



Nquthu Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2011

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## General Information

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**Nature of business and principal activities**

Local Municipality

**Executive Committee**

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

**Ordinary Councilors**

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

**Grading of local authority**

Grade 2

**Accounting Officer**

Mr. Bonginkosi Paul Gumbi

**Chief Finance Officer (CFO)**

Mr. Welcome Sakhile Mpanza

**Registered office**

Municipal Building  
83/11 Mdlalose Street  
Nquthu  
3135

**Business address**

Municipal Building  
83/11 Mdlalose Street  
Nquthu

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## General Information

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	3135
<b>Postal address</b>	Private Bag X 5521 Nquthu 3135
<b>Bankers</b>	ABSA South Africa
<b>Auditors</b>	Auditor General
<b>Attorneys</b>	Kevin Dass Attorneys

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Index

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The reports and statements set out below comprise the annual financial statements presented to the Nquthu Local Municipality Council.:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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

# **Nquthu Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Officer's Responsibilities and Approval**

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

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

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 to 30 June 2012 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 external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 44, which have been prepared on the going concern basis, were approved by the on 31 August 2011 and were signed on its behalf by:

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**Accounting Officer**  
**Designation**

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	5	64,970	211,109
Trade and other receivables from exchange transactions	6	1,220,624	544,441
VAT receivable	7	840,564	964,487
Consumer debtors	8	10,775,985	6,672,301
Cash and cash equivalents	9	32,455,500	10,804,835
		<b>45,357,643</b>	<b>19,197,173</b>
<b>Non-Current Assets</b>			
Investment property	2	1,294,264	1,360,918
Property, plant and equipment	3	69,210,830	54,735,677
Intangible assets	4	50,405	7,138
		<b>70,555,499</b>	<b>56,103,733</b>
<b>Total Assets</b>		<b>115,913,142</b>	<b>75,300,906</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	10	724,523	602,918
Trade and other payables from exchange transactions	14	3,281,244	5,516,562
Consumer deposits	16	90,687	85,673
Unspent conditional grants and receipts	11	12,516,511	4,274,040
Provisions	12	1,434,982	1,455,967
DBSA Loan Current portion	13	763,099	757,359
		<b>18,811,046</b>	<b>12,692,519</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	10	389,917	1,082,398
Provisions	12	193,766	-
DBSA Loan - Long-term portion	13	2,482,480	3,236,355
		<b>3,066,163</b>	<b>4,318,753</b>
<b>Total Liabilities</b>		<b>21,877,209</b>	<b>17,011,272</b>
<b>Net Assets</b>		<b>94,035,933</b>	<b>58,289,634</b>
<b>Net Assets</b>			
Accumulated surplus		94,035,933	58,289,634

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Detailed Income statement

Figures in Rand	Note(s)	2011	2010
<b>Revenue</b>			
Property rates	18	5,990,029	3,553,840
Service charges	19	9,456,928	7,554,613
Property rates - penalties imposed and collection charges		739,289	-
Rental of facilities and equipment		526,717	512,331
Fines		280,785	130,150
Government grants & subsidies	20	63,586,658	54,014,379
Commissions received		69,384	-
Other income	21	405,616	523,027
Interest received - investment	26	528,637	262,672
Gains on disposal of assets	26	-	53,976
<b>Total Revenue</b>		<b>81,584,043</b>	<b>66,604,988</b>
<b>Expenditure</b>			
Personnel	23	(17,014,526)	(15,009,557)
Remuneration of councillors	24	(6,050,747)	(4,990,786)
Depreciation and amortisation	27	(4,132,696)	(3,722,293)
Finance costs	28	(272,435)	(354,229)
Debt impairment	25	(1,685,214)	(2,313,108)
Repairs and maintenance		(496,651)	(786,018)
Bulk purchases	32	(9,129,916)	(7,964,441)
Contracted services	30	(1,565,471)	(1,555,200)
Grants and subsidies paid	31	(3,909,119)	(15,262,512)
Loss on disposal of assets		(138,511)	-
General Expenses	22	(8,595,334)	(7,562,553)
<b>Total Expenditure</b>		<b>(52,990,620)</b>	<b>(59,520,697)</b>
<b>Surplus for the year</b>		<b>28,593,423</b>	<b>7,084,291</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2009</b>	<b>51,205,343</b>	<b>51,205,343</b>
Changes in net assets		
Surplus for the year	7,084,291	7,084,291
Total changes	7,084,291	7,084,291
Opening balance as previously reported	58,284,836	58,284,836
Adjustments		
Prior year adjustments	7,157,674	7,157,674
<b>Balance at 01 July 2010 as restated</b>	<b>65,442,510</b>	<b>65,442,510</b>
Changes in net assets		
Surplus for the year	28,593,423	28,593,423
Total changes	28,593,423	28,593,423
<b>Balance at 30 June 2011</b>	<b>94,035,933</b>	<b>94,035,933</b>
Note(s)		



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Cash flow statement

Figures in Rand	Note(s)	2011	2010
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		15,446,957	11,108,453
Grants		63,586,658	54,014,379
Interest income		528,637	262,672
Other receipts		2,021,791	1,219,483
Movement in receivables		(6,195,019)	(2,117,155)
		<u>75,389,024</u>	<u>64,487,832</u>
<b>Payments</b>			
Employee costs		(23,065,273)	(20,000,343)
Suppliers		(23,696,491)	(31,966,858)
Finance costs		(91,303)	(149,749)
Prior year adjustments		(1,118,231)	-
Movement in payables		6,184,938	(697,664)
		<u>(41,786,360)</u>	<u>(52,814,614)</u>
<b>Net cash flows from operating activities</b>	33	<b><u>33,602,664</u></b>	<b><u>11,673,218</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(10,406,326)	(6,806,054)
Proceeds from sale of property, plant and equipment	3	-	144,255
Purchase of other intangible assets	4	(45,537)	(3,238)
		<u>(10,451,863)</u>	<u>(6,665,037)</u>
<b>Net cash flows from investing activities</b>		<b><u>(10,451,863)</u></b>	<b><u>(6,665,037)</u></b>
<b>Cash flows from financing activities</b>			
Movement in dbsa loan - long-term portion		(748,135)	(987,508)
Finance lease payments		(752,008)	1,127,668
		<u>(1,500,143)</u>	<u>140,160</u>
<b>Net cash flows from financing activities</b>		<b><u>(1,500,143)</u></b>	<b><u>140,160</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>21,650,658</b>	<b>5,148,341</b>
Cash and cash equivalents at the beginning of the year		10,804,835	5,656,495
<b>Cash and cash equivalents at the end of the year</b>	9	<b><u>32,455,493</u></b>	<b><u>10,804,836</u></b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

These accounting policies are consistent with the previous period, except for the changes set out in the note in the relevant policy.

