



Nquthu Local Municipality
Financial statements
for the year ended 30 June 2013

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

General Information

Nature of business and principal activities

Local Municipality

Executive Committee

Cllr. EN Molefe (Mayor)
Cllr. SM Kunene (Deputy Mayor)
Cllr. NM Zungu
Cllr. RS Nyamane
Cllr. ML Dlamini
Cllr. NS Mkhize
Cllr. VB Ntombela (Speaker) (Ex-Officio)

Ordinary Councillors

Cllr. Z Sithole
Cllr. JC Ndlovu
Cllr. SM Buthelezi
Cllr. GAN Buthelezi
Cllr. LS Sangweni
Cllr. SM Shabangu
Cllr. TW Madondo
Cllr. RS Langa
Cllr. KS Selepe
Cllr. S Buthelezi
Cllr. HM Moloji
Cllr. RA Ndlovu
Cllr. SMC Zikode
Cllr. CT Buthelezi
Cllr. GH Buthelezi
Cllr. LS Hoffman
Cllr. V Ngobese
Cllr. FA Hlatshwayo
Cllr. TM Ndlovu
Cllr. PP Khoza
Cllr. EM Mkhwanazi
Cllr. ME Mnguni
Cllr. SP Mazibuko
Cllr. SJ Mkhwanazi
Cllr. ZG Ngcobo
Cllr. BI Zwane
Cllr. ET Zulu

Grading of local authority

Grade 2

Accounting Officer

Mr. Bonginkosi Paul Gumbi

Chief Finance Officer (CFO)

Mr. Welcome Sakhile Mpanza

Registered office

Municipal Building
83/11 Mdlalose Street
Nquthu
3135

Business address

Municipal Building
83/11 Mdlalose Street
Nquthu

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

General Information

	3135
Postal address	Private Bag X 5521 Nquthu 3135
Banker	ABSA South Africa
Auditors	Auditor General
Attorneys	Rafiq Khan & Company Attorneys at Law

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

A report of the accounting officer has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Officer's Responsibilities and Approval

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

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements set out on pages 5 to 50, which have been prepared on the going concern basis, were approved by the on 20 August 2013 and were signed on its behalf by:

Accounting Officer

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	10	608 333	99 890
Other receivables from exchange transactions	11	155 100	727 894
VAT receivable	12	1 380 786	3 311 653
Prepayments	9	133 343	-
Consumer debtors	13	8 183 072	6 899 310
Cash and cash equivalents	14	80 939 985	61 039 468
		91 400 619	72 078 215
Non-Current Assets			
Investment property	4	1 159 078	1 227 659
Property, plant and equipment	5	127 942 402	96 821 152
Intangible assets	6	82 392	39 028
Heritage assets	7	78 888	78 888
		129 262 760	98 166 727
Non-current assets held for sale	8	-	1 266 451
Total Assets		220 663 379	171 511 393
Liabilities			
Current Liabilities			
Finance lease obligation	15	12 320	439 245
Payables from exchange transactions	19	3 910 146	5 766 005
Consumer deposits	20	376 522	90 687
Unspent conditional grants and receipts	16	8 596 881	12 154 802
Provisions	17	2 074 531	1 595 388
DBSA Loan Current portion	18	876 925	789 287
		15 847 325	20 835 414
Non-Current Liabilities			
Finance lease obligation	15	-	12 320
DBSA Loan - Long-term portion	18	826 597	1 693 199
		826 597	1 705 519
Total Liabilities		16 673 922	22 540 933
Net Assets		203 989 457	148 970 460
Net Assets			
Accumulated surplus		203 989 457	148 970 460

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	23	12 372 869	11 969 381
Rental of facilities and equipment	21	489 010	454 223
Miscellaneous other revenue		412 419	409 134
Commissions received	25	82 831	71 829
Interest received - investment	30	3 716 099	2 255 249
Property rates	22	10 291 736	5 871 748
Property rates - penalties imposed		722 702	543 006
Government grants & subsidies	24	119 447 046	95 388 231
Fines		185 564	160 698
Total revenue		147 720 276	117 123 499
Expenditure			
Employee Costs	27	(22 277 411)	(17 301 080)
Remuneration of councillors	28	(7 337 690)	(6 795 323)
Depreciation and amortisation	31	(5 172 484)	(4 814 570)
Finance costs	32	(83 113)	(191 942)
Debt impairment	29	(2 960 517)	(2 201 627)
Repairs and maintenance		(1 516 817)	(577 450)
Bulk purchases	36	(13 577 582)	(11 552 508)
Contracted services	34	(3 178 506)	(2 516 293)
Grants operational expenditure	35	(13 670 863)	(2 887 987)
General Expenses	26	(21 891 078)	(13 933 140)
Total expenditure		(91 666 061)	(62 771 920)
Operating surplus		56 054 215	54 351 579
Loss on disposal of assets and liabilities		(79 571)	-
Surplus for the year		55 974 644	54 351 579

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	94 618 881	94 618 881
Changes in net assets		
Surplus for the year	54 351 579	54 351 579
Total changes	54 351 579	54 351 579
Opening balance as previously reported	147 059 159	147 059 159
Adjustments		
Correction of errors	955 654	955 654
Balance at 01 July 2012 as restated	148 014 813	148 014 813
Changes in net assets		
Surplus for the year	55 974 644	55 974 644
Total changes	55 974 644	55 974 644
Balance at 30 June 2013	203 989 457	203 989 457
Note(s)		

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		12 367 607	11 969 381
Grants		119 447 046	95 898 186
Interest income		3 716 099	2 255 249
Other receipts		12 189 524	7 510 638
		<u>147 720 276</u>	<u>117 633 454</u>
Payments			
Employee costs		(29 615 101)	(24 096 403)
Suppliers		(60 493 624)	(29 781 433)
Finance costs		(61 774)	(78 171)
		<u>(90 170 499)</u>	<u>(53 956 007)</u>
Net cash flows from operating activities	37	<u>57 549 777</u>	<u>63 677 447</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(36 334 286)	(33 694 859)
Proceeds from sale of property, plant and equipment	5	(20 947)	141 118
Purchase of other intangible assets	6	(54 479)	-
Net cash flows from investing activities		<u>(36 409 712)</u>	<u>(33 553 741)</u>
Cash flows from financing activities			
Movement in DBSA loan - long-term portion		(778 964)	(763 093)
Finance lease payments		(460 584)	(776 646)
Net cash flows from financing activities		<u>(1 239 548)</u>	<u>(1 539 739)</u>
Net increase in cash and cash equivalents		19 900 517	28 583 967
Cash and cash equivalents at the beginning of the year		61 039 468	32 455 500
Cash and cash equivalents at the end of the year	14	<u>80 939 985</u>	<u>61 039 467</u>

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	15 598 040	-	15 598 040	12 372 869	(3 225 171)
Rental of facilities and equipment	592 345	-	592 345	489 010	(103 335)
Miscellaneous other revenue	279 440	-	279 440	412 419	132 979
Commissions received	72 864	-	72 864	82 831	9 967
Interest received - investment	2 468 021	-	2 468 021	3 716 099	1 248 078
Total revenue from exchange transactions	19 010 710	-	19 010 710	17 073 228	(1 937 482)

Revenue from non-exchange transactions

Taxation revenue

Property rates	16 143 061	-	16 143 061	10 291 736	(5 851 325)
Property rates - penalties imposed	873 470	-	873 470	722 702	(150 768)
Government grants & subsidies	113 081 000	-	113 081 000	119 447 046	6 366 046

Transfer revenue

Fines	100 000	-	100 000	185 564	85 564
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Total revenue from non-exchange transactions

130 197 531	-	130 197 531	130 647 048	449 517
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Total revenue

149 208 241	-	149 208 241	147 720 276	(1 487 965)
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Expenditure

Personnel	(28 950 251)	-	(28 950 251)	(22 277 411)	6 672 840
Remuneration of councillors	(7 159 294)	-	(7 159 294)	(7 337 690)	(178 396)
Depreciation and amortisation	(4 100 000)	-	(4 100 000)	(5 172 484)	(1 072 484)
Finance costs	(151 971)	-	(151 971)	(83 113)	68 858
Debt impairment	(1 200 000)	-	(1 200 000)	(2 960 517)	(1 760 517)
Repairs and maintenance	(4 230 763)	-	(4 230 763)	(1 516 817)	2 713 946
Bulk purchases	(16 500 000)	-	(16 500 000)	(13 577 582)	2 922 418
Contracted Services	(3 280 235)	-	(3 280 235)	(3 178 506)	101 729
Grants Operating Expenditure	(14 021 000)	-	(14 021 000)	(13 670 863)	350 137
General Expenses	(30 027 365)	-	(30 027 365)	(21 891 078)	8 136 287

