



Nquthu Local Municipality
Financial statements
for the year ended 30 June 2014

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

General Information

Nature of business and principal activities	Local Municipality
Executive Committee	Cllr. EN Molefe (Mayor) Cllr. SM Kunene (Deputy Mayor) Cllr. NM Zungu Cllr. RS Nyamane Cllr. ML Dlamini Cllr. NS Mkhize Cllr. VB Ntombela (Speaker) (Ex-Officio)
Ordinary Councillors	Cllr. Z Sithole Cllr. JC Ndlovu Cllr. SM Buthelezi Cllr. GAN Buthelezi Cllr. LS Sangweni Cllr. SM Shabangu Cllr. TW Madondo Cllr. RS Langa Cllr. KS Selepe Cllr. S Buthelezi Cllr. HM Moloji Cllr. RA Ndlovu Cllr. SMC Zikode Cllr. CT Buthelezi Cllr. GH Buthelezi Cllr. LS Hoffman Cllr. V Ngobese Cllr. FA Hlatshwayo Cllr. TM Ndlovu Cllr. PP Khoza Cllr. EM Mkhwanazi Cllr. ME Mnguni Cllr. SP Mazibuko Cllr. SJ Mkhwanazi Cllr. ZG Ngcobo Cllr. BI Zwane Cllr. ET Zulu
Grading of local authority	Grade 2
Accounting Officer	Mr. Bonginkosi Paul Gumbi
Chief Finance Officer (CFO)	Mr. Welcome Sakhile Mpanza
Registered office	Municipal Building 83/11 Mdlalose Street Nquthu 3135
Business address	Municipal Building 83/11 Mdlalose Street Nquthu 3135

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Postal address	Private Bag X 5521 Nquthu 3135
Banker	ABSA South Africa
Auditors	Auditor General
Attorneys	Rafiq Khan Inc.

Nquthu Local Municipality

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Abbreviations

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

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

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year 01 July 2014 to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The financial statements set out on pages 5 to 56, which have been prepared on the going concern basis, were approved by the municipality on 31 August 2014 and were signed on its behalf by:

Accounting Officer

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	10	857 654	608 333
Receivables from exchange transactions	11	9 507 341	5 798 847
Receivables from non-exchange transactions	12	6 410 029	2 539 324
VAT receivable	13	2 633 378	1 380 786
Prepayments	9	60 700	133 343
Cash and cash equivalents	15	94 959 860	80 939 985
		114 428 962	91 400 618
Non-Current Assets			
Investment property	4	1 090 493	1 159 078
Property, plant and equipment	5	163 882 172	127 942 402
Intangible assets	6	61 833	82 392
Heritage assets	7	78 888	78 888
		165 113 386	129 262 760
Total Assets		279 542 348	220 663 378
Liabilities			
Current Liabilities			
Finance lease obligation	16	-	12 320
Payables from exchange transactions	20	4 349 991	3 910 145
Consumer deposits	21	375 147	376 522
Unspent conditional grants and receipts	17	6 520 086	8 596 881
Provisions	18	2 089 161	2 074 531
Current portion long-term liabilities	19	521 323	876 925
		13 855 708	15 847 324
Non-Current Liabilities			
Employee benefit obligation	8	1 231 991	-
Long-term loan	19	367 083	826 597
		1 599 074	826 597
Total Liabilities		15 454 782	16 673 921
Net Assets		264 087 566	203 989 457
Accumulated surplus		264 087 566	203 989 457

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Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Service charges	24	15 328 220	12 372 869
Rental of facilities and equipment	22	519 390	489 010
Miscellaneous other revenue	26	613 363	412 419
Commissions received	27	88 426	82 831
Interest received - investment	32	5 949 870	3 716 099
Property rates	23	12 675 865	10 291 736
Property rates - penalties imposed		956 100	722 702
Government grants & subsidies	25	124 513 513	119 447 046
Fines		416 243	185 564
Total revenue		161 060 990	147 720 276
Expenditure			
Employee Costs	29	(25 612 456)	(22 277 411)
Remuneration of councillors	30	(8 519 657)	(7 337 690)
Depreciation and amortisation	33	(5 760 880)	(5 172 484)
Finance costs	35	(46 657)	(83 113)
Debt impairment	31	-	(2 960 517)
Repairs and maintenance	34	(3 590 267)	(1 516 817)
Bulk purchases	40	(15 718 276)	(13 577 582)
Contracted services	38	(2 988 371)	(3 178 506)
Grants operational expenditure	39	(14 579 099)	(13 670 863)
General Expenses	28	(24 017 409)	(21 891 078)
Total expenditure		(100 833 072)	(91 666 061)
Operating surplus		60 227 918	56 054 215
Loss on disposal of assets and liabilities		(129 808)	(79 571)
Surplus for the year		60 098 110	55 974 644

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Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2012	148 014 813	148 014 813
Changes in net assets		
Surplus for the year	55 974 644	55 974 644
Total changes	55 974 644	55 974 644
Balance at 01 July 2013	203 989 456	203 989 456
Changes in net assets		
Surplus for the year	60 098 110	60 098 110
Total changes	60 098 110	60 098 110
Balance at 30 June 2014	264 087 566	264 087 566
Note(s)		

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Sale of goods and services		10 705 600	12 367 607
Grants		122 480 128	119 447 046
Interest income		5 949 870	3 716 099
Other receipts		11 511 570	12 189 524
		<u>150 647 168</u>	<u>147 720 276</u>
Payments			
Employee costs		(32 685 697)	(29 615 101)
Suppliers		(61 326 180)	(60 493 624)
Finance costs		(45 537)	(61 774)
		<u>(94 057 414)</u>	<u>(90 170 499)</u>
Net cash flows from operating activities	41	<u>56 589 754</u>	<u>57 549 777</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(42 024 782)	(36 334 286)
Proceeds from sale of property, plant and equipment		283 469	(20 947)
Purchase of other intangible assets	6	-	(54 479)
Net cash flows from investing activities		<u>(41 741 313)</u>	<u>(36 409 712)</u>
Cash flows from financing activities			
Movement in loan - long-term loan		(815 116)	(778 964)
Finance lease payments		(13 440)	(460 584)
Net cash flows from financing activities		<u>(828 556)</u>	<u>(1 239 548)</u>
Net increase in cash and cash equivalents		14 019 885	19 900 517
Cash and cash equivalents at the beginning of the year		80 939 985	61 039 468
Cash and cash equivalents at the end of the year	15	<u>94 959 870</u>	<u>80 939 985</u>

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Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	19 603 905	-	19 603 905	15 328 220	(4 275 685)	Appendix E(1)
Rental of facilities and equipment	594 491	-	594 491	519 390	(75 101)	Appendix E(1)
Miscellaneous other revenue	391 238	-	391 238	613 363	222 125	Appendix E(1)
Commissions received	83 421	-	83 421	88 426	5 005	Appendix E(1)
Interest received - investment	2 996 000	-	2 996 000	5 949 870	2 953 870	Appendix E(1)
Total revenue from exchange transactions	23 669 055	-	23 669 055	22 499 269	(1 169 786)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	17 400 000	-	17 400 000	12 675 865	(4 724 135)	Appendix E(1)
Property rates - penalties imposed	728 943	-	728 943	956 100	227 157	Appendix E(1)
Government grants & subsidies	122 025 000	-	122 025 000	124 513 513	2 488 513	Appendix E(1)
Transfer revenue						
Fines	145 000	-	145 000	416 243	271 243	Appendix E(1)
Total revenue from non-exchange transactions	140 298 943	-	140 298 943	138 561 721	(1 737 222)	
Total revenue	163 967 998	-	163 967 998	161 060 990	(2 907 008)	
Expenditure						
Personnel	(33 491 413)	-	(33 491 413)	(25 612 456)	7 878 957	Appendix E(1)
Remuneration of councillors	(10 129 655)	-	(10 129 655)	(8 519 657)	1 609 998	Appendix E(1)
Depreciation and amortisation	(5 624 570)	-	(5 624 570)	(5 760 880)	(136 310)	Appendix E(1)
Finance costs	(50 113)	-	(50 113)	(46 657)	3 456	Appendix E(1)
Debt impairment	(2 000 000)	-	(2 000 000)	-	2 000 000	Appendix E(1)
Repairs and maintenance	(5 354 200)	-	(5 354 200)	(3 590 267)	1 763 933	Appendix E(1)
Bulk purchases	(16 500 000)	-	(16 500 000)	(15 718 276)	781 724	Appendix E(1)
Contracted Services	(2 318 500)	-	(2 318 500)	(2 988 371)	(669 871)	Appendix E(1)
Grants Operating Expenditure	(9 868 000)	-	(9 868 000)	(14 579 099)	(4 711 099)	Appendix E(1)
General Expenses	(34 936 539)	-	(34 936 539)	(24 017 409)	10 919 130	Appendix E(1)
Total expenditure	(120 272 990)	-	(120 272 990)	(100 833 072)	19 439 918	
Operating surplus	43 695 008	-	43 695 008	60 227 918	16 532 910	
Loss on disposal of assets and liabilities	-	-	-	(129 808)	(129 808)	Appendix E(1)
Surplus before taxation	43 695 008	-	43 695 008	60 098 110	16 403 102	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	43 695 008	-	43 695 008	60 098 110	16 403 102	
Reconciliation						