#### 1.1 Significant judgements and sources of information

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

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

#### 1.2 Investment property

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

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

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

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

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

##### Cost model

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

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

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

##### Transitional provision

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 2. The transitional provision expires on 30 June 2012.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.2 Investment property (continued)

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and investment property has accordingly been recognised at provisional amounts, as disclosed in 2.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

### 1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

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

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

<b>Item</b>	<b>Average useful life</b>
Land	Indefinite
Buildings	
• Office buildings	30
Plant and machinery	3-10
Furniture and fixtures	3-10
Motor vehicles	5
Office equipment	5
IT equipment	5
Computer software	5
Infrastructure	
• Electricity Networks	25-30
• Street lights	25
• Taxi Ranks	20
Community	
• Cemetery	15-25
• Waste sites	25-30
Capital work in progress	
Finance leased Assets	3-5
Investment property	5-30
Heritage	

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

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

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

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

#### Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

### 1.4 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets comprise computer software and anti-virus software and are initially recognised at cost.

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

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

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

Amortisation is provided for intangible assets on a straight line basis over the useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.4 Intangible assets (continued)

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

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

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

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

### 1.5 Financial instruments

#### Trade and other receivables

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

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

#### Trade and other payables

Trade payables are measured at fair value.

#### Cash and cash equivalents

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

#### Bank overdraft and borrowings

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

### 1.6 Leases

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

#### Finance leases - lessee

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

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

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

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

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

### 1.8 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

### 1.9 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.10 Employee benefits

#### Short-term employee benefits

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

### 1.12 Revenue from exchange transactions

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

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

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

#### Measurement

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



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.12 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

### 1.13 Revenue from non-exchange transactions

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

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

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

#### Measurement

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

#### Rates, including collection charges and penalties interest

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

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

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

#### Fines

Revenue from the issuing of fines is recognised when:

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.13 Revenue from non-exchange transactions (continued)

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

#### Government grants

Government grants are recognised as revenue when:

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

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

#### Other grants and donations

Other grants and donations are recognised as revenue when:

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

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

### 1.14 Investment income

Interest and rentals are recognised on a time proportion basis.

### 1.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred since it is impractical to capitalise these as the PPE constructed though these borrowings is recognised at fair values.

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

### 1.16 Comparative figures

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

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.18 Irregular expenditure

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

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

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

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

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

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

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

### 1.19 Use of estimates

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

### 1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

### 1.21 Offsetting

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

### 1.22 Conditional grants and receipts

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

### 1.23 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

# **Nquthu Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

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### **1.23 Segmental information (continued)**

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand 2011 2010

### 2. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,999,640	(705,376)	1,294,264	1,999,640	(638,722)	1,360,918

#### Reconciliation of investment property - 2011

	Opening balance	Depreciation	Total
Investment property	1,360,918	(66,654)	1,294,264

#### Reconciliation of investment property - 2010

	Opening balance	Depreciation	Total
Investment property	1,423,573	(62,655)	1,360,918

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

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

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

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

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

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie.

#### Transitional provisions

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	14,300,000	-	14,300,000	14,300,000	-	14,300,000
Buildings	23,284,529	(3,583,487)	19,701,042	14,203,752	(3,428,453)	10,775,299
Plant and machinery	6,038,786	(2,000,804)	4,037,982	5,159,558	(1,762,319)	3,397,239
Furniture and fixtures	1,890,283	(593,714)	1,296,569	474,780	(26,718)	448,062
Motor vehicles	3,331,456	(2,430,910)	900,546	3,319,441	(2,896,890)	422,551
IT equipment	978,097	(456,019)	522,078	954,747	(385,323)	569,424
Infrastructure	30,800,187	(13,729,844)	17,070,343	32,314,138	(12,533,323)	19,780,815
Community	1,948,771	(1,132,164)	816,607	3,418,080	-	3,418,080
Capital work in progress	9,589,120	-	9,589,120	-	-	-
Finance leased Assets	1,879,790	(982,135)	897,655	2,045,917	(483,545)	1,562,372
Heritage	78,888	-	78,888	61,835	-	61,835
<b>Total</b>	<b>94,119,907</b>	<b>(24,909,077)</b>	<b>69,210,830</b>	<b>76,252,248</b>	<b>(21,516,571)</b>	<b>54,735,677</b>

### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	GRAP Transitional provisions	Depreciation	Total
Land	14,300,000	-	-	-	-	14,300,000
Buildings	10,775,299	-	-	9,793,612	(867,869)	19,701,042
Plant and machinery	3,397,239	147,808	(1,973)	820,798	(325,890)	4,037,982
Furniture and fixtures	448,062	305,763	(13,541)	799,382	(243,097)	1,296,569
Motor vehicles	422,551	-	-	585,402	(107,407)	900,546
IT equipment	569,424	133,054	(7,969)	(17,672)	(154,759)	522,078
Infrastructure	19,780,815	-	-	(1,049,409)	(1,661,063)	17,070,343
Community	3,418,080	-	-	(2,561,712)	(39,761)	816,607
Capital work in progress	-	9,589,120	-	-	-	9,589,120
Finance leased Assets	1,562,372	230,581	(115,028)	(116,347)	(663,923)	897,655
Heritage	61,835	-	-	17,053	-	78,888
	<b>54,735,677</b>	<b>10,406,326</b>	<b>(138,511)</b>	<b>8,271,107</b>	<b>(4,063,769)</b>	<b>69,210,830</b>

### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Reclassification	Depreciation	Total
Land	14,300,000	-	-	-	-	14,300,000
Buildings	13,689,780	392,853	-	(2,824,073)	(483,261)	10,775,299
Plant and machinery	1,779,328	2,619,345	-	(659,173)	(342,261)	3,397,239
Furniture and fixtures	358,127	964,759	-	(691,468)	(183,356)	448,062
Motor vehicles	953,572	1,325,311	-	(1,263,822)	(592,510)	422,551
IT equipment	194,729	207,380	-	256,575	(89,260)	569,424
Infrastructure	19,229,945	1,296,406	-	1,056,762	(1,802,298)	19,780,815
Community	950,030	-	-	2,562,830	(94,780)	3,418,080
Finance leased Assets	161,294	-	(90,279)	1,562,371	(71,014)	1,562,372
Heritage	61,835	-	-	-	-	61,835
	<b>51,678,640</b>	<b>6,806,054</b>	<b>(90,279)</b>	<b>2</b>	<b>(3,658,740)</b>	<b>54,735,677</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand 2011 2010

### 3. Property, plant and equipment (continued)

#### Assets subject to finance lease (Net carrying amount)

Finance leased Assets	897,655	1,562,372
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#### Other information

#### Transitional provisions

#### Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 3, certain property, plant and equipment with a carrying value of R 7,931,803 (2010: R 49,961,470) was recognised at provisional amounts.

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17, is as follows:

The Municipality has appointed a suitably qualified consultants to perform a complete valuation of all assets for the period of three financial years.

The date at which full compliance with GRAP 17 is expected is 30 June 2012.

