

Nkonkobe Local Municipality



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

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

for the year ended 30 June:

Province:

AFS rounding:

Contact Information:	
Name of Municipal Manager:	K.C Maneli
Name of Chief Financial Officer:	Mrs B. Lubelwana
Name of Chief Executive Officer:	Mr M Mali
Contact telephone number:	(046) 645 7400
Contact e-mail address:	blubelwana@nkonkobe.gov.za
Name of contact at provincial treasury:	Mrs Nomfundo Fetsha (Senior Municipal Finance Support)
Contact telephone number:	043 721 2509
Contact e-mail address:	Nomfundo.Fetsha@treasury.ecprov.gov.za
Name of relevant Auditor:	Auditor General (East London Office)
Contact telephone number:	437 097 200
Contact e-mail address:	Vatm@agsa.co.za
Name of contact at National Treasury:	Matsie Sehlapelo
Contact telephone number:	012 315 5295
Contact e-mail address:	Matsie.Sehlapelo@treasury.gov.za

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. Booyesen	Council Member
CLLR. M. Ncume	Council Member
CLLR T. Ngaye	Council Member
CLLR X.Dyantyi	Council Member
CLLR H. Xelelwa	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)

Chief Executive Officer

Mr M Mali

General information (continued)

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

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

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

The Group annual financial statements set out on pages 7 to 64, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2014 and were signed on its behalf by:

Mr. K. C Maneli
Accounting Officer

Mayor's Foreword

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

The Group annual financial statements for the year under review 2013/2014 - portray a different picture than the last financial year. This is with regards to financial viability and debt management of the municipality. As an institution with a thin revenue base we have devised strategies to enhance our revenue, so that we are able to move away from grant dependency and become a self sufficient municipality.

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

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

A.W Ntsangani
Honourable Mayor

Statement of Financial Position as at 30 June 2014

	NKONKOBE		GROUP		
	2014	2013	2014	2013	
Note(s)	R	Re-stated R	R	Re-stated R	
Assets					
Non-Current Assets					
Investment property	7	21 221 700	17 675 900	21 221 700	17 675 900
Property, plant and equipment	5	281 863 749	276 098 068	283 092 912	276 553 399
Intangible assets	6	328 794	59 329	328 794	59 329
			-	-	-
		303 414 243	293 833 297	304 643 406	294 288 628
Current Assets					
Inventories	4	686 705	931 939	686 705	931 939
Trade and other receivables from exchange transactions	2	9 658 294	13 381 826	9 658 294	13 381 826
Other receivables from non-exchange transaction including taxes and fines	3	28 897 294	21 204 071	29 136 749	21 325 142
Cash and cash equivalents	1	3 264 261	1 115 969	6 115 210	5 682 487
Vat receivable	10	2 455 629	258 020	2 455 629	258 020
		44 962 183	36 891 825	48 052 587	41 579 414
Total Assets		348 376 426	330 725 122	352 695 993	335 868 042
Equity and Liabilities					
Equity					
Reserves		2 659 100	2 659 100	2 659 100	2 659 100
Accumulated surplus/ (deficit)		243 899 330	267 805 506	246 069 115	268 070 624
		246 558 430	270 464 606	248 728 215	270 729 724
Liabilities					
Non-Current Liabilities					
Finance lease obligation	12 & 13	9 382 106	152 304	9 382 106	152 304
Provision for long-service awards	14	3 807 449	3 491 548	3 807 449	3 491 548
Defined benefit plan obligations	33	18 479 000	13 381 304	18 479 000	13 381 304
Provision for rehabilitation of landfill sites	14	2 505 593	2 560 400	2 505 593	2 560 400
		34 174 148	19 585 556	34 174 148	19 585 556
Current Liabilities					
Current portion of finance lease obligation	12 & 13	4 899 449	274 846	4 899 449	274 846
Trade and other payables from exchange transactions	8	44 498 575	35 473 287	44 134 239	35 643 033
Current portion of unspent conditional grants and receipts	11	4 932 919	161 557	7 447 036	4 869 614
Other current financial liabilities		289 299	177 675	289 299	177 675
Consumer deposits	9	1 268 829	1 198 251	1 268 829	1 198 251
Payments received in advance	8	11 754 778	3 389 344	11 754 778	3 389 344
		67 643 849	40 674 960	69 793 630	45 552 762
Total Liabilities		101 817 997	60 260 516	103 967 778	65 138 318
Total Equity and Liabilities		348 376 426	330 725 122	352 695 993	335 868 042

Statement of Financial Performance

	Note	NKONKOBÉ		GROUP	
		2014	2013	2014	2013
		R	Re-stated R	R	Re-stated R
Revenue					
Revenue from non-exchange transactions		171 854 389	139 234 517	178 208 427	145 779 854
Property rates	15	35 299 594	19 393 434	35 299 594	19 393 434
Fines, Penalties and Forfeits	22	196 955	113 130	196 955	113 130
Licenses and permits		2 765 651	2 391 312	2 765 651	2 391 312
Government grants and subsidies	20	133 592 189	117 336 641	139 946 227	123 881 978
Revenue from exchange transactions		44 420 487	42 932 131	44 625 750	44 534 590
Service charges	16	37 666 131	38 552 921	37 666 131	38 552 921
Rental of facilities and equipment	17	287 905	263 835	287 905	263 835
Interest earned - external investments	18	590 406	899 972	769 420	922 403
Interest earned - outstanding receivables	19	3 402 554	1 817 417	3 402 554	1 817 417
Other income	21	2 473 491	1 397 986	2 499 740	2 978 014
Total revenue		216 274 876	182 166 648	222 834 177	190 314 444
Expenses					
Bulk purchases	30	27 008 479	26 229 289	27 008 479	26 229 289
Employee related costs	23	81 412 668	66 457 145	84 607 434	71 078 981
Remuneration of councilors	24	12 298 199	11 380 293	12 298 199	11 380 293
Bad debts	25	23 158 529	8 181 723	23 158 529	8 181 723
Depreciation and amortisation expense	27	27 850 670	24 212 916	28 006 732	24 346 964
Repairs and maintenance	26	7 922 770	8 768 260	7 965 524	8 780 419
Grants and subsidies paid	34	10 513 049	9 300 311	8 620 869	7 937 069
General expenses	29	50 698 074	33 423 584	53 838 781	38 357 154
Finance costs	28	394 559	285 520	394 559	285 520
Total expenses		241 256 996	188 239 041	245 899 105	196 577 411
Other gains / losses		1 075 944	838 926	1 062 864	834 215
Gain / (Loss) on sale of assets	31	-851 156	-430 274	-864 236	-434 985
Gain / (Loss) on fair value adjustment	32	1 927 100	1 269 200	1 927 100	1 269 200
Surplus / (Deficit) for the period before tax		-23 906 176	-5 233 467	-22 002 064	-5 428 753
Taxation		-	-	-	-
Surplus / (Deficit) for the period		-23 906 176	-5 233 467	-22 002 064	-5 428 753

STATEMENT OF CHANGES IN NET ASSETS

	NKONKOBE			GROUP		
	Revaluation reserve	Accumulated surplus / (deficit)	Total Net Assets	Revaluation reserve	Accumulated surplus / (deficit)	Total Net Assets
R	R	R	R	R	R	
Balance at 01 July 2012	2 659 100	281 024 063	283 683 163	2 659 100	281 484 466	284 143 566
Changes in accounting policy		-	-		-	-
Correction of prior period error		-7 985 090	-7 985 090		-9 404 079	-9 404 079
Balance at 01 July 2013 - Re-stated	2 659 100	273 038 973	275 698 073	2 659 100	272 080 387	274 739 487
Surplus/ (deficit) for the period	-	-5 233 467	-5 233 468	-	-4 009 762	-4 009 762
Balance at 30 June 2013 - Re-stated	2 659 100	267 805 506	270 464 605	2 659 100	268 070 625	270 729 725
Surplus/ (deficit) for the period	-	-23 906 176	-23 906 176	-	-22 002 064	-22 002 064
Movement					554	554
Balance at 30 June 2014	2 659 100	243 899 330	246 558 429	2 659 100	246 069 116	248 728 215

