

GENERAL INFORMATION

Members of the Mayoral Committee

Councillor	S K Mashilo	Executive Mayor
Councillor	N Mtsweni	Member of the Mayoral Committee
Councillor	S A Malefo	Member of the Mayoral Committee
Councillor	B M Mothibi	Member of the Mayoral Committee
Councillor	J L Dikgale	Member of the Mayoral Committee
Councillor	E N Makhabane	Member of the Mayoral Committee
Councillor	T Maseko	Member of the Mayoral Committee

Grading of Local Authority

Grade 9

Auditors

The Auditor-General

Bankers

ABSA Bank Middelburg

Primary Bank Account

Name of Bank: ABSA
Account No: 1040 161 836
Branch Code: 334350
Type of Acc: Current Account

Registered Office

2A Church Street, Middelburg, 1050

Municipal Manager/Accounting Officer

Mr T C Makola

Acting Manager: Finance/Chief Financial Officer

Mr M J Strydom

REPORT OF THE MANAGER: **FINANCE**

1 INTRODUCTION

The financial objective of the municipality is to secure sound and sustainable management of the financial matters and to assist the six local municipalities to be financially viable.

Critical functional areas for the district municipality and local municipalities include the payment for services, revenue collection, capacity for municipal infrastructure expenditure and compliance with legislation.

Issue 3 of the IDP relates to financial viability and includes projects that contributed to the financial viability of the district and local municipalities.

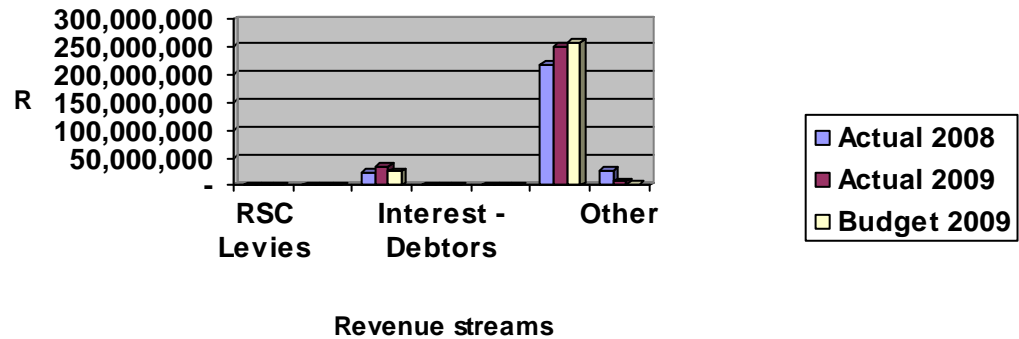
2 REVIEW OF OPERATING RESULTS

The 2008/2009 budget of the Nkangala District Municipality was approved by Council on 28th May 2008 and herewith is a commentary on the financial results.

2.1 REVENUE

	Note	2009 R	2008 R Restated
REVENUE			
RSC - Regional Services - Turnover		-	-
RSC - Regional Services -Remuneration		556,449	726,159
Rental of facilities and equipment		216,044	24,720
Interest earned - external investments		38,400,679	22,967,319
Interest earned - outstanding debtors		16,412	220,678
Income for agency services/ donars		14,198	70,450
Government grants and subsidies	18	251,825,228	218,530,614
Other income	19	12,547,432	27,667,521
Total Revenue		303,576,441	270,207,461

Revenue for 2008 & 2009



RSC LEVIES

RSC Levies have been discontinued however legislation provides for the collection of arrear RSC Levies prior to 1 July 2006 and this window period closed on the 30th June 2008.

A decline in the collection of RSC Levies from the 2006/2007 to 2007/2008 financial year is due to intensifying credit control processes.

An amount of R2 064 797 was written off during the 2009 financial year

INTEREST EARNED

Interest earned on external investments increased from R22 967 319 (2007/2008) R38 400 679 (2008/2009). This increase is attributed to an increase in interest rates a call deposits together with an increase in funds under investment.

Interest earned on outstanding debtors declined due to a decrease in outstanding debtors from R220 678 (2008) to R16 412 (2009). With the discontinued of the RSC Levies there are no RSC debtors.