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	857 654	857 654	Appendix E(1)
Receivables from exchange transactions	-	-	-	9 507 341	9 507 341	Appendix E(1)
Receivables from non-exchange transactions	-	-	-	6 410 029	6 410 029	Appendix E(1)
VAT receivable	-	-	-	2 633 378	2 633 378	Appendix E(1)
Prepayments	-	-	-	60 700	60 700	Appendix E(1)
Cash and cash equivalents	87 903 000	-	87 903 000	94 959 860	7 056 860	Appendix E(1)
	87 903 000	-	87 903 000	114 428 962	26 525 962	
Non-Current Assets						
Investment property	-	-	-	1 090 493	1 090 493	Appendix E(1)
Property, plant and equipment	60 852 972	(60 852 972)	-	163 882 172	163 882 172	Appendix E(1)
Intangible assets	-	-	-	61 833	61 833	Appendix E(1)
Heritage assets	-	-	-	78 888	78 888	Appendix E(1)
	60 852 972	(60 852 972)	-	165 113 386	165 113 386	
Total Assets	148 755 972	(60 852 972)	87 903 000	279 542 348	191 639 348	
Liabilities						
Current Liabilities						
Payables from exchange transactions	4 534 000	-	4 534 000	4 349 994	(184 006)	Appendix E(1)
Consumer deposits	-	-	-	375 147	375 147	Appendix E(1)
Unspent conditional grants and receipts	-	-	-	6 520 086	6 520 086	Appendix E(1)
Provisions	3 043 000	-	3 043 000	2 089 161	(953 839)	Appendix E(1)
Current portion long-term liabilities	(841 526)	-	(841 526)	521 323	1 362 849	Appendix E(1)
	6 735 474	-	6 735 474	13 855 711	7 120 237	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	1 231 991	1 231 991	Appendix E(1)
Long-term loan	-	-	-	367 083	367 083	Appendix E(1)
	-	-	-	1 599 074	1 599 074	
Total Liabilities	6 735 474	-	6 735 474	15 454 785	8 719 311	
Net Assets	142 020 498	(60 852 972)	81 167 526	264 087 563	182 920 037	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	41 308 515	(41 308 515)	-	264 087 565	264 087 565	Appendix E(1)
Undefined Difference	100 711 983	(19 544 457)	81 167 526	(2)	(81 167 528)	
Total Net Assets	41 308 515	(41 308 515)	-	264 087 565	264 087 565	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Property rates	18 128 943	-	18 128 943	-	-	18 128 943	13 631 965	-	(4 496 978)	75 %	75 %
Service charges	19 603 905	-	19 603 905	-	-	19 603 905	15 328 220	-	(4 275 685)	78 %	78 %
Investment revenue	2 996 000	-	2 996 000	-	-	2 996 000	5 949 870	-	2 953 870	199 %	199 %
Transfers recognised - operational	94 965 000	-	94 965 000	-	-	94 965 000	96 237 941	-	1 272 941	101 %	101 %
Other own revenue	1 214 150	-	1 214 150	-	-	1 214 150	1 637 422	-	423 272	135 %	135 %
Total revenue (excluding capital transfers and contributions)	136 907 998	-	136 907 998	-	-	136 907 998	132 785 418	-	(4 122 580)	97 %	97 %
Employee costs	(33 491 413)	-	(33 491 413)	-	-	(33 491 413)	(25 612 456)	-	7 878 957	76 %	76 %
Remuneration of councillors	(10 129 655)	-	(10 129 655)	-	-	(10 129 655)	(8 519 657)	-	1 609 998	84 %	84 %
Debt impairment	(2 000 000)	-	(2 000 000)	-	-	(2 000 000)	-	-	2 000 000	- %	- %
Depreciation and asset impairment	(5 624 570)	-	(5 624 570)	-	-	(5 624 570)	(5 760 880)	-	(136 310)	102 %	102 %
Finance charges	(50 113)	-	(50 113)	-	-	(50 113)	(46 657)	-	3 456	93 %	93 %
Materials and bulk purchases	(16 500 000)	-	(16 500 000)	-	-	(16 500 000)	(15 718 276)	-	781 724	95 %	95 %
Transfers and grants	(9 868 000)	-	(9 868 000)	-	-	(9 868 000)	(14 579 099)	-	(4 711 099)	148 %	148 %
Other expenditure	(42 609 239)	-	(42 609 239)	-	-	(42 609 239)	(30 725 855)	-	11 883 384	72 %	72 %
Total expenditure	(120 272 990)	-	(120 272 990)	-	-	(120 272 990)	(100 962 880)	-	19 310 110	84 %	84 %
Surplus/(Deficit)	16 635 008	-	16 635 008	-	-	16 635 008	31 822 538	-	15 187 530	191 %	191 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	27 060 000	-	27 060 000	-		27 060 000	28 275 572		1 215 572	104 %	104 %
Surplus (Deficit) after capital transfers and contributions	43 695 008	-	43 695 008	-		43 695 008	60 098 110		16 403 102	138 %	138 %
Surplus/(Deficit) for the year	43 695 008	-	43 695 008	-		43 695 008	60 098 110		16 403 102	138 %	138 %
Capital expenditure and funds sources											
Total capital expenditure	60 852 972	-	60 852 972	-		60 852 972	42 024 782		(18 828 190)	69 %	69 %
Cash flows											
Net cash from (used) operating	-	-	-	-		-	56 589 754		56 589 754	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(41 741 313)		(41 741 313)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(828 556)		(828 556)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-		-	14 019 885		14 019 885	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	80 939 985		80 939 985	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	-		-	94 959 870		(94 959 870)	DIV/0 %	DIV/0 %

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Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2013				
Financial Performance				
Property rates				11 014 438
Service charges				12 372 869
Investment revenue				3 716 099
Transfers recognised - operational				85 635 980
Other own revenue				1 169 824
Total revenue (excluding capital transfers and contributions)				113 909 210
Employee costs	-	-	-	(22 277 411)
Remuneration of councillors	-	-	-	(7 337 690)
Debt impairment	-	-	-	(2 960 517)
Depreciation and asset impairment	-	-	-	(5 172 484)
Finance charges	-	-	-	(83 113)
Materials and bulk purchases	-	-	-	(13 577 582)
Transfers and grants	-	-	-	(13 670 863)
Other expenditure	-	-	-	(26 665 972)
Total expenditure	-	-	-	(91 745 632)
Surplus/(Deficit)				22 163 578
Transfers recognised - capital				33 811 066
Surplus (Deficit) after capital transfers and contributions				55 974 644
Surplus/(Deficit) for the year				55 974 644
Capital expenditure and funds sources				
Total capital expenditure				36 157 716

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Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				57 549 777
Net cash from (used) investing				(36 409 712)
Net cash from (used) financing				(1 239 548)
Net increase/(decrease) in cash and cash equivalents				19 900 517
Cash and cash equivalents at the beginning of the year				61 039 468
Cash and cash equivalents at year end				80 939 985

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Allowance for doubtful debts

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

1.3 Investment property

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

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

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

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

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

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Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Investment property (continued)

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

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

Cost model

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

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

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.4 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 through a non-exchange transaction, 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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

Property, plant and equipment 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.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis 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.

Nquthu Local Municipality

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Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

Items of 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.