Total expenditure

(109 620 879)	-	(109 620 879)	(91 666 061)	17 954 818
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Operating surplus

39 587 362	(149 208 241)	(109 620 879)	56 054 215	165 675 094
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Loss on disposal of assets and liabilities

-	-	-	(79 571)	(79 571)
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Surplus before taxation

39 587 362	(149 208 241)	(109 620 879)	55 974 644	165 595 523
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement

39 587 362	(149 208 241)	(109 620 879)	55 974 644	165 595 523
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Reconciliation

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	608 333	608 333	
Other receivables from exchange transactions	-	-	-	155 100	155 100	
VAT receivable	-	-	-	1 380 786	1 380 786	
Prepayments	-	-	-	133 343	133 343	
Consumer debtors	-	-	-	8 183 072	8 183 072	
Cash and cash equivalents	-	-	-	80 939 985	80 939 985	
	-	-	-	91 400 619	91 400 619	
Non-Current Assets						
Investment property	-	-	-	1 159 078	1 159 078	
Property, plant and equipment	42 866 249	-	42 866 249	127 942 402	85 076 153	
Intangible assets	-	-	-	82 392	82 392	
Heritage assets	-	-	-	78 888	78 888	
	42 866 249	-	42 866 249	129 262 760	86 396 511	
Total Assets	42 866 249	-	42 866 249	220 663 379	177 797 130	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	12 320	12 320	
Payables from exchange transactions	-	-	-	3 910 140	3 910 140	
Consumer deposits	-	-	-	376 522	376 522	
Unspent conditional grants and receipts	-	-	-	8 596 881	8 596 881	
Provisions	-	-	-	2 074 531	2 074 531	
DBSA Loan Current portion	(1 200 000)	-	(1 200 000)	876 925	2 076 925	
	(1 200 000)	-	(1 200 000)	15 847 319	17 047 319	
Non-Current Liabilities						
DBSA Loan - Long-term portion	-	-	-	826 597	826 597	
Total Liabilities	(1 200 000)	-	(1 200 000)	16 673 916	17 873 916	
Net Assets	44 066 249	-	44 066 249	203 989 463	159 923 214	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	44 066 249	-	44 066 249	203 989 463	159 923 214	

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013											
Financial Performance											
Property rates	17 016 531	-	17 016 531	-	-	17 016 531	11 014 438	-	(6 002 093)	65 %	65 %
Service charges	15 598 040	-	15 598 040	-	-	15 598 040	12 372 869	-	(3 225 171)	79 %	79 %
Investment revenue	2 468 021	-	2 468 021	-	-	2 468 021	3 716 099	-	1 248 078	151 %	151 %
Transfers recognised - operational	85 693 000	-	85 693 000	-	-	85 693 000	85 635 980	-	(57 020)	100 %	100 %
Other own revenue	1 044 649	-	1 044 649	-	-	1 044 649	1 169 824	-	125 175	112 %	112 %
Total revenue (excluding capital transfers and contributions)	121 820 241	-	121 820 241	-	-	121 820 241	113 909 210	-	(7 911 031)	94 %	94 %
Employee costs	(28 950 251)	-	(28 950 251)	-	-	(28 950 251)	(22 277 411)	-	6 672 840	77 %	77 %
Remuneration of councillors	(7 159 294)	-	(7 159 294)	-	-	(7 159 294)	(7 337 690)	-	(178 396)	102 %	102 %
Debt impairment	(1 200 000)	-	(1 200 000)	-	-	(1 200 000)	(2 960 517)	-	(1 760 517)	247 %	247 %
Depreciation and asset impairment	(4 100 000)	-	(4 100 000)	-	-	(4 100 000)	(5 172 484)	-	(1 072 484)	126 %	126 %
Finance charges	(151 971)	-	(151 971)	-	-	(151 971)	(83 113)	-	68 858	55 %	55 %
Materials and bulk purchases	(16 500 000)	-	(16 500 000)	-	-	(16 500 000)	(13 577 582)	-	2 922 418	82 %	82 %
Transfers and grants	(14 021 000)	-	(14 021 000)	-	-	(14 021 000)	(13 670 863)	-	350 137	98 %	98 %
Other expenditure	(37 538 363)	-	(37 538 363)	-	-	(37 538 363)	(26 665 972)	-	10 872 391	71 %	71 %
Total expenditure	(109 620 879)	-	(109 620 879)	-	-	(109 620 879)	(91 745 632)	-	17 875 247	84 %	84 %
Surplus/(Deficit)	12 199 362	-	12 199 362	-	-	12 199 362	22 163 578	-	9 964 216	182 %	182 %

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	27 388 000	-	27 388 000	-		27 388 000	33 811 066		6 423 066	123 %	123 %
Surplus (Deficit) after capital transfers and contributions	39 587 362	-	39 587 362	-		39 587 362	55 974 644		16 387 282	141 %	141 %
Surplus/(Deficit) for the year	39 587 362	-	39 587 362	-		39 587 362	55 974 644		16 387 282	141 %	141 %
Capital expenditure and funds sources											
Total capital expenditure	42 866 249	-	42 866 249	-		42 866 249	36 157 716		(6 708 533)	84 %	84 %
Cash flows											
Net cash from (used) operating	-	-	-	-		-	57 549 777		57 549 777	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(36 409 712)		(36 409 712)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(1 239 548)		(1 239 548)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-		-	19 900 517		19 900 517	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	61 039 468		61 039 468	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	-		-	80 939 985		(80 939 985)	DIV/0 %	DIV/0 %

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2012				
Financial Performance				
Property rates				6 414 754
Service charges				11 969 381
Investment revenue				2 255 249
Transfers recognised - operational				65 224 277
Other own revenue				1 095 884
Total revenue (excluding capital transfers and contributions)				86 959 545
Employee costs	-	-	-	(17 301 080)
Remuneration of councillors	-	-	-	(6 795 323)
Debt impairment	-	-	-	(2 201 627)
Depreciation and asset impairment	-	-	-	(4 814 570)
Finance charges	-	-	-	(191 942)
Materials and bulk purchases	-	-	-	(11 552 508)
Transfers and grants	-	-	-	(2 887 987)
Other expenditure	-	-	-	(17 026 883)
Total expenditure	-	-	-	(62 771 920)
Surplus/(Deficit)				24 187 625
Transfers recognised - capital				30 163 954
Surplus (Deficit) after capital transfers and contributions				54 351 579
Surplus/(Deficit) for the year				54 351 579
Capital expenditure and funds sources				
Total capital expenditure				28 138 493

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				63 677 447
Net cash from (used) investing				(33 553 741)
Net cash from (used) financing				(1 539 739)
Net increase/(decrease) in cash and cash equivalents				28 583 967
Cash and cash equivalents at the beginning of the year				32 455 500
Cash and cash equivalents at year end				61 039 467

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements 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 financial statements. Significant judgements include:

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 17 - Provisions.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or,
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is derecognised on disposal, or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.”.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	
• Office buildings	30
Plant and machinery	3-10
Furniture and fixtures	3-10
Motor vehicles	5
Office equipment	5
IT equipment	5
Computer software	5

Nquthu Local Municipality

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Accounting Policies

1.3 Property, plant and equipment (continued)

Infrastructure Roads & Stormwater

- Electricity Networks 25-30
- Street lights 25
- Taxi Ranks 20

Community

- Cemetery 15-25
- Waste sites 25-30

Capital work in progress - Roads

Finance leased Assets 3-5

Investment property 5-30

Heritage assets

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of municipality 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 from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

1.4 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The heritage assets will be revalued every five years from initial recognition

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Accounting Policies

1.4 Intangible assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised 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.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Nquthu Local Municipality

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Accounting Policies

1.5 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Financial instruments

Classification and derecognition

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

The municipality derecognises a financial asset when and only when; the rights to the cash flows from the financial asset expire; or it transfers the financial asset and the transfer qualifies for derecognition. The municipality first needs to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The municipality transfers a financial asset if and only if: the rights to receive cash flows from the asset have expired, or if the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the municipality has transferred substantially all the risks and rewards of the asset, or the municipality has neither transferred nor retained substantially all the risks and rewards of the asset.