As part of the identification and recognition of PPE process there was a reclassification of PPE in terms of GRAP classification from the previous classifications used, adjustments between classes were made.

Leased assets with a book value of R 1 014 077 (2010:R1 562 372) are encumbered refer to note 10.

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

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

### 4. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	80,830	(30,425)	50,405	35,293	(28,155)	7,138

#### Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	7,138	45,537	(2,270)	50,405

#### Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	4,799	3,238	(899)	7,138

### 5. Inventories

Consumable stores	64,970	211,109
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# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>6. Trade and other receivables from exchange transactions</b>		
Other debtors	1,220,624	544,441
<b>7. VAT receivable</b>		
Value Added Tax (VAT)	840,564	964,487



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>8. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	7,109,350	2,973,102
Electricity	1,542,083	2,274,723
Refuse	5,878,234	3,457,934
Market stall rentals	287,159	321,644
Other (old)	6,986,401	6,986,401
	<b>21,803,227</b>	<b>16,013,804</b>
<b>Less: Provision for debt impairment</b>		
Rates	(856,660)	(827,583)
Electricity	(2,151,601)	(569,882)
Refuse	(1,030,312)	(957,637)
Market stalls rental	(2,268)	-
Other (old)	(6,986,401)	(6,986,401)
	<b>(11,027,242)</b>	<b>(9,341,503)</b>
<b>Net balance</b>		
Rates	6,252,690	2,145,519
Electricity	(609,518)	1,704,841
Refuse	4,847,922	2,500,297
Market stall rentals	284,891	321,644
	<b>10,775,985</b>	<b>6,672,301</b>
<b>Rates</b>		
Current (0 -30 days)	485,915	432,785
31 - 60 days	430,136	77,302
61 - 90 days	364,679	106,711
91 - 120 days	364,982	427,136
121 - 365 days	389,375	1,996,008
> 365 days	5,074,964	2,473,769
	<b>7,110,051</b>	<b>5,513,711</b>
<b>Electricity</b>		
Current (0 -30 days)	341,608	406,112
31 - 60 days	140,130	277,344
61 - 90 days	55,788	196,609
91 - 120 days	50,698	271,623
121 - 365 days	52,476	963,292
> 365 days	829,190	1,685,762
	<b>1,469,890</b>	<b>3,800,742</b>
<b>Refuse</b>		
Current (0 -30 days)	359,517	340,403
31 - 60 days	320,961	239,692
61 - 90 days	323,494	220,318
91 - 120 days	313,772	229,972
121 - 365 days	296,510	2,510,451
> 365 days	4,554,913	2,826,871
	<b>6,169,167</b>	<b>6,367,707</b>
<b>Market stalls rental</b>		
Current (0 -30 days)	22,006	283,029
31 - 60 days	20,584	1,859

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>8. Consumer debtors (continued)</b>		
61 - 90 days	16,471	1,924
91 - 120 days	13,165	34,544
121 - 365 days	10,792	288
> 365 days	201,873	-
	<b>284,891</b>	<b>321,644</b>
<b>Other (old)</b>		
> 365 days	6,986,401	6,986,401
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	420,818	446,672
31 - 60 days	389,453	323,440
61 - 90 days	376,973	219,536
91 - 120 days	353,657	372,353
121 - 365 days	343,539	174,448
> 365 days	5,796,900	3,431,616
	<b>7,681,340</b>	<b>4,968,065</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	247,774	236,685
31 - 60 days	38,059	127,873
61 - 90 days	38,490	81,099
91 - 120 days	41,039	186,372
121 - 365 days	27,776	43,695
> 365 days	444,458	287,461
	<b>837,596</b>	<b>963,185</b>
<b>National and provincial government</b>		
Current (0 -30 days)	354,022	377,109
31 - 60 days	302,094	227,982
61 - 90 days	214,042	223,078
91 - 120 days	211,525	402,738
121 - 365 days	213,725	167,155
> 365 days	2,963,044	1,183,492
	<b>4,258,452</b>	<b>2,581,554</b>
<b>Other (Market Stalls Debtors and other sundry)</b>		
Current (0 -30 days)	186,342	507,510
31 - 60 days	182,206	5,726
61 - 90 days	130,927	1,848
91 - 120 days	136,396	2,338
121 - 365 days	164,112	1,540
> 365 days	1,310,875	13,062
	<b>2,110,858</b>	<b>532,024</b>
<b>Old debtors</b>		
> 365 days	6,986,401	6,986,401
<b>Total</b>		
Current (0 -30 days)	1,208,956	1,567,976
31 - 60 days	911,812	685,021
61 - 90 days	760,432	525,561

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>8. Consumer debtors (continued)</b>		
91 - 120 days	742,617	963,801
121 - 365 days	749,152	386,838
> 365 days	17,426,785	11,885,132
	21,799,754	16,014,329
Less: Provision for debt impairment	(11,023,769)	(9,342,028)
	<b>10,775,985</b>	<b>6,672,301</b>
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	9,342,028	7,028,920
Contributions to provision	1,681,741	2,313,108
	<b>11,023,769</b>	<b>9,342,028</b>
<b>9. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	17,169,626	10,804,835
Short-term deposits	15,285,874	-
	<b>32,455,500</b>	<b>10,804,835</b>
<b>Investments</b>		
Nedbank	5,000,000	-
Grindrod Bank	5,000,000	-
ABSA Bank	5,000,000	-
	<b>15,000,000</b>	<b>-</b>
<b>Interest earned</b>		
Nedbank (call account @ 5.00%)	62,588	-
Grindrod Bank (30 days fixed deposit @ 5.80%)	113,454	-
ABSA Bank (32 days fixed deposit @ 5.45%)	109,831	-
	<b>285,873</b>	<b>-</b>

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

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
ABSA BANK - Cheque Account - 405-3562-762	4,485,801	1,613,583	404,348	4,473,846	1,613,583	404,348
ABSA BANK - Cheque Account Semi-Dormant - 406-1817-353	3,938,667	47,260	48,436	3,938,531	48,436	48,436
ABSA BANK - Savings Account Type - 914-2845-014	8,761,242	10,098,931	3,993,018	8,761,242	10,098,931	3,993,018
ABSA BANK - Account Type - 916-8827-648 Closed Account	-	1,458	1,458	-	1,458	1,458
<b>Total</b>	<b>17,185,710</b>	<b>11,761,232</b>	<b>4,447,260</b>	<b>17,173,619</b>	<b>11,762,408</b>	<b>4,447,260</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>10. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	891,918	813,237
- in second to fifth year inclusive	356,206	1,208,925
	1,248,124	2,022,162
less: future finance charges	(133,684)	(336,846)
<b>Present value of minimum lease payments</b>	<b>1,114,440</b>	<b>1,685,316</b>
<b>Present value of minimum lease payments due</b>		
- within one year	724,523	602,918
- in second to fifth year inclusive	389,917	1,082,398
	<b>1,114,440</b>	<b>1,685,316</b>
Non-current liabilities	389,917	1,082,398
Current liabilities	724,523	602,918
	<b>1,114,440</b>	<b>1,685,316</b>

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

The average lease term is 3 years and the average effective borrowing rate was 12% (2010: 12%).