	NKONKOBÉ		GROUP	
	2014	2013 Re-stated	2014	2013 Re-stated
Note	R	R	R	R
Cash flows from operating activities				
Receipts	216 274 617	182 166 647	224 904 841	190 097 657
Property Rates	35 299 594	19 393 434	35 299 594	19 393 434
Other Operating Revenue	3 053 556	2 655 146	3 053 556	2 655 146
Service charges	37 666 131	38 553 231	37 666 131	38 553 231
Grants	133 592 189	117 336 641	142 043 399	125 245 220
Interest, Dividends and Rent on land	3 992 960	2 717 389	4 171 974	2 739 820
Fines, penalties and forfeits	196 955	113 130	196 955	113 130
Other Receipts	2 473 232	1 397 676	2 473 232	1 397 676
Payments	167 301 653	148 092 158	176 704 473	157 014 993
Compensation of Employees	92 453 261	77 837 438	92 453 261	77 837 438
Goods and Services	62 621 539	60 668 889	72 024 359	69 591 724
Interest paid	394 559	285 520	394 559	285 520
Other payments	11 832 294	9 300 311	11 832 294	9 300 311
Net cash flows from operating activities	48 972 964	34 074 489	48 200 368	33 082 664
Cash flows from investing activities				
Purchase of assets	-45 066 185	-32 569 740	-45 066 185	-32 569 740
Proceeds from sale of property, plant and equipment	-	-65 468	-942 973	-142 871
Purchase of other intangible assets	144 103	-81 789	144 103	-81 789
Purchase of other assets	-	-	-	-
Net cash flows from investing activities	-44 922 082	-32 716 997	-45 865 055	-32 794 400
Cash flows from financing activities				
Payments on borrowings	-3 201 979	-	-3 201 979	-
Movement in finance lease obligations	1 299 389	68 939	1 299 389	68 939
Net cash flows from financing activities	-1 902 590	68 939	-1 902 590	68 939
Net increase/(decrease) in cash and cash equivalents	2 148 292	1 426 431	432 723	357 203
Cash and cash equivalents at beginning of year	1 115 969	-310 452	5 682 487	5 325 296
Cash and cash equivalents at the end of the year	3 264 261	1 115 979	6 115 210	5 682 499

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

GRAP Standard	Effective date
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:

Land & Buildings	Useful Life Range in Years
<i>Buildings</i>	15 - 50
<i>Land</i>	Indefinite Life
Infrastructure Assets	Useful Life Range in Years
<i>Roads and Pavings</i>	3 - 50
<i>Electricity Reticulation & Supply</i>	10 - 80
<i>Sewerage Mains & Purification Works</i>	15 - 80
<i>Waste Disposal Facilities</i>	20 - 100
<i>Water Supply & Reticulation</i>	10 - 50
Other Assets	Useful Life Range in Years
<i>Vehicles</i>	5
<i>Office Furniture & 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
Community Assets	Useful Life Range in Years
<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
Finance lease assets	
<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>	Useful life range
<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.

1 Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	NKONKOBÉ		NEDA		GROUP	
	2014	2013	2014	2013	2014	2013
	R	Re-stated R	R	R	R	Re-stated R
Cash on hand	3 698	-	1 433	109	5 131	109
Cash at bank	2 468 386	1 105 797	34 410	48 111	2 502 796	1 153 907
Call deposits	9 076	10 172	2 815 105	4 518 299	2 824 182	4 528 471
Other	783 100	-	-	-	783 100	-
	3 264 261	1 115 969	2 850 949	4 566 519	6 115 209	5 682 487

The entity has the following bank accounts: -

ABSA

Cheque Account : 4081716725

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

	-	-	-	-	-	-
	2 215 425	-	-	-	2 215 425	-
	-	-	-	-	-	-
	2 369 568	-	-	-	2 369 568	-

Current Account (Primary Bank Account)

ABSA - 4076575039

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

			34 410	48 111	34 410	48 111
			48 111	531 534	48 111	531 534
			34 410	48 111	34 410	48 111
			48 111	531 534	48 111	531 534
			34 410	48 111	34 410	48 111

Current Account (Other Account)

ABSA - WETLANDS 4076575291

ABSA - NEDA 9250166073

ABSA - WETLANDS 9250166528

ABSA - MTN - 9253191122

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

			53	200	53	200
			1 801 739	3 351 378	1 801 739	3 351 378
			-3	1 000	-3	1 000
			1 013 317	1 165 721	1 013 317	1 165 721
			4 518 299	5 104 115	4 518 299	5 104 115
			2 815 105	4 518 299	2 815 105	4 518 299
			4 518 299	4 518 299	4 518 299	-
			2 815 105	4 518 299	2 815 105	4 518 299

FNB

Cheque Account : 62026192336

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

	1 105 797	(320 548)			1 105 797	(320 548)
	252 961	1 105 797			252 961	1 105 797
	1 120 891	2 207 669			1 120 891	2 207 669
	252 961	1 120 891			252 961	1 120 891

Cash on hand

Other

Call Account

Total bank overdraft

Total cash and cash equivalent

	-	-	1 433	109	1 433	109
	795 876	10 172				
	-	-				
	-	-				
	3 264 262	1 115 969	2 850 949	4 566 518	6 115 210	5 682 487

2 Trade and Other Receivables from Exchange Transactions

	GROUP		
	Gross Balances	Provision for Doubtful Debts	Net Balance
	R	R	R
Balance as at 30 June 2014			
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
Total Trade and other receivables as at 30 June 2014	25 249 900	-15 591 606	9 658 294
Balance as at 30 June 2013			
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
Total Trade and other receivables as at 30 June 2013	19 122 113	-5 740 287	13 381 826
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
Total		15 241 397	10 044 947

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
Total		6 633 072	5 439 123

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
Total		3 375 430	6 000 989

2 Trade and Other Receivables from Exchange Transactions

Summary of Debtors by Customer Classification

	Consumers R	Industrial / Commercial R	Provincial and National Government R	Total
as at 30 June 2014				
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	30 291 807	5 748 607	16 242 750	52 283 163
Less: Provision for doubtful debts	-13 104 675	-2 486 931	-	-15 591 606
Total debtors by customer classification	17 187 132	3 261 676	16 242 750	36 691 558

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	27 977 296	8 108 033	2 872 465	38 957 794
Less: Provision for doubtful debts	-7 811 285	-2 263 770	-	-10 075 055
Total debtors by customer classification	20 166 011	5 844 263	2 872 465	28 882 739

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		23 674 141	14 119 471

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
Balance at end of year		15 591 605	5 740 287

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
		6 197 091	3 334 802

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

3 Other Receivables from Non-Exchange Transactions

	NKONKOBE		NEDA		GROUP	
	2014 R	2013 R	2014 R	2013 R	2014 R	2013 R
Property Rates	39 924 244	25 538 839			39 924 244	25 538 839
Provision for doubtful debts	-11 026 950	-4 334 768			-11 026 950	-4 334 768
Subtotal	28 897 294	21 204 071	-	-	28 897 294	21 204 071
Recoverable Expenditure	-	-			-	-
Sundry Debtors			760 682	121 071	239 455	121 071
Total Other Debtors	28 897 294	21 204 071	760 682	121 071	29 136 749	21 325 142
					21 325 142	
Rates: Ageing						
Current (0 – 30 days)	796 824	621 809	643 824	121 071	1 440 648	742 880
31 - 60 Days	717 441	520 625			717 441	520 625
61 - 90 Days	680 846	964 723			680 846	964 723
90+ Days	37 729 132	16 347 082	116 858		37 845 990	16 347 082
Total	39 924 244	18 454 239	760 682	121 071	40 684 926	18 575 310
Reconciliation of the doubtful debt provision						
Balance at beginning of the year	4 334 768	2 219 560			4 334 768	2 219 560
Contributions to provision (Note 24)	11 031 331	2 115 208			11 031 331	2 115 208
Doubtful debts written off against provision		-			-	-
Reversal of provision		-			-	-
Balance at end of year	15 366 099	4 334 768	-	-	15 366 099	4 334 768

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

Carrying value of inventory	686 706	931 939	686 706	931 939
Inventory consist of:				
Consumable stores	686 706	931 939	686 706	931 939