The municipality removes a financial liability (or part of financial liability) from its statement of financial position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or called or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

Receivables from exchange transactions

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 150 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against surplus or deficit.

Payables from exchange transactions

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Financial instruments (continued)

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.8 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the 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.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the 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.

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.12 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.13 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

Contingent assets and contingent liabilities are not recognised.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Nquthu Local Municipality

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Accounting Policies

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

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

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. The revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Interest and rental income

Interest is recognised using the effective interest rate method. Rentals are recognised on a time proportion basis.

1.17 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

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.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Nquthu Local Municipality

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Accounting Policies

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government

Irregular expenditure is also any expenditure incurred in contravention of the municipality's supply chain management policy.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item to be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.22 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP 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 financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Presentation of currency

These financial statements are presented in South African Rand.

1.24 Offsetting

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

1.25 Budget information

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

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Commitments

The municipality at the end of the reporting period will have commitments in relation to the transactions in progress that will be finished after reporting date.

These will be disclosed in the commitments indicating if they are contracted or not. The property, plant and equipment note will also detail those projects that are under construction as at reporting date.

The commitment will arise either if the transaction was concluded at year-end or not in relation to the signing of the contract. If the bidding process is still under way the commitment will also be raised.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.28 Going concern assumption

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

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

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 2013 or later periods:

<ul style="list-style-type: none"> • GRAP 25: Employee benefits • GRAP 105: Transfers of functions between entities under common control • GRAP 106: Transfers of functions between entities not under common control • GRAP 107: Mergers 	<p>01 April 2013</p> <p>01 April 2014</p> <p>01 April 2014</p> <p>01 April 2014</p>	<p>Unable to reliably estimate the impact</p>
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3.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

Standard/ Interpretation:

**Effective date:
Years beginning on or after**

Expected impact:

<ul style="list-style-type: none"> • GRAP 18: Segment Reporting 	<p>01 April 2013</p>	<p>Unable to reliably estimate the impact</p>
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The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

4. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 999 640	(840 562)	1 159 078	1 999 640	(771 981)	1 227 659

Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	1 227 659	(68 581)	1 159 078

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Total
Investment property	1 294 264	(66 605)	1 227 659

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

4. Investment property (continued)

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

5. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	13 270 852	-	13 270 852	13 270 852	-	13 270 852
Buildings	33 426 134	(5 730 082)	27 696 052	28 109 389	(4 550 826)	23 558 563
Plant and machinery	4 254 644	(1 301 225)	2 953 419	4 159 405	(1 055 553)	3 103 852
Furniture and fixtures	2 659 995	(1 147 305)	1 512 690	2 189 056	(831 155)	1 357 901
Motor vehicles	9 622 338	(1 423 059)	8 199 279	3 811 708	(598 970)	3 212 738
IT equipment	1 520 131	(725 299)	794 832	1 080 860	(553 824)	527 036
Infrastructure Roads & Stormwater	46 366 803	(12 583 140)	33 783 663	32 625 498	(10 680 410)	21 945 088
Community Infrastructure Electricity	2 418 926	(1 201 340)	1 217 586	2 412 171	(1 130 776)	1 281 395
Infrastructure Electricity	7 694 383	(5 323 854)	2 370 529	7 650 379	(5 070 102)	2 580 277
Capital work in progress - Roads	29 772 024	-	29 772 024	21 265 157	-	21 265 157
Capital works in progress - community halls	2 573 774	-	2 573 774	3 679 300	-	3 679 300
Finance leased Assets	32 780	(14 216)	18 564	2 031 889	(1 713 604)	318 285
Capital works in progress - business incubator	2 323 288	-	2 323 288	-	-	-
Capital works in progress - sports infrastructure	1 455 850	-	1 455 850	720 708	-	720 708
Total	157 391 922	(29 449 520)	127 942 402	123 006 372	(26 185 220)	96 821 152

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	13 270 852	-	-	-	-	13 270 852
Buildings	23 558 563	1 126 607	-	4 144 624	(1 133 742)	27 696 052
Plant and machinery	3 103 852	95 239	-	-	(245 672)	2 953 419
Furniture and fixtures	1 357 901	470 939	-	-	(316 150)	1 512 690
Motor vehicles	3 212 738	5 810 630	-	-	(824 089)	8 199 279
IT equipment	527 036	439 271	-	-	(171 475)	794 832
Infrastructure Roads & Stormwater	21 945 088	2 483 944	-	11 252 501	(1 897 870)	33 783 663
Community	1 281 395	6 755	-	-	(70 564)	1 217 586
Infrastructure Electricity	2 580 277	44 005	-	-	(253 753)	2 370 529
Capital work in progress - Roads	21 265 157	19 759 368	-	(11 252 501)	-	29 772 024
Capital works in progress - community halls	3 679 300	3 039 098	-	(4 144 624)	-	2 573 774
Finance leased Assets	318 285	-	(58 624)	-	(241 097)	18 564
Capital works in progress - business incubator	-	2 323 288	-	-	-	2 323 288
Capital works in progress - sports infrastructure	720 708	735 142	-	-	-	1 455 850
	96 821 152	36 334 286	(58 624)	-	(5 154 412)	127 942 402

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Classified as held for sale	Transfers	Reclassification on	Depreciation	Total
Land	14 300 000	-	-	-	-	(1 029 148)	-	13 270 852
Buildings	19 701 042	3 011 641	-	-	784 071	1 029 148	(967 339)	23 558 563
Plant and machinery	4 037 982	33 619	-	(640 815)	3 500	1 973	(332 407)	3 103 852
Furniture and fixtures	1 296 569	316 136	-	(20 367)	21 185	3 080	(258 702)	1 357 901
Motor vehicles	900 546	3 176 798	-	(605 269)	-	-	(259 337)	3 212 738
IT equipment	522 078	153 204	-	-	-	17 031	(165 277)	527 036
Infrastructure Roads & Stormwater	14 236 728	-	-	-	9 436 193	-	(1 727 833)	21 945 088
Community Infrastructure Electricity	816 607	505 673	-	-	-	-	(40 885)	1 281 395
Capital work in progress - Roads	2 833 615	-	-	-	-	-	(253 338)	2 580 277
Capital work in progress - Roads	8 084 372	22 616 978	-	-	(9 436 193)	-	-	21 265 157
Capital works in progress - community halls	1 504 748	2 983 308	-	-	(808 756)	-	-	3 679 300
Finance leased Assets	897 655	176 794	(141 118)	-	-	116 422	(731 468)	318 285
Capital works in progress - sports infrastructure	-	720 708	-	-	-	-	-	720 708
	69 131 942	33 694 859	(141 118)	(1 266 451)	-	138 506	(4 736 586)	96 821 152

Assets subject to finance lease (Net carrying amount)

Finance leased Assets	18 564	318 285
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Leased assets with a book value of **R 18,564 (2012:R 436 590)** are encumbered refer to note 10. The municipality is now only leasing office equipment(photocopying machines).

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.

For a detailed breakdown of PPE refer to Appendix B and C.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

6. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	135 309	(52 917)	82 392	80 830	(41 802)	39 028

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	39 028	54 479	(11 115)	82 392

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software, other	50 405	(11 377)	39 028

7. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	78 888	-	78 888	78 888	-	78 888

8. Non-current assets held for sale

Asset Type	Carrying amount 2013	Carrying amount 2012
Computers	-	20 367
Motor vehicles	-	605 269
Plant and machinery	-	640 815
	-	1 266 451

These assets were disposed during the year..