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

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Accounting Policies

1.5 Intangible assets (continued)

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.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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.

1.6 Heritage assets

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

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

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

Nquthu Local Municipality

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Accounting Policies

1.6 Heritage assets (continued)

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

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

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

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

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

Subsequent measurement

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

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

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

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

1.7 Financial instruments

Classification and derecognition

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

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

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

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

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

Receivables from exchange transactions

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

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.7 Financial instruments (continued)

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

Payables from exchange transactions

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

1.8 Leases

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

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

Finance leases - lessee

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

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

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

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

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

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

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.9 Inventories (continued)

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

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

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

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

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

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Identification

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

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

Nquthu Local Municipality

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

1.12 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.

1.13 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.

Defined contribution plans

The Municipality and its employees contribute to the Natal Joint Municipal Pension Fund, KwaZulu-Natal Joint Municipal Provident Fund and the GEPA which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pension Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed every three years.

Nquthu Local Municipality

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Accounting Policies

1.13 Employee benefits (continued)

Whilst employees are employed by the municipality, the municipality contributes to their pension funds and medical aids. On termination, resignation or retirement of employees the municipality no longer contributes on their behalf and thus there are no post employment benefits.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.14 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.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised.

The municipality has a landfill site, although this has been since been discontinued to function due to environmental concerns.

Accounting Policies

1.14 Provisions and contingencies (continued)

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

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

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

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

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

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

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

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

1.16 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.

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Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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.

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

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.

1.17 Interest and rental income

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

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.18 Borrowing costs

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

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

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

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

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

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

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

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

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

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.22 Irregular expenditure (continued)

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

1.23 Use of estimates

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

1.24 Budget information

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

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

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

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

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

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

1.25 Related parties

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

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

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

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

1.26 Commitments

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

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

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.26 Commitments (continued)

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

1.27 Going concern assumption

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

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

2. Changes in accounting policy

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

- GRAP 31 Intangible assets (Previously GRAP 102) No differences
- GRAP 25 (Employee benefits) actuarial valuation was conducted for Long service award and medical aid. Long service award provision was raised but the medical aid provision was not done due to the absence of policy to guide which is in the process of being developed
- IGRAP 1- Interpretation on the treatment of traffic fines was used and traffic fines are now prospectively treated on accrual basis on issue of the fine.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	Unable to reliably estimate the impact
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	Unable to reliably estimate the impact
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	Unable to reliably estimate the impact

3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

3.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Unable to reliably estimate the impact
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Unable to reliably estimate the impact
• GRAP 107: Mergers	01 April 2014	Unable to reliably estimate the impact
• GRAP32: Service Concession Arrangements: Grantor	01 April 2015	Unable to reliably estimate the impact
• GRAP108: Statutory Receivables	01 April 2015	Unable to reliably estimate the impact
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	Unable to reliably estimate the impact

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

4. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 999 640	(909 147)	1 090 493	1 999 640	(840 562)	1 159 078

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	1 159 078	(68 585)	1 090 493

Reconciliation of investment property - 2013

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

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.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	13 270 852	-	13 270 852	13 270 852	-	13 270 852
Buildings	37 561 885	(6 990 366)	30 571 519	33 426 134	(5 730 082)	27 696 052
Plant and machinery	4 748 467	(1 570 355)	3 178 112	4 254 644	(1 301 225)	2 953 419
Furniture and fixtures	3 655 563	(1 486 834)	2 168 729	2 659 995	(1 147 305)	1 512 690
Motor vehicles	13 703 626	(2 529 965)	11 173 661	9 622 338	(1 423 059)	8 199 279
IT equipment	2 462 367	(929 136)	1 533 231	1 520 131	(725 299)	794 832
Infrastructure Roads & Stormwater	68 012 332	(14 615 138)	53 397 194	46 366 803	(12 583 140)	33 783 663
Community Infrastructure Electricity	2 418 926	(1 271 908)	1 147 018	2 418 926	(1 201 340)	1 217 586
Infrastructure Electricity	7 738 183	(5 578 079)	2 160 104	7 694 383	(5 323 854)	2 370 529
Capital work in progress - Roads	24 007 439	-	24 007 439	29 772 024	-	29 772 024
Capital works in progress - community halls	5 242 244	-	5 242 244	2 573 774	-	2 573 774
Finance leased Assets	-	-	-	32 780	(14 216)	18 564
Capital works in progress - business incubator	8 060 572	-	8 060 572	2 323 288	-	2 323 288
Capital works in progress - sports infrastructure	2 862 127	-	2 862 127	1 455 850	-	1 455 850
Capital work in progress - Casino electrification	3 703 024	-	3 703 024	-	-	-
Capital work in progress - buildings	1 406 346	-	1 406 346	-	-	-
Total	198 853 953	(34 971 781)	163 882 172	157 391 922	(29 449 520)	127 942 402

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	13 270 852	-	-	-	-	13 270 852
Buildings	27 696 052	417 911	-	3 717 840	(1 260 284)	30 571 519
Plant and machinery	2 953 419	497 769	(2 258)	-	(270 818)	3 178 112
Furniture and fixtures	1 512 690	999 805	(2 273)	-	(341 493)	2 168 729
Motor vehicles	8 199 279	4 578 517	(389 390)	-	(1 214 745)	11 173 661
IT equipment	794 832	966 795	(6 973)	-	(221 423)	1 533 231
Infrastructure Roads & Stormwater	33 783 663	-	-	21 645 529	(2 031 998)	53 397 194
Community Infrastructure Electricity	1 217 586	-	-	-	(70 568)	1 147 018
Infrastructure Electricity	2 370 529	43 800	-	-	(254 225)	2 160 104
Capital work in progress - Roads	29 772 024	15 880 944	-	(21 645 529)	-	24 007 439
Capital works in progress - community halls	2 573 774	4 544 971	-	(1 876 501)	-	5 242 244
Finance leased Assets	18 564	-	(12 383)	-	(6 181)	-
Capital works in progress - business incubator	2 323 288	5 737 284	-	-	-	8 060 572
Capital works in progress - sports infrastructure	1 455 850	3 247 616	-	(1 841 339)	-	2 862 127
Capital work in progress - Casino electrification	-	3 703 024	-	-	-	3 703 024
Capital work in progress - buildings	-	1 406 346	-	-	-	1 406 346
Total	127 942 402	42 024 782	(413 277)	-	(5 671 735)	163 882 172

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

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

Assets subject to finance lease (Net carrying amount)

Finance leased Assets - 18 564

Leased assets with a book value of **R 0 (2013:R 18 564)** are encumbered refer to note 16. The municipality is now only leasing office equipment(photocopying machines). For the current reporting period the leases entered into are operating lease.

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

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

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

6. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	135 309	(73 476)	61 833	135 309	(52 917)	82 392

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software, other	82 392	(20 559)	61 833

Reconciliation of intangible assets - 2013

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

7. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	78 888	-	78 888	78 888	-	78 888

8. Employee benefit obligations

Defined benefit plan

Long Service Award (LSA)

The Municipality offers employees Long Service Award (LSA) for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Accrued Liability	(1 231 991)	-

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

Net expense recognised in the statement of financial performance	1 231 991	-
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Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

8. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	124 476	-
Interest cost	75 469	-
Actuarial (gains) losses	51 463	-
Expected Employer Benefit Vestings	(39 131)	-
Transitional Liability Recognised outside P&L	1 019 714	-
	1 231 991	-

Key assumptions used

Financial Assumptions

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used.

Consequently, a discount rate of 8.08% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.32%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2014.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award.

The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 6.18% was obtained from the differential between market yields on index-linked bonds (1.32%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.08%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+8.08\%-0.50\%)/(1+1.32\%))-1$.

Thus, a general salary inflation rate of 7.18% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.84%. It has been assumed that the next salary increase will take place on 1 July 2015.