5 Property, Plant and Equipment

5.1 Reconciliation of Carrying Value

	2014			2013 (Re-stated)		
	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	11 354 831	-8 967 389	2 387 442	10 883 641	-6 671 608	4 212 032
Infrastructure	155 106	-	155 106	-	-	-
Capital Work in Progress	17 834 866	-	17 834 866	16 094 771	-	16 094 771
Furniture & Fittings	4 391 051	-3 012 840	1 378 211	4 296 306	-2 698 424	1 597 882
Plant, Machinery & Equipment	28 999 830	-7 952 731	21 047 099	13 663 405	-4 472 629	9 190 776
Computer Equipment	2 577 804	-1 767 449	810 354	2 229 992	-1 291 931	938 061
Parks and Recreation	14 764 552	-2 992 388	11 772 164	14 764 531	-2 389 025.50	12 375 505
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	529 166	-473 806	55 361
Total	402 711 493	-119 618 581	283 092 913	370 047 181	-93 493 783	276 553 398

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	4 212 032	888 846	-417 655	-	-2 295 781	-	-	2 387 442
Infrastructure	-	155 406	-	-	-	-	-	155 406
Capital Work in Progress	13 602 065	14 404 704	-	-10 171 903	-	-	-	17 834 866
Furniture & Fittings	1 597 882	301 452	-206 707	-	-314 715	-	-	1 377 912
Plant, Machinery & Equipment	9 190 775	15 343 380	-6 955	-	-3 480 102	-	-	21 047 098
Computer Equipment	938 062	396 548	-48 736	-	-475 519	-	-	810 355
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
Total	276 553 398	37 726 326	-4 678 067	-	-26 508 745	-	-	283 092 913

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	5 996 418	43 762	-	-	-1 828 148	-	-	4 212 032
Capital Work in Progress	-	13 602 065	-	-	-	-	-	13 602 065
Furniture & Fittings	1 914 199	404 234	-345 135	-	-375 417	-	-	1 597 882
Plant, Machinery & Equipment	10 711 561	268 421	-4 475	-	-1 784 731	-	-	9 190 775
Computer Equipment	410 079	901 260	-19 909	-	-353 368	-	-	938 062
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
Total	278 885 479	20 683 038	-369 518	1 583 600	-24 229 201	-	-	276 553 398

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 lien attachment or any other legal claim by a third
- 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 your rights or assign your 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.

NKONKOBE LOCAL MUNICIPALITY

Group Annual Financial Statements
Notes to the Financial Statements
for the year ending 30 June 2014

	2014	2013
	R	R
5.4 Property, plant and equipment pledged as security		Re-stated
None	<u>-</u>	<u>-</u>
5.5 Capitalised expenditure		
<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>
2013		
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>
5.6		
Property, Plant and Equipuiment		112 222
Computer Equipment		8 058
Buildings		17 239
		5 800
		<u>143 319</u>
5.7		
The municipality carries Property, Plant and Equipment at cost less accumulated depreciation. No		
5.8 Contractual commitments for the acquisition of property, plant and equipment		
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
Total	<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			-			-
Total	805 687	-476 893	328 794	377 973	-318 645	59 329

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
Total	59 329	427 714	-	-	144 103	-	342 939

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
Total	186 359	81 798	-	-	-208 828	-	59 329

6.4 Intangible Assets pledged as security

	2014	2013
Computer Software	-	-
Other	-	-

NKONKOBÉ LOCAL MUNICIPALITYGroup Annual Financial Statements
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for the year ending 30 June 2014**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
Total	17 675 900	-	-	-	1 962 200	21 221 700

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
Total	19 451 200	-	-	-1 775 300	-	17 675 900

NKONKOBE LOCAL MUNICIPALITY

Group Annual Financial Statements

Notes to the Financial Statements

for the year ending 30 June 2014

	GROUP	
	2014	2013
	R	Re-stated R
7.4 Investment property pledged as security		
Asset:		
Vacant Land	-	-
Land	-	-
Buildings	-	-
	<u>-</u>	<u>-</u>
7.5 Restriction to the title of Investment property		
There are currently no restrictions to the title of the Investment property owned by the municipality.		
7.6 Details of property		
<i>Vacant Land (Various ERFs)</i>		
Purchase price:	14 599 100	14 599 100
Additions/Revaluations since purchase	2 661 237	2 661 237
Capitalised expenditure	-	-
	<u>17 260 337</u>	<u>17 260 337</u>
<i>Land (Municipal Land rented out)</i>		
Purchase price:	54 400	54 400
Additions/Revaluations since purchase	54 400	5 500
Capitalised expenditure	-	-
	<u>108 800</u>	<u>59 900</u>
<i>Buildings (Municipal Buildings rented out)</i>		
Purchase price	2 000 400	2 000 400
Additions/Revaluations since purchase	337 463	337 463
Capitalised expenditure	-	-
	<u>2 337 863</u>	<u>2 337 863</u>
Total	<u>19 707 000</u>	<u>19 658 100</u>
Rental income from investment property	141 270	141 270

Due to the number of the properties, it is not practical to disclose details of each property in the financial statements. A register indicating the full details of every property is available on request from the registered office of the municipality

Details of valuation

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

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

These assumptions are based on current market conditions.

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

Vacant Land	14 599 100	14 599 100
Land	54 400	54 400
Buildings	1 814 316	1 814 316
	<u>16 467 816</u>	<u>16 467 816</u>

	NKONKOBÉ		NEDA		GROUP	
	2014 R	2013 Re-stated R	2014 R	2013 Re-stated R	2014 R	2013 Re-stated R
8 Trade and Other Payables from Exchange Transactions						
Trade creditors	35 750 069	29 175 367	27 598	118 977	35 256 441	29 294 344
Staff leave and bonus accrual	6 938 649	4 641 627	129 293	50 769	7 067 942	4 692 396
Other creditors	1 809 857	1 656 293			1 809 857	1 656 293
Subtotal	44 498 575	35 473 287	156 891	169 746	44 134 239	35 643 033
Payments received in advance	11 754 778	3 389 344	-	-	11 754 778	3 389 344
Total Trade and other payables	56 253 353	38 862 632	156 891	169 746	55 889 017	39 032 378

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.

9 Consumer Deposits						
Electricity and Water	1 268 830	1 198 251			1 268 830	1 198 251
Total consumer deposits	1 268 830	1 198 251			1 268 830	1 198 251

Consumer deposits collected do not accrue any interest .

10 VAT Receivable						
VAT receivable	2 455 629	258 020			2 455 629	258 020

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.

11 Unspent Conditional Grants and Receipts

	NKONKOBE		NEDA		GROUP	
	2014 R	2013 Re-stated R	2014 R	2013 Re-stated R	2014 R	2013 Re-stated R
Unspent Conditional Grants from other spheres of Government						
EQUITABLE SHARE	-	-	-	-	-	-
MIG	-	-	-	-	-	-
MSG	-	-	-	-	-	-
FMC	-	-	-	-	-	-
INTERGRATED NATIONAL ELECTRIFICATION PROGRAMME	2 096 061	0			2 096 061	-
INDUSTRIAL DEVELOPMENT CORPORATION			1 664 118	2 101 320	1 664 118	2 101 320
DEPARTMENT OF ENVIRONMENTAL AFFAIRS AND TOURISM			-	1 441 016	-	1 441 016
MTN FOUNDATION			849 999	1 165 721	849 999	1 165 721
ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT	1 975 301	0			1 975 301	-
LIBRARY GRANTS	-	-	-	-	-	-
EXPANDED PUBLIC WORKS PROGRAMME	-	-	-	-	-	-
ECDLGT - GREENING AND BEAUTIFICATION (OTHER)	714 164	14 164			714 164	14 164
LSDF - MIDDLEDRIFT SPATIAL DEVELOPMENT FRAMEWORK	147 392	147 392			147 392	147 392
Total Unspent Conditional Grants and Receipts	4 932 919	161 557	2 514 117	4 708 057	7 447 036	4 869 614
Non-current unspent conditional grants and receipts	-	-	-	-	-	-
Current portion of unspent conditional grants and receipts	4 932 919	161 557	2 514 117	4 708 057	7 447 036	4 869 614

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

12 Finance Lease Liability (Plant)

	GROUP		
	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	-	-	-
	15 768 493	1 731 414	14 037 079
	-5 746 352	-1 025 921	-4 720 431
	10 022 140	705 492	9 316 648

The above disclosed lease relates to high purchase of plant items payments of which are to be recovered from Municipal Infrastructure Grant. Interest rate is set at 11.5% for a period of three years, with a commencement date of 06/02/2014.