GOVERNMENT GRANTS AND SUBSIDIES

Government Grants and subsidies increased by 15.24 % from the previous financial year. Government Grants and subsidies includes the RSC Levy Replacement grant, the equitable share, Fires Service subsidy, Municipal System Improvement Grant, Finance Management Grant and the Transport Grant.

According to the accounting policies only the portion that has been expended and meets the conditions of the grant are recognized as revenue. The remaining portion is disclosed as a creditor in the statement of Financial Position.

OTHER INCOME

Other income declined with 54.65%, which is mainly due to the profit of R24 013 048 realized on maturity of a long term investment in 2008. Other revenue sources include discount received and rental of offices.

Total revenue increased with R33 368 979 from R269 622 020 to R 303576441 from the 2007/2008 financial year. This amount exceeded the budget amount by R18 645 131.

Indicative allocations published in Division of Revenue Act (DORA) point to an increase in the RSC Levy Replacement Grant.

The outlook for the next financial year is that the total revenue will increase compared to the year under review.

2.2

EXPENDITURE

EXPENDITURE			
Employee related costs	20	23,021,261	23,646,37
Remuneration of Councillors	21	8,127,754	7,267,83
Collection costs		134,551	14,00
Impairment of assets	27	59,333	
Depreciation	9	5,874,674	4,777,64
Repairs and maintenance		988,956	1,000,89
Interest paid	22	3,744,077	3,953,36
Grants and subsidies paid	23	113,355,262	92,808,28
General expenses	24	16,412,621	5,829,51
Total Expenditure		171,718,489	139,297,91

EMPLOYEE RELATED COST

Actual employee related costs are 2.64 % less than previous year and 18.91 % of the budget. This is due to vacancies which are being filled in the current year.

REMUNERATION OF COUNCILLORS

Payments made to councillors are in terms of the legislation on remuneration of public office bearers.

BAD DEBTS

The provision for bad debts has been reversed with R 5 278 337. Provision for bad debts was made for the Department of Health, but an amount was received from them during the financial year.

DEPRECIATION

Depreciation is charged on Property, Plant & Equipment at rates determined in the accounting policies. Correction in accounting estimates has been done in the year under review and impairment has been applied.

REPAIRS & MAINTENANCE

This expenditure relates to maintenance on the new office building which was used for the full duration of the year under review.

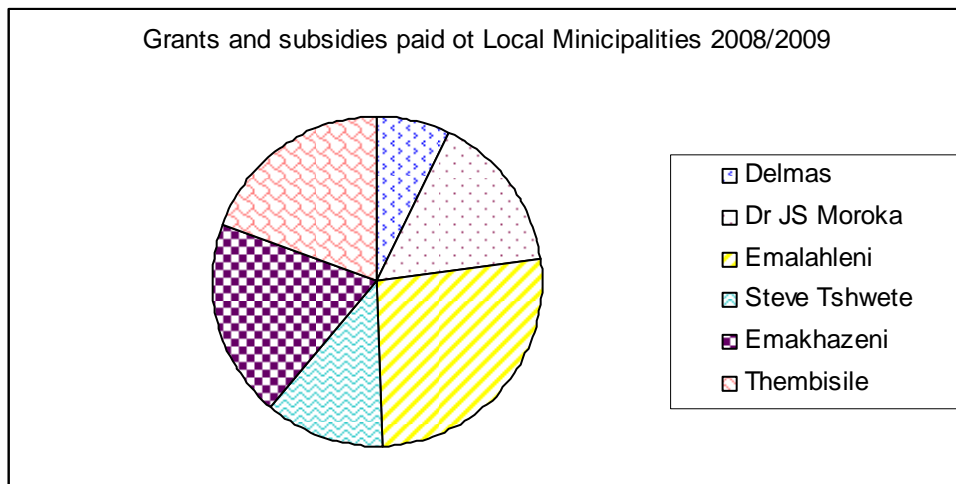
INTEREST PAID

This interest relates to interest on long term loans with INCA and DBSA.

GRANTS & SUBSIDIES

This expenditure relates to expenditure on infrastructure for local municipalities and regional functions for which the District Municipality is the primary authority.

Actual grants and subsidies paid represent 66.01% (66.63%:2008) of the total expenditure.



