

## **Nkonkobe Local Municipality**



**Annual Financial Statements for the year ended  
30 June 2014**

adjusted v4

**Nkonkobe Local Municipality**  
**Annual financial statements**  
for the year ending June 2014

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# Annual Financial Statements

for

## ***Nkonkobe Local Municipality***

for the year ended 30 June:

Province:

AFS rounding:

### **Contact Information:**

<b>Name of Municipal Manager:</b>	K.C Maneli
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<b>Name of Chief Financial Officer:</b>	Mrs B. Lubelwana
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<b>Name of Chief Executive Officer:</b>	
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<b>Name of contact at National Treasury:</b>	Matsie Sehlapelo
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**General information**

**Members of the Council**

CLLR . N.P. Mlamla	Speaker
CLLR A.W. Ntsangani	Mayor
CLLR S.P. Matyhila	Member of Executive Committee
CLLR M.E. Mgengo	Member of Executive Committee
CLLR L. Sinyongo	Member of Executive Committee
CLLR M.J.Makeleni	Member of Executive Committee
CLLR S.L.Ngwentle	Council Whip
CLLR M.B.Kata	Council Member
CLLR A. Stofile	Council Member
CLLR E. Bantam	Council Member
CLLR. V.Ndevu	Council Member
CLLR S. Kley	Council Member
CLLR. Z. Mpendu	Council Member
CLLR. T.E. Matu	Council Member
CLLR. N. Rulashe	Council Member
CLLR. N.Mbalo	Council Member
CLLR. J. Kanie	Council Member
CLLR. X. Mamase	Council Member
CLLR. T. Dwanya	Council Member
CLLR. N. Gora	Council Member
CLLR. N. Sango-Blackie	Council Member
CLLR T. Mjo	Council Member
CLLR M.Nyangintaka	Council Member
CLLR S.W. Macakela	Council Member
CLLR . M.O. Rawana	Council Member
CLLR. A. Booysen	Council Member
CLLR. M. Ncume	Council Member
CLLR T. Ngaye	Council Member
CLLR X.Dyanti	Council Member
CLLR H. Xelwela	Council Member
CLLR . C.N. Daniels	Council Member
CLLR S.A. Penu	Council Member
CLLR. B. Malawu	Council Member
CLLR Z.L. Papu	Council Member
CLLR. P. Sixolo	Council Member
CLLR. A. Kgane	Council Member
CLLR. M.D.M. Nyenyeku	Council Member
CLLR C.N. Guzi	Council Member
CLLR K.Baliso	Council Member
CLLR N. Zibonda	Council Member
CLLR D Gysman	Council Member
CLLR N Zoki	Council Member
CLLR TE Tyibilika	Council Member

**Municipal Manager**

Mr K.C Maneli

**Acting Chief Financial Officer**

Mr N Nokwe - (Resigned 30 June 2014)

**Chief Financial Officer**

Mrs B. Lubelwana - (Current)

**Nkonkobe Local Municipality**  
**Annual financial statements**  
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**General information (continued)**

<b>Grading of Local Authority</b>	Grade B, Low Capacity Municipality
<b>Auditors</b>	Auditor-General of South Africa
<b>Bankers</b>	ABSA Bank
<b>Registered Office:</b>	8 Somerset Street
<b>Physical address:</b>	8 Somerset Street Fort Beaufort 5720
<b>Postal address:</b>	PO Box 36 Fort Beaufort 5720
<b>Telephone number:</b>	(046) 645 7400
<b>Fax number:</b>	(046) 645 2562
<b>E-mail address:</b>	<a href="mailto:pmadotyeni@nkonkobe.gov.za">pmadotyeni@nkonkobe.gov.za</a>

**NKONKOBÉ LOCAL MUNICIPALITY**

Annual Financial Statements  
for the year ending 30 June 2014

**Statement of Financial Performance**

	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>Re-stated R</b>
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
		<b>171 854 389</b>	<b>139 234 517</b>
Property rates	15	35 299 594	19 393 434
Fines, Penalties and Forfeits	22	196 955	113 130
Licenses and permits		2 765 651	2 391 312
Government grants and subsidies	20	133 592 189	117 336 641
<b>Revenue from exchange transactions</b>			
		<b>44 420 487</b>	<b>42 932 131</b>
Service charges	16	37 666 131	38 552 921
Rental of facilities and equipment	17	287 905	263 835
Interest earned - external investments	18	590 406	899 972
Interest earned - outstanding receivables	19	3 402 554	1 817 417
Other income	21	2 473 491	1 397 986
<b>Total revenue</b>		<b><u>216 274 876</u></b>	<b><u>182 166 648</u></b>
<b>Expenses</b>			
Bulk purchases	30	27 008 479	26 229 289
Employee related costs	23	81 412 668	66 457 145
Remuneration of councilors	24	12 298 199	11 380 293
Bad debts	25	23 158 529	8 181 723
Depreciation and amortisation expense	27	27 850 670	24 212 916
Repairs and maintenance	26	7 922 770	8 768 260
Grants and subsidies paid	34	10 513 049	9 300 311
General expenses	29	50 698 074	33 423 584
Finance costs	28	394 559	285 520
<b>Total expenses</b>		<b><u>241 256 996</u></b>	<b><u>188 239 041</u></b>
<b>Other gains / losses</b>			
		<b>1 075 944</b>	<b>838 926</b>
Gain /( Loss) on sale of assets	31	(851 156)	(430 274)
Gain / (Loss) on fair value adjustment	32	1 927 100	1 269 200
<b>Surplus / (Deficit) for the period before tax</b>		<b><u>-23 906 176</u></b>	<b><u>-5 233 467</u></b>
<b>Taxation</b>		<b>-</b>	<b>-</b>
<b>Surplus / (Deficit) for the period</b>		<b><u>-23 906 176</u></b>	<b><u>-5 233 467</u></b>

**NKONKOBÉ LOCAL MUNICIPALITY**  
Annual Financial Statements  
for the year ending 30 June 2014

**Statement of Financial Position as at 30 June 2014**

	Note(s)	2014 R	2013 Re-stated R
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment property	7	21 221 700	17 675 900
Property, plant and equipment	5	281 863 749	276 098 068
Intangible assets	6	328 794	59 329
		<b>303 414 243</b>	<b>293 833 297</b>
<b>Current Assets</b>			
Inventories	4	686 705	931 939
Trade and other receivables from exchange transactions	2	9 658 294	13 381 826
Other receivables from non-exchange transaction including taxes and fines	3	28 897 294	21 204 071
Cash and cash equivalents	1	3 264 261	1 115 969
Vat receivable	10	2 455 629	258 020
		<b>44 962 183</b>	<b>36 891 825</b>
<b>Total Assets</b>		<b>348 376 426</b>	<b>330 725 122</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Reserves		2 659 100	2 659 100
Accumulated surplus/ (deficit)		243 899 330	267 805 506
		<b>246 558 430</b>	<b>270 464 606</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Finance lease obligation	12&13	9 382 106	152 304
Provision for long-service awards	14	3 807 449	3 491 548
Defined benefit plan obligations	33	18 479 000	13 381 304
Provision for rehabilitation of landfill sites	14	2 505 593	2 560 400
		<b>34 174 148</b>	<b>19 585 556</b>
<b>Current Liabilities</b>			
Current portion of finance lease obligation	12&13	4 899 449	274 846
Trade and other payables from exchange transactions	8	44 498 575	35 473 287
Current portion of unspent conditional grants and receipts	11	4 932 919	161 557
Other current financial liabilities		289 299	177 675
Consumer deposits	9	1 268 829	1 198 251
Payments received in advance	8	11 754 778	3 389 344
		<b>67 643 849</b>	<b>40 674 960</b>
<b>Total Liabilities</b>		<b>101 817 997</b>	<b>60 260 516</b>
<b>Total Equity and Liabilities</b>		<b>348 376 426</b>	<b>330 725 122</b>

**NKONKOBÉ LOCAL MUNICIPALITY**Annual Financial Statements  
for the year ending 30 June 2014**STATEMENT OF CHANGES IN NET ASSETS**

	Revaluation reserve	Accumulated surplus / (deficit)	Total Net Assets
	R	R	R
<b>Balance at 30 June 2012</b>	<b>2 659 100</b>	<b>281 024 063</b>	<b>283 683 163</b>
Changes in accounting policy	-	-	-
Correction of prior period error	-	(7 985 090)	(7 985 090)
<b>Balance at 01 July 2013- Restated</b>	<b>-</b>	<b>273 038 973</b>	<b>273 038 973</b>
Surplus/ (deficit) for the period	-	(5 233 467)	(5 233 468)
<b>Balance at 30 June 2013 - Restated</b>	<b>2 659 100</b>	<b>267 805 506</b>	<b>267 805 505</b>
Surplus/ (deficit) for the period		(23 906 176)	(23 906 176)
<b>Balance at 30 June 2014</b>	<b>2 659 100</b>	<b>243 899 330</b>	<b>243 899 329</b>



**NKONKOBÉ LOCAL MUNICIPALITY**  
Annual Financial Statements  
for the year ending 30 June 2014

		2 014	2 013
	Note	R	Re-stated R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
		<b>216 274 617</b>	<b>182 166 647</b>
Property Rates		35 299 594	19 393 434
Other Operating Revenue		3 053 556	2 655 146
Service charges		37 666 131	38 553 231
Grants		133 592 189	117 336 641
Interest, Dividends and Rent on land		3 992 960	2 717 389
Fines, penalties and forfeits		196 955	113 130
Other Receipts		2 473 232	1 397 676
<b>Payments</b>			
		<b>167 301 653</b>	<b>148 092 158</b>
Compensation of Employees		92 453 261	77 837 438
Goods and Services		62 621 539	60 668 889
Interest paid		394 559	285 520
Other payments		11 832 294	9 300 311
<b>Net cash flows from operating activities</b>	35	<b>-</b>	<b>48 972 964</b>
<b>Cash flows from investing activities</b>			
		<b>-45 066 185</b>	<b>-32 569 740</b>
Purchase of assets		-45 066 185	-32 569 740
Proceeds from sale of property, plant and equipment		-	-65 468
Purchase of other intangible assets		144 103	-81 789
Purchase of other assets		-	-
<b>Net cash flows from investing activities.</b>		<b>-44 922 082</b>	<b>-32 716 997</b>
<b>Cash flows from financing activities</b>			
		<b>-3 201 979.00</b>	<b>-</b>
Payments on borrowings		-3 201 979.00	-
Movement in finance lease obligations		1 299 389.00	68 939.00
<b>Net cash flows from financing activities</b>		<b>-1 902 590</b>	<b>68 939</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2 148 292</b>	<b>1 426 431</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1 115 969</b>	<b>-310 452</b>
<b>Cash and cash equivalents at the end of the year</b>	36	<b>3 264 261</b>	<b>1 115 979</b>

## 1 BASIS OF ACCOUNTING

### 1.1 BASIS OF PRESENTATION

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

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

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

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

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

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

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

### 1.2 PRESENTATION CURRENCY

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

### 1.3 GOING CONCERN ASSUMPTION

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

### 1.4 COMPARATIVE INFORMATION

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

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

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

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

GRAP Standard	Effective date
GRAP 18 Segment Reporting - issued March 2005	Not given
GRAP 20 Related Parties - issued June 2011	Not given
GRAP 105 Transfer of functions between entities under common control - Issued	Not given
GRAP 106 Transfer of functions between entities not under common control -	Not given
GRAP 107 Mergers - Issued November 2010	Not given
GRAP 32- Service Concession Arrangements: Grantor	Not given
GRAP 108- Statutory Receivables	Not given

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

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

**GRAP 20 Related Parties**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Balance as at 30 June 2014**

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

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

**1.7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE BUT NOT**

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

**2 SIGNIFICANT JUDGEMENTS AND ESTIMATES**

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

**Judgements**

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

**Estimates**

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors

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

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

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

**2.2 Other provisions**

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

**2.3 Post-employment medical benefits**

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

**2.4 Depreciation and amortisation**

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

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

**2.5 Allowance for doubtful debts**

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

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

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

- The market related selling price of the property; or

**2.7 Impairments of non-financial assets**

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

**3 PROPERTY, PLANT AND EQUIPMENT**

**3.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are recognised as assets when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition. Items of property plant and equipment recognised at initial adoption of GRAP17 is carried at fair value, which is deemed to be the cost of the asset. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

**3.1 INITIAL RECOGNITION (CONTINUED)**

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

**3.2 SUBSEQUENT MEASUREMENT - COST MODEL**

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

**Subsequent expenditure**

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

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

**3.3 DEPRECIATION AND IMPAIRMENT**

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

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

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

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

**3.3 DEPRECIATION AND IMPAIRMENT (CONTINUED)**

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

### **Impairments**

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

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

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

### **3.4 DERECOGNITION**

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

## **4 INTANGIBLE ASSETS**

### **4.1 INITIAL RECOGNITION AND MEASUREMENT**

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

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

Intangible assets are initially recognised at cost.