9. Prepayments

Prepaid expenses	60 700	133 343
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10. Inventories

Consumable stores	1 078 700	608 333
	1 078 700	608 333
Inventories (write-downs)	(221 046)	-
	857 654	608 333

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
11. Receivables from exchange transactions		
Market stalls rental	587 231	421 397
Refuse	15 424 176	10 205 542
Electricity	1 244 305	1 505 815
Impairment for bad debts	(7 914 599)	(6 489 007)
Sundry debtors	166 228	155 100
	9 507 341	5 798 847
12. Receivables from non-exchange transactions		
Fines	324 700	-
Property rates	7 373 714	5 253 301
Provision for impairment	(1 288 385)	(2 713 977)
	6 410 029	2 539 324
13. VAT receivable		
Value Added Tax (VAT)	2 633 378	1 380 786
14. Trade and other receivables		
Gross balances		
Property rates	7 373 714	5 253 301
Electricity	1 244 305	1 505 815
Refuse	15 424 176	10 205 542
Market stalls rental	587 231	421 397
	24 629 426	17 386 055
Less: Allowance for impairment		
Rates	(2 713 977)	(2 713 977)
Electricity	(440 741)	(440 741)
Refuse	(6 045 997)	(6 045 997)
Market stalls rental	(2 268)	(2 268)
	(9 202 983)	(9 202 983)
Rates		
Current (0 -30 days)	160 953	117 145
31 - 60 days	50 129	195 870
61 - 90 days	340 862	244 365
91 - 120 days	313 228	234 881
121 - 365 days	282 622	223 581
> 365 days	6 225 920	4 237 459
	7 373 714	5 253 301
Electricity		
Current (0 -30 days)	556 830	655 893
31 - 60 days	108 352	131 185
61 - 90 days	23 951	67 439
91 - 120 days	81 970	36 737
121 - 365 days	80 057	39 834
> 365 days	393 145	574 726
	1 244 305	1 505 814

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
14. Trade and other receivables (continued)		
Refuse		
Current (0 -30 days)	258 873	227 826
31 - 60 days	194 543	169 179
61 - 90 days	183 357	159 406
91 - 120 days	171 590	149 897
121 - 365 days	159 074	143 781
> 365 days	14 456 739	3 931 423
	15 424 176	4 781 512
Market stalls rental		
Current (0 -30 days)	39 227	38 304
31 - 60 days	35 067	35 419
61 - 90 days	30 623	30 903
91 - 120 days	27 813	26 780
121 - 365 days	26 855	21 716
> 365 days	428 425	269 026
	588 010	422 148
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	49 890	220 446
31 - 60 days	13 801	188 263
61 - 90 days	27 009	159 799
91 - 120 days	92 909	186 833
121 - 365 days	30 397	154 342
> 365 days	938 537	4 648 436
	1 152 543	5 558 119
Industrial/ commercial		
Current (0 -30 days)	51 499	29 469
31 - 60 days	33 902	27 065
61 - 90 days	138 952	48 373
91 - 120 days	139 239	49 775
121 - 365 days	147 223	48 327
> 365 days	2 828 774	1 430 403
	3 339 589	1 633 412
National and provincial government		
Current (0 -30 days)	285 004	258 953
31 - 60 days	240 545	81 909
61 - 90 days	290 917	148 816
91 - 120 days	228 537	144 764
121 - 365 days	215 354	140 251
> 365 days	11 098 584	1 739 724
	12 358 941	2 514 417
Reconciliation of allowance for impairment		
Balance at beginning of the year	(9 202 983)	(6 242 466)
Contributions to allowance	-	(2 960 517)
	(9 202 983)	(9 202 983)

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	4 076 142	9 821 458
Short-term deposits	90 883 718	71 118 527
	94 959 860	80 939 985

Investments

FNB call account	10 098 722	15 569 855
FNB Investment	27 140 133	21 130 659
Investment - ABSA	23 891 617	18 413 981
Investment - Nedbank	18 517 818	12 739 150
Investec Bank	10 142 247	-
MPCC grant call account	408 277	1 050 846
Small Town Rehabilitation grant call account	276 772	265 663
Incubator call account	345 723	1 888 466
Housing grant account	62 410	59 905
	90 883 719	71 118 525

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

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

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA BANK - Cheque Account - 405-3562-762	3 873 569	3 578 938	9 948 834	3 843 095	3 535 322	4 473 846
ABSA BANK - Savings Account Type - 914-2845-014	232 047	6 288 466	8 288 079	233 047	6 288 466	8 288 079
Total	4 105 616	9 867 404	18 236 913	4 076 142	9 823 788	12 761 925

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
16. Finance lease obligation		
Minimum lease payments due		
- within one year	-	12 320
	-	12 320
less: future finance charges	-	(820)
Present value of minimum lease payments	-	11 500
Present value of minimum lease payments due		
- within one year	-	11 500

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

The average lease term is 3 years and the average effective borrowing rate was 12% (2013: 12%).

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

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. **Refer note 5.** All the finance leases have expired

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Government Grant	23 974	23 974
Capacity Building	40 882	40 882
MPCC	500 000	500 000
MFMA	2 602	105 127
Cybercadet	(159 829)	112 035
Intergrated Development Plan Grant	172 531	4 604
Municipal Infrastructure Grant	4 832 095	3 024 397
Financial System Grant	1	1
Management Assistance Programme	(5)	(5)
Municipal Systems Improvement Grant	(147 277)	-
FMG	(3 090)	-
Synergistic	245 906	245 906
Bornem grant	148 662	639 929
Rehabilitation of CBD Roads grant	-	1
Library Volunteer	8 765	15 984
Small business incubator grant	17 986	1 727 200
Multi-Purpose Centre grant	174 157	961 146
Sportsfield grant (Isilonjane)	20 331	20 331
DOE Electrification Grant	25 000	19 627
Extended Public Works Grant	-	480 740
Sportsfield Maintenance Grant	164 479	150 000
Nquthu Stadium Grant	287 333	525 000
Library Support	165 583	2
	6 520 086	8 596 881

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

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

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

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

17. Unspent conditional grants and receipts (continued)

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

18. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	193 766	-	-	193 766
Leave pay provision	1 880 765	103 001	(88 371)	1 895 395
	2 074 531	103 001	(88 371)	2 089 161

Reconciliation of provisions - 2013

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

Environmental rehabilitation provision

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

However in November 2012 the landfill site was permanently closed and no future use was permitted due to environmental regulations. The process to rehabilitate the land is underway. No new provisions are raised since this site is not utilised anymore.

Leave provision

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

19. Long-term loan

Refer to Appendix A for the reconciliation of external loans and further details.

Installments are paid half-yearly on equal installments on each loan, the loans are unsecured.

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

DBSA Loan - account number 100524/2	290 114	872 399
DBSA Loan - account number 100524/3	598 292	846 997
Less - Current Portion of DBSA Loans	(521 323)	(876 925)
	367 083	842 471

20. Payables from exchange transactions

Trade payables	3 123 718	2 834 568
Collections costs	-	1 621
Accrued bonus	1 153 267	1 031 363
Other payables	73 006	42 593
	4 349 991	3 910 145

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
21. Consumer deposits		
Electricity	375 147	376 522
22. Revenue		
Service charges	15 328 220	12 372 869
Rental of facilities and equipment	519 390	489 010
Miscellaneous other revenue	613 363	412 419
Commissions received	88 426	82 831
Interest received - investment	5 949 870	3 716 099
Property rates	12 675 865	10 291 736
Property rates - penalties imposed	956 100	722 702
Government grants & subsidies	124 513 513	119 447 046
Fines	416 243	185 564
	161 060 990	147 720 276
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	15 328 220	12 372 869
Rental of facilities and equipment	519 390	489 010
Miscellaneous other revenue	613 363	412 419
Commissions received	88 426	82 831
Interest received - investment	5 949 870	3 716 099
	22 499 269	17 073 228
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	12 675 865	10 291 736
Property rates - penalties imposed	956 100	722 702
Transfer revenue		
Government grants & subsidies	124 513 513	119 447 046
Fines	416 243	185 564
	138 561 721	130 647 048

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
23. Property rates		
Rates received		
Residential	13 934 451	11 374 701
Less: Income forgone	(1 258 586)	(1 082 965)
	<hr/>	<hr/>
	12 675 865	10 291 736
Property rates - penalties imposed	956 100	722 702
	<hr/>	<hr/>
	13 631 965	11 014 438
Valuations		
Residential	401 021 000	240 655 000
Commercial	563 348 500	101 422 000
State	399 792 000	489 787 000
Municipal	29 838 000	101 898 000
	<hr/>	<hr/>
	1 393 999 500	933 762 000

Valuations on land and buildings are performed every 3 years but the valuation roll is valid for four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.015 (2013:R 0.015) is applied to property valuations to determine assessment rates.