GENERAL EXPENDITURE

General Expenditure comprises of operating expenditure not disclosed elsewhere on the statement of financial performance.

3

FINANCIAL POSITION

The Statement of Financial position represents the financial strength of the municipality by a comparison of assets over liabilities.

The assets of the municipality increased by 26.85%. The contributing factors of this increase are an increase in property, plant and equipment and call investments.

4

Liabilities decreased by 12.10% due to a decrease in long term loans and current liabilities.

KEY RATIOS

CURRENT RATIO

This ratio represents the ability of the municipality to pay short term obligations within the next 12 months.

	Current assets	Current Liabilities	
	R	R	Ratio
2008	356 110 516	44 680 598	7,97:1
2009	560 142 930	35 525 427	12.96:1

SOLVENCY RATIO

This represents the ability of the municipality to pay both its long term and short term obligations.

	Total Assets	Total Liabilities	
	R	R	Ratio
2008	441 581 846	109 872 234	4,02:1
2009	560 142 930	96 575 367	5.80:1

OTHER RATIOS

	2008	2009
	%	%
Employee related cost/Total Expenditure	16.98	13.41
Actual Grants and subsidies paid/Total Expenditure	66.63	66.01
Actual Grants and subsidies paid/Total Revenue	34.35	37.34
Actual Grants and subsidies paid/Budget	32.2	31.64

5

CREDIT RATING

The municipality was rated by the international rating agency:- Fitch Ratings as follows:

Short term F1 (ZAF)

Indicates the strongest capacity for timely payment of financial commitments relative to other issuers or issues in the same country. Under Fitch's national rating scale, this rating is assigned to the "best" credit risk relative to all others in the same country and is normally assigned to all financial commitments issued or guaranteed by the sovereign state. Where the credit risk is particularly strong, a "+" is added to the assigned rating

Long term AA (ZAF)

AA national ratings denote a very strong credit risk relative to other

Outlook stable issuers or issues in the same country. The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers issues.

International Long Term
BBB + Outlook stable Good credit quality "BBB" ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair capacity. This is the lowest investment-grade category.

6

VUNA AWARDS

The municipality has been awarded the 1st position in October 2007, nationally for the category C: Financial Viability and Provincially for category C: Overall.

7

GENERALLY RECOGNISED ACCOUNTING PRACTICES

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

8

CONCLUSION

Good governance, sound financial management and financial viability remain critical success factors for the municipality. Engagement with various stakeholders on the options on the replacement of RSC Levies remains a priority for the municipality.

9

ACKNOWLEDGEMENT

I would like to extend my appreciation to the Honourable Executive Mayor, Mayoral Committee and Councillors for strategic direction and leadership demonstrated during the financial year.

The guidance and vision of the Municipal Manager and Heads of Departments are acknowledged with gratitude. A special word of appreciation is extended to all my colleagues for their loyalty and support and especially for their role in winning the 2007 Vuna Award - Financial Viability.

Thank you

MJ STRYDOM
ACTING MANAGER: FINANCE

**NKANGALA DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009**

	Note	2009 R	2008 R Restated
NET ASSETS AND LIABILITIES			
Net assets		463,567,562	331,709,611
Accumulated Surplus/(Deficit)		463,567,562	331,709,611
Non-current liabilities		60,049,940	65,191,636
Long-term liabilities	2	56,291,663	61,426,420
Non-current provisions	3	3,758,278	3,765,216
Current liabilities		36,525,427	44,680,598
Retentions	4	13,111,108	11,796,486
Provisions	5	1,178,881	1,340,549
Creditors	6	15,545,540	23,935,663
Unspent conditional grants and receipts	7	601,350	1,586,197
Current portion of long-term liabilities	2	6,088,547	6,021,703
Total Net Assets and Liabilities		560,142,930	441,581,846
ASSETS			
Non-current assets		86,598,906	85,471,331
Property, plant and equipment	9	80,098,906	76,971,331
Investments	10	6,500,000	8,500,000
Long-term receivables	11	-	-
Current assets		473,544,025	356,110,516
VAT	8	4,878,484	4,252,545
Inventory	12	72,658,436	78,181,506
RSC Levy debtors	13	-	-
Other debtors	14	710,005	1,302,414
Grants Receivable from other spheres of Gov	15	851,160	3,231,090
Current portion of long-term debtors	11	-	93,046
Call investment deposits	16	380,828,415	246,531,521
Bank balances and cash	17	13,617,525	22,518,394
Total Assets		560,142,930	441,581,846