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

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

#### 4 INTANGIBLE ASSETS (CONTINUED)

##### 4.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the

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

##### 4.3 AMORTISATION AND IMPAIRMENT

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

<i>Intangible</i>	<b>Useful life range</b>
<i>Computer Software</i>	3 – 5

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

##### **Impairments**

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

##### 4.4 DERECOGNITION

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

#### 5 INVESTMENT PROPERTY

##### 5.1 INITIAL RECOGNITION AND MEASUREMENT

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

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

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

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

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

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.



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

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

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

### **Derecognition**

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

## **6 FINANCIAL INSTRUMENTS**

### **6.1 INITIAL RECOGNITION**

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

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

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

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

### **6.2 INITIAL MEASUREMENT**

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

### **6.3 SUBSEQUENT MEASUREMENT**

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

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

Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost. Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition or are held for trading.

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

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

#### **6.4 DERECOGNITION**

A financial asset is derecognised at trade date, when:

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

#### **6.5 GAINS AND LOSSES**

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

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

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

#### **6.6 OFFSETTING**

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

#### **6.7 IMPAIRMENTS**

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

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

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

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

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

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

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

**6.8 POLICIES RELATING TO SPECIFIC FINANCIAL INSTRUMENTS**

**6 FINANCIAL INSTRUMENTS (CONTINUED)**

**6.8.1 INVESTMENTS**

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

**6.8.2 TRADE AND OTHER RECEIVABLES**

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

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

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

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

**6.8.3 TRADE PAYABLES AND BORROWINGS**

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

**6.8.4 CASH AND CASH EQUIVALENTS**

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

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

**7 UNAUTHORISED EXPENDITURE**

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

**8 IRREGULAR EXPENDITURE**

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

**9 FRUITLESS AND WASTEFUL EXPENDITURE**

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

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

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income in the Statement of Financial Performance.

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

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

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

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

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

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The municipality has raised the following provisions for the current year

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

The Post Retirement Healthcare Liability represents the obligation of the municipality to meet the medical aid contributions of retired employees. The amount of the liability is the present value of the obligation less the fair value of any plan assets held in respect of the post-retirement medical scheme. There are no plan assets in this valuation. For Key assumptions refer to Note 33 "Defined benefit plan obligations "

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

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover. For Key assumptions refer to Note 14 "Provision for Long Service Awards"

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

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted over an average period as determined by values. For Key assumptions refer to Note 14 "Provision for Rehabilitation of Landfill sites"

## **12 LEASES**

### **12.1 MUNICIPALITY AS LESSEE**

#### **Recognition**

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

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

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

#### **Measurement**

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

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

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

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

#### **Derecognition**

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

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

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

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

##### **Recognition**

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

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

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

##### **Measurement**

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

##### **Derecognition**

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

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

### **13 REVENUE**

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

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

### **13.1 REVENUE FROM EXCHANGE TRANSACTIONS**

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

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on average consumption. Revenue arising from the consumption of electricity in the month of June is fully accounted for whether invoiced or not.

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

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

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

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

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

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

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

### **13 REVENUE (CONTINUED)**

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

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

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

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Interest revenue is recognised on a time proportion basis.

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

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

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from a non-exchange transaction shall be measured at the amount of the increase in net assets recognised by the entity.

A present obligation arising from a non-exchange transaction that meets the definition of a liability shall be recognised as a liability when, and only when:

- (a) it is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and
- (b) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a liability shall be the best estimate of the amount required to settle the present obligation at the reporting date.

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

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional and funds are invested until it is utilised. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

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

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognised as an asset when, and only when:

- (a) it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) the fair value of the asset can be measured reliably.

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

## **14 BORROWING COSTS**

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

## **15 EMPLOYEE BENEFITS**

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

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

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

### **15.2 POST EMPLOYMENT BENEFITS**

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

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

The projected unit credit method is used to determine the present value of the defined benefit obligations and the related current service cost and, where applicable, past service cost.

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

### **15.3 LEAVE PAY ACCRUAL**

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

#### **15.4 ANNUAL BONUSES**

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

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

##### **Recognition**

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

##### **Measurement**

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

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

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

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

##### **Measurement (Continued)**

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

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

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

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

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

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

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

##### **Reversal of impairment losses**

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



## **17 INVENTORIES**

### **Initial recognition and measurement**

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

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

## **17 INVENTORIES (CONTINUED)**

### **Subsequent measurement**

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

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

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

### **Derecognition**

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

## **18 SURPLUS OR DEFICIT**

### **Gains and Losses**

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

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

## **19 EVENTS AFTER REPORTING DATE**

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

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

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

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

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

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

## **21 RELATED PARTIES**

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

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

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

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

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

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

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

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

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

## **23 INVESTMENT IN MUNICIPAL ENTITY**

### **Annual Financial Statements**

The group Annual Financial Statements include those of the municipality and its controlled entity (subsidiary). The results of the subsidiary is included from the effective date of acquisition.

Consolidated Annual Financial Statements are prepared, and on acquisition, the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less cost to sell, from the date the control commences until the control ceases.

### **Municipal Annual Financial Statements**

In the municipality's separate Annual Financial Statements, the investment in the municipal entity are carried at cost, less any accumulated impairment.

The Municipal entity is an entity controlled and wholly owned by Nkonkobe Local Municipality. Control exists as the municipality has the power to govern the financial and operating policies, exercise direct control and the municipality provides a majority of the financial needs of the entity.

### **GRAP 6 - Consolidated and separate financial statements**

The Group Annual Financial Statements is presented in accordance with GRAP 6 - "Consolidated and separate financial statements". The standard is applied retrospectively for the separate financial statements. The effects at transaction date was determined and the opening accumulated surpluses and deficits adjusted as this is the first year that this standard is initially adopted. In terms of paragraph 19 of Directive 4, no comparative information is required to be disclosed, however, due to the simplicity of the transactions between the municipality and its sole wholly owned entity, the comparative consolidated figures is fully disclosed.

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	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>Re-stated R</b>
<b>1 Cash and Cash Equivalents</b>		
Cash and cash equivalents consist of the following:		
Cash on hand	3 698	-
Cash at bank	2 468 386	1 105 797
Call deposits	9 076	10 172
Other	783 100	
	<b>3 264 261</b>	<b>1 115 969</b>
The entity has the following bank accounts: -		
<b>ABSA</b>		
Cheque Account : 4081716725		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	2 215 425	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	2 369 568	-
<b>FNB</b>		
Cheque Account : 62026192336		
Cash book balance at beginning of year	1 105 797	(320 548)
Cash book balance at end of year	252 961	1 105 797
Bank statement balance at beginning of year	1 120 891	2 207 669
Bank statement balance at end of year	252 961	1 120 891
<b>Cash on hand</b>		
Other	795 876	10 172
Call Account	-	-
Total bank overdraft	-	-
Total cash and cash equivalent	<b>3 264 262</b>	<b>1 115 969</b>

2 Trade and Other Receivables from Exchange Transactions

	<b>Gross Balances</b>	<b>Provision for Doubtful Debts</b>	<b>Net Balance</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Balance as at 30 June 2014</b>			
Electricity	6 633 072	-2 378 378	4 254 694
Refuse	15 241 397	-12 288 821	2 952 576
Other receivables	3 375 430	-924 406	2 451 024
<b>Total Trade and other receivables as at 30 June 2014</b>	<b>25 249 900</b>	<b>-15 591 606</b>	<b>9 658 294</b>

	<b>Gross Balances</b>	<b>Provision for Doubtful Debts</b>	<b>Net Balance</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Balance as at 30 June 2013</b>			
Electricity	5 439 123	-922 412	4 516 711
Refuse	10 044 947	-1 705 761	8 339 186
Other receivables	3 638 043	-3 112 113	525 930
<b>Total Trade and other receivables as at 30 June 2013</b>	<b>19 122 113</b>	<b>-5 740 287</b>	<b>13 381 826</b>

**Refuse: Ageing**

Current (0 – 30 days)	715 598	622 294
31 - 60 Days	610 654	489 866
61 - 90 Days	555 434	453 786
91+ Days	13 359 711	8 479 001
<b>Total</b>	<b>15 241 397</b>	<b>10 044 947</b>

## 2 Trade and Other Receivables from Exchange Transactions Continues

### Electricity: Ageing

Current (0 – 30 days)	2 633 092	3 136 034
31 - 60 Days	588 216	710 257
61 - 90 Days	272 748	914 822
91+ Days	3 139 017	678 010
<b>Total</b>	<b>6 633 072</b>	<b>5 439 123</b>

### Other receivables: Ageing

Current (0 – 30 days)	279 537	1 077 044
31 - 60 Days	160 931	152 377
61 - 90 Days	108 707	85 843
91 - 120 Days	2 826 255	4 685 725
<b>Total</b>	<b>3 375 430</b>	<b>6 000 989</b>

## 2 Trade and Other Receivables from Exchange Transactions

### Summary of Debtors by Customer Classification

	Consumers	Industrial / Commercial	Provincial and National Government	Total
	R	R	R	
<b>as at 30 June 2014</b>				
Current (0 – 30 days)	1 055 836	1 176 656	837 069	3 069 560
31 - 60 Days	928 025	635 565	513 651	2 077 242
61 - 90 Days	862 958	379 840	374 938	1 617 735
91+ Days	27 444 988	3 556 546	14 517 092	45 518 626
Sub-total	<b>30 291 807</b>	<b>5 748 607</b>	<b>16 242 750</b>	<b>52 283 163</b>
Less: Provision for doubtful debts	-13 104 675	-2 486 931	-	-15 591 606
<b>Total debtors by customer classification</b>	<b>17 187 132</b>	<b>3 261 676</b>	<b>16 242 750</b>	<b>36 691 558</b>

### as at 30 June 2013

Current (0 – 30 days)	3 999 874	866 599	613 025	5 479 497
31 - 60 Days	1 052 020	406 832	423 443	1 882 295
61 - 90 Days	1 984 182	304 514	135 228	2 423 923
91+ Days	20 941 220	6 530 088	1 700 770	29 172 078
Sub-total	<b>27 977 296</b>	<b>8 108 033</b>	<b>2 872 465</b>	<b>38 957 794</b>
Less: Provision for doubtful debts	-7 811 285	-2 263 770	-	-10 075 055
<b>Total debtors by customer classification</b>	<b>20 166 011</b>	<b>5 844 263</b>	<b>2 872 465</b>	<b>28 882 739</b>

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

Property Rates	28 008 909	18 454 239
Provision for doubtful debts	-4 334 768	-4 334 768
Subtotal	<b>23 674 141</b>	<b>14 119 471</b>

### 2.1 Reconciliation of the doubtful debt provision

Balance at beginning of the year	5 740 287	2 298 736
Contributions to provision (Note 24)	12 128 581	6 066 515
Doubtful debts written off against provision	-2 277 262	-2 624 964
<b>Balance at end of year</b>	<b>15 591 605</b>	<b>5 740 287</b>

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

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

Neither past due nor impaired		
Less than 30 days		
31 to 60 days		773 723
61 to 90 days	3 791 006	162 098
91+ Days	1 166 667	2 049 876
Greater than 120 days	1 239 418	349 106
	<b>6 197 091</b>	<b>3 334 802</b>

### Trade and other receivables impaired

The amount of the provision was R 15 591 606 as at 30 June 2014 (2013: R 10 075 058)

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

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

## 2.3 Fair value of trade and other receivables

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

## 2.3 Trade and other receivables pledged as security

	2014 R	2013 R
<b>3 Other Receivables from Non-Exchange Transactions</b>		
Property Rates	39 924 244	25 538 839
Provision for doubtful debts	-11 026 950	-4 334 768
<b>Subtotal</b>	<b>28 897 294</b>	<b>21 204 071</b>
Recoverable Expenditure	-	
<b>Total Other Debtors</b>	<b>28 897 294</b>	<b>21 204 071</b>

### Rates: Ageing

Current (0 – 30 days)	796 824	621 809
31 - 60 Days	717 441	520 625
61 - 90 Days	680 846	964 723
90+ Days	37 729 132	16 347 082
<b>Total</b>	<b>39 924 244</b>	<b>18 454 239</b>