9. Prepayments

Accommodation (SALGA games)	133 343
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10. Inventories

Consumable stores	608 333	99 890
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11. Other receivables from exchange transactions

Sundry debtors	155 100	727 894
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Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
12. VAT receivable		
Value Added Tax (VAT)	1 380 786	3 311 653
13. Consumer debtors		
Gross balances		
Rates	5 253 301	3 028 458
Electricity	1 505 815	1 056 828
Refuse	10 205 542	8 780 063
Market Stall Rental	421 397	276 428
	17 386 055	13 141 777
Less: Allowance for impairment		
Rates	(2 713 977)	(1 662 041)
Electricity	(440 741)	(304 188)
Refuse	(6 045 997)	(4 273 970)
Market stalls rental	(2 268)	(2 268)
	(9 202 983)	(6 242 467)
Net balance		
Rates	2 539 324	1 366 417
Electricity	1 065 074	752 640
Refuse	4 159 545	4 506 093
Market Stall Rental	419 129	274 160
	8 183 072	6 899 310
Rates		
Current (0 -30 days)	117 145	120 405
31 - 60 days	195 870	102 808
61 - 90 days	244 365	163 501
91 - 120 days	234 881	104 931
121 - 365 days	223 581	101 259
> 365 days	3 360 289	2 435 554
	4 376 131	3 028 458
Electricity		
Current (0 -30 days)	655 893	173 516
31 - 60 days	131 185	146 605
61 - 90 days	67 439	65 084
91 - 120 days	36 737	8 095
121 - 365 days	39 834	4 500
> 365 days	574 726	659 028
	1 505 814	1 056 828
Refuse		
Current (0 -30 days)	227 826	287 804
31 - 60 days	169 179	275 683
61 - 90 days	159 406	272 089
91 - 120 days	149 897	292 686
121 - 365 days	143 781	290 865
> 365 days	3 931 423	7 359 472
	4 781 512	8 778 599

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
13. Consumer debtors (continued)		
Sundry debtors		
Current (0 -30 days)	38 304	28 452
31 - 60 days	35 419	26 444
61 - 90 days	30 903	24 071
91 - 120 days	26 780	20 075
121 - 365 days	21 716	17 664
> 365 days	269 026	160 032
	422 148	276 738
Reconciliation of allowance for impairment		
Balance at beginning of the year	(6 238 995)	(11 023 769)
Contributions to allowance	(2 960 517)	(2 201 627)
Debt impairment written off against allowance	-	6 986 401
	(9 199 512)	(6 238 995)
14. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	9 821 458	18 236 324
Short-term deposits	71 118 527	42 803 144
	80 939 985	61 039 468
Investments		
MPCC grant bank account	1 050 846	1 195 197
Investment - ABSA	18 413 981	10 541 902
FNB Call Account	15 569 855	-
ABSA Housing account	59 905	-
Investment - Grindrod Bank	-	5 415 657
Investment - Nedbank	12 739 150	5 147 229
FNB Investment	21 130 659	10 112 904
Incubator	1 888 466	2 048 324
Small Town Rehabilitation	265 663	8 282 924
Grindrod Housing A/C	-	59 009
	71 118 525	42 803 146

Funds not immediately available are invested with commercial banks in terms of the Cash and Investment policy and Municipal Investment Regulations.

Some other conditional grants agreements require that a separate investment (call account) be opened for them so that interest can be easily identified and accrued to the grant. These being the individual investments mentioned above and the remainder of investments is made up of own cash reserves and those grants not requiring separate investments account.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013			2012		
14. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA BANK - Cheque Account - 405-3562-762	3 578 938	9 948 834	4 527 731	3 535 322	9 948 834	4 473 846
ABSA BANK - Cheque Account Semi-Dormant - 406-1817-353	-	-	3 938 667	-	-	3 938 531
ABSA BANK - Savings Account Type - 914-2845-014	6 288 466	8 288 079	8 761 242	6 288 466	8 288 079	8 761 242
Total	9 867 404	18 236 913	17 227 640	9 823 788	18 236 913	17 173 619

15. Finance lease obligation

Minimum lease payments due

- within one year	12 320	412 000
- in second to fifth year inclusive	-	12 320
	12 320	424 320
less: future finance charges	(820)	(27 286)
Present value of minimum lease payments	11 500	397 034

Present value of minimum lease payments due

- within one year	11 500	384 714
- in second to fifth year inclusive	-	12 320
	11 500	397 034

Non-current liabilities	-	12 320
Current liabilities	12 320	439 245
	12 320	451 565

Interest rates are fixed on the contract date. All lease payments escalate at between 10% and 15% p.a and no arrangements have been entered into for contingent rent.

The average lease term is 3 years and the average effective borrowing rate was 12% (2012: 12%).

Interest rates are fixed at the contract date. All leases escalate at inflation % p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. **Refer note 3.**

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Government Grant	23 974	23 974
Capacity Building	40 882	40 882
MPCC	500 000	500 000
MFMA	105 127	105 127
Cybercadet	112 035	105 857
Intergrated Development Plan Grant	4 604	4 604
Municipal Infrastructure Grant	3 024 397	(291 543)
Financial System Grant	1	1
Management Assistance Programme	(5)	(5)
Municipal Systems Improvement Grant	-	508 809
Synergistic	245 906	245 906
Bornem grant	639 929	630 141
Rehabilitation of CBD Roads grant	1	7 108 780
Library Volunteer	15 984	7 268
Small business incubator grant	1 727 200	2 000 000
Multi-Purpose Centre grant	961 146	1 146 608
Sportsfield grant (Isilonjane)	20 331	18 393
DOE Electrification Grant	19 627	-
Extended Public Works Grant	480 740	-
Sportsfield Maintenance Grant	150 000	-
Nquthu Stadium Grant	525 000	-
Library Support	2	-
	8 596 881	12 154 802

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note Appendix F for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised. Other grants require that a separate investment account be opened and this has been complied with.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

17. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	193 766	-	-	193 766
Leave pay provision	1 401 622	548 024	(68 881)	1 880 765
	1 595 388	548 024	(68 881)	2 074 531

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	193 766	-	-	193 766
Leave pay provision	1 434 982	62 660	(96 020)	1 401 622
	1 628 748	62 660	(96 020)	1 595 388

Environmental rehabilitation provision

The municipality is required to provide for the rehabilitation of the landfill site after the end of its useful life. The cost to rehabilitate the landfill site has been estimated by the engineers to be R 500 000 and the remaining life is 10-12 years.

However in November the landfill site was permanently closed and no future use was permitted due to environmental regulations. The community participation on the project for the rehabilitation is being undertaken and the exact costs of such will be correctly identified after completion of the consultation.

Leave provision

The leave pay provision is based on the number of days each employee has accrued at year-end in terms of the South African Local Government Bargaining Agreement, and is calculated at termination rate.

18. DBSA Loan - Long-term portion

Refer to Appendix A for the reconciliation of external loans.

Installments are paid half-yearly on equal installments on each loan.

This loan was for the construction on municipal administration buildings and contracts are available for inspection.

DBSA Loan - account number 100524/2	872 399	1 436 870
DBSA Loan - account number 100524/3	846 997	1 045 620
Less - Current Portion of DBSA Loans	(876 925)	(789 287)
	842 471	1 693 203

19. Payables from exchange transactions

Trade payables	2 834 569	4 839 805
Collections costs	1 621	1 621
Accrued bonus	1 031 363	852 500
Other payables	42 593	72 079
	3 910 146	5 766 005

20. Consumer deposits

Electricity	376 522	90 687
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Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
21. Revenue		
Service charges	12 372 869	11 969 381
Rental of facilities and equipment	489 010	454 223
Miscellaneous other revenue	412 419	409 134
Commissions received	82 831	71 829
Interest received - investment	3 716 099	2 255 249
Property rates	10 291 736	5 871 748
Property rates - penalties imposed	722 702	543 006
Government grants & subsidies	119 447 046	95 388 231
Fines	185 564	160 698
	147 720 276	117 123 499
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	12 372 869	11 969 381
Rental of facilities and equipment	489 010	454 223
Miscellaneous other revenue	412 419	409 134
Commissions received	82 831	71 829
Interest received - investment	3 716 099	2 255 249
	17 073 228	15 159 816
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	10 291 736	5 871 748
Property rates - penalties imposed	722 702	543 006
Transfer revenue		
Government grants & subsidies	119 447 046	95 388 231
Fines	185 564	160 698
	130 647 048	101 963 683

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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22. Property rates

Rates received

Residential	11 374 701	9 355 478
Less: Income forgone	(1 082 965)	(3 483 730)
	<hr/>	<hr/>
Property rates - penalties imposed	10 291 736	5 871 748
	722 702	543 006
	<hr/>	<hr/>
	11 014 438	6 414 754

Valuations

Residential	240 655 000	240 655 000
Commercial	101 422 000	101 422 000
State	489 787 000	489 787 000
Municipal	101 898 000	101 898 000
	<hr/>	<hr/>
	933 762 000	933 762 000

Valuations on land and buildings are performed every 3 years but the valuation roll is valid for four years (the valuation roll for the next cycle start on the first day of the last year i.e. 01 July 2012). The last general valuation came into effect on 1 July 2009 (developed from 01 July 2008 to 30 June 2009). Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.015 (2011:R 0.010) is applied to property valuations to determine assessment rates.