NKANGALA DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R Restated
REVENUE			
RSC - Regional Services - Turnover		-	-
RSC - Regional Services -Remuneration		556,449	726,159
Rental of facilities and equipment		216,044	24,720
Interest earned - external investments		38,400,679	22,967,319
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Income for agency services/ donars		14,198	70,450
Government grants and subsidies	18	251,825,228	218,530,614
Other income	19	12,547,432	27,667,521
Total Revenue		303,576,441	270,207,461
EXPENDITURE			
Employee related costs	20	23,021,261	23,646,371
Remuneration of Councillors	21	8,127,754	7,267,838
Collection costs		134,551	14,000
Impairment of assets	27	59,333	-
Depreciation	9	5,874,674	4,777,644
Repairs and maintenance		988,956	1,000,895
Interest paid	22	3,744,077	3,953,365
Grants and subsidies paid	23	113,355,262	92,808,287
General expenses	24	16,412,621	5,829,513
Total Expenditure		171,718,489	139,297,912
SURPLUS/(DEFICIT) FOR THE YEAR		131,857,951	130,909,549

Refer to Appendix E(1) for the comparison with the approved budget

NKANAGALA DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	<u>Note</u>	<u>Accumulated</u> <u>Surplus/</u> <u>(Deficit)</u>	<u>Total</u>
			R
2008			
Balance at 1 July 2007	-	202,070,820	202,070,820
Correction of error	25	(1,270,758)	(1,270,758)
Restated balance	-	200,800,062	200,800,062
Surplus/(deficit) for the year	-	130,909,549	130,909,549
Balance at 30 June 2008	-	331,709,611	331,709,611
2009			
Restated balance	-	331,709,611	331,709,611
Surplus/(deficit) for the year	-	131,857,951	131,857,951
Balance at 30 June 2009	-	463,567,562	463,567,562
		<p>* Included in accumulated surplus is an amount of R72 658 436 as work in progress for capital projects done by the District for local municipalities. See note 12</p> <p>* Included in accumulated surplus is an amount of R767 120, which is ring fenced for future depreciation on assets that were funded from Government grants, Donations or Public contributions</p>	

NKANAGALA DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		303,576,441	269,622,020
Cash paid to suppliers and employees		(200,816,980)	(168,683,633)
Cash generated from/(utilised in) operations	28	102,759,461	100,938,387
Interest received		38,417,091	23,187,997
Interest paid		(3,744,077)	(3,953,365)
NET CASH FROM OPERATING ACTIVITIES		137,432,475	120,173,019
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(9,061,582)	(8,823,365)
Decrease in non-current receivables		93,046	90,967
Decrease/(Increase) in non-current investments		2,000,000	26,000,000
NET CASH FROM INVESTING ACTIVITIES		(6,968,536)	17,267,602
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(5,067,913)	(4,280,456)
NET CASH FROM FINANCING ACTIVITIES		(5,067,913)	(4,280,456)
NET DECREASE IN CASH AND CASH EQUIVALENTS		125,396,025	133,160,165
Cash and cash equivalents at the beginning of the year		269,049,915	135,889,750
Cash and cash equivalents at the end of the year	29	394,445,940	269,049,915

1. ACCOUNTING POLICIES

1.1. BASIS OF PREPARATION

The municipality's annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless otherwise stated.

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

- The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GAMAP 9	Revenue from Non-Exchange Transactions Government Grants and Subsidies; and Donations and Public Contributions

Accounting policies for material transactions, events or conditions not covered by the above have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous year.

1.1.1. Significant Judgments

In preparing the municipality's annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the municipality's annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of

estimates. Actual results in the future could differ from these estimates which may be material to the municipality's annual financial statements. Significant judgements include:

- Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

1.1.2. Use of estimates

The preparation of financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain of 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.

1.2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVES INFORMATION

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.4.1. Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.5. OFFSETTING

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

1.6. PROPERTY, PLANT AND EQUIPMENT

An item of property plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

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

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

Directly attributable costs include the following:

- Cost of site preparation.
- Initial delivery and handling costs.
- Installation cost.
- Professional fees.
- Estimate cost of dismantling the asset and restoring the site to the extent that it is recognised as a provision.