13 Finance Lease Liability (Computer Equipment)

2014

Amounts payable under finance leases

Within one year
 Within two to five years
 Later than five years

Less: Amount due for settlement within 12 months

GROUP		
Minimum lease payment R	Future finance charges R	Present value of minimum lease R
86 847	7 427	94 274
37 161	799	112 242
-	-	-
124 008	8 226	244 476
-86 847	-7 427	-179 018
37 161	799	65 458

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.

2013

Amounts payable under finance leases

Within one year
 Within two to five years
 Later than five years

Less: Amount due for settlement within 12 months

GROUP		
Minimum lease payment R	Future finance charges R	Present value of minimum lease R
300 523	25 677	274 846
160 500	8 196	152 305
-	-	-
461 024	33 872	427 151
-300 523	-25 677	-274 846
160 500	8 196	152 305

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

Opening Balance
 Amounts Used
 Movements
 Closing Balance

GROUP		
Provision for rehabilitation of landfill sites R	Provision for long-service awards R	Total R
2 560 400	3 491 552	6 051 952
-54 807	-	-54 807
-	315 901	315 901
2 505 593	3 807 453	6 313 046

Reconciliation of Movement in Provision - 2013

Opening Balance
 Amounts Used
 Movements
 Closing Balance

Provision for rehabilitation of landfill sites R	Provision for long-service awards R	Total R
2 510 047	2 477 211	4 987 258
-	-103 242	-103 242
50 353	1 117 583	1 167 936
2 560 400	3 491 552	6 051 952

Provision for rehabilitation of landfill sites

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

Principal assumptions:

Airspace utilisation factor 0,75 tons per m3
 Volumetric ration of cover material to waste 1:4
 Height of waste from lowest level 2 meters
 Rehabilitation (Cleaning and covering) 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.

Principal actuarial assumptions:

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

	NKKOBE		NEDA		GROUP	
	2014 R	2013 R	2014 R	2013 R	2014 R	2013 R
15 Property Rates						
Actual						
Residential	3 631 346	2 575 946	-	-	3 631 346	2 575 946
Commercial	4 723 161	3 843 482	-	-	4 723 161	3 843 482
Light Industries	24 881 159	11 828 294	-	-	24 881 159	11 828 294
Heavy Industries	1 302 153	1 247 077	-	-	1 302 153	1 247 077
State	-	-101 364	-	-	-	-101 364
Multy Purpose	116 143 24	-	-	-	116 143 24	-
Church	69	-	-	-	69	-
Industrial	32	-	-	-	32	-
Privately owned town	553 102	-	-	-	553 102	-
Vacant	92 429	-	-	-	92 429	-
Total property rates	35 299 594	19 393 434	-	-	35 299 594	19 393 434
Property rates - penalties imposed and collection charges	-	-	-	-	-	-
Total	35 299 594	19 393 434	-	-	35 299 594	19 393 434
Valuations						
Residential	884 949 644	973 467 444	-	-	884 949 644	973 467 444
Commercial	958 259 930	960 073 923	-	-	958 259 930	960 073 923
State	1 311 563 046	685 585 813	-	-	1 311 563 046	685 585 813
Municipal	-	103 267 542	-	-	-	103 267 542
Other	165 190 288	-	-	-	165 190 288	-
Total Property Valuations	3 319 962 908	2 722 394 722	-	-	3 319 962 908	2 722 394 722
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.						
16 Service Charges						
Sale of electricity	28 225 759	29 666 695	-	-	28 225 759	29 666 695
Refuse removal	9 440 372	8 896 226	-	-	9 440 372	8 896 226
Total Service Charges	37 666 131	38 562 921	-	-	37 666 131	38 562 921
17 Rental of Facilities and Equipment						
Rental of facilities	287 905	263 835	-	-	287 905	263 835
- Straight-lined operating lease receipts	286 395	262 325	-	-	286 395	262 325
- Contingent rentals	-	-	-	-	-	-
Other rentals	1 510	1 510	-	-	1 510	1 510
Total rentals	287 905	263 835	-	-	287 905	263 835
18 Interest Earned - External Investments						
Bank	189 803	93 735	179 014	22 431	368 817	116 166
Financial assets	400 602	806 237	-	-	400 602	806 237
Other	-	-	-	-	-	-
Total Interest	590 406	899 972	179 014	22 431	769 420	922 403
19 Interest Earned - Outstanding Receivables						
Receivables	3 402 554	1 817 417	-	-	3 402 554	1 817 417
Total Interest	3 402 554	1 817 417	-	-	3 402 554	1 817 417
20 Government Grants and Subsidies						
Reconciliation of Movement in Grant - 2014						
	Balance unspent at beginning of year	Current year receipts	Conditions met - transferred to revenue		Conditions still to be met - remain liabilities	
	R	R	R	R	R	R
Equitable share	-	94 338 000	-	-	94 338 000	-
MIG	-	29 147 000	-	-	29 147 000	-
MSIG	-	890 000	-	-	890 000	-
FMSG	-	1 650 000	-	-	1 650 000	-
Integrated 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)	14 184	700 000	-	-	-	714 184
LSDIF - middle/credit spatial development framework	147 392	-	-	-	-	147 392
Industrial Development Corporation Grant (IDC)	2 101 320	3 737 500	-	-	4 174 702	1 664 118
Department of Environmental Affairs and Tourism Grant (DEAT)	-	-	-	-	-	-
Wetlands	1 441 015	-	-	-	1 441 016	-
MTN Foundation Grant	1 165 721	300 000	-	-	615 722	849 999
Nkonkobe Local Municipality	-	0	-	-	0	-
MTN - Debtor	-	122 598	-	-	122 598	-
LGSITA	-	57 851	-	-	57 851	-
Total Government Grant and Subsidies	4 869 613	142 523 649	179 014	22 431	139 946 227	7 447 036

Reconciliation of Movement in Grant - 2013

	Balance unspent at beginning of year		Current year receipts		Conditions met - transferred to revenue		Conditions still to be met - remain liabilities	
	R	R	R	R	R	R	R	R
Equitable Share	-	86 351 000	-	86 351 000	86 351 000	-	-	-
MIG Grant	-	26 315 000	-	26 315 000	26 315 000	-	-	-
MISIG	-	800 000	-	800 000	800 000	-	-	-
FMG	-	1 500 000	-	1 500 000	1 500 000	-	-	-
LED Capacity Grant	23 242	240 632	-	240 632	249 709	-	14 164	-
LED Strategy Grant	147 392	-	-	-	-	-	147 392	-
Sports Arts and Culture Grant	-	801 000	-	801 000	801 000	-	-	-
Expanded Public Works Programme (EPWP)	-	1 181 000	-	1 181 000	1 181 000	-	-	-
Provincial LED projects 1	-	138 931	-	138 931	138 931	-	-	-
Industrial Development Corporation Grant (IDC)	249 385	3 000 000	-	3 000 000	1 148 065	-	2 101 320	-
Department of Environmental Affairs and Tourism Grant (DEAT)	-	-	-	-	-	-	1 441 015	-
Wetlands	3 536 580	2 452 061	-	2 452 061	4 547 626	-	1 165 721	-
MTN Foundation Grant	1 043 512	634 046	-	634 046	511 837	-	-	-
Nkonkobe Local Municipality	-	-	-	-	-	-	-	-
Aspire	-	175 000	-	175 000	175 000	-	-	-
Amatole District	-	162 809	-	162 809	162 809	-	-	-
Total Government Grant and Subsidies	5 000 112	123 751 478	-	-	123 881 977	-	4 869 613	-

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

	NKKONKOB		NEDA		GROUP	
	2014 R	2013 R	2014 R	2013 R	2014 R	2013 R
Sundry income	-	-	-	1 539 713	-	1 539 713
Other Income(NEDA)	-	-	26 249	40 315	26 249	40 315
Revenue from Exchange Transactions - Sale of goods and services	2 473 491	1 397 986	-	-	2 473 491	1 397 986
Total	2 473 491	1 397 986	26 249	1 580 028	2 499 740	2 978 014

22 Fines, Penalties and Forfeits

	NKKONKOB		NEDA		GROUP	
	2014 R	2013 R	2014 R	2013 R	2014 R	2013 R
Fines	196 955	113 130	-	-	196 955	113 130
Total	196 955	113 130	-	-	196 955	113 130