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

### 11. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

#### **Unspent conditional grants and receipts**

Anti Corruption	-	39,085
Municipal Government Grant	23,974	600,000
Capacity Building	94,484	199,133
Corridor Development	1,784,115	2,332,499
MPCC	500,000	500,000
MFMA	105,127	105,127
Cybercadet	118,729	139,051
IDP	4,604	4,604
MIG	747,455	(42,671)
Financial System Grant	(345,444)	(345,444)
MAP	216,498	526,645
MSIG	20,376	4,866
FMG	9,729	1,664
Public Participation	(60,438)	(60,438)
Synergistic	245,906	247,450
Youth Fund	-	22,469
Bornem grant	46,318	-
Rehabilitation of CBD Roads grant	9,000,000	-
Library Volunteer	5,078	-
	<b>12,516,511</b>	<b>4,274,040</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

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

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

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand 2011 2010

### 11. Unspent conditional grants and receipts (continued)

These amounts are invested in a ring-fenced investment until utilised.

### 12. Provisions

#### Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	-	193,766	-	193,766
Leave pay provision	1,455,967	-	(20,985)	1,434,982
	<b>1,455,967</b>	<b>193,766</b>	<b>(20,985)</b>	<b>1,628,748</b>

#### Reconciliation of provisions - 2010

	Opening Balance	Additions	Total
Leave pay provision	1,315,936	140,031	1,455,967
Non-current liabilities		193,766	-
Current liabilities		1,434,982	1,455,967
		<b>1,628,748</b>	<b>1,455,967</b>

#### Environmental rehabilitation provision

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

### 13. DBSA Loan - Long-term portion

Refer to Appendix A for the reconciliation of external loans.

DBSA Loan - account number 100524/2	2,001,341	2,560,277
DBSA Loan - account number 100524/3	1,244,243	1,433,437
Less - Current Portion of DBSA Loans	(763,099)	(757,359)
	<b>2,482,485</b>	<b>3,236,355</b>

### 14. Trade and other payables from exchange transactions

Trade payables	2,015,267	4,729,937
Accrued bonus	852,500	753,728
Other payables	52,525	32,897
Retentions - Capital projects	360,952	-
	<b>3,281,244</b>	<b>5,516,562</b>

### 15. VAT payable

### 16. Consumer deposits

Electricity	90,687	85,673
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# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>17. Revenue</b>		
Property rates	5,990,029	3,553,840
Property rates – Penalties imposed and collection charges	739,289	-
Service charges	9,456,928	7,554,613
Rental of facilities & equipment	526,717	512,331
Fines	280,785	130,150
Government grants & subsidies	63,586,658	54,014,379
	<b>80,580,406</b>	<b>65,765,313</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	9,456,928	7,554,613
Rental of facilities & equipment	526,717	512,331
	<b>9,983,645</b>	<b>8,066,944</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	5,990,029	3,553,840
Property rates – Penalties imposed and collection charges	739,289	-
Fines	280,785	130,150
<b>Transfer revenue</b>		
Government grants & subsidies	63,586,658	54,014,379
Other income	405,616	523,027
Gain or loss on disposal of assets and liabilities	(138,511)	53,976
	<b>70,863,866</b>	<b>58,275,372</b>
<b>18. Property rates</b>		
<b>Rates received</b>		
Property rates	5,990,029	3,553,840
	5,990,029	3,553,840
Property rates - penalties imposed and collection charges	739,289	-
	<b>6,729,318</b>	<b>3,553,840</b>
<b>Valuations</b>		
Residential	321,583,000	321,583,000
Commercial	231,798,000	231,798,000
State	340,706,000	340,706,000
Municipal	25,432,000	25,432,000
	<b>919,519,000</b>	<b>919,519,000</b>

Valuations on land and buildings are performed every 3 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Different rate randage are charged for different categories of rate payers. No additional rebates were granted to any categories of ratepayers except for the compulsory phasing in of certain rates as contained in the Council's approved Property Rates Policy.

Rates are levied on a monthly basis in 12 equal installments payable on the 15th of the subsequent month. Interest is charged on outstanding rates accounts.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>19. Service charges</b>		
Sale of electricity	6,222,647	5,000,417
Refuse removal	3,234,281	2,554,196
	<b>9,456,928</b>	<b>7,554,613</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>20. Government grants and subsidies</b>		
Equitable share	47,451,442	36,894,760
Corridor Development Grant	548,384	35,500
Cybercadet Grant	663,854	205,213
Financial Management Grant	-	1,524,774
MAP Income	310,148	563,643
Financial Management Grant	1,196,138	1,166,128
Municipal System Improve Grant	734,490	809,750
Capacity Building Grant	104,649	-
Public Participation Income	-	97,455
Synergetic Partnership Program	1,544	97,160
Youth Fund	22,469	21,403
Municipal Governance Grant	576,026	-
Library Volunteer Grant	6,922	-
Bornem Grant	101,568	-
Anti-Corruption Strategy Grant	39,085	-
Municipal Infrastructure Grant	11,829,939	12,598,593
	<b>63,586,658</b>	<b>54,014,379</b>

### Equitable Share

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

All the residents with electricity get a Free Basic Electricity monthly allowance of 50kWh - (2010: 50kWh -), which is funded from the grant.

### Ant-corruption Strategy Grant

Balance unspent at beginning of year	39,085	39,085
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Conditions still to be met - remain liabilities (see note 11).

### Municipal Governance Grant

Balance unspent at beginning of year	600,000	-
Current-year receipts	-	600,000
Conditions met - transferred to revenue	(576,026)	-
	<b>23,974</b>	<b>600,000</b>

Conditions still to be met - remain liabilities (see note 11).

### Capacity Building Grant

Balance unspent at beginning of year	199,133	199,133
Conditions met - transferred to revenue	(104,649)	-
	<b>94,484</b>	<b>199,133</b>

Conditions still to be met - remain liabilities (see note 11).

### Corridor Development Grant

Balance unspent at beginning of year	2,332,499	2,367,999
Conditions met - transferred to revenue	(548,384)	(35,500)
	<b>1,784,115</b>	<b>2,332,499</b>

Conditions still to be met - remain liabilities (see note 11).