### **Reconciliation of the doubtful debt provision**

Balance at beginning of the year	4 334 768	2 219 560
Contributions to provision (Note 24)	11 031 331	2 115 208
Doubtful debts written off against provision		-
Reversal of provision		-
<b>Balance at end of year</b>	<b>15 366 099</b>	<b>4 334 768</b>

### **Property Rates**

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

### **Recoverable Expenditure**

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

National Government

Prepayments (if not material)  
None

## 4 Inventories

<b>Carrying value of inventory</b>	<b>686 706</b>	<b>931 939</b>
<b>Inventory consist out of:</b>		
Consumable stores	686 706	931 939

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Re-stated

**5 Property, Plant and Equipment**

**5.1 Reconciliation of Carrying Value**

	2014			2013		
	Cost	Accumulated Depreciation & Impairment	Carrying Value	Cost	Accumulated Depreciation & Impairment	Carrying Value
	R	R	R	R	R	R
Land	5 352 200	-	5 352 200	5 352 200	-	5 352 200
Buildings	57 914 326	-3 897 819	54 016 507	50 478 308	-2 750 803	47 727 505
Vehicles	10 498 977	-8 793 223	1 705 754	10 595 051	-6 564 174	4 030 876
Capital Work in Progress	17 834 866	-	17 834 866	13 602 065	-	13 602 065
Furniture & Fittings	4 096 013	-2 842 827	1 253 186	4 001 918	-2 562 950	1 438 968
Plant, Machinery & Equipment	28 761 390	-7 930 296	20 831 094	13 600 091	-4 446 338	9 153 753
Computer Equipment	2 393 817	-1 634 802	759 015	2 065 868	-1 206 045	859 823
Parks and Recreation	14 764 541	-2 992 388	11 772 163	14 764 541	-2 389 025.50	12 375 515
Roads	205 463 451	-83 251 357	122 212 094	200 489 589	-66 706 233	133 783 356
Electricity Transmission Networks	51 265 273	-7 655 489	43 609 784	51 265 273	-6 039 334	45 225 939
Solid Waste Disposal	2 638 204	-121 118	2 517 086	2 638 204	-90 148	2 548 056
<b>Total</b>	<b>400 983 057</b>	<b>-119 119 319</b>	<b>281 863 749</b>	<b>368 853 107</b>	<b>-92 755 040</b>	<b>276 098 067</b>

**5.2 Reconciliation of Property Plant and Equipment - 2014**

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment	Revaluation	Carrying Value Closing Balance
	R	R	R	R	R	R	R	R
Land	5 352 200	-	-	-	-	-	-	5 352 200
Buildings	47 727 505	-	-2 735 885	10 171 903	-1 147 016	-	-	54 016 507
Vehicles	4 030 876	321 582	-417 655	-	-2 229 049	-	-	1 705 754
Capital Work in Progress	13 602 065	14 404 704	-	-10 171 903	-	-	-	17 834 866
Furniture & Fittings	1 438 968	300 803	-206 707	-	-279 877	-	-	1 253 186
Plant, Machinery & Equipment	9 153 752	15 168 254	-6 955	-	-3 483 958	-	-	20 831 094
Computer Equipment	859 824	376 685	-48 736	-	-428 757	-	-	759 015
Parks and Recreation	12 375 525	-	-	-	-603 362	-	-	11 772 163
Roads	133 783 357	6 235 990	-1 262 128	-	-16 545 124	-	-	122 212 094
Electricity Transmission Networks	45 225 939	-	-	-	-1 616 155	-	-	43 609 784
Solid Waste Disposal	2 548 056	-	-	-	-30 970	-	-	2 517 086
<b>Total</b>	<b>276 098 067</b>	<b>36 808 018</b>	<b>-4 678 067</b>	<b>-</b>	<b>-26 364 269</b>	<b>-</b>	<b>-</b>	<b>281 863 749</b>

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

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment	Revaluation	Carrying Value Closing Balance
	R	R	R	R	R	R	R	R
Land	5 352 200	-	-	-	-	-	-	5 352 200
Buildings	45 542 678	1 726 550	-	1 583 600	-1 125 323	-	-	47 727 505
Vehicles	5 775 538	43 762	-	-	-1 788 424	-	-	4 030 876
Capital Work in Progress	-	13 602 065	-	-	-	-	-	13 602 065
Furniture & Fittings	1 751 835	367 929	-344 875	-	-335 922	-	-	1 438 968
Plant, Machinery & Equipment	10 664 985	261 818	-218	-	-1 772 832	-	-	9 153 752
Computer Equipment	323 211	866 765	-19 714	-	-310 438	-	-	859 824
Parks and Recreation	11 947 060	1 028 261	-	-	-599 796	-	-	12 375 525
Roads	149 735 873	737 436	-	-	-16 689 952	-	-	133 783 357
Electricity Transmission Networks	44 392 402	2 215 856	-	-	-1 382 318	-	-	45 225 939
Solid Waste Disposal	2 883 009	-244 806	-	-	-90 148	-	-	2 548 056
<b>Total</b>	<b>278 368 792</b>	<b>20 605 635</b>	<b>-364 806</b>	<b>1 583 600</b>	<b>-24 095 153</b>	<b>-</b>	<b>-</b>	<b>276 098 067</b>

Municipality bought plant on a hire purchase agreement with a cost of R 15 118 896 (Carrying Amount of: R 13 928 793 )during the year under review from Laman Financial Services.

Restrictions on the use of plant are as follows;

Use of goods:

- You must not give the goods to any other person or sell, let, loan, pledge or transfer the goods to another person without Lamans prior written approval and you must not allow the goods to become subject to any lein attachment or any other legal claim by a
- Should it be required by law, you and any other person who uses or operates the goods must be fully qualified and/or licensed in respect of such goods.
- You may not modify the goods in any way without Lamans prior approval
- You may not take the goods out of the republic of South Africa without prior written consent from Laman

Termination by passage of time:

- You must sell the goods on behalf of laman for an amount not less than the residual value plus VAT or the market value whichever is greater.

Cession and Assignment:

- You may not cede any of youre rights or assign youre obligations to any party without the prior written approval of Laman.

Insurance:

- You must at all times keep goods insured with a registered insurer approved by Laman against all insurable risks, loss and damage to the value of the principal debt reflected in the first schedule.

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	2014	2013
	R	R
<b>5.4 Property, plant and equipment pledged as security</b>		Re-stated
<b>None</b>	<u>                    -</u>	<u>                    -</u>
<b>5.5 Capitalised expenditure</b>		
<i>Details of expenses that were capitalised to WIP</i>	1 319 932	
Newtown Internal Streets	13 010 620	
Council Chamber (Wip)	58 080	
Constuction Of Pre-Schools (Wip)	751 185	
Durban Street	55 080	
Paving Debe-Nek - Mig	17 891	
Fencing Of Alice Town Cemeteries	167 480	
Mbizana Community Hall	107 250	
Zibi Community Hall	95 610	
Dyamala Community Hall	34 950	
Maarsdorp Community Hall	46 770	
Balfour Internal Streets - Mig	1 826 597	
Paving Regravelling And Claverts - Mig	363 516	
Renovations To Engineering, Hr, And Admin Building	87 276	
Refurbishment Of Old Parking Garage Into New Office Block	164 756	
Construction Of Lower Ngqolowa Sportsfield: Phase 1	545 048	
Binfield Community Hall	7 650	
Montangu Street	692 822	
Chicken Abattoir - Mig	857 812	
Fencing Of Dams	1 778 832	
Regravelling Of Roads - Qanda - Mxumbu	23 741	
Sport Complex-Fort Beaufort	874 431	
Community Hall - Khulile	161 400	
Community Hall - Ntonga	183 928	
Community Hall - Hertzog	13 800	
Gqumashe Access Road	161 450	
Kwamathole Community Hall	34 810	
Mdlandle Pre-School	318 699	
Alice Park Phase 2	332 380	
MEVA CHILD CARE	95 990	
MDENI DAY CARE	115 054	
PAVING GUGULETHU - MIDDLEDRIFT	122 647	
Temlet	912 564	
DEBE NEK	994 102	
	<u>26 334 150</u>	<u>-</u>
<b>2013</b>		
Surfacing of Fort Beaufort tTown - MIG		9 877 710
Balfour internal streets		784 250
Park - MIG		168 110
Newtown retention		1 172 522
Paving Debe-nek		159 778
chicken abattoir		574 071
Licencing and Testing center in Fort Beaufort		426 283
LLoyd Community Hall		102 692
Council Chamber		7 883 652
Constuction of Pre-schools (WIP)		712 523
Multi Purpose Centre in Middledrift		5 768 524
Grade A Testing Center - MIG		737 436
Durban Street		1 111 628
Paving Debe-Nek- MIG		352 050
Paving of Sommerset Street		689 551
Fencing of Alice Town Cemeteries		1 028 261
Mbizana Community hall		910 150
Zibi Community Hall		910 793
Mathole Community Hall		1 013 418
Dyamala Community Hall		331 204
Maarsdorp Community Hall		355 349
Hala Community Hall		1 100 444
		<u>36 170 397</u>
<b>5.6</b>		
Property, Plant and Equipuiment		112 222
Computer Equipment		8 058
Buildings		17 239
		5 800
		<u>143 319</u>
<b>5.7</b>		
The municipality carries Property, Plant and Equipment at cost less accumulated depreciation. No		
<b>5.8 Contractual commitments for the acquisition of property, plant and equipment</b>		
By the date that the financial statements were authorised for issue the following contractual commitments for the acquisition of property, plant and equipment existed.		
Purchase of new property, plant and equipment	-	11 759 496
Finance leases of new property, plant and equipment	34 291 143	
Construction of new property, plant and equipment	45 406 887	24 694 069
<b>Total</b>	<u>79 698 030</u>	<u>36 453 565</u>



**6 Intangible Assets**

**6.1 Reconciliation of Carrying Value**

Re-stated

	2014			2013		
	Cost	Accumulated Amortisation & Impairment	Carrying Value	Cost	Accumulated Amortisation & Impairment	Carrying Value
	R	R	R	R	R	R
Computer Software	805 687	-476 893	328 794	377 973	-318 645	59 329
Other			-			-
<b>Total</b>	<b>805 687</b>	<b>-476 893</b>	<b>328 794</b>	<b>377 973</b>	<b>-318 645</b>	<b>59 329</b>

**6.2 Reconciliation of Intangible Assets - 2014**

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment	Carrying Value Closing Balance
	R	R	R	R	R	R	R
Computer Software	59 329	427 714	-	-	144 103	-	342 939
<b>Total</b>	<b>59 329</b>	<b>427 714</b>	<b>-</b>	<b>-</b>	<b>144 103</b>	<b>-</b>	<b>342 939</b>

**6.3 Reconciliation of Intangible Assets - 2013**

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

**6.4 Intangible Assets pledged as security**

	2014	2013
Computer Software	-	-
Other	-	-

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**7 Investment Property Carried at Fair Value**

**7.1 Reconciliation of Investment Property Carried at Fair Value - 2014**

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Fair Value Adjustment	Carrying Value Closing Balance
	R	R	R	R	R	R
Vacant Land	17 053 437	-	-	-	1 889 200	18 942 637
Land	59 900	-	-	-	-	59 900
Buildings	562 563	-	-	-	73 000	635 563
<b>Total</b>	<b>17 675 900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 962 200</b>	<b>21 221 700</b>

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

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Fair Value Adjustment	Carrying Value Closing Balance
	R	R	R	R	R	R
Vacant Land	17 053 437	-	-	-	-	17 053 437
Land	59 900	-	-	-	-	59 900
Buildings	2 337 863	-	-	-1 775 300	-	562 563
<b>Total</b>	<b>19 451 200</b>	<b>-</b>	<b>-</b>	<b>-1 775 300</b>	<b>-</b>	<b>17 675 900</b>

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	<b>2014</b>	<b>2013</b>
	R	R
		Re-stated
<b>8 Trade and Other Payables from Exchange Transactions</b>		
Trade creditors	35 750 069	29 175 367
Staff leave and bonus accrual	6 938 649	4 641 627
Other creditors	1 809 857	1 656 293
<b>Subtotal</b>	<b>44 498 575</b>	<b>35 473 287</b>
Payments received in advance	11 754 778	3 389 344
<b>Total Trade and other payables</b>	<b>56 253 353</b>	<b>38 862 632</b>

**Fair value of trade and other payables**

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

<b>9 Consumer Deposits</b>		
Electricity and Water	1 268 830	1 198 251
<b>Total consumer deposits</b>	<b>1 268 830</b>	<b>1 198 251</b>

Consumer deposits collected do not accrue any interest .