23 Employee Related Costs

	NKKONKOB		NEDA		GROUP	
	2014 R	2013 R	2014 R	2013 R	2014 R	2013 R
Employee related costs - Salaries and Wages	44 976 512	36 516 945	2 090 151	1 235 467	47 066 663	37 752 412
Employee related costs - Contributions for UIF, pensions and medical aids	9 970 760	6 994 715	71 021	51 108	10 041 781	7 045 823
Travel, motor car, accommodation, subsistence and other allowances	5 084 699	2 904 941	-	-	5 084 699	2 904 941
Housing benefits and allowances	367 176	429 765	-	-	367 176	429 765
Overtime payments	1 941 175	1 989 717	-	-	1 941 175	1 989 717
Performance and other bonuses	4 356 399	2 418 105	-	-	4 356 399	2 418 105
Long-service awards	5 897 522	1 117 584	-	-	5 897 522	1 117 584
Other employee related costs	3 978 330	11 046 387	538 802	292 784	4 517 132	11 339 171
Waterland Project Wages	-	-	494 792	3 042 476	494 792	3 042 476
Employee Related Costs	76 572 574	63 418 158	3 194 766	4 621 835	79 767 340	68 039 993

Remuneration of the Municipal Manager

	NKKONKOB		NEDA		GROUP	
	2014 R	2013 R	2014 R	2013 R	2014 R	2013 R
Annual Remuneration	582 135	519 571	-	-	582 135	519 571
Travel, motor car, accommodation, subsistence and other allowances	390 608	347 648	-	-	390 608	347 648
Reimbursement Allowance (S&T)	33 438	55 478	-	-	33 438	55 478
Contributions to UIF, Medical and Pension Funds	10 696	10 229	-	-	10 696	10 229
Total	1 016 877	932 926	-	-	1 016 877	932 926

Remuneration of the Acting Chief Finance Officer					
Annual Remuneration	415 207	295 419		415 207	295 419
Travel, motor car, accommodation, subsistence and other allowances	299 464	247 255		299 464	247 255
Reimburse Allowance (S&T)	20 484	6 590		20 484	6 590
Contribution to UIF, Medical and Pension Fund	103 018	8 141		103 018	8 141
Total	838 174	557 405	-	838 174	557 405

Remuneration of the Chief Executive Officer (NEDA)					
Annual Remuneration			761 376	486 475	761 376
Performance- and other bonuses			-	-	-
Travel, motor car, accommodation, subsistence and other allowances			29 236	-	29 236
Contributions to UIF, Medical and Pension Funds			-	-	-
Total	-	-	790 612	486 475	790 612

Remuneration of the Finance Manager (NEDA)					
Annual Remuneration			345 004	322 928	345 004
Performance- and other bonuses			-	-	-
Travel, motor car, accommodation, subsistence and other allowances			9 475	-	9 475
Contributions to UIF, Medical and Pension Funds			-	-	-
Total	-	-	354 479	322 928	354 479

Remuneration of Individual Executive Directors - 2014

	Annual Remuneration	Reimbursable travel allowance	Travel, motor car, accommodation, subsistence and other allowances	Contributions to UIF, Medical and Pension Funds	Total
	R	R	R	R	R
Technical Services	505 833	12 813	328 794	9 660	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	4 440	308 291	81 290	719 921
Total	1 606 441	36 943	1 143 314	198 346	2 985 045

Remuneration of Non Executive Directors - 2014

	Board Stipend	S & T	Total
	R	R	R
M.Pebane	23 715	7 706	31 421
V.V Nkomana	21 080	-	21 080
F. Maqwati	28 985	16 635	45 620
M. Nyweba	23 715	6 432	30 147
M.Pebane	-	-	-
V.V Nkomana	-	-	-
F. Maqwati	-	-	-
M. Nyweba	-	-	-
Other	-	4 268	4 268
	97 495	35 042	132 537

Remuneration of Individual Executive Directors - 2013

	Annual Remuneration	Reimbursable travel allowance	Travel, motor car, accommodation, subsistence and other allowances	Contributions to UIF, Medical and Pension Funds	Total
	R	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
Total	853 338	38 249	635 430	21 639	1 548 656

Total employee costs

81 412 669 **66 457 145**

REMUNERATION OF DIRECTORS

	Board Stipend	S & T	Total
	R	R	R
M.Pebane	32 500	6 381	38 881
V.V Nkomana	22 500	148	22 648
F. Maqwati	27 500	15 219	42 719
M. Nyweba	17 500	3 757	21 257
	100 000	25 505	125 505

24 Remuneration of Councillors

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

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

26 Repairs and Maintenance

Repairs and maintenance expense	7 922 770	8 768 260	42 754	12 159	7 965 524	8 780 419
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27 Depreciation and Amortisation Expense

Property, plant and equipment	27 706 567	24 004 088	156 062	134 048	27 862 629	24 138 136
Intangible assets	144 103	208 828	-	-	144 103	208 828
Total Depreciation and Amortisation	27 850 670	24 212 916	156 062	134 048	28 006 732	24 346 964

28 Finance Costs

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

	NKKOBE		NEDA		GROUP	
	2014 R	2013 R	2014 R	2013 R	2014 R	2013 R
29 General Expenses						
Included in general expenses are the following:-						
Advertising	638 311	680 121	65 056	66 104	703 367	746 225
Audit fees	3 881 947	1 789 775	1 592 149	733 242	4 774 127	2 523 017
Admin general fees	213 761	223 357	47 135	629 339	47 135	629 339
Bank charges	-53 830	180 153	18 924	27 153	232 685	250 510
Bursaries	288 420	236 739	3 257	3 005	-53 830	180 153
Cleaning			29 677	48 991	291 677	239 745
Consumables	3 702 958	3 272 275			29 677	48 991
Conferences and delegations	8 357 346	6 366 155	581 433	1 032 381	3 702 958	3 272 275
Consulting fees		431 853			0	431 853
Consumables	193 309	362 096			193 309	362 096
Commission	37 244	17 908			37 244	17 908
Donation	319 521	351 077			319 521	351 077
Entertainment			2 250	12 001	2 250	12 001
Community Consultation			37 629	28 102	37 629	28 102
Entertainment						
Events	1 750 883	180 685			1 750 883	180 685
Audit committee	131 465	75 752			131 465	75 752
Employee wellness	175 685	59 209			175 685	59 209
Electricity			84 117	-	84 117	-
Fuel and oil	2 974 456	2 772 897	57 050	78 000	3 031 506	2 850 897
Insurance	966 512	767 503			966 512	767 503
Insurance			32 700	26 532	32 700	26 532
Legal expenses	342 788	259 517	32 816	11 400	375 605	270 917
Levies paid					0	-
Licence fees - vehicles	273 003	248 524			273 003	248 524
Licence fees - TV	3 096	-			3 096	-
Membership fees		4 035			0	4 035
Masambe Recoverable				4 213	0	4 213
Movement in provision for rehabilitation of landfill sites		-1 065 922			0	-1 065 922
Postage	227 298	369 824			227 298	369 824
Printing and stationery	446 968	707 540	43 512	46 811	490 480	754 350
Postage & courier			1 165	1 193	1 165	1 193
Rental of office equipment	1 776 808	1 673 122	22 196	12 750	1 799 004	1 685 872
Other rentals		125 660			0	125 660
Ward committee Activity	2 596 116				2 596 116	
Wetlands project expenditure			610 212	1 752 378	610 212	1 752 378
Security costs	225 541	263 431	6 730	36 507	232 271	299 938
Subscription & publication			6 522	1 058	6 522	1 058
Special Programmes	1 422 364	62 108			1 422 364	62 108
Skills development levies	544 042				544 042	
Social Responsibility			33 423	-	33 423	-
Staff Expenses			4 290	-	4 290	-
Stocks and material	549 004	115 786			549 004	115 786
Subscription & publication	1 100 966	895 023			1 100 966	895 023
Telephone cost	3 122 037	3 000 168	136 922	115 818	3 258 959	3 115 985
Training	1 055 111	846 749	103 989	4 090	1 159 100	850 839
Travel and subsistence - Local	3 938 762	94 314			3 938 762	94 314
Transport				24	0	24
Travel and subsistence			287 523	261 579	287 523	261 579
Uniforms & overalls	463 647	451 542			463 647	451 542
Valuation costs	1 409 551	1 150 680			1 409 551	1 150 680
CO-OP	1 033 160				1 033 160	
Water and Sanitation	2 527 612	900 000			2 527 612	900 000
Other	4 062 212	5 553 927		900	4 062 212	5 554 827
	50 698 074	33 423 584	3 840 676	4 933 570	53 838 781	38 357 154
30 Bulk Purchases						
Electricity	27 008 479	26 229 289			27 008 479	26 229 289
Total Bulk Purchases	27 008 479	26 229 289	-	-	27 008 479	26 229 289
31 Gain / (Loss) on Sale of Assets						
Loss on scrapping of assets	851 156	-430 274	13 080	-4 711	864 236	-434 985
Total Gain / (Loss) on Sale of Assets	851 156	-430 274	13 080	-4 711	864 236	-434 985
32 Profit / (Loss) on Fair Value Adjustment						
Investment property carried at fair value	1 927 100	1 269 200			1 927 100	1 269 200
Total Profit / (Loss) on Fair Value Adjustment	1 927 100	1 269 200	-	-	1 927 100	1 269 200