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>20. Government grants and subsidies (continued)</b>		
<b>MPCC Grant</b>		
Balance unspent at beginning of year	500,000	500,000
Conditions still to be met - remain liabilities (see note 11).		
<b>MFMA Grant (Provincial)</b>		
Balance unspent at beginning of year	105,127	105,127
Conditions still to be met - remain liabilities (see note 11).		
<b>Cybercadet Grant</b>		
Balance unspent at beginning of year	139,050	152,263
Current-year receipts	643,533	192,000
Conditions met - transferred to revenue	(663,854)	(205,213)
	<b>118,729</b>	<b>139,050</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>IDP Grant</b>		
Balance unspent at beginning of year	4,604	26,007
Conditions met - transferred to revenue	-	(21,403)
	<b>4,604</b>	<b>4,604</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	(535,142)	390,266
Current-year receipts	12,977,000	13,597,000
Conditions met - transferred to revenue	(11,833,450)	(14,522,408)
	<b>608,408</b>	<b>(535,142)</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Financial System Grant (DBSA &amp; COGTA)</b>		
Balance unspent at beginning of year	(345,444)	700,000
Conditions met - transferred to revenue	-	(1,045,444)
	<b>(345,444)</b>	<b>(345,444)</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Management Assistance Program Grant (MAP)</b>		
Balance unspent at beginning of year	526,645	1,090,288
Conditions met - transferred to revenue	(310,143)	(563,643)
	<b>216,502</b>	<b>526,645</b>
Conditions still to be met - remain liabilities (see note 11).		

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>20. Government grants and subsidies (continued)</b>		
<b>Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	4,867	79,616
Current-year receipts	750,000	735,000
Conditions met - transferred to revenue	(734,491)	(809,749)
	<b>20,376</b>	<b>4,867</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Housing Grant</b>		
Balance unspent at beginning of year	(110,100)	-
Conditions met - transferred to revenue	-	(110,100)
	<b>(110,100)</b>	<b>(110,100)</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Finance Management Grant (National Treasury)</b>		
Balance unspent at beginning of year	1,638	167,792
Current-year receipts	1,250,000	1,000,000
Conditions met - transferred to revenue	(1,241,909)	(1,166,154)
	<b>9,729</b>	<b>1,638</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Public Participation Grant</b>		
Balance unspent at beginning of year	(60,438)	(60,438)
Conditions still to be met - remain liabilities (see note 11).		
<b>Synergistic Partnership Grant</b>		
Balance unspent at beginning of year	247,450	344,610
Conditions met - transferred to revenue	(1,544)	(97,160)
	<b>245,906</b>	<b>247,450</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Youth Fund Grant (Umsobomvu/NYDA)</b>		
Balance unspent at beginning of year	22,469	179,008
Conditions met - transferred to revenue	(22,469)	(156,539)
	-	<b>22,469</b>
Conditions still to be met - remain liabilities (see note 11).		

### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>21. Other income</b>		
Clearance Certificates	3,863	1,047
Signs	59,554	19,794
Connection fees	53,382	130,260
Building Plans	23,610	9,281
Burial fees	37,526	40,325
Tender monies	128,783	33,809
Donation	-	42,000
Sundry Income	32,004	246,511
KZN Planning & Development Act Fees	1,316	-
GIS Maps sales	381	-
Library Fines	6,389	-
LGSETA Allowance	52,900	-
Printing & Photocopy	5,908	-
	<b>405,616</b>	<b>523,027</b>
<b>22. General expenses</b>		
Advertising	102,073	142,968
Auditors remuneration	1,458,316	787,355
Bank charges	69,697	70,733
Cleaning	-	12,215
Consulting and professional fees	1,633,085	1,241,572
Consumables	742,136	833,747
Entertainment	50,995	41,052
Fines and penalties	28,976	-
Insurance	400,765	180,099
Youth development	476,233	354,676
IT expenses	51,690	2,900
Marketing	55,532	-
Promotions and sponsorships	-	15,135
Motor vehicle expenses	26,659	85,077
Fuel and oil	484,934	396,545
Printing and stationery	323,094	322,157
Community Development Projects	1,019,157	305,347
Software expenses	245,966	51,584
Subscriptions and membership fees	147,835	297,155
Telephone and fax	364,044	458,911
Training	38,873	55,199
Travel - local	293,123	364,467
Electricity	167,159	-
Uniforms	146,110	97,300
Tourism development	55,000	50,000
Audit Committee	24,843	23,525
Indigent (FBE)	1,041,598	1,288,578
VAT adjustment	(880,697)	-
Other expenses	12,139	84,256
Restructuring	15,999	-
	<b>8,595,334</b>	<b>7,562,553</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>23. Employee related costs</b>		
Basic	12,217,958	10,663,375
Bonus	993,076	961,143
Medical aid - company contributions	540,873	395,748
UIF	114,184	102,356
SDL	144,692	104,512
Leave pay provision charge	72,021	140,031
Group Life Insurance	11,070	20,394
Post-employment benefits - Pension - Defined contribution plan	1,408,208	1,198,211
Overtime payments	67,546	68,910
Car allowance	1,085,150	1,060,832
Housing benefits and allowances	300,286	197,685
Telephone and Cellphone Allowance	59,462	96,360
	<b>17,014,526</b>	<b>15,009,557</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	782,940	731,720
Contributions to UIF, Medical and Pension Funds	9,083	8,660
Cellphone Allowance	12,000	12,000
	<b>804,023</b>	<b>752,380</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	636,940	542,118
Contributions to UIF, Medical and Pension Funds	7,356	6,447
Cellphone Allowance	6,000	6,000
	<b>650,296</b>	<b>554,565</b>
<b>Corporate and community resources</b>		
Annual Remuneration	621,147	580,727
Contributions to UIF, Medical and Pension Funds	7,570	7,116
Cellphone Allowances	6,000	6,000
	<b>634,717</b>	<b>593,843</b>
<b>Development planning and Housing</b>		
Annual Remuneration	531,615	534,720
Contributions to UIF, Medical and Pension Funds	5,995	6,808
Cellphone Allowance	6,000	6,000
	<b>543,610</b>	<b>547,528</b>
<b>Technical Services</b>		
Annual Remuneration	614,367	304,464
Contributions to UIF, Medical and Pension Funds	7,112	3,598
Cellphone Allowance	6,000	6,000
	<b>627,479</b>	<b>314,062</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>24. Remuneration of councillors</b>		
Mayor	313,268	154,908
Deputy Mayor	253,595	237,098
Executive Committee Members	970,721	774,141
Speaker	254,097	179,998
Ordinary Councillors	4,174,079	3,588,829
Contributions to UIF and SDL	84,987	55,812
	<b>6,050,747</b>	<b>4,990,786</b>
<b>In-kind benefits</b>		
The Mayor, Deputy Mayor, Speaker are part-time. Each is provided with an office and the Mayor is provided with secretarial support at the cost of the Council.		
The Mayor have the use of Council owned vehicle for official duties.		
The Mayor has one full-time driver.		
<b>25. Debt impairment</b>		
Provision for bad debts	1,685,214	2,313,108
<b>26. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	528,637	262,672
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	4,130,426	3,721,394
Intangible assets	2,270	899
	<b>4,132,696</b>	<b>3,722,293</b>
<b>28. Finance costs</b>		
Non-current borrowings	91,303	149,749
Finance leases	181,132	204,480
	<b>272,435</b>	<b>354,229</b>
<b>29. Auditors' remuneration</b>		
Fees	1,458,316	787,355
<b>30. Contracted services</b>		
Firefighting Services	1,044,479	977,788
Security	520,992	577,412
	<b>1,565,471</b>	<b>1,555,200</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>31. Grants and subsidies paid</b>		
Financial System	-	1,319,443
Public Participation	-	97,455
Municipal Infrastructure Grant	-	11,706,350
Municipal Systems Improvement Grant	660,463	347,815
Municipal Finance Management Grant	-	777,850
Cybercadet Grant	656,815	205,213
KZN Treasury (Housing)	-	465
DLGTA-GIS	-	24,832
Corridor Development Grant	481,100	28,000
DLGTA- IDP	-	88,764
Synergistic Partnership	1,544	85,866
Management Assistance Program	278,415	483,259
Municipal Finance Management Grant	958,022	97,200
Bornem Grant	96,363	-
Youth Fund Grant (NYDA)	22,469	-
Municipal Governance Grant	576,026	-
Anti-Corruption Strategy	39,085	-
Capacity Building	138,817	-
	<b>3,909,119</b>	<b>15,262,512</b>
<b>32. Bulk purchases</b>		
Electricity	9,129,916	7,964,441
<b>33. Cash generated from operations</b>		
Surplus	28,593,423	7,084,291
<b>Adjustments for:</b>		
Depreciation and amortisation	4,132,696	3,722,293
Gain (loss) on sale of assets and liabilities	138,511	(53,976)
Fair value adjustments	(8,271,107)	-
Finance costs - Finance leases	181,132	204,480
Debt impairment	1,685,214	2,313,108
Movements in provisions	172,781	140,031
Prior year adjustment	7,152,876	-
<b>Changes in working capital:</b>		
Inventories	146,139	(211,109)
Trade and other receivables from exchange transactions	(676,183)	273,607
Consumer debtors	(5,788,898)	(4,869,209)
Trade and other payables from exchange transactions	(2,235,328)	2,608,578
VAT	123,923	2,477,922
Unspent conditional grants and receipts	8,242,471	(2,102,471)
Consumer deposits	5,014	85,673
	<b>33,602,664</b>	<b>11,673,218</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>34. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted</b>		
• Property, plant and equipment	1,735,256	26,521,751
• Property, plant and equipment (Work in progress)	28,750,505	-
	<b>30,485,761</b>	<b>26,521,751</b>