<b>10 VAT Receivable</b>		
VAT receivable	<b>2 455 629</b>	<b>258 020</b>

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

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11 Unspent Conditional Grants and Receipts	2014 R	2013 R
<b>Unspent Conditional Grants from other spheres of Government</b>		
EQUITABLE SHARE	-	-
MIG	-	-
MSIG	-	-
FMG	-	-
INTERGRATED NATIONAL ELECTRIFICATION PROGRAMME	2 096 061	-
ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT	1 975 301	-
LIBRARY GRANTS	-	-
EXPANDED PUBLIC WORKS PROGRAMME	-	-
ECDLGTA - GREENING AND BEAUTIFICATION (OTHER)	714 164	14 164
LSDf - MIDDLEDRIFT SPATIAL DEVELOPMENT FRAMEWORK	147 392	147 392
<b>Total Unspent Conditional Grants and Receipts</b>	<b>4 932 919</b>	<b>161 557</b>
<b>Non-current unspent conditional grants and receipts</b>	-	-
<b>Current portion of unspent conditional grants and receipts</b>	<b>4 932 919</b>	<b>161 557</b>
	<b>4 932 919</b>	<b>161 557</b>

For the reconciliation of Unspent Conditional Grants and Receipts refer to note 20.

12 Finance Lease Liability (Plant)	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	5 746 352	1 025 921	4 720 431
Within two to five years	10 022 140	705 492	9 316 648
Later than five years	-	-	-
	<b>15 768 493</b>	<b>1 731 414</b>	<b>14 037 079</b>
Less: Amount due for settlement within 12 months	<b>-5 746 352</b>	<b>-1 025 921</b>	<b>-4 720 431</b>
	<b>10 022 140</b>	<b>705 492</b>	<b>9 316 648</b>

The above disclosed lease relates to high purchase of plant items payments of which are to be recovered from Municipal Infrastructure Grant.

**13 Finance Lease Liability (Computer Equipment)**

<b>2014</b>	<b>Minimum lease payment R</b>	<b>Future finance charges R</b>	<b>Present value of minimum lease payments R</b>
<b>Amounts payable under finance leases</b>			
Within one year	86 847	7 427	94 274
Within two to five years	37 161	799	112 242
Later than five years	-	-	-
	<u>124 008</u>	<u>8 226</u>	<u>244 476</u>
Less: Amount due for settlement within 12 months	<b>-86 847</b>	<b>-7 427</b>	<b>-179 018</b>
	<b><u>37 161</u></b>	<b><u>799</u></b>	<b><u>65 458</u></b>

The municipality leases labour saving devices. The lease term is for 3 years commencing September 2011. Interest rates are linked to prime + .085%. The lease has a

<b>2013</b>	<b>Minimum lease payment R</b>	<b>Future finance charges R</b>	<b>Present value of minimum lease payments R</b>
<b>Amounts payable under finance leases</b>			
Within one year	300 523	25 677	274 846
Within two to five years	160 500	8 196	152 305
Later than five years	-	-	-
	<u>461 024</u>	<u>33 872</u>	<u>427 151</u>
Less: Amount due for settlement within 12 months	<b>-300 523</b>	<b>-25 677</b>	<b>-274 846</b>
	<b><u>160 500</u></b>	<b><u>8 196</u></b>	<b><u>152 305</u></b>

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

**14 Non-Current Provisions**

**Reconciliation of Movement in Provision - 2014**

	<b>Provision for rehabilitation of landfill sites R</b>	<b>Provision for long-service awards R</b>	<b>Total R</b>
<b>Opening Balance</b>	2 560 400	3 491 552	6 051 952
Amounts Used	-54 807		-54 807
Movements		315 901	315 901
<b>Closing Balance</b>	<b><u>2 505 593</u></b>	<b><u>3 807 453</u></b>	<b><u>6 313 046</u></b>

**Reconciliation of Movement in Provision - 2013**

	<b>Provision for rehabilitation of landfill sites R</b>	<b>Provision for long-service awards R</b>	<b>Total R</b>
<b>Opening Balance</b>	2 510 047	2 477 211	4 987 258
Amounts Used		-103 242	-103 242
Movements	50 353	1 117 583	1 167 936
<b>Closing Balance</b>	<b><u>2 560 400</u></b>	<b><u>3 491 552</u></b>	<b><u>6 051 952</u></b>

**Provision for rehabilitation of landfill sites**

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

**Principal assumptions:**

<i>Airspace utilisation factor</i>	0.75 tons per m3
<i>Volumetric ration of cover material to waste</i>	1:4
<i>Height of waste from lowest level</i>	2 meters
<i>Rehabilitation (Cleaning and covering)</i>	141.90 per square meter

**Provision for long-service awards**

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

	<b>2014 R</b>	<b>2013 R</b>
<b>Principal actuarial assumptions:</b>		
Discount rate	7.87%	7.14%
General Salary Inflation	7.09%	6.75%
Net effective discount rate	0.73%	0.36%
Average retirement age	63	63
Mortality pre-retirement	SA85-90	SA85-90

	2014 R	2013 R
<b>15 Property Rates</b>		
<b>Actual</b>		
Residential	3 631 346	2 575 946
Commercial	4 723 161	3 843 482
Light Industries	24 881 159	11 828 294
Heavy Industries	1 302 153	1 247 077
State	-	-101 364
Multy Purpose	116 143.24	-
Church	69	-
Industrial	32	-
Privately owned town	553 102	-
Vacant	92 429	-
<b>Total property rates</b>	<b>35 299 594</b>	<b>19 393 434</b>
Property rates - penalties imposed and collection charges	-	-
<b>Total</b>	<b>35 299 594</b>	<b>19 393 434</b>

**Valuations**

Residential	884 949 644	973 467 444
Commercial	958 259 930	960 073 923
State	1 311 563 046	685 585 813
Municipal	-	103 267 542
Other	165 190 288	-
<b>Total Property Valuations</b>	<b>2 722 394 722</b>	<b>2 716 415 122</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed annually in September to take into account changes in individual property values due to alterations.

A general rate of 0.0079 (residential), 0.0158 (business), 0.0237 (state) is applied to property valuations to determine assessment rates. Rebates of R 35,000 are granted to residential property owners.

Rates are levied on a monthly or annual basis with the final date of payment being 30 September for annual levies. Interest at prime + 1% per month (2013: prime + 1% ) is levied on outstanding rates.

<b>16 Service Charges</b>		
Sale of electricity	28 225 759	29 666 695
Refuse removal	9 440 372	8 886 226
<b>Total Service Charges</b>	<b>37 666 131</b>	<b>38 552 921</b>

<b>17 Rental of Facilities and Equipment</b>		
Rental of facilities	<b>287 905</b>	<b>263 835</b>
- Straight-lined operating lease receipts	286 395	262 325
- Contingent rentals	-	-
Other rentals	1 510	1 510
<b>Total rentals</b>	<b>287 905</b>	<b>263 835</b>

<b>18 Interest Earned - External Investments</b>		
Bank	189 803	93 735
Financial assets	400 602	806 237
Other	-	-
<b>Total interest</b>	<b>590 406</b>	<b>899 972</b>

<b>19 Interest Earned - Outstanding Receivables</b>		
Receivables	3 402 554	1 817 417
<b>Total interest</b>	<b>3 402 554</b>	<b>1 817 417</b>

**20 Government Grants and Subsidies**  
Reconciliation of Movement in Grant - 2014

	Balance unspent at beginning of year R	Current year receipts R	Conditions met - transferred to revenue R	Conditions still to be met - remain liabilities R
Equitable share	-	94 338 000	94 338 000	-
MIG	-	29 147 000	29 147 000	-
MSIG	-	890 000	890 000	-
FMG	-	1 650 000	1 650 000	-
Intergrated national electrification programme	-	3 600 000	1 503 939	2 096 061
energy efficiency & demand side management	-	4 999 700	3 024 399	1 975 301
Library grants	-	801 000	801 000	-
Expanded public works programme	-	2 180 000	2 180 000	-
ECDLGTA - greening and beautification (other)	14 164	700 000	-	714 164
LSDf - middledrift spatial development framework	147 392	-	-	147 392
<b>LGSITA</b>	-	57 851	57 851	-
<b>Total Government Grant and Subsidies</b>	<b>161 557</b>	<b>138 363 551</b>	<b>133 592 189</b>	<b>4 932 919</b>

**Reconciliation of Movement in Grant - 2013**

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

Unspent conditional grants at year end consist of the following;

**20.1 Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R88.29 (2013: R84.08), which is funded from the grant.

**20.2 Changes in levels of government grants**

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

**21 Other Income**

	2014 R	2013 R
Revenue from Exchange Transactions - Sale of goods and services	2 473 491	1 397 986

**22 Fines, Penalties and Forfeits**

Fines	196 955	113 130
Penalties		
Forfeits		
<b>Total</b>	<b>196 955</b>	<b>113 130</b>

**23 Employee Related Costs**

	2014 R	2013 R
Employee related costs - Salaries and Wages	44 976 512	36 516 945
Employee related costs - Contributions for UIF, pensions and medical aids	9 970 760	6 994 715
Travel, motor car, accommodation, subsistence and other allowances	5 084 699	2 904 941
Housing benefits and allowances	367 176	429 765
Overtime payments	1 941 175	1 989 717
Performance and other bonuses	4 356 399	2 418 105
Long-service awards	5 897 522	1 117 584
Other employee related costs	3 978 329	11 046 387
<b>Employee Related Costs</b>	<b>76 572 573</b>	<b>63 418 158</b>

**Remuneration of the Municipal Manager**

Annual Remuneration	582 135	519 571
Travel, motor car, accommodation, subsistence and other allowances	390 608	347 648
Reimbursive Allowance (S& T)	33 438	55 478
Contributions to UIF, Medical and Pension Funds	10 695.50	10 229
<b>Total</b>	<b>1 016 877</b>	<b>932 926</b>

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**Remuneration of the Acting Chief Finance Officer**

Annual Remuneration	415 207	295 419
Travel, motor car, accommodation, substance and other allowances	299 464	247 255
Reimbursive Allowance (S&T)	20 484	6 590
Contribution to UIF, Medical and Pension Fund	103 018	8 141
<b>Total</b>	<b>838 174</b>	<b>557 405</b>

**Remuneration of Individual Executive Directors - 2014**

	Annual Remuneration	Reimbursive travel allowance	Travel, motor car, accommodation, subsistence and other allowances	Contributions to UIF, Medical and Pension Funds	Total
	R	R	R	R	
Technical Services	505 833	12 813	328 794	9 560	857 000
Corporate Services	255 000	9 451	169 962	5 099	439 512
Corporate Services: Acting Senior Manager	427 708	6 589	168 078	99 371	701 746
Strategic LED	93 000	2 650	168 190	3 026	266 866
Strategic LED: Acting Senior Manager	324 900	5 440	308 291	81 290	719 921
<b>Total</b>	<b>1 606 441</b>	<b>36 943</b>	<b>1 143 314</b>	<b>198 346</b>	<b>2 985 045</b>

**Remuneration of Individual Executive Directors - 2013**

	Annual Remuneration	Reimbursive travel allowance	Travel, motor car, accommodation, subsistence and other allowances	Contributions to UIF, Medical and Pension Funds	Total
	R	R	R	R	
Technical Services	375 000	8 065	249 941	7 307	640 313
Corporate Services	32 919	-	180 182	5 048	218 149
Strategic LED	445 419	30 184	205 308	9 284	690 194
<b>Total</b>	<b>853 338</b>	<b>38 249</b>	<b>635 430</b>	<b>21 639</b>	<b>1 548 656</b>

**Total employee costs**

**81 412 668**      **66 457 145**

**24 Remuneration of Councillors**

	2014 R	2013 R
Mayor	713 859	674 879
Speaker	579 051	537 608
Executive Committee Members	2 141 832	1 940 184
Councillors	673 269	3 101 483
Councillors' pension and medical aid contributions	3 205 594	520 579
Councillors' allowances	4 984 594	4 605 560
<b>Total Councillors' Remuneration</b>	<b>12 298 199</b>	<b>11 380 294</b>

**In-kind Benefits**

The Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.  
The Mayor and the speaker have use of the Council owned vehicle for official duties and is also allocated a driver at the expense of the Council.