33 Employee Benefits
33.1 Defined Benefit Plans

	NKONKOBE		NEDA		GROUP	
	2014 R	2013 R	2014 R	2013 R	2014 R	2013 R
Statement of Financial Position						
Post employment medical benefits	18 479 000	13 381 304	-	-	18 479 000	13 381 304
Other long-term employee benefits						
Total	18 479 000	13 381 304			18 479 000	13 381 304
Statement of Financial Performance						
Pension benefits						
Post employment medical benefits	5 266 550	1 087 416				
Other long-term employee benefits						
Defined contribution fund expenses						
Total	5 266 550	1 087 416				

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.

	2014	2013	2012	2011
Medical benefits				
Present value of unfunded obligations				
Present value of funded obligations	18 479 000	13 381 304	12 445 195	14253000
Total present value of obligations				
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

Changes in the present value of the defined benefit obligation are as follows:

	2014 R	2013 R	2014 R	2013 R
Defined benefit obligation as at 1 July	13 381 304	12 445 195	13 381 304	12 445 195
Current service costs	942 574	680 239	942 574	680 239
Interest costs	1 193 200	982 666	1 193 200	982 666
Contributions by plan participants	-	-	-	-
Actuarial losses/(gains)	3 130 776	-575 489	3 130 776	-575 489
Exchange differences	-	-	-	-
Benefits paid	-168 854	-151 307	-168 854	-151 307
Other	-	-	-	-
Defined benefit obligation as at 30 June	18 479 000	13 381 304	18 479 000	13 381 304
Current service costs	942 574	680 239	942 574	680 239
Interest costs	1 193 200	982 666	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	3 130 776	-575 489
Past service costs	-	-	-	-
Losses on curtailments	-	-	-	-
Other (please specify)	-	-	-	-
Total Expense	5 266 550	1 087 416	5 266 550	1 087 416

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

	2014 R	2013 R	2014 R	2013 R
Sensitivity Analysis				
1% Increase in healthcare costs would the following effects				
Effect on the aggregate current service cost and interest cost	16 279 000	2 010 200	16 279 000	2 010 200
Effect on the defined benefit obligation	5 676	15,82	5 676	15,82
1% Decrease in healthcare costs would the following effects				
Effect on the aggregate current service cost and interest cost	11 006 000	1 390 900	11 006 000	1 390 900
Effect on the defined benefit obligation	4 701	11,44	4 701	11,44
A one year age reduction in the assumed rates of post retirement mortality				
Effect on the aggregate current service cost and interest cost	13 804 000	1 724 600	13 804 000	1 724 600
Effect on the defined benefit obligation	5 380	13,90	5 380	13,90
A one year decrease in the assumed average retirement age				
Effect on the aggregate current service cost and interest cost	14 466 000	1 696 300	14 466 000	1 696 300
Effect on the defined benefit obligation	5 153	14,15	5 153	14,15

	NKONKOBÉ		GROUP	
	2014 R	2013 R	2014 R	2013 R
34 Grants and Subsidies Paid				
Nkonkobe Economic Development Agency (NEDA)	1 370 953	1 363 242	-0	-
Indigent Subsidy (Free Basic Electricity)	8 942 095	4 380 510	8 942 095	4 380 510
Other	200 000	3 556 558	200 000	3 556 558
	10 513 049	9 300 311	9 142 095	7 937 068
35 Cash flows from operating activities				
Surplus/(deficit) for the year from:				
Continuing operations	33 286 314	-5 233 468	35 190 427	-5 428 753
Adjustment for:-				
Depreciation and amortisation	27 850 670	24 212 916	28 006 732	24 346 964
Loss on sale of assets	851 156	-430 274	838 076	-425 563
Interest received - investment	-	-	-	-
Finance costs	-	-	-	-
Movements in provisions	16 584 384	1 900 728	16 611 098	1 900 728
Operating surplus before working capital changes:	78 572 524	20 449 902	80 646 333	20 393 375
(Increase)/Decrease in Inventories	245 734	-323 553	245 734	-323 553
(Increase)/Decrease in Trade and other receivables	-22 587 544	-3 502 527	-23 227 155	-3 623 598
(Increase)/Decrease in VAT Receivable	-	1 380 321	-	1 380 321
Increase/(Decrease) in Trade and other payables	7 581 066	17 597 205	7 568 211	16 904 395
Increase/(Decrease) in conditional grants and receipts	4 771 362	-9 077	2 577 422	-130 497
Increase/(Decrease) Consumer Deposits	-	-1 109 130	-	-1 109 130
Net cash flows from operating activities	68 583 142	34 483 141	67 810 545	33 491 313
36 Cash and Cash Equivalents				
Cash and cash equivalents included in the cash flow statement comprise the following:				
Bank balances and cash	3 264 261	1 115 969	3 300 104	1 164 189
Bank overdrafts	-	-	-	-
Call Deposits	-	-	2 815 105	4 518 299
Net cash and cash equivalents (net of bank overdrafts)	3 264 261	1 115 969	6 115 209	5 682 488
37 Purchase of Property, Plant and Equipment				
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.				
Total value of PPE procured during the year.				
Buildings	321 582	1 726 550	321 582	1 726 550
Vehicles	14 404 704	43 762	14 404 704	43 762
Capital Work in Progress	300 803	30 462 201	300 803	30 462 201
Furniture & Fittings	15 168 254	367 929	15 168 254	367 929
Plant, Machinery & Equipment	376 685	261 818	376 685	261 818
Computer Equipment	-	860 167	-	860 167
Parks and Recreation	6 235 990	1 028 261	6 235 990	1 028 261
Roads	-	737 436	-	737 436
Electricity Transmission Networks	-	2 215 856	-	2 215 856
Solid Waste Disposal	-	1 065 922	-	1 065 922
Total	36 808 018	38 769 901	36 808 018	38 769 901

	NKONKOBÉ		GROUP	
	2014 R	2013 R	2014 R	2013 R
38 Unauthorised, Irregular, Fruitless and Wasteful Expenditure Disallowed				
38.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure				
Opening balance	630 000	147 530 543	1 787 986	147 614 274
Unauthorised expenditure current year	39 679 231	630 000	39 679 231	1 787 986
Write - Off	-	-	-	-83 731
Approved by Council or approved	-	-147 530 543	-	-147 530 543
Transfer to receivables for recovery	-	-	-	-
Unauthorised expenditure awaiting authorisation	-	-	-	-
	40 309 231	630 000	41 467 217	1 787 985
38.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure				
Opening balance -	2 236 320.00	15 306	2 236 320	15 306
Fruitless and wasteful expenditure current year approved or written off by Council	1 339 894	2 221 015	1 339 894	2 221 015
To be recovered – contingent asset	-2 236 320	-	-2 236 320	-
Fruitless and wasteful expenditure awaiting approval	-	-	-	-
	1 339 894	2 236 320	1 339 894	2 236 320
Details of Fruitless and Wasteful expenditure				
<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>				
Workman's Compensation	1 186 513	-	1 186 513	-
Late payment on accounts	143 096	-	143 096	-
Interest (Eskom)	10 284	-	10 284	-
	1 339 894		1 339 894	
Total fruitless and Wasteful expenditure	1 339 894		1 339 894	
38.3 Irregular expenditure				
Reconciliation of irregular expenditure				
Opening balance	13 400 605	1 808 350	14 508 554	4 677 303
Irregular expenditure current year	3 201 978	11 592 254	3 818 928	13 051 586
Write-off	-	-	-	-3 220 334
Approved or written off by Council	-	-	-	-
Not Approved or written off by Council	-	-	-	-
Transfer to receivables for recovery – not approved	-	-	-	-
Irregular expenditure awaiting approval	-	-	-	-
	16 602 583	13 400 605	18 327 482	14 508 554

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

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 479 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

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 6.
Lexis Nexis	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

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 Duffman	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
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
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
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

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.