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

### 35. Contingencies

The Municipality has the following contingent liabilities:

A middle-income housing developer contracted by the municipality is suing the municipality for an alleged breach of the contract and the municipality is defending the matter and is awaiting legal advice of the Senior Counsel

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

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

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

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

### 36. Related parties

The municipality does not have any related parties.

The municipality did not have any related party transactions.

### 37. Change in estimate

#### Property, plant and equipment

Heritage assets were previously depreciated and this financial year this was corrected and accumulated depreciation been reversed.

### 38. Prior period errors

The future use of vacant land that the municipality owns has not been determined as yet and this must be classified as Investment property.

PPE to the value of R 7 931 803 recognised in the prior and was subsequently recognised this year. This is part of implementation of GRAP Directive 4.

Payments made to consultants working on VAT was incorrectly debited into VAT control Account instead of consultation fees.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>38. Prior period errors (continued)</b>		
<b>Statement of financial position</b>		
Increase in Property, plant and equipment	-	7,931,803
Decrease in Accumulated Depreciation	-	17,053
Decrease in VAT control account	-	1,289,031
Opening Accumulated Surplus or Deficit	-	(323,881)
Increase in Long-term provisions	-	177,767
<b>Statement of Financial Performance</b>		
Provision - Landfill site rehabilitation	-	177,767
<b>39. Going concern</b>		
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.		
<b>40. Fruitless and wasteful expenditure</b>		
Interest paid - overdue payables	19,974	-
SARS - penalties on late payments	289,652	-
	<b>309,626</b>	-
The matter is being investigated by the office of the Accounting Officer for possible disciplinary action against the official who caused the municipality to suffer loss.		
<b>41. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Amount paid - current year	134,395	81,380
<b>Audit fees</b>		
Current year subscription / fee	913,073	787,355
Amount paid - current year	(913,073)	(787,355)
	-	-
<b>PAYE and UIF</b>		
Current year deductions and council contributions	3,449,567	2,474,260
Amount paid - current year	(3,449,567)	(2,474,260)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year deductions and council contributions	3,378,744	3,123,626
Amount paid - current year	(3,378,744)	(3,123,626)
	-	-
<b>VAT</b>		
VAT receivable	840,564	964,487

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



# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand 2011 2010

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councilor IT Nhlebela	765	5,108	5,873
Councilor IT Nhlebela	765	5,111	5,876
Councilor IT Nhlebela	758	4,687	5,445
Councilor ZG Ngcobo	420	2,806	3,226
Councilor ZG Ngcobo	468	3,343	3,811
	<b>3,176</b>	<b>21,055</b>	<b>24,231</b>

  

30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councilor TC Njoko	1,093	-	1,093
Councilor GJG Mncube	867	-	867
Councilor VB Ntombela	58	-	58
Councilor NN Khanyile	1,343	-	1,343
	<b>3,361</b>	<b>-</b>	<b>3,361</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

### 42. Deviation from supply chain management regulations

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

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

There are no deviations that occurred in a financial year under review.

### 43. Material Losses - Electricity

Electricity losses	kWh	R
Purchased	18,097,201	8,962,336
Sold	(5,578,996)	(7,098,547)
<b>Material Losses</b>	<b>12,518,205</b>	<b>1,863,789</b>

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

The municipality has investigated the causes of the losses and the major contributing factor are illegal connections and tampering.