**25 Debt Impairment**

	2014 R	2013 R
Exchange transactions	12 127 198	6 066 515
Non exchange transactions	11 031 331	2 115 208
<b>Total Contributions to debt impairment provision</b>	<b>23 158 529</b>	<b>8 181 723</b>

**26 Repairs and Maintenance**

Repairs and maintenance expense	7 922 770	8 768 260
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**27 Depreciation and Amortisation Expense**

Property, plant and equipment	27 706 567	24 004 088
Intangible assets	144 103	208 828
<b>Total Depreciation and Amortisation</b>	<b>27 850 670</b>	<b>24 212 916</b>

**28 Finance Costs**

Borrowings	328 073	
Finance leases		136 690
Interest on unwinding of provision	66 486	148 830
<b>Total Finance Costs</b>	<b>394 559</b>	<b>285 520</b>



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	2014 R	2013 R
<b>29 General Expenses</b>		
Included in general expenses are the following:-		
Advertising	638 311	680 121
Bank charges	213 761	223 357
Bursaries	-53 830	180 153
Cleaning	288 420	236 739
Conferences and delegations	3 702 958	3 272 275
Consulting fees	8 357 346	6 366 155
Commission	193 309	362 096
Events	1 750 883	180 685
Fuel and oil	2 974 456	2 772 897
Legal expenses	342 788	259 517
Licence fees - vehicles	273 003	248 524
Movement in provision for rehabilitation of landfill sites	-	-1 065 922
Printing and stationery	446 968	707 540
Rental of office equipment	1 776 808	1 673 122
Ward committee Activity	2 596 116	-
Security costs	225 541	263 431
Special Programmes	1 422 364	62 108
Stocks and material	549 004	115 786
Telephone cost	3 122 037	3 000 168
Training	1 055 111	846 749
Uniforms & overalls	463 647	451 542
Valuation costs	1 409 551	1 150 680
CO-OP	1 033 160	-
Water and Sanitation	2 527 612	900 000
Other	4 062 212	5 553 927
	<b>50 698 074</b>	<b>33 423 584</b>
<b>30 Bulk Purchases</b>		
Electricity	27 008 479	26 229 289
<b>Total Bulk Purchases</b>	<b>27 008 479</b>	<b>26 229 289</b>
<b>31 Gain / (Loss) on Sale of Assets</b>		
Loss on scrapping of assets	851 156	430 274
<b>Total Gain / (Loss) on Sale of Assets</b>	<b>851 156</b>	<b>430 274</b>
<b>32 Profit / (Loss) on Fair Value Adjustment</b>		
Investment property carried at fair value	1 927 100	1 269 200
<b>Total Profit / (Loss) on Fair Value Adjustment</b>	<b>1 927 100</b>	<b>1 269 200</b>

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33 Employee Benefits	2014 R	2013 R
<b>33.1 Defined Benefit Plans</b>		
<b>Statement of Financial Position</b>		
Post employment medical benefits	18 479 000	13 381 304
Other long-term employee benefits		
<b>Total</b>	<b>18 479 000</b>	<b>13 381 304</b>
<b>Statement of Financial Performance</b>		
Pension benefits		
Post employment medical benefits	5 266 550	1 087 416
Other long-term employee benefits		
Defined contribution fund expenses		
<b>Total</b>	<b>5 266 550</b>	<b>1 087 416</b>

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

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

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

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

<b>Medical benefits</b>	2014	2013	2012	2011
Present value of unfunded obligations				
Present value of funded obligations				
Total present value of obligations	18 479 000	13 381 304	12 445 195	14253000
Fair value of plan assets				
Unrecognised past service costs				
(Asset)/Liability for defined benefit obligations in the statement of financial position	18 479 000	13 381 304	12 445 195	14253000

	2014 R	2013 R
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
<b>Defined benefit obligation as at 1 July</b>	<b>13 381 304</b>	<b>12 445 195</b>
Current service costs	942 574	680 239
Interest costs	1 193 200	982 666
Contributions by plan participants		-
Actuarial losses/(gains)	3 130 776	-575 489
Exchange differences		
Benefits paid	-168 854	-151 307
Other		-
<b>Defined benefit obligation as at 30 June</b>	<b>18 479 000</b>	<b>13 381 304</b>
Current service costs	942 574	680 239
Interest costs	1 193 200	982 666
Expected return on plan assets		-
Expected return on any reimbursement right recognised as an asset		
Actuarial gains and losses	3 130 776	-575 489
Past service costs		-
Losses on curtailments		-
Other (please specify)		-
<b>Total Expense</b>	<b>5 266 550</b>	<b>1 087 416</b>

**Principal actuarial assumptions:**

Discount rate	9.18%	9.03%
Health Care cost inflation rate	8.34%	7.99%
Net effective discount rate	0.97%	0.97%
Active members expected to continue after retirement	100%	100%
Average retirement age	63	63
Mortality pre-retirement	SA85-90 ultimate table, adjusted for female lives	SA85-90 ultimate table, adjusted for female lives
Mortality post-retirement	PA90 ultimate table adjusted down by 2 yrs. of age	PA90 ultimate table adjusted down by 2 yrs. of age

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	2014 R	2013 R
<b>Sensitivity Analysis</b>		
<b>1% Increase in healthcare costs would the following effects</b>		
Effect on the aggregate current service cost and interest cost	16 279 000	2 010 200
Effect on the defined benefit obligation	5 676	15.82
<b>1% Decrease in healthcare costs would the following effects</b>		
Effect on the aggregate current service cost and interest cost	11 006 000	1 390 900
Effect on the defined benefit obligation	4 701	11.44
<b>A one year age reduction in the assumed rates of post retirement mortality</b>		
Effect on the aggregate current service cost and interest cost	13 804 000	1 724 600
Effect on the defined benefit obligation	5 380	13.90
<b>A one year decrease in the assumed average retirement age</b>		
Effect on the aggregate current service cost and interest cost	14 466 000	1 696 300
Effect on the defined benefit obligation	5 153	14.15

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	2014	Re-stated	2013
	R		R
<b>34 Grants and Subsidies Paid</b>			
Nkonkobe Economic Development Agency (NEDA)	1 370 953		1 363 242
Indigent Subsidy (Free Basic Electricity)	8 942 095		4 380 510
Other	200 000		3 556 558
	<b>10 513 049</b>		<b>9 300 311</b>
<b>35 Cash flows from operating activities</b>			
Surplus/(deficit) for the year from:			
Continuing operations	33 286 314		-5 233 468
Adjustment for:-			
Depreciation and amortisation	118 560		24 212 916
Loss on sale of assets	-		-838 926
Interest received - investment			
Finance costs			
Movements in provisions	16 557 670		1 900 728
<b>Operating surplus before working capital changes:</b>	<b>49 962 544</b>		<b>20 041 250</b>
(Increase)/Decrease in Inventories	245 734		(323 553)
(Increase)/Decrease in Trade and other receivables	-22 587 544		(3 502 527)
(Increase)/Decrease in VAT Receivable	-		1 380 321
Increase/(Decrease) in Trade and other payables	7 581 066		17 597 205
Increase/(Decrease) in conditional grants and receipts	4 771 362		(9 077)
Increase/(Decrease) Consumer Deposits	-		(1 109 130)
<b>Net cash flows from operating activities</b>	<b>39 973 162</b>		<b>34 074 489</b>
<b>36 Cash and Cash Equivalents</b>			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash	3 264 261		1 115 969
Bank overdrafts	-		-
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>3 264 261</b>		<b>1 115 969</b>
<b>37 Purchase of Property, Plant and Equipment</b>			
During the period, the municipality acquired property, plant and equipment with an aggregate cost of R , of which R was acquired by means of capital grants by the national government. Cash payments of R were made to purchase property, plant and equipment.			
<b>Total value of PPE procured during the year.</b>			
Buildings	-		1 726 550
Vehicles	321 582		43 762
Capital Work in Progress	14 404 704		30 462 201
Furniture & Fittings	300 803		367 929
Plant, Machinery & Equipment	15 168 254		261 818
Computer Equipment	376 685		860 167
Parks and Recreation			1 028 261
Roads	6 235 990		737 436
Electricity Transmission Networks			2 215 856
Solid Waste Disposal			1 065 922
<b>Total</b>	<b>36 808 018</b>		<b>38 769 901</b>

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	2014	2013
	R	R
<b>38 Unauthorised, Irregular, Fruitless and Wasteful Expenditure Disallowed</b>		
<b>38.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure		
Opening balance	630 000	147 530 543
Unauthorised expenditure current year	39 679 231	630 000
Approved or written off by Council	-	(147 530 543)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>40 309 231</u>	<u>630 000</u>
<b>38.2 Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	2 236 320	15 306
Fruitless and wasteful expenditure current year	1 339 894	2 221 015
Approved or written off by Council	(2 236 320)	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting approval	<u>1 339 894</u>	<u>2 236 320</u>
<b>Details of Fruitless and Wasteful expenditure</b>		
<i>The big portion of fruitless expenditure relates to Workman's compensation interest and penalties charged. The Municipality had not paid workman's compensation since its establishment.</i>		
Workmans compensation interest	1 314 513	
Late payment on accounts	143 096	
Interest (Eskom)	10 284	
	<u>1 467 894</u>	
<b>Total fruitless and Wasteful expenditure</b>	<u>1 467 894</u>	
<b>38.3 Irregular expenditure</b>		
Reconciliation of irregular expenditure		
Opening balance	13 400 605	1 808 350
Irregular expenditure current year	3 201 978	11 592 254
Approved or written off by Council	-	-
Not Approved or written off by Council	-	-
Transfer to receivables for recovery – not approved	-	-
Irregular expenditure awaiting approval	<u>16 602 583</u>	<u>13 400 605</u>

The Nkonkobe Municipality Acquired Plant using SCM Regulations Section 32 from Laman Financial Services which is a service provider that was used for acquisition of plant at Port St Johns Municipality. The contract was deemed irregular at Port St Johns Municipality and is therefore irregular for Nkonkobe Municipality. Total payments made in the year under review amounted to R 3 201 978

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**39 Disclosures of procurement deviations and breaches**

**STRATEGIC PLANNING**

SERVICE PROVIDER	DESCRIPTION	AMOUNT	REASON /S FOR DEVIATIONS
Times Media	Advertisement	84 513.00	Sole Supplier (Regional Paper)
Ikhwezi Jazz Band	Ikhwezi band to perform on the Xmas in July festival in Hogsback on the 21 July 2013	8 000.00	Only band available at the time of procurement. In Nkonkobe area there are no formal jazz band groups for performance. Two groups namely Slow Foot Jazz band and Imonti Jazz band were contacted but were not available because they had other commitments.
Times Media	Advertisement	5 253.12	Sole supplier (Regional Paper)
Times Media	Advertisement	9 849.60	Sole Supplier (Regional Paper)

**ENGINEERING DEPARTMENT**

SERVICE PROVIDER	DESCRIPTION	AMOUNT	REASON /S FOR DEVIATIONS
Daily Dispatch	Advertisement	6 327.00	Sole supplier (Regional Paper)
Daily Dispatch	Advertisement	6 327.00	Sole supplier (Regional Paper)
ABM Rencor	Service of Hydraulic System of Mercedes Compactor Truck Reg No: FGL 879 EC	10 281.52	Sole supplier
Synchronized Traffic System cc	Replace Accident TRF Signal Equip Complete	13 486.20	Sole Supplier
Barloworld	Service of Cat Smooth Roller	7 295.28	Sole Supplier
Rocla Precas Concrete Culverts and Pipes	Supply and delivery of concrete culverts and pipes	351 405.00	Single Source bidding
East Coast Asphalt	Supply and delivery of hot and cold mix asphalt	332 000.00	Single Source bidding
Babcock Equipment	Repairs of Volvo Grader Reg FMN 383 EC	40 256.47	Sole supplier
Datnis Nissan	Repairs of exhaust system of Nissan refuse truck	4 252.00	Sole supplier
Ferobrake	Repairs of exhaust system of Nissan refuse truck Reg FDY 589 EC	7 763.19	Sole Supplier
Babcock Equipment	Service of Volvo TLB DGX 655 EC	6 080.44	Sole supplier
Turner Morris	Diamond blades cured concrete (The concrete wetter machine was bought at Turner Morris and the blade for this machine can only be bought at Turner to get the exact specification for the machine)	3 961.50	Sole Supplier

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**BUDGET AND TREASURY DEPARTMENT**