Details of irregular expenditure condoned (Continued) 2014

Incident	Disciplinary steps/criminal proceedings	Amount
The following services were procured without following three quotation system:		
Die Humandorpse Kooperasie	None	197 998
Hertzner	None	14 504
Times Media	None	4 070
Twissel Trading	None	3 040
Eskom	None	84 117
Times Media	None	3 543
Toyota	None	2 465
Pan Solutions	None	5 394
		315 131

The following contracts awarded to suppliers that are in service of state.		
Nandy Trading	None	199 925
Buchuli Consulting	None	-
Cash Build	None	31 276
Amagigwa Trading	None	28 500
		259 701

The following contracts awarded to suppliers without following supply chain process.		
Hertzner	None	-
Beka	None	-
Fort Hare Solutions	None	42 118
		42 118

2013		
ADHOC Advertising	None	18 525
AFRICA ADVERTISING	None	2 618
ALICE BODY WORKS	None	2 910
Alice Motors	None	2 275
AUTOSPORT	None	6 909
AVUSA PUBLISHING	None	8 322
BRICK AND PAV	None	7 390
CASHBUILD	None	8 504
CONTRALAB	None	7 777
DISPATCH MEDIA	None	10 953
GMR MANAGEMENT	None	64 633
GRAYLOR WORKWEAR	None	3 212
H SOLUTIONS	None	26 375
HARWARE WAREHOUSE	None	3 679
ILA CONSTRUCTION	None	29 754
INCA	None	384 661
KWANTU SUPER SPAR	None	1 994
M.F KOMENI	None	5 000
MASTERCREE	None	6 173
IMPEKWEI BEACH RESORT	None	8 648
ONTEKANE TAX AND FINANCIAL SERVICES	None	5 000
PETER TWISSEL	None	5 180
PEUGAIR BORDER CC	None	14 244
PREMIER HOTEL ELICC	None	5 658
SAND AND STONE	None	2 480
SELECT CONCRETE PRODUCTS	None	9 018
Sivu General Trading	None	5 050
STUTT GROUP TRUST	None	8 376
TAFULUBUYAZI	None	3 750
TIMES MEDIA	None	3 933
TREMEERS	None	14 412
UFH CATERING SERVICES	None	7 704
UMITZA FARMERS	None	38 249
VANKHAYA TRADING & PROJECTS	None	2 800
VON DER DECKEN HARDWARE	None	7 160
SOHN AND ASSOCIATES	None	11 400
KAT LEISURE	None	11 585
ABLE TRACERS AND DEBT COLLECTION	None	25 171
LE ROUX INCORPORATED	None	72 960
BUDGET OFFICE FURNITURES	None	24 350
SURE MARITIME TRAVEL	None	22 358.35
APEX OFFICE NATIONAL	None	6 660.59
ANEZE INVESTMENTS	None	18 480.00
KOPANO & ASSOCIATES	None	14 022.00
Sub Total		950 312

The following are contracts awarded without following competitive bid procedures		
SIMON THE DISCIPLE	None	114 000
MACCAFERRI	None	115 049
Sub Total		229 049

The following are contracts awarded without without being advertised for at least 7 days		
FALCON TRADING	None	84 937
APPLEGARTH NURSERY	None	82 402
NALEDZI INVESTMENTS	None	112 632
Sub Total		279 971

Total irregular expenditure - Current year		1 459 332
No action was taken for procurement not in compliance with the Supply Chain Management Regulations. Supply chain management unit is not in existence. Therefore the entity supposed to use the Municipality Supply Chain Management unit.		

40 Additional Disclosures in Terms of Municipal Finance Management Act

40.1 Contributions to organised local government

	NKONKOBE		GROUP	
	2014 R	2013 R	2014 R	2013 R
Opening balance	-	-	-	-
Council subscriptions	1 911 842	173 278	1 911 842	173 278
Amount paid - current	-1 911 842	-173 278	-1 911 842	-173 278
Amount paid - previous years	-	-	-	-
Balance unpaid (included in payables)	-	-	-	-

40.2 Audit fees

Opening balance	1 069 071	547 926	1 069 071	914 529
Current year audit fee	3 570 004	2 074 698	5 162 153	2 807 940
Amount paid - current year	-2 500 934	-1 072 917	-4 093 083	-2 172 762
Amount paid - previous years	-1 072 917	-480 637	-1 072 917	-480 637
Balance unpaid (included in payables)	1 065 224	1 069 071	1 065 224	1 069 071

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

40.3 VAT

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.

2 455 629	258 020	2 455 629	258 020
------------------	----------------	------------------	----------------

40.4 PAYE, SDL and UIF

Opening balance	-	-	-	-
Current year payroll deductions	10 901 856	8 115 254	11 446 398	8 410 609
Amount paid - current year	-10 901 856	-8 115 254	-11 446 398	-8 410 609
Amount paid - previous years	-	-	-	-
Balance unpaid (included in payables)	-	-	-	-

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

40.5 Pension and Medical Aid Deductions

Opening balance	-	-	-	-
Current year payroll deductions and Council Contributions	12 384 709	12 208 835	12 409 807	12 229 797
Amount paid - current year	-12 384 709	-12 208 835	-12 409 807	-12 229 797
Amount paid - previous years	-	-	-	-
Balance unpaid (included in payables)	-	-	-	-

All payroll deductions have been paid at year end.

40.6 Councillor's arrear consumer accounts

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

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
as at 30 June 2014			
Councillor S P Matyila	1 504	416	1 088
Councillor M E Mgeni	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
Total Councillor Arrear Consumer Accounts	23 508	3 884	19 624

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

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

42 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:

	NKONKOBE		GROUP	
	2014 R	2013 R	2014 R	2013 R
Up to 1 year	1 249 156	1 249 156	1 268 006	1 257 156
1 to 5 years	340 824	340 824	396 846	340 824
More than 5 years	-	-	-	-
Total	1 589 979	1 589 979	1 664 852	1 597 979

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	55 524	55 524
1 to 5 years	203 587	203 587	203 587	203 587
More than 5 years	-	-	-	-
Total	259 111	259 111	259 111	259 111

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	725 736	725 736
1 to 5 years	2 902 944	2 902 944	2 902 944	2 902 944
More than 5 years	-	-	-	-
Total	3 628 680	3 628 680	3 628 680	3 628 680

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

42 Operating leases (Continued)

	NKONKOBE		GROUP	
	2014 R	2013 R	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	2 049 265	2 049 265
2 to 5 years	3 447 355	3 447 355	3 503 377	3 447 355
More than 5 years	-	-	-	-
	5 477 770	5 477 770	5 552 642	5 496 620

Lessor

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

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	43 560	43 560
1 to 5 years	108 900	108 900	108 900	108 900
More than 5 years	-	-	-	-
	152 460	152 460	152 460	152 460

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

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

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	65 340	65 340
1 to 5 years	136 125	136 125	136 125	136 125
More than 5 years	-	-	-	-
	201 465	201 465	201 465	201 465

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

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

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

Up to 1 year	14 520	14 520	14 520	14 520
1 to 5 years	25 410	25 410	25 410	25 410
More than 5 years	-	-	-	-
	39 930	39 930	39 930	39 930

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

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	9 174	9 174
1 to 5 years	15 291	15 291	15 291	15 291
More than 5 years	-	-	-	-
	24 465	24 465	24 465	24 465

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

The major class of asset being leased is Vacant Land in Middelrift

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	9 174	9 174
1 to 5 years	16 055	16 055	16 055	16 055
More than 5 years	-	-	-	-
	25 230	25 230	25 230	25 230

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

42 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	31 944	31 944
1 to 5 years	87 846	87 846	87 846	87 846
More than 5 years				
	119 790	119 790	119 790	119 790

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

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	173 713	173 713
1 to 5 years	389 627	389 627	389 627	389 627
More than 5 years				
	563 340	563 340	563 340	563 340