Rates are levied on an annual basis with the final date for payment being 30 June 2014 (30 June 2013). Interest at prime plus 11% per annum (2013: 11%) and), is levied on rates outstanding two months after due date.

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

24. Service charges

Sale of electricity	9 890 804	8 578 762
Refuse removal	5 437 416	3 794 107
	<hr/>	<hr/>
	15 328 220	12 372 869

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies		
Operating grants		
Equitable share	79 115 000	71 042 000
Cybercadet Grant	271 864	215 823
Municipal Finance Management Grant	1 653 090	1 500 000
Municipal Systems Improvement Grant	536 278	1 308 809
MFMA Grant -Provincial	102 525	-
Library Support	862 419	489 998
Grant - Library Volunteer	45 220	27 284
Bornem Grant	899 595	366 971
DOE Infrastructure Electricity	10 316 627	9 980 373
Expanded Public Works Programme	1 480 740	519 260
Multi-purpose Center Grant	786 989	185 462
DLGTA - IDP	32 073	-
Sportfield maintenance grant	135 521	-
	96 237 941	85 635 980
Capital grants		
Municipal Infrastructure Grant	21 952 302	22 182 060
Sportsfield Grant	1 287 667	838 061
CBD Road Rehabilitation	326 389	7 518 145
Business Incubator Centre	4 709 214	3 272 800
	28 275 572	33 811 066
	124 513 513	119 447 046

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	45 398 513	48 387 377
Unconditional grants received	79 115 000	71 059 669
	124 513 513	119 447 046

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 (2013: 50kWh), which is funded from the Equitable Share.

Municipal Government Grant

Balance unspent at beginning of year	23 974	23 974
--------------------------------------	--------	--------

Conditions still to be met - remain liabilities (see note 17).

Capacity Building

Balance unspent at beginning of year	40 882	40 882
--------------------------------------	--------	--------

Conditions still to be met - remain liabilities (see note 17).

MPCC

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies (continued)		
Balance unspent at beginning of year	500 000	500 000
Conditions still to be met - remain liabilities (see note 17).		
MFMA		
Balance unspent at beginning of year	105 127	105 127
Conditions met - transferred to revenue	(102 525)	-
	2 602	105 127
Conditions still to be met - remain liabilities (see note 17).		
Cybercadet		
Balance unspent at beginning of year	112 035	105 856
Current-year receipts	-	222 000
Conditions met - transferred to revenue	(271 864)	(215 821)
	(159 829)	112 035
Conditions still to be met - remain liabilities (see note 17).		
Library assistants are appointed and their salaries paid monthly.		
Intergrated Development Plan Grant		
Balance unspent at beginning of year	4 604	4 604
Current-year receipts	200 000	-
Conditions met - transferred to revenue	(32 073)	-
	172 531	4 604
Conditions still to be met - remain liabilities (see note 17).		
Improvement in the IDP processes will be undertaken in the ensuing financial year..		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	3 024 397	291 543
Current-year receipts	27 060 000	25 498 000
Conditions met - transferred to revenue	(25 252 302)	(22 765 146)
	4 832 095	3 024 397
Conditions still to be met - remain liabilities (see note 17).		
Contractors are on site and the application of roll-over as per the grant conditions has been done and awaiting approval..		
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	508 809
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(1 037 277)	(1 308 809)
	(147 277)	-

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 17).		
.		
Finance Management Grant		
Current-year receipts	1 650 000	1 500 000
Conditions met - transferred to revenue	(1 653 090)	(1 500 000)
	(3 090)	-
Conditions still to be met - remain liabilities (see note 17).		
.		
Synergistic partnership grant		
Balance unspent at beginning of year	245 906	245 906
Conditions still to be met - remain liabilities (see note 17).		
Traditional leadership must be trained on the participation on the municipal council.		
Bornem grant		
Balance unspent at beginning of year	639 929	630 141
Current-year receipts	-	376 758
Conditions met - transferred to revenue	(491 267)	(366 970)
	148 662	639 929
Conditions still to be met - remain liabilities (see note 17).		
Projects under the MOA are still outstanding and under SCM processes		
Library Volunteer		
Balance unspent at beginning of year	15 984	7 268
Current-year receipts	-	36 000
Conditions met - transferred to revenue	(7 219)	(27 284)
	8 765	15 984
Conditions still to be met - remain liabilities (see note 17).		
The volunteers are appointed but they are getting their stipends monthly.		
Small business incubator grant		
Balance unspent at beginning of year	1 727 200	2 000 000
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	(1 709 214)	(3 272 800)
	17 986	1 727 200
Conditions still to be met - remain liabilities (see note 17).		
The contractor is on site and finishing off the building for phase I.		

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies (continued)		
Multi-Purpose Centre grant		
Balance unspent at beginning of year	961 146	1 146 608
Conditions met - transferred to revenue	(786 989)	(185 462)
	174 157	961 146

Conditions still to be met - remain liabilities (see note 17).

Funding has been channeled to the war rooms support and salary of the MPCC manager is paid monthly..

Sportsfield grant (Isilonjane)

Balance unspent at beginning of year	20 331	18 393
Current-year receipts	-	840 000
Conditions met - transferred to revenue	-	(838 062)
	20 331	20 331

Conditions still to be met - remain liabilities (see note 17).

The stadium has been completed and these funds will be returned to the department should there be no further usage approved.

DOE Electrification Grant

Balance unspent at beginning of year	19 627	-
Current-year receipts	10 322 000	10 000 000
Conditions met - transferred to revenue	(10 316 627)	(9 980 373)
	25 000	19 627

Conditions still to be met - remain liabilities (see note 17).

The contractor is on-site and the electrification is underway.

Extended Public Works Grant

Balance unspent at beginning of year	480 740	-
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	(480 740)	(519 260)
	-	480 740

Conditions still to be met - remain liabilities (see note 17).

Sportsfield Maintenance Grant

Balance unspent at beginning of year	150 000	-
Current-year receipts	150 000	150 000
Conditions met - transferred to revenue	(135 521)	-
	164 479	150 000

Conditions still to be met - remain liabilities (see note 17).

The caretaker is appointed and salary paid monthly.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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25. Government grants and subsidies (continued)

Nquthu Stadium Grant

Balance unspent at beginning of year	525 000	-
Current-year receipts	-	525 000
Conditions met - transferred to revenue	(237 667)	-
	287 333	525 000

Conditions still to be met - remain liabilities (see note 17).

The contractor is on site and work is in progress.

Library Support

Balance unspent at beginning of year	2	-
Current-year receipts	1 028 000	490 000
Conditions met - transferred to revenue	(862 419)	(489 998)
	165 583	2

Conditions still to be met - remain liabilities (see note 17).

Library support staff is appointed and their salaries paid monthly.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. Miscellaneous other revenue

Miscellaneous other revenue	613 363	412 419
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27. Commissions received

Commissions received	88 426	82 831
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Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
28. General expenses		
Advertising	152 650	262 553
Auditors remuneration	2 000 751	2 379 199
Bank charges	121 450	94 739
Cleaning	581 211	48 200
Commission paid	56 996	-
Consulting and professional fees	2 331 134	2 491 524
Consumables	249 624	351 162
Debt collection	35 944	18 633
Entertainment	31 319	27 507
Fines and penalties	-	7 740
Disaster management	763 095	-
Hire	37 693	3 250
Insurance	540 782	666 783
Youth development	3 782 941	2 018 542
IT expenses	258 226	106 106
Lease rentals on operating lease	39 005	125 241
Publicity	854 879	1 261 730
Promotions and sponsorships	278 551	274 130
Magazines, books and periodicals	14 261	722
Motor vehicle expenses	99 586	36 479
Fuel and oil	1 525 351	1 408 640
Printing and stationery	333 417	380 343
Community Development Projects	961 782	2 665 389
Software expenses	736 401	730 347
Subscriptions and membership fees	475 000	416 250
Telephone and fax	273 034	432 309
Training	397 252	565 373
Travel - local	2 189 791	1 634 277
Electricity	291 750	277 331
Uniforms	508 163	83 162
Tourism development	266 206	129 800
Audit Committee	4 360	44 513
Indigent Support(FBE)	2 653 953	2 361 398
Planning- district shared services	-	158 895
Ward Committees	1 170 851	420 585
Other expenses	-	8 226
	24 017 409	21 891 078