SERVICE PROVIDER	DESCRIPTION	AMOUNT	REASON /S FOR DEVIATIONS
Government Printing works	Gazetting of tariffs and property rates	6 171.12	Sole Supplier
Lexis Nexis	Local Government library booklets for Municipal officials	6 836.18	Lexis Nexis and Juta are the only distributors of law books in South Africa and therefore it will be impractical to follow normal procurement process
Times Media	Advertisement	5 899.50	Sole Supplier
Times Media	Advertisement	8 755.20	Sole Supplier
Times Media	Advertisement	38 668.80	Sole Supplier
Times Media	Advertisement	5 253.12	Sole Supplier
Times Media	Advertisement	5 427.54	Sole Supplier
Babcock Equipment	Grease gun-can 5 kg for TLB, fuel cap bi 71 for TLB.	11 235.89	Sole Supplier
Times Media	Advertisement	3 583.02	Sole Supplier
Daily dispatch	Advertisement	6 580.08	Sole supplier (Regional Paper)
Times Media	Advertisement	6 617.00	Sole Supplier
Umnotho	Annual Financial Statements	1 837 227.00	Single Source bidding.
Lexis Nexis	Local Government booklets for Municipal officials	5 533.56	Lexis Nexis and Juta are the only distributors of law books in South Africa and therefore it will be impractical to follow normal procurement process
Nelson Mandela Metropolitan University	Training fees for Miss T.Velem who attended finance for non-financial Managers at NQF level 6	8 295.00	NMMU is the only institution that is offering finance training for non-financial manager's course at NQF level
Lexis Naxis	Local Government Library Books for Municipal Officials	13 775.76	Lexis Nexis and Juta are the only distributors of law books in South Africa and therefore it will be impractical to follow normal procurement process
Times Media	Advertisement	6 327.00	Sole supplier (Regional Paper)
Times Media	Advertisement	5 427.54	Sole Supplier

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**CORPORATE SERVICES DEPARTMENT**

SERVICE PROVIDER	DESCRIPTION	AMOUNT	REASON /S FOR DEVIATIONS
African Directory Services (Pty) Ltd	1x Double page corporate profile government directory 2013/2014	41 034.30	Sole supplier
TRN Town lodge	Booking of venue for meeting to be held on the 22nd July 2013	5 650.00	Only B & B with conference facility with sufficient capacity to cater for the required number of employees in Fort Beaufort
Ronnie Motors East London	40 000 km service on Fuso Tipper Truck Reg: FLO 262 EC	9 091.75	Sole supplier
Datnis	15 000 km service on Cherry Picker Truck: FTK 512 EC	4 954.44	Sole supplier
Datnis	90 000 km service on Nissan Livina : FKW 956 EC	4 236.40	Sole supplier
G & B Motors	Repairs to cylinder head of Mercedes Fire Reg: CJT 231 EC	3 819.85	Sole supplier
Gear Diffman	Repairs on gear box for UD40 Nissan Cabstar Truck: CZS 792 EC	12 084.00	Sole supplier
TFM Manufacturers	Repairs on skip lift chain and hydraulic for Fuso Skip Truck: FPN 998 EC	5 426.40	Maintenance of goods that have already been acquired by the municipality from a specific supplier
TFM Manufacturers	Repairs to hydraulic pipes of Man Tipper Truck Reg: FXH 482 EC	8 276.40	Maintenance of goods that have already been acquired by the municipality from a specific supplier
Andre's Auto Electrical	Repairs to diff of Toyota Hilux: CPK 795 EC	3 976.21	Maintenance of goods that have already been acquired by the municipality from a specific supplier
Babcock	Service of Volvo Grader	18 480.00	Sole supplier
Times media	Advertisement	38 878.56	Sole supplier (Regional Paper)
Times media	Advertisement	5 836.80	Sole supplier (Regional Paper)
C & G Engineering	Repairs to two skip bins	4 047.00	Corporate Services : Sole supplier
East London Truck & Bus	Service of truck FRY 572 EC	19 666.84	Corporate Services : Sole supplier
Meyers Motors	Service of Isuzu FJG 192 EC	8 803.50	Corporate Services : Sole supplier
Bytes Management Solutions	Repairs on fiber cable on HR IP phone server room	8 983.98	Sole supplier.
IMPISA	Attending strategic Human Resource in ever changing times	6 500.00	Sole supplier
Recor	Fitness testing of hydraulic system of Nissan picker truck reg FTK 512 EC	2 907.00	Corporate Services : Sole supplier
Construction equipment suppliers	1000 hr. service on sany Grader FJL 397 EC	14 492.59	Corporate Services : Sole supplier for Sany Grader
Daily Dispatch	Advertisement	4 961.28	Sole supplier - regional paper
Daily Dispatch	Advertisement	3 036.96	Sole supplier - regional paper
Daily Dispatch	Advertisement	775.20	Sole supplier - regional paper
Ferobrake	Replace clutch kit of Hyundai DGV 599 EC	2 011.03	Repairs
Daily Dispatch	Advert for Training providers for conditional grant learning programmes	9 448.32	Sole supplier - regional paper
Construction Equipment Suppliers	1000 hour service on Sany Grader FJL 397 EC	14 492.59	Sole supplier
Daily dispatch	Advertisement	4 446.00	Sole supplier - regional paper
Thesens Generator	Service and repairs to the generator of the Mercedes fire truck	2 086.42	Repairs
G & B Motors	Major services for road worthy fitness testing of refuse removal truck	12 334.95	Sole supplier
Daily Dispatch	Advertisement	6 511.00	Corporate Services : Sole supplier (Regional Paper)
Mayibuye Transport Corporation	Transportation of Community Members to Memorial Service of the late Nelson Mandela in Alice & PE	45 540.00	Only bus services which offer transport in and around the Nkonkobe Villages
Toyota	Speaker Vehicle SUV	366 603.27	Corporate Services - Single Source bidding



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**CORPORATE SERVICES DEPARTMENT CONTINUED**

SERVICE PROVIDER	DESCRIPTION	AMOUNT	REASON /S FOR DEVIATIONS
Port Elizabeth Traffic College	Training of Peace Officers	19 800.00	Sole supplier
Times Media	Advertisement	5 899.50	Sole supplier (Regional Paper)
Maxatana Funeral directors	Pauper Burial	2 052.00	Office of the Municipal Manager: Urgent procurement- the body of the deceased was already with the funeral directors.
Maxatana Funeral directors	Tombstones for the unveiling of projects ( 50 days of service delivery)	5 300.00	Urgent procurement
Datnis	Service for Nissan NP 300 FBP 934 EC	10 598.25	Sole supplier
Datnis	Service for Nissan FVY 292 EC	2 470.63	Sole supplier
Datnis	Service for Nissan FKW 948 EC	4 873.50	Sole supplier
Andres Auto Electrical	Repairs to vehicle FDY 589 EC	2 700.00	Repairs
Star Motor KWT	Service of Jeep Cherokee	25 341.01	Sole Supplier
Times Media	Advertisement	5 836.80	Corporate department, Sole supplier (Regional paper)
Bytes Connect	Repair and replace fiber link at Finance	9 628.44	Sole supplier
Chapmar Industries cc	Wellness in focus annual poster package	11 685.00	Chapmar provides a full package of Wellness poster as per our health calendar. They are the only organization that provides such comprehensive packages.
Bytes Connection	Maintenance on PBX Telephone system	10 494.61	Corporate Services Department: Sole supplier
Barloworld	Repairs for Park Brake & Transmission of Cat Grader Reg.No.DJF550EC	266 112.02	Corporate Services Department: Barloworld are the agents for cat grader, therefore the vehicle needs to be serviced or repaired by them.
FSP Business	Health & Safety Training Manual	2 114.70	Corporate Service: Only service provider that was responsive at the time of procurement.

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

	2014 R	2013 R
<b>39.1 Contributions to organised local government</b>		
Opening balance	-	-
Council subscriptions	1 911 842	173 278
Amount paid - current	(1 911 842)	(173 278)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>39.2 Audit fees</b>		
Opening balance	1 069 071	547 926
Current year audit fee	3 570 004	2 074 698
Amount paid - current year	(2 500 934)	(1 072 917)
Amount paid - previous years	(1 072 917)	(480 637)
<b>Balance unpaid (included in payables)</b>	<b>1 065 224</b>	<b>1 069 071</b>

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

**39.3 VAT**

	2014 R	2013 R
VAT input receivables and VAT output payables are shown in note 10. All VAT returns have been submitted by the due date throughout the year.	3 051 827	1 166 283

**39.4 PAYE, SDL and UIF**

Opening balance	-	-
Current year payroll deductions	10 901 856	8 115 254
Amount paid - current year	(10 901 856)	(8 115 254)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

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

**39.5 Pension and Medical Aid Deductions**

Opening balance	-	-
Current year payroll deductions and Council Contributions	12 384 709	12 208 835
Amount paid - current year	(12 384 709)	(12 208 835)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

All payroll deductions have been paid at year end.

**39.6 Councillor's arrear consumer accounts**

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

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
<b>as at 30 June 2014</b>			
Councillor S P Matyila	1 504	416	1 088
Councillor M E Mgengo	1 638	782	856
Councillor R A Kganedi	396	396	-
Councillor C N Nono	1 223	308	914
Councillor N V Gora	4 894	366	4 528
Councillor P Sixolo	4 894	366	4 528
Councillor D Gysman	5 881	603	5 279
Councillor A A Booysen	1 301	306	995
Councillor E Bantam	1 466	340	1 127
Councillor M D M Nyenyeku	5	-	5
Councillor T P Dwanya	305	-	305
<b>Total Councillor Arrear Consumer Accounts</b>	<b>23 508</b>	<b>3 884</b>	<b>19 624</b>

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

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>40 Capital Commitments</b>		
<b>40.1 Commitments in respect of capital expenditure</b>		
<b>- Approved and contracted for</b>	<b>57 535 229</b>	<b>36 453 565</b>
Infrastructure	11 401 477	19 818 419
Community	1 833 114	2 103 404
Heritage	-	-
Other	44 300 638	14 531 742
<b>- Approved but not yet contracted for</b>	<b>-</b>	<b>-</b>
Infrastructure	-	-
Community	-	-
Heritage	-	-
Other	-	-
<b>Total</b>	<b>57 535 229</b>	<b>36 453 565</b>
This expenditure will be financed from:		
- External Loans	-	-
- Government Grants	13 234 591	12 448 393
- Own resources	44 300 638	(12 448 393)
- District Council Grants	-	-
	<b>57 535 229</b>	<b>-</b>

**41 Operating leases**

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

**Operating lease arrangements**

**Lessee**

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

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

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

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

Operating Leases consists of the following:

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

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

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

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

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

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

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

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

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

**Total**

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**41 Operating leases (Continued)**

**2014  
R**

**2013  
R**

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

Up to 1 year	2 030 415	2 030 415
1 to 5 years	3 447 355	3 447 355
More than 5 years	-	-
	<b>5 477 770</b>	<b>5 477 770</b>

**Lessor**

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

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

Up to 1 year	43 560	43 560
1 to 5 years	108 900	108 900
More than 5 years	-	-
	<b>152 460</b>	<b>152 460</b>

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

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

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

Up to 1 year	65 340	65 340
1 to 5 years	136 125	136 125
More than 5 years	-	-
	<b>201 465</b>	<b>201 465</b>

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

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

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

Up to 1 year	14 520	14 520
1 to 5 years	25 410	25 410
More than 5 years	-	-
	<b>39 930</b>	<b>39 930</b>

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

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

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

Up to 1 year	9 174	9 174
1 to 5 years	15 291	15 291
More than 5 years	-	-
	<b>24 465</b>	<b>24 465</b>

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

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

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

Up to 1 year	9 174	9 174
1 to 5 years	16 055	16 055
More than 5 years	-	-
	<b>25 230</b>	<b>25 230</b>

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

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for the year ending 30 June 2014**41 Operating leases (Continued)****2014**  
**R****2013**  
**R****The major class of asset being leased is Vacant Land in Alice**

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

Up to 1 year	31 944	31 944
1 to 5 years	87 846	87 846
More than 5 years	-	-
	<b>119 790</b>	<b>119 790</b>

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

**Total**

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

Up to 1 year	173 713	173 713
1 to 5 years	389 627	389 627
More than 5 years	-	-
	<b>563 340</b>	<b>563 340</b>

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<b>42 Contingent Liabilities</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>42.1 Claim for damages</b>		
<b>Claim 1</b>		
PLM Construction vs Nkonkobe Municipality - PLM Construction is suing the Municipality for payment in terms of a breach of contract on the construction of a road in Fort Beaufort. The claim was Increased by the Plaintiff and the matter is still pending at year end.	78 066	50 000
<b>Claim 2</b>		
B.E Baba vs Nkonkobe Municipality - The plaintiff is claiming for damages caused to his vehicle after it collided with one belonging to the municipality. The plaintiff passed away and it is probable that the case will not continue.	16 100	50 000
<b>Claim 3</b>		
Nkonkobe Municipality vs Mdlalo - The employee ordered retrospective reinstatement with 16 months compensation to the amount of R176 000. The award is taken in the labour court.	176 000	-
<b>Claim 4</b>	250 000	
Ligitaion in a matter between Nkonkobe Municipality and Mampana. Municipality sued for general damages for injuries sustained in a bridge at Fort Beaufort.		
	<u><u>520 166</u></u>	<u><u>100 000</u></u>
<b>42.2 Fines and Penalties</b>		
<b>Case 1</b>		
The municipality is operating 2 landfill sites without the required permits from the Department of Environmental Affairs. The Department may impose a penalty of up to R 10 000 000 per landfill site operated without the required permits or for non-compliance with permit conditions. There is uncertainty if the penalties will be imposed.	30 000 000	30 000 000
		-
	<u><u>30 000 000</u></u>	<u><u>30 000 000</u></u>
	<b>2014</b>	<b>2013</b>
		<b>R</b>
<b>43 Contingent Assets</b>		
<b>Case 1</b>		
Nkonkobe Municipality vs Mdila & Williams Civil - the municipality is suing to recoup funds on a contract illegally entered into. The Council made a decision to abandon the case as it had high financial implication.	208 000	208 000
<b>Case 2</b>		
Nkonkobe Municipality vs Mdlalo & Luthweyi Civil - The employees were charged of embezzling funds. The municipality is in a process of recovering funds from their provident fund to the amount of R593 000. The claim is for legal costs incurred and the matter is before the labour court at year end.	104 000	104 000
<b>Total</b>	<u><u>312 000</u></u>	<u><u>312 000</u></u>

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**44 Related Parties**

**Municipal Entity.**

Nkonkobe Economic Development Agency is 100% owned by the Nkonkobe Local Municipality

The municipality provides a transfer subsidy to the development agency to assist with its operations. In addition the municipality also settles the entity's audit fees on its behalf.