43 Contingent Liabilities	2014 R	2013 R	2014 R	2013 R
43.1 Claim for damages				
Claim 1 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	78 066	50 000
Claim 2 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	16 100	50 000
Claim 3 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	176 000	-	176 000	-
Claim 4 Litigation in a matter between Nkonkobe Municipality and Mampana. Municipality sued for general damages for injuries	250 000	-	250 000	-
	520 166	100 000	520 166	100 000
43.2 Fines and Penalties				
Case 1 The municipality is operating 3 landfill sites without the required permits from the Department of Environmental Affairs. The Department may impose a penalty of up to R 10 000 000 per landfill site operated without the required permits or for non-compliance with permit conditions. There is uncertainty if the penalties will be imposed.	30 000 000	30 000 000	30 000 000	30 000 000
	30 000 000	30 000 000	30 000 000	30 000 000
	2014	2013 R	2014	2013 R
44 Contingent Assets				
Case 1 Nkonkobe Municipality vs Mdlala & 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	208 000	208 000
Case 2 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	104 000	104 000
	312 000	312 000	312 000	312 000
Total	312 000	312 000	312 000	312 000

45 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	1 363 242	-	1 363 242
	2 070 923			
	2 592 149	1 363 242	-	1 363 242

46 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

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

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
	(9 601 873)

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
Recoanising the prior year present value of provision	2 458 234
Recognising increase in provision due to effect of discounting	102 167
	130 702

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

47.10 Unspent Conditional Grants

During 2012-2013 Conditional grant income recognised was overstated by R 1 418 989, furthermore unspent conditional grants were overstated by the same amount R 1 418 989 due to Department of Environmental Affairs & Tourism (DEAT) conditional grant coming to an ending. However the unspent portion of the conditional grant was not returned to the DEAT as the unspent portion was committed, therefore the unspent portion of the grant was transferred to the Entity main bank account at year end. After year end the committed portion was fully used.

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
Revenue				
Non-exchange Revenue				
Property rates	19 393 434	-	0	19 393 434
Government grants and subsidies	125 300 966	-	1 418 989	123 881 978
Fines	113 130	-	-	113 130
Licences and permits	2 391 312	-	-0	2 391 312
			-	
Exchange Revenue				
Service charges	38 553 231	-	310	38 552 921
Rental of facilities and equipment	263 835	-	-0	263 835
Interest earned - external investments	922 403	-	-1	922 403
Interest earned - outstanding receivables	1 817 417	-	0	1 817 417
Other income	2 977 704	-	-310	2 978 014
Total revenue	191 733 431.70	-	1 418 988	190 314 443.59
Expenses				
Bulk purchases	26 216 063		(13 226)	26 229 289
Employee related costs	70 817 700		(261 281)	71 078 981
Remuneration of councillors	11 700 783		320 490	11 380 293
Bad debts	8 181 723		-	8 181 723
Depreciation and amortisation expense	24 466 333		119 369	24 346 964
Repairs and maintenance	9 185 001		404 582	8 780 419
Grants and subsidies paid	7 937 069		-	7 937 069
General expenses	38 242 092		(115 062)	38 357 154
Finance costs	235 108		(50 412)	285 520
Total expenses	196 981 870	-	404 459	196 577 411
(Loss) on sale of assets				
Fair value adjustments investment properties				
Deficit for the year	(5 248 439)	-	1 014 529	(6 262 968)

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
ASSETS				
Current assets				
Cash and cash equivalents	5 682 487		(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	14 265 832		(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				
Property, plant and equipment	286 777 442		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
Total assets	344 040 346	-	9 755 905	329 141 521
LIABILITIES				
Current liabilities				
Trade and other payables	36 450 809		438 417	35 643 033
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	3 450 625		-1 418 989	4 869 614
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				
Non-current unspent conditional grants and receipts				
Non-current borrowings				
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
Total liabilities	64 275 904	-	-1 231 774	65 138 318
Net assets	279 764 443	-	10 987 678	264 003 203
NET ASSETS				
Reserves	2 659 100		-	2 659 100
Accumulated surplus / (deficit)	277 474 701		-9 404 077	268 070 624
Total net assets	280 133 801	-	-9 404 077	270 729 724

Nkonkobe Local Municipality
Group Annual Financial Statements
APPENDIX A
OF FINANCIAL PERFORMANCE
for the year ended 30 June 2014

Re-stated	2013			2014		
	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R
	5 500 000.00	35 253 945	-29 753 945	11 219 429	24 352 561	-13 133 133
	52 097 609.80	29 428 768	22 668 841	69 017 076	53 032 516	15 984 560
	6 120 640.52	13 722 482	-7 601 842	6 358 851	13 192 298	-6 833 447
	19 386 536.51	12 576 950	6 809 587	15 201 780	37 060 914	-21 859 134
	83 072 250.00	53 463 499	29 608 751	114 399 728	264 530 667	-150 130 939
	15 989 611.17	43 793 396	-27 803 784	161 952	33 989 008	-33 827 056
	9 511 037.59	9 701 612	-190 575	9 151 450	7 247 338	1 904 112
	191 677 685.59	197 940 653	(6 262 967)	407 676 914	621 644 342	-213 967 428

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Figures in Rand	Approved budget	Adjusted Budget	Virement (I.L.O. Council Approved By-law)	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance							
Revenue							
Revenue from exchange transactions							
Service charges	38 586 550	41 787 897	-	41 787 897	37 666 131	4 121 766	1
Interest received - investment & Outstanding debtors	2 100 000	12 700 000	-	12 700 000	4 171 974	8 528 026	2
Other income	19 864 196	17 236 685	-	17 236 685	2 787 645	14 449 040	3
Total revenue from exchange transactions	60 550 746	71 724 582	-	71 724 582	44 625 750	27 098 832	
Revenue from non-exchange transactions							
Taxation revenue							
Property rates	24 470 000	28 152 133	-	28 152 133	35 299 594	-7 147 461	4
Government grants & subsidies	138 312 500	144 757 500	-	144 757 500	142 538 336	2 219 164	5
Transfer revenue							
Licenses and permits	2 200 000	2 425 000	-	2 425 000	2 765 651	-340 651	
Fines, Penalties and Forfeits	-	300 000	-	300 000	196 955	103 045	6
Total revenue from no exchange transactions	164 982 500	175 634 633	-	175 634 633	180 800 536	-5 165 903	
Total revenue	225 533 246	247 359 215	-	247 359 215	225 426 286	21 932 929	
Expenditure							
Personnel	71 013 519	79 599 757	-3 380 000	76 219 757	84 607 434	-8 387 677	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	28 006 732	257 507	
Finance costs	39 993	79 986	-	-	413 483	-413 483	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	11 908 785	12 318 785	-	12 318 785	10 513 049	1 805 736	11
General Expenses	55 751 513	68 749 639	8 029 295	76 778 934	62 654 492	14 124 442	12
Total expenditure	208 069 680	229 904 037	6 180 931	236 004 982	248 660 396	-12 655 414	
Operating surplus/(deficit) before taxation	17 463 566	17 455 178	-6 180 931	11 354 232	-23 234 110	34 588 343	
Capital Expenditure							
Government grants & subsidies - Capital	27 689 650	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
Total capital expenditure	51 065 305	63 390 305	-	63 390 305	59 240 408	4 149 897	
Actual amounts on comparable basis presented in the budget and actual comparative statement.	-33 601 739	-45 935 127	-6 180 931	-52 036 073	-82 474 518	30 438 446	

Reference

- Municipality anticipated additional revenue due to new developments and properties identified in the supplementary roll. The actual amount billed was less than anticipated.
- 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.
- Other income
- NEDA: No cash generating assets are available at the entity.
- 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.
- Municipality billed more properties for rates as a result of new properties that were brought about by the sub valuation roll.
- 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.
- NEDA: Amount received from the Donors in the current year were not all spent. Furthermore it can only be recognised once the conditions of the grant have been met.
- 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.
- 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.
- NEDA: Projects employee, and new CEO were employed during the year under review.
- Expected expenses to be incurred in relation to councillors were not incurred due to slow collection of revenue.
- Finance costs not budgeted for
- 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.
- Municipality paid audit fees on behalf of NEDA
- General increase in costs of goods & services
- NEDA: Due to lack of funds available, the entity spend less than they budgeted.
- Delays in implementing some projects resulting under spending. Furthermore, collection of revenue was slow.
- Municipal Infrastructure Grant of R 29 147 000 was received and fully spent.
- 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).