Rates are levied on an annual basis with the final date for payment being 31 July 2013 (31 July 2012). Interest at prime plus 11% per annum (2012: 11%) and), is levied on rates outstanding two months after due date.

Different rate randage are charged for different categories of rate payers. Primary statutory rebates is on first R 15 000 of property value, additional rebates were granted to all residential category of ratepayers as contained in the Council's approved Property Rates Policy for R 85 000 through reduction in value.

23. Service charges

Sale of electricity	8 578 762	8 374 613
Refuse removal	3 794 107	3 594 768
	<hr/>	<hr/>
	12 372 869	11 969 381

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
24. Government grants and subsidies		
Operating grants		
Equitable share	71 042 000	62 778 000
Cybercadet Grant	215 823	224 472
Municipal Finance Management Grant	1 500 000	1 388 999
Municipal Systems Improvement Grant	1 308 809	230 228
Capacity Building	-	53 603
Public Participation	-	15 000
Library Support	489 998	466 680
Grant - Library Volunteer	27 284	15 810
Bornem Grant	366 971	31 093
DOE Infrastructure Electricity	9 980 373	-
Expanded Public Works Programme	519 260	-
Multi-purpose Center Grant	185 462	20 392
	85 635 980	65 224 277
Capital grants		
Municipal Infrastructure Grant	22 182 060	22 419 951
Sportsfield Grant	838 061	821 607
CBD Road Rehabilitation	7 518 145	5 138 281
Business Incubator Centre	3 272 800	-
Corridor development grant	-	1 784 115
	33 811 066	30 163 954
	119 447 046	95 388 231

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	48 387 377	32 610 231
Unconditional grants received	71 042 000	62 778 000
	119 429 377	95 388 231

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All the residents with electricity get a Free Basic Electricity monthly allowance of 50kWh (2012: 50kWh), which is funded from the Equitable Share.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

25. Commissions received

Commissions received	82 831	71 829
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Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
26. General expenses		
Advertising	262 553	208 742
Auditors remuneration	2 379 199	1 695 124
Bank charges	94 739	79 636
Cleaning	48 200	117 522
Consulting and professional fees	2 491 524	1 475 141
Consumables	351 162	272 702
Debt collection	18 633	-
Donations	-	1 500
Entertainment	27 507	23 148
Fines and penalties	7 740	30 422
Hire	3 250	3 932
Insurance	666 783	560 938
Youth development	2 018 542	1 279 335
IT expenses	106 106	85 545
Lease rentals on operating lease	125 241	101 865
Publicity	1 261 730	93 992
Promotions and sponsorships	274 130	403 662
Magazines, books and periodicals	722	-
Motor vehicle expenses	36 479	40 095
Fuel and oil	1 408 640	867 320
Printing and stationery	380 343	320 198
Community Development Projects	2 665 389	1 659 359
Software expenses	730 347	358 486
Subscriptions and membership fees	416 250	400 000
Telephone and fax	432 309	433 644
Training	565 373	283 576
Travel - local	1 634 277	1 025 702
Electricity	277 331	420 595
Uniforms	83 162	122 457
Tourism development	129 800	104 500
Audit Committee	44 513	59 773
Indigent (FBE)	2 361 398	1 395 222
Planning- district shared services	158 895	-
Ward Committees	420 585	-
Other expenses	8 226	9 007
	21 891 078	13 933 140

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
27. Employee related costs		
Basic	16 187 163	12 717 005
Bonus	1 170 050	874 358
Medical aid - company contributions	621 409	606 830
UIF	146 204	115 530
SDL	189 538	150 759
Leave pay provision charge	548 025	62 661
Group Life Insurance	7 346	8 787
Post-employment benefits - Pension - Defined contribution plan	1 770 759	1 398 194
Overtime payments	148 052	69 240
Long-service awards	158 816	-
Car allowance	879 309	886 876
Housing benefits and allowances	393 228	350 812
Telephone and Cellphone Allowance	47 700	54 450
SALGBC Levies	9 812	5 578
	22 277 411	17 301 080
Remuneration of municipal manager		
Annual Remuneration	932 131	782 940
Contributions to UIF, Medical and Pension Funds	10 736	9 079
Cellphone Allowance	12 000	12 000
	954 867	804 019
Remuneration of chief finance officer		
Annual Remuneration	820 942	689 547
Contributions to UIF, Medical and Pension Funds	9 549	7 920
Cellphone Allowance	6 000	6 000
	836 491	703 467
Corporate and human resources (corporate services)		
Annual Remuneration	739 508	621 147
Contributions to UIF, Medical and Pension Funds	8 916	7 570
Cellphone Allowance	6 000	6 000
	754 424	634 717
Development planning and Housing		
Annual Remuneration	739 508	621 147
Contributions to UIF, Medical and Pension Funds	9 028	7 621
Cellphone Allowance	6 000	6 000
	754 536	634 768
Technical Services		
Annual Remuneration	739 508	621 147
Contributions to UIF, Medical and Pension Funds	8 756	7 242
Cellphone Allowance	6 000	6 000
	754 264	634 389

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
28. Remuneration of councillors		
Mayor	358 335	326 869
Deputy Mayor	285 835	263 845
Executive Committee Members	1 075 880	992 356
Speaker	285 835	263 845
Councillors	5 286 007	4 910 116
Contributions to UIF and SDL	45 798	38 292
	7 337 690	6 795 323
In-kind benefits		
The Mayor, Deputy Mayor, Speaker are part-time. Each is provided with an office and the Mayor is provided with secretarial support at the cost of the Council.		
The Mayor have the use of Council owned vehicle for official duties, the Mayor has one full-time driver.		
The Councillor allowances are as per the Government Notice No.1032 dated 7 December 2012 and approved by the MEC for CoGTA at 95% of upper-limits as applicable to grade 3 for part-time councillors.		
29. Debt impairment		
Contributions to debt impairment provision	2 960 517	2 201 627
30. Investment revenue		
Interest revenue		
Bank	3 716 099	2 255 249
31. Depreciation and amortisation		
Property, plant and equipment	5 161 369	4 803 193
Intangible assets	11 115	11 377
	5 172 484	4 814 570
32. Finance costs		
Non-current borrowings	61 774	78 171
Finance leases	21 339	113 771
	83 113	191 942
33. Auditors' remuneration		
External Audit Fees	1 374 858	940 922
Internal Audit Fees	1 004 341	754 202
	2 379 199	1 695 124
34. Contracted services		
Fire fighting services	1 167 324	1 101 377
Security	2 011 182	1 414 916
	3 178 506	2 516 293

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
35. Grants Expenditure		
DOE Electricity infrastructure	8 757 345	-
Expanded Public Works Programme	553 985	-
Municipal Systems Improvement Grant	1 317 635	318 462
Cybercadet Grant	283 355	221 593
Management Assistance Program	-	359 367
Municipal Finance Management Grant	1 396 872	1 430 616
Bornem Grant	210 216	68 587
Library grant	31 874	468 970
Incubator Grant (Operational)	949 512	-
MPCC Grant expenditure	170 069	20 392
	13 670 863	2 887 987
36. Bulk purchases		
Electricity	13 577 582	11 552 508
37. Cash generated from operations		
Surplus	55 974 644	54 351 579
Adjustments for:		
Depreciation and amortisation	5 172 484	4 814 570
Profit on sale of assets and liabilities	79 571	-
Finance costs - Finance leases	21 339	113 771
Debt impairment	2 960 517	2 201 627
Movements in provisions	479 143	(33 360)
Other non-cash items	372 431	444 433
Changes in working capital:		
Inventories	(508 443)	(34 920)
Other receivables from exchange transactions	572 794	492 730
Consumer debtors	(4 244 279)	1 675 048
Prepayments	(133 343)	-
Payables from exchange transactions	(1 855 862)	2 484 767
VAT	1 930 867	(2 471 089)
Unspent conditional grants and receipts	(3 557 921)	(361 709)
Consumer deposits	285 835	-
	57 549 777	63 677 447
38. Commitments		
Authorised capital expenditure		
Already contracted		
• Property, plant and equipment (Work in progress)	20 815 500	29 880 842
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	22 139 314	-

This committed expenditure relates to plant and equipment and will be financed by retained surpluses, unspent grants, existing cash resources, funds internally generated, etc.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012

39. Contingencies

The Municipality has the following contingent liabilities:

A middle-income housing developer contracted by the municipality is suing the municipality for an alleged breach of the contract and the municipality is defending the matter and is awaiting legal advice of the Senior Counsel (there are also various cases linked to this case, which maybe treated as one which were lodged by prospective buyers), exact amounts cannot be determined because the developer has been refusing to handover all the information to the municipality.