**Members of key management:**

Municipal manager :	Mr KC Maneli
CFO (Acting) :	Mr N Nokwe
LED Senior Manager :	Mr L Matiwane
LED Acting Senior Manager	Mr L Menze
Technical Services Senior Manager :	Mr Z Nkosinkulu
Corporate Services Acting Senior Manager	Mr M Njonkweni

**Other related party relationships**

Compensation to councillors and other key management (refer to note 22 and 23)

**Related party balances**

**Related party transactions**

Related party balances exist at year-end (Parent Municipality) - Transfers (Cash/In-kind) routed to entity was not all transferred/paid at year.

Subsidy paid to Nkonkobe Economic Development Agency

521 226	
2 070 923	1 363 242
<b>2 592 149</b>	<b>1 363 242</b>

**45 Events After the Reporting Date**

No events have occurred after 30 June 2014 which necessitates adjustment or disclosure within the annual financial statements.

**46 Electricity Distribution losses**

	<b>2 014</b>	<b>2 013</b>
Pre-Paid & Metered	30 074 784	30 047 081
Free Basic Elec	4 145 100	5 646 000
<b>Total Energy Purchased</b>	<b>34 219 884</b>	<b>35 693 081</b>
<b>Distributions</b>	<b>28 131 171</b>	<b>28 131 171</b>
Pre-Paid (Customers) AOSIS	15 248 366	15 248 366
Metered (Customers)	12 882 805	12 882 805
FBE (Customers) Alice (Direct from Eskom)	-	-
<b>Total Energy lost</b>	<b>6 088 713</b>	<b>7 561 910</b>
Normal Distribution Loss 10%	608 871	756 191
Net Energy Loss	5 479 841	6 805 719
<b>Total Average Energy Charge (Rate) - Purchased</b>	<b>0.42</b>	<b>0.46</b>
<b>Total Distribution losses (Rand)</b>	<b>2 300 524</b>	<b>3 125 356</b>
<b>Total Distribution losses (%)</b>	<b>7%</b>	<b>9%</b>

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**47 Prior period restatements****47.1 Reclassification****Investment properties**

Included in investment property was properties that are occupied by employees of the municipality . In the current year under review we reclassified these properties to Municipal property from investment property. The initial cost of the property in the books of the municipality was R 1 583 600 and fair value reversal R 156 600. Fair value reversal for 2013/2014 amounting to R35 100 was reversed directly onto the income statement. Total adjustment on investment property is R 1 775 300.

**47.2 Prior period errors****PPE****Municipal Properties: RDP Houses**

Included in Municipal properties was RDP houses which were distributed to beneficiaries in 2008. The houses are not properties of the municipality and have thus been removed from books of the municipality. The initial cost in the books of the municipality was R 2 149 200, and depreciation that was processed amounted to R 122 121. A further reversal of 2012/2013 depreciation amounting to R 40 706.98 .

Included in investment property was properties that are occupied by employees of the municipality . In the current year under review we reclassified these properties to Municipal property from investment property. The initial cost of the property in the books of the municipality was R 1 583 600 and fair value reversal R 156 600. Fair value reversal for 2013/2014 amounting to R35 100 was reversed directly onto the income statement. Total adjustment on investment property is R 1 775 300.

The effect of these adjustments is indicated below:

Reversal of landfill site provision processed against solid waste assets	11 981 446
Reversal of depreciation previously charged	118 451
Recognising the prior year landfill site asset	2 458 234
Recognising accumulated depreciation for prior years	39 790
	<u><u>(9 601 873)</u></u>

Landfill sites (assets) were previously reported as R 11 862 994 71. In the year under review, landfill sites were revised by an environmental specialist and the new figure was determined to be R 2 505 593. The municipality reversed the initially recognized landfill site cost of R 11 981 446 and accumulated depreciation of R 118 451.43.

**47.3 Expenditure**

Expenses were re-stated in order to include items that were omitted on the accrual list. An increase of R 404 558

**47.4 Trade and Other payables**

Trade and other payables were restated to include items that were omitted in the prior period. Total increase on trade payables is R 440 869.81 . Furthermore, votes which have had no movement for the previous three years , amounting to R 369 906.19 were written off.

**47.5 Other current financial liabilities**

The previously qualified finance lease was corrected resulting in a change on the previously disclosed liability of R 120 500.

**47.6 Non current provisions****Provision for landfill rehabilitation**

A provision for landfill sites rehabilitation re-assessment was performed during the current year based on relevant and more accurate information. The amounts raised in prior year and processed against WIP and the related finance costs were reversed. The present value of the provision as at 30 June 2013 was recalculated. The effect of these adjustments is indicated below:

	R
Reversal of landfill site provision processed against solid waste assets	2 330 080
Reversal of finance costs previously calculated	99 619
Recognising the prior year present value of provision	2 458 234
Recognising increase in provision due to effect of discounting	102 167
	<u><u>130 702</u></u>



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**47.7 VAT Receivables**

Vat receivable was re-stated. Old accumulating balance on all VAT accounts amounting to R 1 124 526 were written off to accumulated surplus. These represents Vat input and output disallowed by SARS but were never reversed on the system. In addition to the above re-statement of prior period unclaimed vat input decreased the accumulated surplus by R 191 267.70. Net effect on accumulated surplus is R 908 263

**47.8 Trade and other receivables**

**Receivables from exchange transactions**

An amount of R 2 277 262.22 which represented a budget overrun on the grant allocated to the municipality by the Department of Sports, Arts & Culture, for which a debtor was raised in the books of the municipality, was written off in the year under review.

In addition to the above, vote which have had no movements for the previous three years were written off against accumulated surplus. The total of these votes : R 85 683

**Receivables from non exchange transactions**

Municipality implemented a sub valuation roll. The sub valuation roll brought in properties that were in existence but were not billed by the municipality as they did not form part of the initial valuation roll. The billing that went to accumulates surplus was R 7 059 310 which was split as follows; 2011/2012: R 2 947 675.09, 2012/13: R 4 111 635.37. This was in terms of MPRA-Chapter 8 (1) (d) & 3(c).

**47.9 Inventory**

With the re-statement of accruals, items of inventories which were not accounted for with an amount of R 38 937

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

**Statement of Financial Performance**

As at 30 June 2013

	As previously reported R	Reclassified R	Correction of errors R	Restated Amount R
<b>Revenue</b>				
<b>Non-exchange Revenue</b>				
Property rates	19 393 434	-	0	19 393 434
Government grants and subsidies	117 336 641	-	-0	117 336 641
Fines	113 130	-	-	113 130
Licences and permits	2 391 312	-	-0	2 391 312
			-	
<b>Exchange Revenue</b>				
Service charges	38 553 231	-	310	38 552 921
Rental of facilities and equipment	263 835	-	-0	263 835
Interest earned - external investments	899 972	-	-0	899 972
Interest earned - outstanding receivables	1 817 417	-	0	1 817 417
Other income	1 397 676	-	-310	1 397 986
<b>Total revenue</b>	<b>182 166 647.11</b>	<b>-</b>	<b>-1</b>	<b>182 166 648.00</b>
<b>Expenses</b>				
Bulk purchases	26 216 063		(13 226)	26 229 289
Employee related costs	66 195 864		(261 281)	66 457 145
Remuneration of councillors	11 700 783		320 490	11 380 293
Bad debts	8 181 723		(0)	8 181 723
Depreciation and amortisation expense	24 332 285		119 369	24 212 916
Repairs and maintenance	9 172 842		404 582	8 768 260
Grants and subsidies paid	9 300 311		0	9 300 311
General expenses	33 308 522		(115 062)	33 423 584
Finance costs	235 108		(50 412)	285 520
<b>Total expenses</b>	<b>188 643 500</b>	<b>-</b>	<b>404 459</b>	<b>188 239 041</b>
(Loss) on sale of assets				
Fair value adjustments investment properties				
<b>Deficit for the year</b>	<b>(6 476 853)</b>	<b>-</b>	<b>(404 460)</b>	<b>(6 072 393)</b>

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**47 Prior period restatements (Continued)**

Statement of Financial Position

As at 30 June 2013

	As previously reported R	Reclassified R	Correction of errors R	Restated Amount R
<b>ASSETS</b>				
<b>Current assets</b>				
<b>Cash and cash equivalents</b>	1 115 969		(0)	1 115 969
Trade and other receivables from exchange transactions	15 744 772		2 362 946	13 381 826
Other receivables from non-exchange transactions	14 144 761		(7 059 310)	21 204 071
VAT Receivable	1 166 283		908 263	258 020
Inventories	893 002		(38 937)	931 939
			-	
Non-current assets			-	
<b>Property, plant and equipment</b>	286 322 111		11 807 644	274 514 467
Intangible assets	59 329		(0)	59 329
Investment property carried at fair value	19 451 200		1 775 300	17 675 900
<b>Total assets</b>	<b>338 897 426</b>	<b>-</b>	<b>9 755 905</b>	<b>329 141 521</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
<b>Trade and other payables</b>	36 281 063		438 417	35 473 287
Consumer deposits	1 198 251		0	1 198 251
Payments received in advance	3 389 344		0	3 389 344
Current portion of unspent conditional grants and receipts	161 557		(0)	161 557
Current portion of borrowings			-	
Current portion of finance lease liability	274 846		0	274 846
Other current financial liabilities	57 175		(120 500)	177 675
Non-current liabilities				
<b>Non-current unspent conditional grants and receipts</b>				
<b>Non-current borrowings</b>				
Non-current finance lease liability	152 305		1	152 304
Non-current provisions	5 921 245		(130 703)	6 051 948
Defined benefit plan obligations	13 381 304		-	13 381 304
<b>Total liabilities</b>	<b>60 817 090</b>	<b>-</b>	<b>187 215</b>	<b>60 260 516</b>
<b>Net assets</b>	<b>278 080 337</b>	<b>-</b>	<b>9 568 690</b>	<b>268 881 005</b>
<b>NET ASSETS</b>				
Reserves	2 659 100		-	2 659 100
Accumulated surplus	275 790 596		9 568 690	266 221 906
<b>Total net assets</b>	<b>278 449 696</b>	<b>-</b>	<b>9 568 690</b>	<b>268 881 006</b>

**48 Risk Management**

**48.1 Maximum credit risk exposure**

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

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

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

Financial assets	2014 R	2013 R
Cash and cash equivalents	3 264 261	1 115 969
Trade and other receivables from exchange transactions	9 658 294	13 381 826
Other receivables from non-exchange transactions, including taxes and fines	28 897 294	21 204 071

**Collateral held and other credit enhancements**

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

**Concentration of credit risk**

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

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as

	2014 %	2013 %
Consumer debtors	47%	72%
Industrial / Commercial	9%	7%
Provincial and National Government	44%	21%
	<b>100%</b>	<b>100%</b>

**48.2 Liquidity risk**

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

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

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

2014	Not later than one month	Later than one month and not later than three months
Gross finance lease obligations	7 856	23 569
Borrowings	419 575	1 258 724
Trade and other payables	35 750 069	-
Bank overdraft	-	-

  

2014	No later than 1 year	Later than one year and not later than five years
Gross finance lease obligations		112 242
Borrowings	5 034 898	7 971 921
Trade and other payables	44 498 575	-
Bank overdraft	-	-
Consumer deposits	1 268 829	
	<b>50 802 301</b>	<b>8 084 163</b>

**Concentration of credit risk**

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

**Collateral held and other credit enhancements**

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

**48 Risk Management (Continued)**

**48.3 Interest rate risk**

The entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk. entity policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

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

- Call deposits	-	-
- Notice deposits	-	-
- Long term annuity	-	-
- Development Bank of South Africa loan	-	-
Balance as at 30 June 2014	-	-

**Concentration of credit risk**

**48.4 Credit quality of financial assets carried at amortised cost**

**48.4.1 Method of determining credit quality of other non-current financial assets**

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

The credit quality of trade and other receivables from exchange transactions are determined and monitored with reference to historical payment  
**High credit quality** - Customers included in this category have evidenced no defaults or breaches in the contractual repayments.  
**Medium credit quality** - Customers included in this category are prone to late payments, but seldomly default on the entire balance owing.  
**Low credit quality** - Customers included in this balance includes customers that frequently default on their outstanding balances and breach contract.