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
29. Employee related costs		
Basic	19 429 553	16 187 163
Bonus	1 272 644	1 170 050
Medical aid - company contributions	676 066	621 409
UIF	162 267	146 204
SDL	213 893	189 538
Leave pay provision charge	103 000	548 025
Group Life Insurance	5 474	7 346
Defined contribution plans	1 908 971	1 770 759
Overtime payments	519 355	148 052
Long-service awards	1 278 743	158 816
Car allowance	-	879 309
Housing benefits and allowances	15 667	393 228
Telephone and Cellphone Allowance	14 750	47 700
SALGBC Levies	12 073	9 812
	25 612 456	22 277 411
Remuneration of municipal manager		
Annual Remuneration	940 253	932 131
Contributions to UIF, Medical and Pension Funds	10 966	10 736
Cellphone Allowance	12 000	12 000
	963 219	954 867
Remuneration of chief finance officer		
Annual Remuneration	828 095	820 942
Contributions to UIF, Medical and Pension Funds	9 769	9 549
Cellphone Allowance	6 000	6 000
	843 864	836 491
Corporate and human resources (corporate services)		
Annual Remuneration	745 952	739 508
Contributions to UIF, Medical and Pension Funds	9 130	8 916
Cellphone Allowance	6 000	6 000
	761 082	754 424
Development planning and Housing		
Annual Remuneration	745 952	739 508
Contributions to UIF, Medical and Pension Funds	9 130	9 028
Cellphone Allowance	6 000	6 000
	761 082	754 536
Technical Services		
Annual Remuneration	745 952	739 508
Contributions to UIF, Medical and Pension Funds	9 130	8 756
Cellphone Allowance	6 000	6 000
	761 082	754 264

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
30. Remuneration of councillors		
Mayor	397 273	358 335
Deputy Mayor	322 712	285 835
Executive Committee Members	1 216 284	1 075 880
Speaker	322 712	285 835
Councillors	6 208 648	5 286 007
Contributions to UIF and SDL	52 028	45 798
	8 519 657	7 337 690
In-kind benefits		
The Mayor, Deputy Mayor, Speaker are part-time. Each is provided with an office and the Mayor is provided with secretarial support at the cost of the Council.		
The Mayor have the use of Council owned vehicle for official duties, the Mayor has one full-time driver.		
The Councillor allowances are as per the Government Notice No.64 dated 29 January 2014 and approved by the MEC for CoGTA at 100% of upper-limits as applicable to grade 3 for part-time councillors.		
31. Debt impairment		
Contributions to debt impairment provision	-	2 960 517
32. Investment revenue		
Interest revenue		
Bank	5 949 870	3 716 099
33. Depreciation and amortisation		
Property, plant and equipment	5 740 320	5 161 369
Intangible assets	20 560	11 115
	5 760 880	5 172 484
34. Repairs and maintenance		
Repairs and maintenance	3 590 267	1 516 817
35. Finance costs		
Non-current borrowings	45 537	61 774
Finance leases	1 120	21 339
	46 657	83 113
36. Auditors' remuneration		
External Audit Fees	797 008	1 374 858
Internal Audit Fees	1 203 743	1 004 341
	2 000 751	2 379 199
37. Operating lease		
The municipality is leasing photocopying machines on a 36 months operating starting on 01 March 2014 and ending on 28 February 2017, with an annual escalation on rentals of 10%. There is no contingent rent payable.		

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
37. Operating lease (continued)		
Heading		
- within one year	124 767	-
- later than one year and not later than five years	234 642	-
- later than later five years	1	-
	359 410	-
38. Contracted services		
Fire fighting services	-	1 167 324
Security	2 988 371	2 011 182
	2 988 371	3 178 506
<p>As from 01 July 2013 the municipality discontinued the contract for firefighting and all the functions and staff absorbed internally.</p>		
39. Grants Expenditure		
DOE Electricity infrastructure	9 049 672	8 757 345
Expanded Public Works Programme	1 480 741	553 985
Municipal Systems Improvement Grant	126 711	1 317 635
Cybercadet Grant	271 864	283 355
Sportfield (maintainance)	135 401	-
DLGTA- IDP	28 442	-
Municipal Finance Management Grant	1 543 098	1 396 872
Bornem Grant	769 647	210 216
Library grant	905 232	31 874
Incubator Grant (Operational)	-	949 512
MPCC Grant expenditure	268 291	170 069
	14 579 099	13 670 863
40. Bulk purchases		
Electricity	15 718 276	13 577 582

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
41. Cash generated from operations		
Surplus	60 098 110	55 974 644
Adjustments for:		
Depreciation and amortisation	5 760 880	5 172 484
Profit/Loss on sale of assets and liabilities	129 808	79 571
Finance costs - Finance leases	1 120	21 339
Debt impairment	-	2 960 517
Movements in retirement benefit assets and liabilities	1 231 991	-
Movements in provisions	14 630	479 143
Prior-year adjustments	-	372 431
Changes in working capital:		
Inventories	(249 321)	(508 443)
Receivables from exchange transactions	(3 708 494)	572 794
Other receivables from non-exchange transactions	(3 870 705)	(4 244 279)
Prepayments	72 643	(133 343)
Payables from exchange transactions	439 854	(1 855 862)
VAT	(1 252 592)	1 930 867
Unspent conditional grants and receipts	(2 076 795)	(3 557 921)
Consumer deposits	(1 375)	285 835
	56 589 754	57 549 777

42. Commitments

Authorised capital expenditure

Already contracted

- Property, plant and equipment (Work in progress) - 20 815 500

Not yet contracted for and authorised by accounting officer

- Property, plant and equipment 39 192 000 22 139 314

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

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable. Additional information on leases is disclosed on note 37

43. Contingencies

The Municipality has the following contingent liabilities:

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

There are invoices - R 2 792 516 - from Umzinyathi District for water that the municipality is disputing because issues relating to them and the matter is being currently resolved through Intergovernmental Relations (IGR)

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

44. Related parties

The salaries of members of key management and councilors are disclosed under the employee costs note 29. The municipality does not have any other related parties except for the management and councilors we also do not have a municipal entity.

Related party transactions

The municipality did not have any related party transactions.

45. Prior period errors

There were no prior period errors identified.

46. Comparative figures

No comparative figures have been reclassified.

47. Risk management

Financial risk management

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

Interest rate risk

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. .

48. Going concern

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

49. Events after the reporting date

There were no material non-adjusting events after the reporting date:

50. Unauthorised expenditure

Opening balance	-	377 100
Unauthorised expenditure: condoned	-	(377 100)
	-	-

The unauthorised expenditure is resulting from the over-spending of votes which condonation was obtained from the Council.

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
51. Fruitless and wasteful expenditure		
Opening balance	46 165	30 436
Fruitless and wasteful expenditure	27 547	15 729
	73 712	46 165
<p>The matter is being investigated by the office of the Accounting Officer for possible disciplinary action against the official who caused the municipality to suffer loss. These relates to interest charged on late payment of accounts (Eskom, Telkom & Motor Vehicle licences)</p>		
52. Irregular expenditure		
Opening balance	-	3 101 978
Less: Amounts condoned	-	(3 101 978)
	-	-
Details of irregular expenditure condoned		
Awards to persons in the employ of state	Council	Condoned by (condoning authority)
		3 101 978
53. Professional and special services		
54. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Amount paid - current year	475 000	416 250
Audit fees		
Current year subscription / fee	797 008	1 567 339
Amount paid - current year	(797 008)	(1 567 339)
	-	-
PAYE and UIF		
Current year subscription / fee	4 429 555	3 759 242
Amount paid - current year	(4 429 555)	(3 759 242)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	2 737 991	2 450 226
Amount paid - current year	(2 737 991)	(2 450 226)
	-	-
VAT		
VAT receivable	2 633 378	1 380 786

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

55. Actual operating expenditure versus budgeted operating expenditure

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

Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

56. Actual capital expenditure versus budgeted capital expenditure

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

57. Deviation from supply chain management regulations

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

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

There were no deviations from SCM processes recorded.

58. Budget differences

Material differences between budget and actual amounts

There were no material differences between the final budget and the actual amounts. Variances are stated in Appendix E1

Changes from the approved budget to the final budget

There were no changes from the approved budget to the final budget.