Litigation is in the process against the municipality relating to a dispute with an ex-staff member who is claiming accumulated leave of approximately R308 000, 00 together with interest of 15, 5 %. The matter is still under litigation.

The ex-staff member has referred an application for review to the labour court claiming he was unfairly dismissed. The matter is still under litigation.

A supplier instituted action in the High Court claiming approximately R2 500 000 plus interest. The municipality has raised a counterclaim of R750 000, 00. The supplier's claim is contrary to the agreed contract with the municipality and the matter is still under litigation.

A cession holder is co-suing the municipality for the unpaid cession that was entered into with a contractor appointed by the municipality for an amount of R 170 000, the municipality is defending this claim as the contractor never submitted the notice to pay the cession holder.

There are invoices from Umzinyathi District for water that the municipality is disputing because issues relating to them and the matter is being currently resolved through Intergovernmental Relations (IGR) (**rand value??**)

“Contingencies arising from pending litigation on wage curve agreement

On 21 April 2010 SALGA signed the “Categorisation and job evaluation wage curves collective agreement” (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees’ jobs per the TASK job evaluation system.

Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation..

40. Related parties

The salaries of members of key management and councilors are disclosed under the employee costs note.

Related party transactions

The municipality did not have any related party transactions.

41. Prior period errors

Reversal of Sundry Debtors raised twice R 570 837.50 .

Purchase of refuse bins mistakenly debited to grant expenditure instead of own funding R 463 400.00 .

PPE to the value of R 4 974 221.57 was not transferred from Work-In-Progress to their classes after completion and a backlog depreciation for periods from completion until 2012 is R 50 373.82, the effect is only on accumulated depreciation as the WIP value is already in PPE.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
41. Prior period errors (continued)		
Statement of financial position		
Property, plant and equipment	-	(50 374)
Opening Accumulated Surplus or Deficit	-	1 034 238
Statement of Financial Performance		
Grants operational expenditure	-	(463 400)
Sundry Income	-	570 838
Depreciation and amortisation	-	50 374

42. Comparative figures

Certain comparative figures have been reclassified.

The municipality had land donation and land availability agreement with the Department of Human Settlement, which was giving the municipality full rights to the land until the actual transfers are done. There was misunderstanding about who is responsible for the rates and refuse charges on this land because we were billing the Department, however it later emerged that the municipality was supposed to be responsible for these, we are then reversing all these billings and these properties will now be treated as Municipal properties for rates purposes and other tariffs.

The effects of the reclassification are as follows:

43. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: the current global economic crisis may have effect whereby businesses closes and fail to pay their debts due, also the unemployment levels will increase and more debts maybe written-off.

Interest rate risk

As the municipality does have significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. But the municipality is only investing on banks as per Cash and Investment regulations which limits the exposure.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. 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 customer base. Management evaluated credit risk relating to customers on an ongoing basis. .

44. Going concern

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

45. Events after the reporting date

Two vehicles were involved in accidents (in June and July):

- The insurers only confirmed in August these two vehicles are write-offs, both claims have been approved for settlement but only one has been.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
46. Unauthorised expenditure		
Opening balance	377 100	377 100
Unauthorised expenditure: condoned	(377 100)	-
	<u>-</u>	<u>377 100</u>
<p>The unauthorised expenditure is resulting from the over-spending of votes which condonation was obtained from the Council.</p>		
47. Fruitless and wasteful expenditure		
Opening balance	30 436	30 436
Fruitless and wasteful expenditure	15 729	-
	<u>46 165</u>	<u>30 436</u>
<p>The matter is being investigated by the office of the Accounting Officer for possible disciplinary action against the official who caused the municipality to suffer loss. These relates to interest charged on late payment of accounts (Eskom, Telkom & Motor Vehicle licences)</p>		
48. Irregular expenditure		
Opening balance	3 101 978	-
Add: Irregular Expenditure - current year	-	3 101 978
Less: Amounts condoned	(3 101 978)	-
	<u>-</u>	<u>3 101 978</u>
Details of irregular expenditure condoned		
Declaration of interest by bidders	Condoned by Council	<u>3 101 978</u>
49. Professional and special services		
Legal expenses	490 953	721 454
Consulting and professional fees	2 000 571	753 687
	<u>2 491 524</u>	<u>1 475 141</u>
50. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Amount paid - current year	<u>416 250</u>	<u>400 000</u>
Audit fees		
Current year subscription / fee	1 567 339	940 922
Amount paid - current year	(1 567 339)	(940 922)
	<u>-</u>	<u>-</u>
PAYE and UIF		
Current year subscription / fee	3 759 242	3 524 383
Amount paid - current year	(3 759 242)	(3 524 383)
	<u>-</u>	<u>-</u>

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	2 450 226	2 797 232
Amount paid - current year	(2 450 226)	(2 797 232)
	<u>-</u>	<u>-</u>

VAT

VAT receivable	1 380 786	3 311 653
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

51. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

52. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E2 for the comparison of actual capital expenditure versus budgeted expenditure.

53. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the financial statements.

There were no deviations from SCM processes recorded.

54. Material Losses - Electricity

Heading	kWh	R
Purchased	18 700 503	13 934 280
Sold	(6 315 318)	(9 220 313)
Own consumption	(103 769)	(179 477)
Free Basic Electricity	(530 200)	(350 889)
	<u>11 751 216</u>	<u>4 183 601</u>

The municipality is licensed by the National Electricity Regulator of South Africa to distribute electricity within the proclaimed area of Nquthu Town.

The municipality has investigated the causes of the losses and the major contributing factors are illegal connections, tampering and technical/distribution losses due to ageing infrastructure.

The percentage of losses is 30.02% on rand value

55. Indigent support

Free Basic Electricity

Free Basic Electricity Indigent Support(FBE)	2 326 121	1 395 222
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All Eskom customers qualify for Free Basic Electricity (FBE) which is 50kWh per month

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012

55. Indigent support (continued)

Households amounting to 779 are subsidized for alternative energy per month on the solar panels projects for those areas without electricity as yet, installations to other households is proceeding.

Electricity customers serviced by our licence also get a 50kWh every month. The management has been tasked to develop a policy where only deserving households benefits in all these rather than the current blanket approach.

Nquthu Local Municipality

Appendix A

June 2013

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
DBSA Loan @ 1%	100524/2 December 2014	1 436 870	-	564 471	872 399	6 330 266	-
DBSA Loan @ 5%	100524/3 January 2016	1 045 620	-	198 623	846 997	1 604 137	-
		2 482 490	-	763 094	1 719 396	7 934 403	-
Total external loans		2 482 490	-	763 094	1 719 396	7 934 403	-

Nquthu Local Municipality
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Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	13 270 852	-	-	-	-	-	13 270 852	-	-	-	-	-	-	13 270 852
Dwellings	2 147 549	-	-	-	-	-	2 147 549	(165 650)	-	-	(80 558)	-	(246 208)	1 901 341
Buildings - non residential (Separate for AFS purposes)	26 844 100	4 434 485	-	-	-	-	31 278 585	(4 430 690)	-	-	(1 053 183)	-	(5 483 873)	25 794 712
Buildings - Assets under construction (Separate for AFS purposes)	3 589 525	6 908 011	-	(4 144 624)	-	-	6 352 912	-	-	-	-	-	-	6 352 912
	45 852 026	11 342 496	-	(4 144 624)	-	-	53 049 898	(4 596 340)	-	-	(1 133 741)	-	(5 730 081)	47 319 817
Infrastructure														
Roads, Pavements & Bridges	35 067 709	11 299 093	-	-	-	-	46 366 802	(10 685 270)	-	-	(1 897 870)	-	(12 583 140)	33 783 662
Electricity	7 650 379	44 004	-	-	-	-	7 694 383	(5 070 102)	-	-	(253 753)	-	(5 323 855)	2 370 528
Roads Under Construction	20 899 712	20 124 813	-	(11 252 501)	-	-	29 772 024	-	-	-	-	-	-	29 772 024
	63 617 800	31 467 910	-	(11 252 501)	-	-	83 833 209	(15 755 372)	-	-	(2 151 623)	-	(17 906 995)	65 926 214
Community Assets														
Refuse sites	2 269 459	-	-	-	-	-	2 269 459	(1 093 556)	-	-	(63 939)	-	(1 157 495)	1 111 964
Cemeteries	142 712	6 754	-	-	-	-	149 466	(37 220)	-	-	(6 625)	-	(43 845)	105 621
	2 412 171	6 754	-	-	-	-	2 418 925	(1 130 776)	-	-	(70 564)	-	(1 201 340)	1 217 585