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

### 44. Statement of comparative and actual information

2011

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Performance</b>								
Property rates	8,866,875	-	8,866,875	8,866,875	6,729,318	2,137,557	76 %	76 %
Service charges	11,368,396	-	11,368,396	11,368,396	9,456,928	1,911,468	83 %	83 %
Investment revenue	160,000	-	160,000	160,000	528,637	(368,637)	330 %	330 %
Transfers recognised - operational	59,094,533	-	76,571,533	76,571,533	51,756,719	24,814,814	68 %	88 %
Other own revenue	853,800	-	849,700	849,700	1,282,502	(432,802)	151 %	150 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>80,343,604</b>	<b>-</b>	<b>97,816,504</b>	<b>97,816,504</b>	<b>69,754,104</b>	<b>28,062,400</b>	<b>71 %</b>	<b>87 %</b>
Employee costs	(22,217,294)	-	(22,217,294)	(22,217,294)	(17,014,526)	(5,202,768)	77 %	77 %
Remuneration of councillors	(6,277,196)	-	(6,277,196)	(6,277,196)	(6,050,747)	(226,449)	96 %	96 %
Debt impairment	(683,042)	-	(683,042)	(683,042)	(1,685,214)	1,002,172	247 %	247 %
Depreciation and asset impairment	(683,042)	-	(683,042)	(683,042)	(4,132,696)	3,449,654	605 %	605 %
Finance charges	(150,000)	-	(150,000)	(150,000)	(272,435)	122,435	182 %	182 %
Bulk purchases - electricity	(9,940,776)	-	(9,940,776)	(9,940,776)	(9,129,916)	(810,860)	92 %	92 %
Transfers and grants	(29,143,533)	-	(29,143,533)	(29,143,533)	(3,909,119)	(25,234,414)	13 %	13 %
Other expenditure	(18,140,959)	-	(18,136,859)	(18,136,859)	(10,795,967)	(7,340,892)	60 %	60 %
<b>Total expenditure</b>	<b>(87,235,842)</b>	<b>-</b>	<b>(87,231,742)</b>	<b>(87,231,742)</b>	<b>(52,990,620)</b>	<b>(34,241,122)</b>	<b>61 %</b>	<b>61 %</b>
<b>Surplus/(Deficit)</b>	<b>(6,892,238)</b>	<b>-</b>		<b>10,584,762</b>	<b>16,763,484</b>	<b>(6,178,722)</b>	<b>158 %</b>	<b>(243)%</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

### 44. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	17,477,000	-		-	11,829,939	(11,829,939)	DIV/0 %	68 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>10,584,762</b>	<b>-</b>		<b>10,584,762</b>	<b>28,593,423</b>	<b>(18,008,661)</b>	<b>270 %</b>	<b>270 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>10,584,762</b>	<b>-</b>		<b>10,584,762</b>	<b>28,593,423</b>	<b>(18,008,661)</b>	<b>270 %</b>	<b>270 %</b>

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

### 44. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>								
Total capital expenditure	26,500,000	-	-	-	9,589,120	(9,589,120)	DIV/0 %	36 %
<b>Sources of capital funds</b>								
Transfers recognised - capital	17,477,000	-		-	-	-	DIV/0 %	- %
Internally generated funds	23,000	-		-	-	-	DIV/0 %	- %
<b>Total sources of capital funds</b>	<b>17,500,000</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>DIV/0 %</b>	<b>- %</b>

Explanation of variance of above 10%

1. **Property rates**:- the revenue foregone through rebates

2. **Service charges**:- the electricity revenue is dependant on the usage by consumers

3. **Interest received**:- we are discouraged to have excess cash and we do not budget for investments but should there e excess cash it is invested.

4. **Grants**:- disclosure of capital grants

5. **Other revenue**:- electricity tempering penalties are dependent on successful investigations and cannot be estimated accurately

6. **Employee costs**:- control of overtime and employees not utilising benefits like housing.

7. **Debt impairment**:- a revised calculation during audit increase the provision

8. **Depreciation and asset impairment**:- as part of GRAP 17 and directive 4 the PPE component is still being finalised and the depreciation calculations are not yet final.

9. **Finance charges**:- interest on finance

# Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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Figures in Rand

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### 44. Statement of comparative and actual information (continued)

10. **Bulk purchases - electricity**:- based on consumption by residents which is fluctuating

11. Transfers and grants:- disclosure of capital grants

12. Other expenditure:- check if budget figure is correct

# **Nquthu Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

**Nquthu Local Municipality**

**Appendix A**

June 2011

**Schedule of external loans as at 30 June 2011**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2010</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2011</b>	<b>Carrying Value of Property, Plant &amp; Equip Rand</b>	<b>Other Costs in accordance with the MFMA Rand</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Development Bank of South Africa</b>							
DBSA Loan @ 1%	100524/2 December 2014	2,560,277	-	558,936	2,001,341	6,330,266	-
DBSA Loan @ 5%	100524/3 January 2016	1,433,437	-	189,194	1,244,243	1,604,137	-
		<b>3,993,714</b>	<b>-</b>	<b>748,130</b>	<b>3,245,584</b>	<b>7,934,403</b>	<b>-</b>
Total external loans		<b>3,993,714</b>	<b>-</b>	<b>748,130</b>	<b>3,245,584</b>	<b>7,934,403</b>	<b>-</b>

**Nquthu Local Municipality**  
**Nquthu Local Municipality**  
**Appendix B**

June 2011

**Analysis of property, plant and equipment as at 30 June 2011**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	14,300,000	-	-	-	-	-	14,300,000	-	-	-	-	-	-	14,300,000
Buildings (Separate for AFS purposes)	12,146,477	5,892,628	-	-	-	-	18,039,105	(2,015,411)	-	-	(743,168)	-	(2,758,579)	15,280,526
	<b>26,446,477</b>	<b>5,892,628</b>	-	-	-	-	<b>32,339,105</b>	<b>(2,015,411)</b>	-	-	<b>(743,168)</b>	-	<b>(2,758,579)</b>	<b>29,580,526</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	22,139,866	-	-	-	-	-	22,139,866	(7,176,174)	-	-	(1,383,187)	-	(8,559,361)	13,580,505
Street lighting	1,009,942	-	-	-	-	-	1,009,942	(328,488)	-	-	(25,230)	-	(353,718)	656,224
Electricity	7,650,379	-	-	-	-	-	7,650,379	(4,564,119)	-	-	(252,645)	-	(4,816,764)	2,833,615
	<b>30,800,187</b>	-	-	-	-	-	<b>30,800,187</b>	<b>(12,068,781)</b>	-	-	<b>(1,661,062)</b>	-	<b>(13,729,843)</b>	<b>17,070,344</b>
<b>Community Assets</b>														
Refuse sites	1,800,465	-	-	-	-	-	1,800,465	(1,068,093)	-	-	(33,315)	-	(1,101,408)	699,057
Sportsfields and stadium	1,498,819	-	-	-	-	-	1,498,819	(290,457)	-	-	-	-	(290,457)	1,208,362
Community halls	2,571,018	1,075,021	-	-	-	-	3,646,039	(30,203)	-	-	(121,353)	-	(151,556)	3,494,483
Libraries	100,564	-	-	-	-	-	100,564	(14,483)	-	-	(3,350)	-	(17,833)	82,731
Cemeteries	142,712	-	-	-	-	-	142,712	(24,309)	-	-	(6,447)	-	(30,756)	111,956
	<b>6,113,578</b>	<b>1,075,021</b>	-	-	-	-	<b>7,188,599</b>	<b>(1,448,562)</b>	-	-	<b>(164,465)</b>	-	<b>(1,613,027)</b>	<b>5,575,572</b>