59. Material Losses - Electricity

Total purchased (kWh)	18 648 600	18 700 503
Total sold (kWh)	(5 960 212)	(6 315 318)
Own consumption (kWh)	(123 453)	(103 769)
Free Basic Electricity (kWh)	(561 600)	(530 200)
Electricity loss (kWh)	12 003 335	11 751 216

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

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

The percentage of losses is 62.00% on rand value

60. Indigent support

Free Basic Electricity

Indigent Support(FBE)	2 653 953	2 326 121
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All Eskom customers qualify for Free Basic Electricity (FBE) which is 50kWh per month

Households amounting to 1 180 are subsidized for alternative energy per month on the solar panels - 1 713 households - projects for those areas without electricity as yet, installations to other households is proceeding.

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

61. Awards to persons in service of state

Mavava Trading	902 698	-
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Nquthu Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

61. Awards to persons in service of state (continued)

The owners of these companies did not disclose that they are in the service of state as required by the SCM Regulations paragraph 44, the municipality does not have means currently to verify if information supplied by the suppliers is correct, this information was only made available during the audit. These figures are inclusive of VAT.

Nquthu Local Municipality

Appendix A

June 2014

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
DBSA Loan @ 1%	100524/2 December 2014	866 023	-	575 909	290 114	6 330 266	-
DBSA Loan @ 5%	100524/3 January 2016	817 658	-	219 366	598 292	1 604 137	-
		1 683 681	-	795 275	888 406	7 934 403	-
Total external loans		1 683 681	-	795 275	888 406	7 934 403	-

Nquthu Local Municipality
Nquthu Local Municipality
Appendix B

June 2014

Analysis of property, plant and equipment as at 30 June 2014
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	13 270 852	-	-	-	-	-	13 270 852	-	-	-	-	-	-	13 270 852
Dwellings	2 147 549	137 377	-	-	-	-	2 284 926	(246 208)	-	-	(88 193)	-	(334 401)	1 950 525
Buildings - non residential (Separate for AFS purposes)	31 278 585	3 998 374	-	-	-	-	35 276 959	(5 483 873)	-	-	(1 172 091)	-	(6 655 964)	28 620 995
Buildings - Assets under construction (Separate for AFS purposes)	6 352 912	18 639 240	-	(3 717 840)	-	-	21 274 312	-	-	-	-	-	-	21 274 312
	53 049 898	22 774 991	-	(3 717 840)	-	-	72 107 049	(5 730 081)	-	-	(1 260 284)	-	(6 990 365)	65 116 684
Infrastructure														
Roads, Pavements & Bridges	46 366 802	21 645 529	-	-	-	-	68 012 331	(12 583 140)	-	-	(2 031 999)	-	(14 615 139)	53 397 192
Electricity	7 694 383	43 800	-	-	-	-	7 738 183	(5 323 855)	-	-	(254 225)	-	(5 578 080)	2 160 103
Roads Under Construction	29 772 024	15 930 441	-	(21 695 026)	-	-	24 007 439	-	-	-	-	-	-	24 007 439
	83 833 209	37 619 770	-	(21 695 026)	-	-	99 757 953	(17 906 995)	-	-	(2 286 224)	-	(20 193 219)	79 564 734
Community Assets														
Refuse sites	2 269 459	-	-	-	-	-	2 269 459	(1 157 495)	-	-	(63 897)	-	(1 221 392)	1 048 067
Cemeteries	149 466	-	-	-	-	-	149 466	(43 845)	-	-	(6 671)	-	(50 516)	98 950
	2 418 925	-	-	-	-	-	2 418 925	(1 201 340)	-	-	(70 568)	-	(1 271 908)	1 147 017

Segmental analysis of property, plant and equipment as at 30 June 2014
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 deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Finance	5 632 900	642 708	(25 499)	-	-	-	6 250 109	(1 029 368)	12 843	-	(322 693)	-	(1 339 218)	4 910 891
Municipal Manager	60 350 310	27 234 339	(8 936 750)	-	-	-	78 647 899	(5 585 085)	28 668	-	(680 148)	-	(6 236 565)	72 411 334
Planning and Development/Economic Development/Plan	1 331 488	8 778	(5 138)	-	-	-	1 335 128	(71 504)	4 560	-	(96 740)	-	(163 684)	1 171 444
Corporate Services	20 913 858	4 481 905	(163 366)	-	-	-	25 232 397	(4 807 161)	40 949	-	(986 356)	-	(5 752 568)	19 479 829
Electricity /Electricity Distribution Works	7 767 554	7 219	-	-	-	-	7 774 773	(5 568 047)	-	-	(255 250)	-	(5 823 297)	1 951 476
	114 690 361	35 062 697	(16 844 865)	-	-	-	132 908 193	(17 480 379)	62 454	-	(3 419 693)	-	(20 837 618)	112 070 575
Total	210 686 471	67 437 646	(25 975 618)	-	-	-	252 148 499	(34 541 544)	149 474	-	(5 760 880)	-	(40 152 950)	211 995 549
Municipality														
Municipality	210 686 471	67 437 646	(25 975 618)	-	-	-	252 148 499	(34 541 544)	149 474	-	(5 760 880)	-	(40 152 950)	211 995 549
	210 686 471	67 437 646	(25 975 618)	-	-	-	252 148 499	(34 541 544)	149 474	-	(5 760 880)	-	(40 152 950)	211 995 549

Nquthu Local Municipality

Appendix E(1)

June 2014

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014

	Current year 2014 Act. Bal.	Current year 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	12 675 865	17 016 531	(4 340 666)	(25.5)	Reversal of property rates on donated land
Service charges	15 328 221	15 598 040	(269 819)	(1.7)	Based on electricity consumptions
Rental of facilities and equipment	519 390	-	519 390	-	
Operational Grants	85 693 000	85 635 980	57 020	0.1	
Miscellaneous other revenue	613 362	-	613 362	-	
Commissions received	88 426	-	88 426	-	
Fines	185 564	185 564	-	-	
Interest received - investment	5 949 870	2 468 021	3 481 849	141.1	Avaiable cash reserves invested to earn interest
	121 053 698	120 904 136	149 562	0.1	
Expenses					
Personnel	(25 612 459)	(28 950 251)	3 337 792	(11.5)	Some employees not using housing, medical benefits as budgeted. Overtime restriction
Remuneration of councillors	(8 519 657)	(7 159 294)	(1 360 363)	19.0	Approved upper-limits more than budgeted for and new items added on approval
Depreciation	(5 740 320)	(4 100 000)	(1 640 320)	40.0	Major infrastructure projects completed earlier than expected
Amortisation	(20 560)	-	(20 560)	-	
Finance costs	(46 658)	(151 971)	105 313	(69.3)	Finance lease contract expired and replaced with operating leases
Debt impairment	-	(1 200 000)	1 200 000	(100.0)	No debt impairment done as there was a change in estimate
Repairs and maintenance - General	(3 590 267)	-	(3 590 267)	-	
Bulk purchases	(15 718 276)	(16 500 000)	781 724	(4.7)	Based on electricity consumptions
Contracted Services	(2 988 371)	-	(2 988 371)	-	
Grants operational expenditure	(14 579 100)	(14 021 000)	(558 100)	4.0	
General Expenses	(24 017 405)	-	(24 017 405)	-	
	(100 833 073)	(72 082 516)	(28 750 557)	39.9	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(129 808)	-	(129 808)	-	
	(129 808)	-	(129 808)	-	
Net surplus/ (deficit) for the year	20 090 817	48 821 620	(28 730 803)	(58.8)	

Nquthu Local Municipality

Appendix E(2)