Nquthu Local Municipality
Nquthu Local Municipality
Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Jewellery	78 888	-	-	-	-	-	78 888	-	-	-	-	-	-	78 888
	78 888	-	-	-	-	-	78 888	-	-	-	-	-	-	78 888
Other assets														
Motor Vehicles	3 811 708	5 810 630	-	-	-	-	9 622 338	(598 970)	-	-	(824 090)	-	(1 423 060)	8 199 278
Plant & equipment	4 175 689	82 007	-	-	-	-	4 257 696	(1 058 607)	-	-	(245 672)	-	(1 304 279)	2 953 417
Computer Equipment	1 080 860	439 271	-	-	-	-	1 520 131	(553 824)	-	-	(171 475)	-	(725 299)	794 832
Office Equipment	2 189 056	470 939	-	-	-	-	2 659 995	(831 155)	-	-	(316 150)	-	(1 147 305)	1 512 690
Other Assets - Leased	2 031 889	-	(1 999 109)	-	-	-	32 780	(1 656 921)	1 883 803	-	(241 097)	-	(14 215)	18 565
	13 289 202	6 802 847	(1 999 109)	-	-	-	18 092 940	(4 699 477)	1 883 803	-	(1 798 484)	-	(4 614 158)	13 478 782
Total property plant and equipment														
Land and buildings	45 852 026	11 342 496	-	(4 144 624)	-	-	53 049 898	(4 596 340)	-	-	(1 133 741)	-	(5 730 081)	47 319 817
Infrastructure	63 617 800	31 467 910	-	(11 252 501)	-	-	83 833 209	(15 755 372)	-	-	(2 151 623)	-	(17 906 995)	65 926 214
Community Assets	2 412 171	6 754	-	-	-	-	2 418 925	(1 130 776)	-	-	(70 564)	-	(1 201 340)	1 217 585
Heritage assets	78 888	-	-	-	-	-	78 888	-	-	-	-	-	-	78 888
Other assets	13 289 202	6 802 847	(1 999 109)	-	-	-	18 092 940	(4 699 477)	1 883 803	-	(1 798 484)	-	(4 614 158)	13 478 782
	125 250 087	49 620 007	(1 999 109)	(15 397 125)	-	-	157 473 860	(26 181 965)	1 883 803	-	(5 154 412)	-	(29 452 574)	128 021 286
Intangible assets														
Computers - software & programming	80 830	54 479	-	-	-	-	135 309	(41 802)	-	-	(11 115)	-	(52 917)	82 392
	80 830	54 479	-	-	-	-	135 309	(41 802)	-	-	(11 115)	-	(52 917)	82 392
Investment properties														
Investment property	1 999 640	-	-	-	-	-	1 999 640	(771 982)	-	-	(68 581)	-	(840 563)	1 159 077
	1 999 640	-	-	-	-	-	1 999 640	(771 982)	-	-	(68 581)	-	(840 563)	1 159 077
Total														
Land and buildings	45 852 026	11 342 496	-	(4 144 624)	-	-	53 049 898	(4 596 340)	-	-	(1 133 741)	-	(5 730 081)	47 319 817
Infrastructure	63 617 800	31 467 910	-	(11 252 501)	-	-	83 833 209	(15 755 372)	-	-	(2 151 623)	-	(17 906 995)	65 926 214
Community Assets	2 412 171	6 754	-	-	-	-	2 418 925	(1 130 776)	-	-	(70 564)	-	(1 201 340)	1 217 585
Heritage assets	78 888	-	-	-	-	-	78 888	-	-	-	-	-	-	78 888
Other assets	13 289 202	6 802 847	(1 999 109)	-	-	-	18 092 940	(4 699 477)	1 883 803	-	(1 798 484)	-	(4 614 158)	13 478 782
Intangible assets	80 830	54 479	-	-	-	-	135 309	(41 802)	-	-	(11 115)	-	(52 917)	82 392
Investment properties	1 999 640	-	-	-	-	-	1 999 640	(771 982)	-	-	(68 581)	-	(840 563)	1 159 077
	127 330 557	49 674 486	(1 999 109)	(15 397 125)	-	-	159 608 809	(26 995 749)	1 883 803	-	(5 234 108)	-	(30 346 054)	129 262 755

Nquthu Local Municipality

Appendix E(1)

June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2013 Act. Bal.	Current year 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	11 014 438	17 016 531	(6 002 093)	(35.3)	Reversal of property rates on donated land
Service charges	12 372 869	15 598 040	(3 225 171)	(20.7)	Based on electricity consumptions
Rental of facilities and equipment	489 010	-	489 010	-	
Licences and permits	-	-	-	-	
Operational Grants	85 693 000	85 635 980	57 020	0.1	
Miscellaneous other revenue	412 420	-	412 420	-	
Commissions received	82 831	-	82 831	-	
Fines	185 564	185 564	-	-	
Interest received - investment	3 716 099	2 468 021	1 248 078	50.6	Avaialbe cash reserves invested to earn interest
	113 966 231	120 904 136	(6 937 905)	(5.7)	
Expenses					
Personnel	(22 277 413)	(28 950 251)	6 672 838	(23.0)	Some employees not using housing, medical benefits as budgeted. Overtime restriction
Remuneration of councillors	(7 337 689)	(7 159 294)	(178 395)	2.5	
Depreciation	(5 161 369)	(4 100 000)	(1 061 369)	25.9	Major infrastructure projects completed earlier than expected
Amortisation	(11 115)	-	(11 115)	-	
Finance costs	(83 113)	(151 971)	68 858	(45.3)	
Debt impairment	(2 960 517)	(1 200 000)	(1 760 517)	146.7	
Repairs and maintenance - General	(1 516 817)	-	(1 516 817)	-	
Bulk purchases	(13 577 582)	(16 500 000)	2 922 418	(17.7)	Based on electricity consumptions
Contracted Services	(3 178 505)	-	(3 178 505)	-	
Grants operational expenditure	(13 670 862)	(14 021 000)	350 138	(2.5)	
General Expenses	(21 891 075)	-	(21 891 075)	-	
	(91 666 057)	(72 082 516)	(19 583 541)	27.2	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(79 571)	-	(79 571)	-	
	(79 571)	-	(79 571)	-	
Net surplus/ (deficit) for the year	22 220 603	48 821 620	(26 601 017)	(54.5)	

Nquthu Local Municipality

Appendix E(2)

June 2013

Budget Analysis of Capital Expenditure as at 30 June 2013

	Yearly		Yearly		Explanation of significant variances from budget
	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	
Municipality					
Mayor and Council	86 612	-	(86 612)	-	
Municipal Manager	15 126 884	-	(15 126 884)	-	
Planning and Development/Economic Development/Plan	630 435	-	(630 435)	-	
Finance & Admin/Finance	860 255	-	(860 255)	-	
Corporate service	1 571 425	-	(1 571 425)	-	
Road Transport/Roads	32 777 081	-	(32 777 081)	-	
Electricity /Electricity Distribution	50 638	-	(50 638)	-	
	51 103 330	-	(51 103 330)	-	
Municipal Owned Entities	36 158	-	(36 158)	-	