**Nquthu Local Municipality**  
**Nquthu Local Municipality**  
**Appendix B**

June 2011

**Analysis of property, plant and equipment as at 30 June 2011**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Jewellery	78,888	-	-	-	-	-	78,888	-	-	-	-	-	-	78,888
	<b>78,888</b>	-	-	-	-	-	<b>78,888</b>	-	-	-	-	-	-	<b>78,888</b>
<b>Other assets</b>														
Motor Vehicles	3,288,952	42,504	-	-	-	-	3,331,456	(2,323,503)	-	-	(107,407)	-	(2,430,910)	900,546
Plant & equipment	5,818,733	226,871	(4,845)	-	-	-	6,040,759	(1,677,786)	2,872	-	(325,890)	-	(2,000,804)	4,039,955
Computer Equipment	698,172	309,219	(15,753)	-	-	-	991,638	(303,471)	2,212	-	(154,759)	-	(456,018)	535,620
Office Equipment	936,195	972,185	(11,521)	-	-	-	1,896,859	(354,169)	3,552	-	(243,097)	-	(593,714)	1,303,145
Bins and Containers	5,594	-	-	-	-	-	5,594	(5,594)	-	-	-	-	(5,594)	-
Other Assets - Leased	2,045,917	230,581	(280,286)	-	-	-	1,996,212	(483,470)	165,258	-	(663,923)	-	(982,135)	1,014,077
	<b>12,793,563</b>	<b>1,781,360</b>	<b>(312,405)</b>	-	-	-	<b>14,262,518</b>	<b>(5,486,445)</b>	<b>173,894</b>	-	<b>(1,495,076)</b>	-	<b>(6,807,627)</b>	<b>7,454,891</b>
<b>Total property plant and equipment</b>														
Land and buildings	26,446,477	5,892,628	-	-	-	-	32,339,105	(2,015,411)	-	-	(743,168)	-	(2,758,579)	29,580,526
Infrastructure	30,800,187	-	-	-	-	-	30,800,187	(12,068,781)	-	-	(1,661,062)	-	(13,729,843)	17,070,344
Community Assets	6,113,578	1,075,021	-	-	-	-	7,188,599	(1,448,562)	-	-	(164,465)	-	(1,613,027)	5,575,572
Heritage assets	78,888	-	-	-	-	-	78,888	-	-	-	-	-	-	78,888
Other assets	12,793,563	1,781,360	(312,405)	-	-	-	14,262,518	(5,486,445)	173,894	-	(1,495,076)	-	(6,807,627)	7,454,891
	<b>76,232,693</b>	<b>8,749,009</b>	<b>(312,405)</b>	-	-	-	<b>84,669,297</b>	<b>(21,019,199)</b>	<b>173,894</b>	-	<b>(4,063,771)</b>	-	<b>(24,909,076)</b>	<b>59,760,221</b>
<b>Intangible assets</b>														
Computers - software & programming	35,293	45,537	-	-	-	-	80,830	(28,155)	-	-	(2,270)	-	(30,425)	50,405
	<b>35,293</b>	<b>45,537</b>	-	-	-	-	<b>80,830</b>	<b>(28,155)</b>	-	-	<b>(2,270)</b>	-	<b>(30,425)</b>	<b>50,405</b>
<b>Investment properties</b>														
Investment property	1,999,640	-	-	-	-	-	1,999,640	(638,722)	-	-	(66,655)	-	(705,377)	1,294,263
	<b>1,999,640</b>	-	-	-	-	-	<b>1,999,640</b>	<b>(638,722)</b>	-	-	<b>(66,655)</b>	-	<b>(705,377)</b>	<b>1,294,263</b>
<b>Total</b>														
Land and buildings	26,446,477	5,892,628	-	-	-	-	32,339,105	(2,015,411)	-	-	(743,168)	-	(2,758,579)	29,580,526
Infrastructure	30,800,187	-	-	-	-	-	30,800,187	(12,068,781)	-	-	(1,661,062)	-	(13,729,843)	17,070,344
Community Assets	6,113,578	1,075,021	-	-	-	-	7,188,599	(1,448,562)	-	-	(164,465)	-	(1,613,027)	5,575,572
Heritage assets	78,888	-	-	-	-	-	78,888	-	-	-	-	-	-	78,888
Other assets	12,793,563	1,781,360	(312,405)	-	-	-	14,262,518	(5,486,445)	173,894	-	(1,495,076)	-	(6,807,627)	7,454,891
Intangible assets	35,293	45,537	-	-	-	-	80,830	(28,155)	-	-	(2,270)	-	(30,425)	50,405
Investment properties	1,999,640	-	-	-	-	-	1,999,640	(638,722)	-	-	(66,655)	-	(705,377)	1,294,263
	<b>78,267,626</b>	<b>8,794,546</b>	<b>(312,405)</b>	-	-	-	<b>86,749,767</b>	<b>(21,686,076)</b>	<b>173,894</b>	-	<b>(4,132,696)</b>	-	<b>(25,644,878)</b>	<b>61,104,889</b>



Nquthu Local Municipality

Appendix F

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

June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun			
Municipal Governance Grant	KZN-COGTA	-	-	-	-	315,760	191,626	-	68,640	-	-	-	-		Yes	
Capacity Building	KZN-COGTA	-	-	-	-	-	-	-	104,649	-	-	-	-		Yes	
MFMA	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Corridor Development	KZN-COGTA	-	-	-	-	267,590	208,062	-	72,732	-	-	-	-		Yes	
MPCC	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Cybercadet	KZN-Arts & Culture (Libraries)	441,933	-	-	201,600	140,147	271,534	-	252,174	-	-	-	-		Yes	
Anti-corruption strategy Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Municipal Infrastructure Grant (MIG)	COGTA-National	5,000,000	4,500,000	3,477,000	-	2,212,108	2,033,611	1,578,763	6,008,968	-	-	-	-		Yes	
Financial System Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Management Assistance Program	KZN-COGTA	-	-	-	-	-	51,781	98,051	160,311	-	-	-	-		Yes	
Municipal Systems Improvement Grant	COGTA-National	750,000	-	-	-	-	106,789	449,220	178,482	-	-	-	-		Yes	
Housing	KZN-Housing	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Financial Management Grant	National Treasury	1,250,000	-	-	-	264,316	460,848	410,354	106,390	-	-	-	-		Yes	
Synergistic Partnership Grant	KZN-COGTA	-	-	-	-	-	1,346	198	-	-	-	-	-		Yes	

Public Participation Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	Yes
Youth Fund (Umsobomvu/NYDA)	NYDA	-	-	-	-	-	-	22,469	-	-	-	-	-	Yes
CBD Roass Rehabilitation	KZN-COGTA	-	9,000,000	-	-	-	-	-	-	-	-	-	-	
Bornem Grant	Bornem (Belgium)	75,494	72,392	-	-	42,980	-	40,910	17,678	-	-	-	-	
Lirbrary Volunteer	KZN-Arts & Culture (Libraries)	-	12,000	-	-	-	-	-	6,922	-	-	-	-	
		<u>7,517,427</u>	<u>13,584,392</u>	<u>3,477,000</u>	<u>201,600</u>	<u>3,242,901</u>	<u>3,325,597</u>	<u>2,599,965</u>	<u>6,976,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

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