June 2014

Budget Analysis of Capital Expenditure as at 30 June 2014

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

Nquthu Local Municipality

Appendix F

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

June 2014

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	-	-	-	-	-	-	-	-	-	-	-	-	Yes		
IDP Grant	KZN-COGTA	200 000	-	-	-	-	-	-	32 073	-	-	-	-	Yes		
MFMA	KZN-COGTA	-	-	-	-	102 525	-	-	-	-	-	-	-	Yes		
Corridor Development	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	Yes		
MPCC	KZN-COGTA	-	-	-	-	49 551	49 551	93 611	474 106	-	-	-	-	Yes		
Cybercadet	KZN-Arts & Culture (Libraries)	-	-	-	-	74 411	72 143	65 755	62 655	-	-	-	-	Yes		
Sportfields(Isilonjane) Grant	KZN-Sports	-	-	-	-	-	-	-	-	-	-	-	-	Yes		
Municipal Infrastructure Grant (MIG)	COGTA-National	17 979 000	4 169 000	4 912 000	-	6 469 708	6 996 012	2 142 164	9 644 370	-	-	-	3 300 000	Yes		
Financial System Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	Yes		
Sortfileds Maintenance	KZN-Sports & Culture	150 000	-	-	-	-	50 790	42 305	42 425	-	-	-	-	Yes		
Municipal Systems Improvement Grant	COGTA-National	890 000	-	-	-	-	-	-	986 853	-	-	-	501 000	Yes		
Expanded Public Works (EPWP)	National Treasury	400 000	300 000	300 000	-	586 578	608 802	285 360	-	-	-	-	-	Yes		
Financial Management Grant	National Treasury	1 650 000	-	-	-	445 937	421 322	286 754	293 297	-	-	-	-	Yes		
Synergistic Partnership Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	Yes		

Public Participation Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	Yes
Electrification grant (INEP)	National Treasury	4 822 000	-	5 500 000	-	4 287 668	-	1 868 662	4 160 297	-	-	-	-	Yes
CBD Roass Rehabilitation	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	Yes
Bornem Grant	Bornem (Belgium)	357 711	12 056	38 561	-	-	144 821	435 541	178 601	-	-	-	-	Yes
Lirbrary Volunteer	KZN-Arts & Culture (Libraries)	38 000	-	-	-	9 690	9 690	11 305	14 535	-	-	-	-	Yes
Sportfields (Nquthu staduim)	KZN Sports	-	525 000	525 000	-	-	361 809	457 837	468 022	-	-	-	-	Yes
Library Support		1 028 000	-	-	-	229 851	248 815	214 599	180 853	-	-	-	-	Yes
Incubator Grant	KZN COGTA	-	3 000 000	-	-	2 431 445	1 027 023	1 050 747	-	-	-	-	-	Yes
		<u>27 514 711</u>	<u>8 006 056</u>	<u>11 275 561</u>	<u>-</u>	<u>14 687 364</u>	<u>9 990 778</u>	<u>6 954 640</u>	<u>16 538 087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3 801 000</u>	

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

Nquthu Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013							2013/2012							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	17 400 000	-	17 400 000	-		17 400 000	12 675 884		(4 724 116)	73 %	73 %				(10 291 736)
Property rates - penalties & collection charges	728 944	-	728 944	-		728 944	956 099		227 155	131 %	131 %				722 702
Service charges - electricity revenue	16 500 000	-	16 500 000	-		16 500 000	9 890 804		(6 609 196)	60 %	60 %				8 578 762
Service charges - water revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - sanitation revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - refuse revenue	3 103 905	-	3 103 905	-		3 103 905	5 437 416		2 333 511	175 %	175 %				3 794 107
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	594 491	-	594 491	-		594 491	519 390		(75 101)	87 %	87 %				489 010
Interest earned - external investments	2 996 000	-	2 996 000	-		2 996 000	5 949 870		2 953 870	199 %	199 %				3 716 099
Interest earned - outstanding debtors	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	145 000	-	145 000	-		145 000	416 243		271 243	287 %	287 %				185 564
Licences and permits	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - operational	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other revenue	474 659	-	474 659	-		474 659	701 788		227 129	148 %	148 %				495 251
Gains on disposal of PPE	-	-	-	-		-	(129 808)		(129 808)	DIV/0 %	DIV/0 %				(79 571)
Total Revenue (excluding capital transfers and contributions)	41 942 999	-	41 942 999	-		41 942 999	36 417 686		(5 525 313)	87 %	87 %				7 610 188

Nquthu Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013							2013/2012							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	33 491 406	-	33 491 406	-	-	33 491 406	25 612 459	-	(7 878 947)	76 %	76 %	-	-	-	22 277 413
Remuneration of councillors	10 129 656	-	10 129 656	-	-	10 129 656	8 519 657	-	(1 609 999)	84 %	84 %	-	-	-	7 337 689
Debt impairment	2 000 000	-	2 000 000	-	-	2 000 000	-	-	(2 000 000)	- %	- %	-	-	-	2 960 517
Depreciation & asset impairment	5 624 570	-	5 624 570	-	-	5 624 570	5 760 880	-	136 310	102 %	102 %	-	-	-	5 172 484
Finance charges	50 113	-	50 113	-	-	50 113	46 658	-	(3 455)	93 %	93 %	-	-	-	83 113
Bulk purchases	16 500 000	-	16 500 000	-	-	16 500 000	15 718 276	-	(781 724)	95 %	95 %	-	-	-	13 577 582
Other materials	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contracted services	2 318 500	-	2 318 500	-	-	2 318 500	2 988 371	-	669 871	129 %	129 %	-	-	-	3 178 505
Transfers and grants	9 868 000	-	9 868 000	-	-	9 868 000	15 209 263	-	5 341 263	154 %	154 %	-	-	-	(13 670 862)
Other expenditure	18 446 223	-	18 446 223	-	-	18 446 223	22 378 627	-	3 932 404	121 %	121 %	-	-	-	10 447 180
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	98 428 468	-	98 428 468	-	-	98 428 468	96 234 191	-	(2 194 277)	98 %	98 %	-	-	-	51 363 621
Surplus/(Deficit)	(56 485 469)	-	(56 485 469)	-	-	(56 485 469)	(59 816 505)	-	(3 331 036)	106 %	106 %	-	-	-	(43 753 433)
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(56 485 469)	-	(56 485 469)	-	-	(56 485 469)	(59 816 505)	-	(3 331 036)	106 %	106 %	-	-	-	(43 753 433)
Taxation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) after taxation	(56 485 469)	-	(56 485 469)	-	-	(56 485 469)	(59 816 505)	-	(3 331 036)	106 %	106 %	-	-	-	(43 753 433)
Attributable to minorities	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) attributable to municipality	(56 485 469)	-	(56 485 469)	-	-	(56 485 469)	(59 816 505)	-	(3 331 036)	106 %	106 %	-	-	-	(43 753 433)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) for the year	(56 485 469)	-	(56 485 469)	-	-	(56 485 469)	(59 816 505)	-	(3 331 036)	106 %	106 %	-	-	-	(43 753 433)

Nquthu Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2014

	2014/2013					2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	(41 942 998)	-	(41 942 998)	(41 942 998)	(23 091 049)	18 851 949	55 %	55 %	(23 712 824)
Government - operating	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Government - capital	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Interest	-	-	-	-	5 949 870	5 949 870	DIV/0 %	DIV/0 %	3 716 099
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	104 411 512	-	104 411 512	104 411 512	85 083 271	(19 328 241)	81 %	81 %	67 882 390
Finance charges	-	-	-	-	46 658	46 658	DIV/0 %	DIV/0 %	83 113
Transfers and Grants	-	-	-	-	(14 579 100)	(14 579 100)	DIV/0 %	DIV/0 %	(13 670 862)
Net cash flow from/used operating activities	62 468 514	-	62 468 514	62 468 514	53 409 650	(9 058 864)	85 %	85 %	34 297 916
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	(129 808)	(129 808)	DIV/0 %	DIV/0 %	(79 571)
Decrease (increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	DIV/0 %	DIV/0 %	1 266 451
Payments									
Capital assets	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used investing activities	-	-	-	-	(129 808)	(129 808)	DIV/0 %	DIV/0 %	1 186 880
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	(471 834)	(471 834)	DIV/0 %	DIV/0 %	(1 305 847)
Increase (decrease) in consumer deposits	-	-	-	-	(1 375)	(1 375)	DIV/0 %	DIV/0 %	285 835
Payments									
Repayment of borrowing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used financing activities	-	-	-	-	(473 209)	(473 209)	DIV/0 %	DIV/0 %	(1 020 012)
Net increase/(decrease) in cash held	62 468 514	-	62 468 514	62 468 514	52 806 633	(9 661 881)	85 %	85 %	34 464 784
Cash/cash equivalents at the year begin:					80 944 645				61 040 839
Cash/cash equivalents at the year end:	62 468 514	-	62 468 514	62 468 514	133 751 278	(9 661 881)	214 %	214 %	