Nquthu Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2013

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance	
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun				Yes/No
Municipal Governance Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Capacity Building	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
MFMA	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Corridor Development	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
MPCC	KZN-COGTA	-	-	-	-	46 467	46 179	46 408	46 408	-	-	-	-	-	-	Yes	
Cybercadet	KZN-Arts & Culture (Libraries)	-	-	-	222 000	20 468	73 700	60 611	61 044	-	-	-	-	-	-	Yes	
Sportfields(Isilonjane) Grant	KZN-Sports	420 000	-	420 000	-	484 316	153 745	-	200 000	-	-	-	-	-	-	Yes	
Municipal Infrastructure Grant (MIG)	COGTA-National	12 250 000	6 614 000	6 634 000	-	4 254 515	6 363 011	3 275 507	8 289 027	-	-	-	-	-	-	Yes	
Financial System Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Sortfileds Maintenance	KZN-Sports & Culture	-	-	150 000	-	-	-	-	-	-	-	-	-	-	-	Yes	
Municipal Systems Improvement Grant	COGTA-National	800 000	-	-	-	186 600	235 500	886 709	-	-	-	-	-	-	-	Yes	
Expanded Public Works (EPWP)	National Treasury	400 000	300 000	300 000	-	-	-	14 310	504 950	-	-	-	-	-	-	Yes	
Financial Management Grant	National Treasury	1 500 000	-	-	-	221 099	500 593	320 859	457 449	-	-	-	-	-	-	Yes	
Synergistic Partnership Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	

Public Participation Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	Yes
Electrification grant (INEP)	National Treasury	3 000 000	7 000 000	-	-	2 400 000	4 566 346	-	3 014 027	-	-	-	-	Yes
CBD Roass Rehabilitation	KZN-COGTA	-	-	-	409 365	4 559 306	2 434 641	160 888	363 310	-	-	-	-	Yes
Bornem Grant	Bornem (Belgium)	-	-	258 777	117 981	622 014	65 761	369 734	48 930	-	-	-	-	Yes
Lirbrary Volunteer	KZN-Arts & Culture (Libraries)	36 000	-	-	-	3 060	5 864	9 180	9 180	-	-	-	-	Yes
Sportfields (Nquthu staduim)	KZN Sports	-	-	525 000	-	-	-	-	-	-	-	-	-	Yes
Library Support		490 000	-	-	-	137 181	170 474	124 627	57 718	-	-	-	-	Yes
Incubator Grant	KZN COGTA	3 000 000	-	-	-	389 512	897 582	881 837	1 103 869	-	-	-	-	Yes
		<u>21 896 000</u>	<u>13 914 000</u>	<u>8 287 777</u>	<u>749 346</u>	<u>13 324 538</u>	<u>15 513 396</u>	<u>6 150 670</u>	<u>14 155 912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Nquthu Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

	2012/2013					2011/2012									
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	16 143 061	-	16 143 061	-		16 143 061	-		(16 143 061)	- %	- %				-
Property rates - penalties & collection charges	484 492	-	484 492	-		484 492	-		(484 492)	- %	- %				-
Service charges - electricity revenue	11 500 000	-	11 500 000	-		11 500 000	-		(11 500 000)	- %	- %				-
Service charges - refuse revenue	4 098 039	-	4 098 039	-		4 098 039	-		(4 098 039)	- %	- %				-
Rental of facilities and equipment	509 449	-	509 449	-		509 449	-		(509 449)	- %	- %				-
Interest earned - external investments	600 000	1 868 021	2 468 021	-		2 468 021	-		(2 468 021)	- %	- %				-
Interest earned - outstanding debtors	389 177	-	389 177	-		389 177	-		(389 177)	- %	- %				-
Fines	200 000	(150 000)	50 000	-		50 000	-		(50 000)	- %	- %				-
Licences and permits	100 000	(100 000)	-	-		-	-		-	DIV/0	- %	- %			-
Transfers recognised - operational	75 693 000	-	75 693 000	-		75 693 000	-		(75 693 000)	- %	- %				-
Other revenue	8 558 338	(8 171 338)	387 000	-		387 000	-		(387 000)	- %	- %				-
Total Revenue (excluding capital transfers and contributions)	118 275 556	(6 553 317)	111 722 239	-		111 722 239	-		(111 722 239)	- %	- %				-

Nquthu Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

	2012/2013								2011/2012						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget (i.t.o. s31 of the MFMA)	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	28 500 000	(320 622)	28 179 378	-	-	28 179 378	-	-	(28 179 378)	- %	- %	-	-	-	-
Remuneration of councillors	7 159 294	-	7 159 294	-	-	7 159 294	-	-	(7 159 294)	- %	- %	-	-	-	-
Debt impairment	1 200 000	-	1 200 000	-	-	1 200 000	-	-	(1 200 000)	- %	- %	-	-	-	-
Depreciation & asset impairment	4 100 000	-	4 100 000	-	-	4 100 000	-	-	(4 100 000)	- %	- %	-	-	-	-
Finance charges	221 000	-	221 000	-	-	221 000	-	-	(221 000)	- %	- %	-	-	-	-
Bulk purchases	16 500 000	-	16 500 000	-	-	16 500 000	-	-	(16 500 000)	- %	- %	-	-	-	-
Other materials	1 807 131	-	1 807 131	-	-	1 807 131	-	-	(1 807 131)	- %	- %	-	-	-	-
Contracted services	5 141 000	-	5 141 000	-	-	5 141 000	-	-	(5 141 000)	- %	- %	-	-	-	-
Transfers and grants	3 000 000	-	3 000 000	-	-	3 000 000	-	-	(3 000 000)	- %	- %	-	-	-	-
Other expenditure	40 825 000	-	40 825 000	-	-	40 825 000	-	-	(40 825 000)	- %	- %	-	-	-	-
Total Expenditure	108 453 425	(320 622)	108 132 803	-	-	108 132 803	-	-	(108 132 803)	- %	- %	-	-	-	-
Surplus/(Deficit)	9 822 131	(6 232 695)	3 589 436	-	-	3 589 436	-	-	(3 589 436)	- %	- %	-	-	-	-
Transfers recognised - capital	37 388 000	-	37 388 000	-	-	37 388 000	-	-	(37 388 000)	- %	- %	-	-	-	-
Contributions recognised - capital	9 810 400	-	9 810 400	-	-	9 810 400	-	-	(9 810 400)	- %	- %	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	57 020 531	(6 232 695)	50 787 836	-	-	50 787 836	-	-	(50 787 836)	- %	- %	-	-	-	-
Surplus/(Deficit) after taxation	57 020 531	(6 232 695)	50 787 836	-	-	50 787 836	-	-	(50 787 836)	- %	- %	-	-	-	-
Surplus/(Deficit) attributable to municipality	57 020 531	(6 232 695)	50 787 836	-	-	50 787 836	-	-	(50 787 836)	- %	- %	-	-	-	-
Surplus/(Deficit) for the year	57 020 531	(6 232 695)	50 787 836	-	-	50 787 836	-	-	(50 787 836)	- %	- %	-	-	-	-

Nquthu Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2013

	2013/2012					2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Ratepayers and other	48 284 000	1 618 021	49 902 021	49 902 021	-	(49 902 021)	- %	- %	-
Government - operating	75 693 000	-	75 693 000	75 693 000	-	(75 693 000)	- %	- %	-
Government - capital	37 388 000	(525 000)	36 863 000	36 863 000	-	(36 863 000)	- %	- %	-
Suppliers and employees	(90 601 000)	-	(90 601 000)	(90 601 000)	-	90 601 000	- %	- %	-
Finance charges	(221 000)	-	(221 000)	(221 000)	-	221 000	- %	- %	-
Transfers and Grants	(3 000 000)	-	(3 000 000)	(3 000 000)	-	3 000 000	- %	- %	-
Net cash flow from/used operating activities	67 543 000	1 093 021	68 636 021	68 636 021	-	(68 636 021)	- %	- %	-
Cash flow from investing activities									
Capital assets	(37 388 000)	(525 000)	(37 913 000)	(37 913 000)	-	37 913 000	- %	- %	-
Net cash flow from/used investing activities	(37 388 000)	(525 000)	(37 913 000)	(37 913 000)	-	37 913 000	- %	- %	-
Cash flow from financing activities									
Repayment of borrowing	880 000	-	880 000	880 000	-	(880 000)	- %	- %	-
Net cash flow from/used financing activities	880 000	-	880 000	880 000	-	(880 000)	- %	- %	-
Net increase/(decrease) in cash held	31 035 000	568 021	31 603 021	31 603 021	-	(31 603 021)	- %	- %	-
Cash/cash equivalents at the year end:	31 035 000	568 021	31 603 021	31 603 021	-	(31 603 021)	- %	- %	