Other method - Provide a description of the other method applied to evaluate the credit quality

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

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

**Reconciliation between gross and net balances**

	Gross Balances	Provision for Doubtful Debts	Net Balance
	R	R	R
Trade and other receivables from Exchange Transactions	9 658 294	-15 591 606	-5 933 312
Trade and other receivables from Non exchange Transactions	28 897 294	-11 026 950	17 870 344
Other	-	-	-
<b>Total</b>	<b>38 555 588</b>	<b>-26 618 556</b>	<b>11 937 032</b>

**Reconciliation of the doubtful debt provision**

	2014 R	2013 R
Balance at beginning of the year	10 075 055	4 518 296
Contributions to provision	23 159 912	8 181 723
Doubtful debts written off against provision	2 277 262	-2 624 964
<b>Balance at end of year</b>	<b>35 512 228</b>	<b>10 075 055</b>

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

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

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

Less than 1 month past due	773 723
1 month past due	162 098
2 months past due	2 049 876
3 months past due	349 106

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

The ageing of these balances is as follows:

less than 3months	9 785 715
above 3 months	29 172 078

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**48 Risk Management (Continued)**

**48.5 Reconciliation disclosure for other non-current financial liabilities**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>Other non-current financial liabilities measured at amortised cost</b>		
Provision for Long service Bonus	3 807 449	3 491 552
Provision for Landfill sites	2 505 593	2 429 699
Defined benefit plan obligations	18 479 000	13 381 304
<b>Total</b>	<b>24 792 042</b>	<b>19 302 555</b>
<b>Other current financial liabilities measured at fair value through surplus and deficit</b>		
Item 1		
Item 2		
Item 3		
<b>Other current financial liabilities measured at amortised cost</b>		
Trade and other payables	44 498 575	36 281 063
Other current financial liabilities measured at amortised cost	289 299	57 175
Consumer deposits	1 268 829	1 198 251
<b>Total</b>	<b>46 056 703</b>	<b>37 536 489</b>

**Terms and conditions**

There are no conditions attached to the financial liabilities held by the municipality.

**49 Comparison with the budget**

For a comprehensive comparison of actual versus budget refer to Appendix B

**50 Electricity distribution losses**

	<b>2014</b>	<b>2013</b>
	<b>Units</b>	<b>Units</b>
Add: Pre-Paid & Metered	30 074 784.00	30 047 081.00
Add: Free Basic Elec	4 145 100.00	5 646 000.00
<b>Total Energy Purchased</b>	<b>34 219 884.00</b>	<b>35 693 081.00</b>
Less: <b>Distributions</b>	<b>28 131 171.28</b>	<b>28 131 171.28</b>
Pre-Paid (Customers) AOSIS	15 248 366.28	15 248 366.28
Metered (Customers)	12 882 805.00	12 882 805.00
Total Energy lost	<b>6 088 712.72</b>	<b>7 561 909.72</b>
Normal Distribution Loss 10%	<b>608 871.27</b>	<b>756 190.97</b>
Net Energy Loss	<b>5 479 841.45</b>	<b>6 805 718.75</b>
(Multiply) <b>Total Average Energy Charge (Rate) - Purchased</b>	<b>0.42</b>	<b>0.46</b>
<b>Total Distribution losses (Rand)</b>	<b>2 300 523.75</b>	<b>3 125 356.19</b>
<b>Total Distribution losses (%)</b>	<b>7%</b>	<b>9%</b>

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**APPENDIX A**

**UNAUDITED : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
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Re-stated	2013			2014		
	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R
	5 500 000	35 253 945	-29 753 945	11 219 429	24 352 561	-13 133 133
	52 097 610	29 428 768	22 668 841	69 017 076	53 446 085	15 570 991
	6 120 641	13 722 482	-7 601 842	6 358 851	13 192 298	-6 833 447
	19 386 537	12 576 950	6 809 587	15 201 780	37 060 914	-21 859 134
	83 072 250	53 463 499	29 608 751	114 399 728	264 530 667	-150 130 939
	15 989 611	43 793 396	-27 803 784	161 952	33 989 008	-33 827 056
	<b>182 166 648</b>	<b>188 239 041</b>	<b>(6 072 393)</b>	<b>216 358 815.44</b>	<b>426 571 532.62</b>	<b>-210 212 717.18</b>

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

Figures in Rand	Approved budget	Adjusted Budget	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>							
<b>Revenue</b>							
<b>Revenue from exchange transactions</b>							
Service charges	38 586 550	41 787 897	-	41 787 897	37 666 131	4 121 766	1
Interest received - investment & Outstanding debtors	2 000 000	12 600 000	-	12 600 000	3 992 960	8 607 040	2
Other income	18 345 207	14 198 707	-	14 198 707	2 761 396	11 437 311	3
<b>Total revenue from exchange transactions</b>	<b>58 931 757</b>	<b>68 586 604</b>	<b>-</b>	<b>68 586 604</b>	<b>44 420 487</b>	<b>24 166 117</b>	
<b>Revenue from non-exchange transactions</b>							
<b>Taxation revenue</b>							
Property rates	24 470 000	28 152 133	-	28 152 133	35 299 594	-7 147 461	4
Government grants & subsidies	127 025 000	133 470 000	-	133 470 000	133 592 189	-122 189	5
Licenses and permits	2 200 000	2 425 000	-	2 425 000	2 765 651	-340 651	
<b>Transfer revenue</b>							
Fines, Penalties and Forfeits	-	300 000	-	300 000	196 955	103 045	6
<b>Total revenue from no exchange transactions</b>	<b>153 695 000</b>	<b>164 347 133</b>	<b>-</b>	<b>164 347 133</b>	<b>171 854 389</b>	<b>-7 507 256</b>	
<b>Total revenue</b>	<b>212 626 757</b>	<b>232 933 737</b>	<b>-</b>	<b>232 933 737</b>	<b>216 274 876</b>	<b>16 658 861</b>	
<b>Expenditure</b>							
Personnel	67 217 018	72 006 755	-3 380 000	63 626 755	81 412 668	-17 785 913	7
Remuneration of councillors	13 955 019	13 755 019	-	13 755 019	12 298 199	1 456 820	8
Depreciation and amortisation	22 472 603	22 472 603	5 791 636	28 264 239	27 850 670	413 569	
Finance costs	-	-	-	-	394 559	-394 559	9
Debt impairment	12 000 000	12 000 000	-8 490 000	3 510 000	23 158 529	-19 648 529	10
Bulk purchases	20 928 248	20 928 248	4 230 000	25 158 248	27 008 479	-1 850 231	15
Grants and subsidies paid	12 308 785	12 718 785	-	12 318 785	10 513 049	1 805 736	11
General Expenses	47 152 384	51 551 381	8 029 295	63 580 676	58 620 844	4 959 832	12
<b>Total expenditure</b>	<b>196 034 057</b>	<b>205 432 791</b>	<b>6 180 931</b>	<b>210 213 722</b>	<b>241 256 996</b>	<b>-31 043 274</b>	
<b>Operating surplus/(deficit) before taxation</b>	<b>16 592 700</b>	<b>27 500 946</b>	<b>-6 180 931</b>	<b>22 720 014</b>	<b>-24 982 120</b>	<b>47 702 135</b>	
<b>Capital Expenditure</b>							
Government grants & subsidies - Capital	27 689 650.00	27 689 650	-	27 689 650	29 147 000	-1 457 350	14
Capital Replacement Reserve	23 375 655	35 700 655	-	35 700 655	30 093 408	5 607 247	13
	<b>51 065 305</b>	<b>63 390 305</b>	<b>-</b>	<b>63 390 305</b>	<b>59 240 408</b>	<b>4 149 897</b>	
<b>Actual amounts on comparable basis presented in the budget and actual comparative statement.</b>	<b>-34 472 605</b>	<b>-35 889 359</b>	<b>-6 180 931</b>	<b>-40 670 291</b>	<b>-84 222 528</b>	<b>43 552 238</b>	

**Reference**

1. Municipality anticipated additional revenue due to new developments and properties identified in the supplementary roll. The actual amount billed was less than anticipated.
2. As legal action were taken against defaulting customers, the municipality expected to collect outstanding debt and its related interest, but anticipated amount was not collected.
3. Other income  
Agency fees: % of allocation from the agency increased and changed from around 20% to around 32%  
Rental of equipment: Equipment for rentals only arrived towards year end, thus the under collection  
Bad debts recovered: Due to the above, (explanation of Interest earned), the municipality had anticipated that bad debts would be recovered.
4. Municipality billed more properties for rates as a result of new properties that were brought about by the sub valuation roll.
5. All grants budgeted for were received. However, not all grants were recognized as revenue as at year end, some of grants conditions were not met.
6. At the time of setting the budget, 3 teams of traffic officers were expected to work, but only one team actually worked, due to a write-off of Motor vehicle, hence the under collection.
7. Salary increases approved by council resulted in increase in personnel costs. In addition, non cash journal entries were processed against employee costs giving rise to increase in personnel costs.
8. Expected expenses to be incurred in relation to councillors were not incurred due to slow collection of revenue.
9. Finance costs not budgeted for
10. Retrospective billing of rates (as a result of implementation of the sub valuation roll) resulted in increase in debtors, thereby increasing provision for bad debts.
11. Municipality paid audit fees on behalf of NEDA
12. General increase in costs of goods & services
13. Delays in implementing some projects resulting under spending. Furthermore, collection of revenue was slow.
14. Municipal Infrastructure Grant of R 29 147 000 was received and fully spent.
15. Bulk purchase of electricity was more than budgeted for due to general increase in prices and increase consumption.

\* Changes between the adjusted budget and final budget presented here above is as a result of virements (movement of funds between votes).

**NKONKOBÉ LOCAL MUNICIPALITY**  
**Annual Financial Statements**  
**APPENDIX C**  
**UNAUDITED : DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June			
Equitable Share	National Treasury		39 308 000	31 446 000	23 584 000			39 308 000	31 446 000	23 584 000								Yes	
MIG Grant	National Treasury		12 949 000	12 303 000	3 895 000			13 044 539	8 148 760	4 679 875	3 273 825							Yes	
MSIG	National Treasury		890 000					240 965	128 419	208 568	312 048							Yes	
FMG	National Treasury		1 650 000					411 235	195 244	474 202	569 319							Yes	
Integrated National Electrification Programme	Dept of Energy		2 600 000	1 000 000						276 272	1 227 667							Yes	
Energy Efficiency and Demand Side Management grant	Dept of Energy		421 700	2 000 000	2 578 000				1 892 360	541 821	590 218							Yes	
Libraries Grant	Dept Sports Arts and Culture		801 000					280 209	306 269	214 521								Yes	
Expanded Public Works Programme (EPWP)	Dept of Public Works		872 000	654 000	654 000			695 533	850 731	274 956	358 780							Yes	
Provincial LED projects 1	National Treasury	14 164	350 000			350 000												Yes	
Subsidies	National Treasury																	Yes	
LSDF - MIDDLEDRIFT SPATIAL DEVELOPMENT FRAMEWORK	National Treasury	147 392																Yes	
<b>Total Grants and Subsidies Received</b>		<b>161 557</b>	<b>59 841 700</b>	<b>47 403 000</b>	<b>30 711 000</b>	<b>350 000</b>	-	<b>53 980 482</b>	<b>42 967 783</b>	<b>30 254 215</b>	<b>6 331 857</b>	-	-	-	-	-	-	-	-

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