, penalties & licences	276,794	700,000	423,206	There were delays in commencement for the operation of the Drivers & Licence Testing Centre
2,452,345	Revenue from exchange transactions	3,325,669	3,027,000	(298,669)	Improved demand on sale transaction & other revenue sources
118,434,783	Transfers from other governments	170,771,416	175,846,000	5,074,584	Unspent MIG Grant from 2011 financial year was withheld by National Treasury against 2012/13 Equitable Share Grant Allocation
4,784,186	Other operating	5,453,001	10,310,000	4,856,999	Included in the Approved Budget was the Transfers from Reserves of R8.7 million
129,359,726	**Total revenue**	**183,989,195**	**195,683,000**	**11,693,805**	
	Expenses				
(61,598,864)	Personnel	(75,076,077)	(77,940,482)	(2,864,405)	The municipality budgeted salary increments at 8.5%, however the actual increment was 6.8%, therefore there were savings.
(38,669,906)	Administrative	(67,202,546)	(64,116,099)	3,086,447	Included in the balance is the unbudgeted amounts relating to provisions for bonus, impairment of debtors
(30,708,331)	Depreciation and amortisation	(40,816,520)	-	40,816,520	Not budgeted for, due to first year of full GRAP compliance
-	Capital expenditure	-	(53,526,420)	(53,526,420)	Some projects were carried over from prior year
(309,443)	Miscellaneous	(129,548)	-	129,548	Finance charges linked to Stanlib Investments acco
(669,498)	Finance costs	(1,302,169)	(100,000)	1,202,169	Decrease due to prompt payment to suppliers, and no interest being charged by SARS
(131,956,042)	**Total expenditure**	**(184,526,860)**	**(195,683,001)**	**(11,156,141)**	
-2,596,317	**Surplus/(Deficit) for the year**	**-537,665**	**(1)**	**537,664**	
0	Attributable to: Net asset holder of the controlling entity	-	0	0	
0	Minority interest	-	0	0	

46 RELATED PARTY TRANSACTIONS

46.1 Interest of ralated parties

Councillors and/or managers of the municipality that have relationships with businesses as indicated below:

Name	Designation	Description of Related Party Relationship
N.G Cekwana	SM: Planning & Development	Mrs Cekwana (Spouse) owns 50% of CMM Environmental Consultants which was awarding a contract to perform Environmental Impact Assessment for Mdzinwa, Nothintsila, Vezamandla & Mpindweni Access Roads at a fee of R 151 734 (vat inclusive). For the year under review, CMM Environmental Consultants was paid a total amount of R 119 672 for work done.

46.2 Services rendered to related parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

46.3 Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans have

46.4 Purchases from related parties

R 119 672 paid to CMM Environmental Consultants for EIA consulting fees.

47 DEVIATION & NON COMPLIANCE DISCLOSURE

	2013 R '1	2012 R '1
Reconciliation of deviation's disclosure:		
Opening balance	-	-
Deviations made in the current year		
Approved and written off by Council	(6,275,940)	
Total deviations made in the current year	**(6,275,940)**	**-**

Incident

The municipality deviated from the normal supply chain processes as per Sec 36 of Municipal Supply Chain Regualtions in the following instances :-

(i) in an emergency (breakages after hours, situations that may lead to health, safety hazards or death, serious hampering of official service delivery to the community);
(ii) if such goods or services are produced or available from a single provider only
(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
(iv) acquisition of animals for zoos and/or nature and game reserves; or
(v) in any other exceptional case or case or urgency where it is impractical or impossible t o follow the official procurement processes

48 Contributions to local government

Reconciliation of SALGA Levies:

	2013	2012
Opening balance	685,456	182,276
Expenditure in the current year	66,235	503,180
Closing balance	751,691	685,456

There were no contributions to SALGA outstanding at year end.

49 Financial Instruments

49.1 Financial liability

2013	FVTP - Held for trading	Designated at FV through P/L	Loans and payables	Total
	R'1	R'1	R'1	R'1
Opening balance	1,839,416	6,198,375	-	8,037,791
				-
Interest expense		173,527	-	173,527
Net other movements	(1,839,416)	3,912,897		2,073,482
Closing balance	**-**	**10,111,272**	**-**	**10,284,799**

Interest expense include:

Interest on financial liabilities that are not at fair value through profit and loss -

2012	FVTP - Held for trading	Designated at FV through P/L	Loans and payables	Total
	R'1	R'1	R'1	R'1
Opening balance	5,888,918	2,011,277	-	7,900,195
				-
Interest expense		68,730	-	68,730
Net other movements	(4,049,502)	4,187,098		137,596
Closing balance	**1,839,416**	**6,198,375**	**-**	**8,106,520**

Interest expense include:

Interest on financial liabilities that are not at fair value through profit and loss -

Disclosed in the Statement of Financial Performance	2013 R'1	2012 R'1
Fee expenses	1,017,470	660,718
On financial assets/liabilities not at fair value through profit and loss		
Trust and/or other fiduciary activities		
Other fee expenses	1,017,470	660,718

Categories of financial instruments	2013	2012
	R'1	R'1
Unspent conditional grants	-	1,839,416
Trade creditors & other payables	10,270,446	6,267,104
Loans and payables	-	-
Overdraft	-	-
	10,270,446	**8,106,520**

NB: The disclosures in IFRS 7.20 can either be presented in a list format as shown above or in a tabular format, depending on the preference of the user.

49.2 Qualitative disclosure:

Key assumptions

Credit risk

Nyandeni Local Municipality has a very serious credit risk because of the debtors that are not paying for rates and taxes together with services. The Municipality has since engaged the use of a Debt collector to collect monies owed by the debtors and the Council has also resolved to right off the openning balances of the debts

Liquidity risk

Nyandeni Local Municipality does not foresee any threat with regards to sevicing of its debts utilising assets that can be quickly converted into cash and cash equivalents because the municipality is committing guaranteed income when budgeting to avoid the use of external loans and overdrafts to finance its operations.

Market risk

Interest rate risk

Not appliacble to the Municipality, there were loans during the year.

Foreign currency risk

Not appliacble to the Municipality because the Municipality does not deal with foreign currency and banks with the approved financila institutions in the Country

Price risk

Not appliacble to the Municipality