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite life.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

DETAILS	YEARS	DETAILS	YEARS
Infrastructure		Other	
Electricity		Buildings	30
Supply & Reticulation	20	Office Equipment	
Roads		Computer Hardware	5
Roads	10	Computer Software	3
Bridges	30	Office Machines	3
Sewerage		Air Conditioners	5
Sewers	20	Furniture & Fittings	
Water		Chairs	7 - 10
Supply & reticulation	20	Tables/Desks	7 - 10
Reservoirs & tanks	20	Cabinets/Cupboards	7 - 10
Pumps	15	Miscellaneous	7 - 10
		Emergency Equipment	
		Fire	15
		Ambulances	5
Community Assets		Fire hoses	5
Buildings		Emergency Lights	5
Clinics	30	Plant & Equipment	
Parks	30	General	5
Community Centres	30	Telecommunication equipment	5
Recreational Facilities		Radio	5
Fire Breaks	20	Vehicles	
		Fire Engines	20
		Motor Vehicles	5
		Bakkies	5

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

1.6.1. Impairment of assets

The municipality assesses before each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Impairment of cash generating assets

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognised as an expense in the consolidated statement of financial performance immediately. The recoverable amount of the asset is the higher of the asset fair value less cost of disposal and its value in use.

The fair value represents the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties.

The value in use of an asset represents the expected future cash flows, from continuing use and disposal that are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of its value in use, R1.00 or fair value less cost of disposal.

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life.

Impairment of non-cash generating assets

Non-cash generating assets such as Infrastructure and Community assets are not impaired as no open market value can be obtained and there is no intention to sell these assets as they are for the benefit of the community.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Property, plant and equipment and other non-current, and intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Financial Performance for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of the asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7. FINANCIAL INSTRUMENTS

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

1.7.1. Financial Assets:

1.7.1.1. Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months. These are classified as non current

assets. Loans and receivables are classified as "trade and other receivables" in the statement of financial position.

Loans and receivables are recognised initially at historical cost. After initial recognition financial assets are measured at amortised cost using the effective interest rate.

1.7.1.2. Accounts Receivable

Trade and other receivables are recognised historical cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

1.7.1.3. Investments held-to-maturity

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

1.7.2. Financial liabilities

Financial liabilities are recognised initially at historical cost which represents fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

1.7.3. Gains and losses

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognised or impaired through the amortisation process

1.8. TRADE CREDITORS

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

1.9. REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. No settlement discount is applicable.

1.9.1. Rental of facilities:

Rental of facilities shall be recognised as revenue 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

1.9.2. Government Grants:

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

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, and
- 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

1.9.3. Other grants and donations received:

Other grants and donations shall be recognised as revenue 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, and
- To the extent that there has been compliance with any restrictions associated with the grant

1.9.4. Levies:

Levies shall be recognised as revenue 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

1.9.5. Interest:

Revenue arising from the use of assets by others of the municipal assets yielding interest shall be 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

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1.9.6. Other Revenue:

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

All other revenue is recognised at fair value as and when they happen.

1.10. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

1.11. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

1.12. RETIREMENT BENEFITS

1.12.1. Defined contribution plans:

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

1.12.2. Defined benefit plans:

1.12.2.1. *Post employment medical care benefits:*

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post –retirement medical benefits is based on employee remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Actuarial gains and losses arising from experience adjustments are debited or credited to Statement of Financial Performance in the period in which it occurs. Valuations of these obligations are carried out annually by independent qualified actuaries.

1.13. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

1.14. EVENTS AFTER BALANCE SHEET DATE

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements

1.15. LEASES:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risk and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-lined basis over the lease period.

Assets held under finance leases are initially recognised as assets of the Municipality at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Municipalities general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.16. INVENTORY:

The municipality constructs infrastructure projects, which will subsequently transferred to local municipalities in its area of jurisdiction at no cost when the project is completed. Projects still in progress and not yet completed is disclosed as inventory.

NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
2 LONG-TERM LIABILITIES		
Annuity Loans	61,206,930	65,872,854
Lease liabilities	1,173,280	1,575,269
Sub-total	<u>62,380,210</u>	<u>67,448,123</u>
Less : Current portion transferred to current liabilities	6,088,547	6,021,702
Annuity Loans	5,717,467	5,619,713
Lease liabilities	371,080	401,989
Total External Loans	<u>56,291,663</u>	<u>61,426,420</u>

Refer to Appendix A for more detail on long-term liabilities.

3 NON-CURRENT PROVISIONS

Post employment Medical Aid benefit	<u>3,758,278</u>	<u>3,765,216</u>
Total Non-Curent Provisions	<u>3,758,278</u>	<u>3,765,216</u>

The post employment medical aid benefit are provided for ex retired employees and their legitimate spouses and is paid monthly. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The provision is an estimate of the liability based on historical staff turnover and life expectancy of the relevant people and is discounted by using the inflation rate at the balance sheet date. The provision is phased in over a five year period starting from the 2005/2006 financial year.

The movement in the non-current provision is reconciled as follows: -

Balance at beginning of year	3,765,216	1,746,826
Contributions to provision	(6,938)	4,036,781
Transfer to current provisions	-	(2,018,391)
Balance at end of year	<u>3,758,278</u>	<u>3,765,216</u>

4 RETENTIONS

Retention	13,111,108	11,796,486
Total Retention	<u>13,111,108</u>	<u>11,796,486</u>

**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

5 PROVISIONS	2009	2008
	R	R
Performance bonus	1,118,135	1,286,741
Current portion of Post employment Medical Aid benefit	60,746	53,808
Total Provisions	<u><u>1,178,881</u></u>	<u><u>1,340,549</u></u>

Performance bonuses are paid one year in arrear and accrued on the basis that conditions has been met and there is no indication that performance bonuses will not be paid.

The movement in current provisions are reconciled as follows: -

**Performance
Bonus**

Balance at beginning of year	1,286,741	1,236,215
Contributions to provision	548,469	850,635
Expenditure incurred	(717,075)	(800,110)
Balance at end of year	<u><u>1,118,135</u></u>	<u><u>1,286,741</u></u>

Post employment Medical Aid Benefit

Balance at beginning of year	53,808	49,248
Transfer from non-current	-	(2,018,390)
Contributions to provision	84,453	2,074,466
Expenditure incurred	(77,514)	(51,516)
Balance at end of year	<u><u>60,746</u></u>	<u><u>53,808</u></u>

6 CREDITORS

Trade creditors	13,890,749	21,758,093
Credit card at ABSA Bank	1,929	-
Fleet Card at ABSA Bank	-	-
Leave	1,639,495	1,697,328
Payments received in advance	13,227	1,806
Other creditors	140	478,437
	<u><u>15,545,540</u></u>	<u><u>23,935,664</u></u>

NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2009	2008
	R	R
7.1 Conditional Grants from other spheres of Government	469,358	1,440,007
MSIG	-	698,150
FMG	-	272,499
Transport	469,358	469,358
7.2 Other Conditional Receipts	131,993	146,190
DBSA	131,993	146,190
Total Conditional Grants and Receipts	601,350	1,586,197

See Note 18 for reconciliation of grants from other spheres of government.

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

8 VAT

VAT (payable)/ receivable	4,878,484	4,252,545
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VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

9 PROPERTY, PLANT AND EQUIPMENT
30-Jun-09

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>			<u>Leased Assets</u>	<u>Total</u>
			<u>Community</u>	<u>Other</u>		
	R	R	R	R	R	R
Carrying values at 1 July 2008	63,763,187	-	4,557	11,219,554	1,984,033	76,971,331
Cost	71,139,618	-	5,633	17,630,099	3,838,893	92,614,242
Accumulated depreciation	(7,376,431)	-	(1,076)	(6,410,546)	(1,854,859)	(15,642,911)
Acquisitions	107,364	-	-	8,374,711	-	8,482,075
Capital under Construction	579,507	-	-	-	-	579,507
Depreciation	(3,106,591)	-	(801)	(2,041,534)	(725,748)	(5,874,674)
Impairment losses	-	-	-	(59,333)	-	(59,333)
Carrying values at 30 June 2009	61,343,467	-	3,756	17,493,398	1,258,285	80,098,906
Cost	71,826,489	-	5,633	26,004,811	3,838,893	101,675,825
Accumulated depreciation	(10,483,022)	-	(1,876)	(8,511,413)	(2,580,607)	(21,576,919)

NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

30-Jun-08

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R
Carrying values at 1 July 2007	64,262,401	-	5,285	9,928,701		74,196,387
Cost	67,237,385	-	5,633	14,798,202		82,041,220
Accumulated depreciation	(2,974,984)	-	(348)	(4,869,500)		(7,844,832)
Acquisitions	45,995	-	-	2,444,871		2,490,866
Capital under construction	6,332,499	-	-	-		6,332,499
Depreciation	(2,231,246)	-	(2,088)	(1,840,172)	(704,156)	(4,777,662)
Impairment losses	-	-	-	-		-
Correction of error cost	(2,476,261)	-	-	387,026	3,838,893	1,749,658
Correction of error Accu Dep	(2,170,201)	-	1,361	299,127	(1,150,703)	(3,020,417)
Carrying values at 30 June 2008	63,763,187	-	4,557	11,219,554	1,984,033	76,971,331
Cost	71,139,618	-	5,633	17,630,099	3,838,893	92,614,242
Accumulated depreciation	(7,376,431)	-	(1,076)	(6,410,546)	(1,854,859)	(15,642,911)

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

	2009	2008
	R	R
10 INVESTMENTS		
Financial Instruments		
Long Term Investments - at cost	<u>6,500,000</u>	<u>8,500,000</u>
	Cost	Cost
	2009	2008
Guaranteed Capital Trust - Investec	R 2,000,000	R 3,000,945
Promisary note - Investec	R 6,500,000	R 11,414,148
Total	<u>R 6,500,000</u>	<u>R 8,500,000</u>
	Guaranteed Value	Guaranteed Value
	2009	2008
Guaranteed Capital Trust - Investec	-	2,000,000

The Guaranteed Capital Trust of R2 million has been pledged as security to the Development Bank of South Africa for a loan of R46 050 523.41 Balance at 30 June 2008 amounts to R36 522 908.

Guaranteed Value

The guaranteed value of the investments amounts to R11 414 148

NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

11 LONG-TERM RECEIVABLES

	2009	2008
	R	R
Car loans	-	93,046
	-	93,046
Less : Current portion transferred to current receivables	-	(93,046)
Car loans	-	(93,046)
Total	-	-

CAR LOANS

Senior staff were entitled to car loans which attract interest at rates between 8% and 8.5% per *annum* and are repayable over periods between 42 months and 72 months. The last loan will be repaid in February 2009. The Municipal Finance Management Act forbid any further loans to employees and councillors and no new loans will be granted to anyone.

12 INVENTORY

Projects - Work in progress	72,658,436	78,181,506
Total Inventory	72,658,436	78,181,506

12.1 Work in Progress

	2009	2008
Balance at the beginning of the year	78,181,506	58,731,061
Expenditure during the year	107,832,193	112,258,732
Less completed and transferred to local municipalities as per note 23	113,355,262	92,808,287
Balance at the end of the year	72,658,436	78,181,506

13 RSC Levy Debtors

	Gross Balances	Provision for Bad Debts	Net Balance
	R	R	R
As at 30 June 2009			
Service debtors			
Levy Debtors	-	-	-
Total	-	-	-
As at 30 June 2008			
Service debtors			
Levy Debtors	2,064,767	(2,064,767)	-
Total	2,064,767	(2,064,767)	-

In terms of section 59 of the Small Business Amnesty And Amendment of Taxation Laws Act 2006, RSC levies were abolished as from 1 July 2006 and the liability for any regional establishment or regional services levy for which a summons for the collection thereof has not been issued on or before 30 June 2008 lapses on that date.

Provision for bad debts was made for all outstanding RSC debtors as at 30 June 2008 and debtors not collected in 2008/2009 was written off in the 2008/2009.

NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
<u>RSC Levy Debtors:</u>		
<u>Ageing</u>		
Current (0 – 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	-	2,064,767
Provision for Bad Debts	-	(2,064,767)
Total	-	-

	2009	2008
	R	R
<u>Reconciliation of the bad debt provision</u>		
Balance at beginning of the year	2,064,767	2,686,825
Contributions to provision	3,101	-
Bad debts written off against provision	(2,094,816)	(26,948)
Reversal of provision	26,948	(595,110)
Balance at end of year	-	2,064,767

14 OTHER DEBTORS

	Gross Balances		Provision for Bad Debts		Net Balance
	R		R		R
As at 30 June 2009					
Sundry Debtors					
Department of Health	435,269		(435,269)		-
Other	274,736		435,269		710,005
Total	710,005		-		710,005

	Gross Balances		Provision for Bad Debts		Net Balance
	R		R		R
As at 30 June 2008					
Sundry Debtors					
Ogies Local Municipality	962,805				962,805
Department of Health	5,284,639		(5,284,639)		-
Other	403,831		(64,222)		339,609
Total	6,651,275		(5,348,861)		1,302,414

	2009	2008
	R	R
<u>Other : Ageing</u>		
Current (0 – 30 days)	198,801	248,105
31 - 60 Days	43,103	24,156
61 - 90 Days	5,903	12,291
91 - 120 Days	9,929	14,409
+ 120 Days	452,269	6,352,314
Provision for Bad Debts	-	(5,348,861)
Total	710,005	1,302,414

**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008
	R	R
<u>Reconciliation of the bad debt provision</u>		
Balance at beginning of the year	5,348,861	5,339,193
Contributions to provision	(5,348,861)	9,669
Balance at end of year	<u>-</u>	<u>5,348,861</u>
Sundry Debtors as above	710,005	1,302,414
Total Other Debtors	<u>710,005</u>	<u>1,302,414</u>

15 GRANTS RECOVERABLE FROM OTHER SPHERES OF GOVERNEMENT

Department of Local Government and Housing (refer to note 18.8 for more detail)	-	3,231,090
Department of Agriculture and Land Affairs (refer to note 18.9 for more detail)	851,160	
Total government Grants and Commitments	<u>851,160</u>	<u>3,231,090</u>

16 CALL INVESTMENT DEPOSITS

	2009	2008
	R	R
Other Deposits	<u>380,828,415</u>	<u>246,531,521</u>

17 BANK AND CASH BALANCES

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

ABSA Bank Limited Account number 1040161836

Cash book balance at beginning of year	22,518,394	7,949,472
Cash book balance at end of year	<u>13,617,525</u>	<u>22,518,394</u>
Bank statement balance at beginning of year	11,156,705	11,156,705
Bank statement balance at end of year	<u>12,838,288</u>	<u>11,156,705</u>

**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

18 GOVERNMENT GRANTS AND SUBSIDIES	2009	2008
	R	R
Equitable share	8,710,000	2,858,250
RSC LEVY REPLACEMENT GRANT	239,308,419	212,718,631
Fire	-	1,209,781
MSIG	1,433,150	985,808
TRANSPORT	-	530,642
FMG	772,499	227,501
DEPARTMENT OF AGRICULTURE AND LAND AFFAIRS	851,160	
Vuna Awards	750,000	-
Total Government Grant and Subsidies	<u>251,825,228</u>	<u>218,530,614</u>

18.1 Equitable Share

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

18.2 RSC LEVY REPLACEMENT GRANT

In terms of the Division of Revenue Act this grant is used to subsidise the replacement of the RSC Levies that were abolished from 1 July 2006

18.3 Fire Grant

Balance unspent at beginning of year	-	729,666
Current year receipts	-	480,115
Conditions met - transferred to revenue	-	(1,209,781)
Conditions still to be met - transferred to liabilities (see note 6)	<u>-</u>	<u>-</u>

Department: Social Services
The fire grant is used to subsidise the operations of the

Purpose of Grant: Fire Station at Thembisile.
All conditions of the grant has been met and the grant was never withheld

18.4 MSIG Grant

Balance unspent at beginning of year	698,150	683,958
Current year receipts	(735,000)	1,000,000
Conditions met - transferred to revenue	1,433,150	(985,808)
Conditions still to be met - transferred to liabilities (see note 6)	<u>-</u>	<u>698,150</u>

Department: Planning and Development
The municipal systems improvement grant under the vote of the Department of Provincial and Local Government focuses on stabilising municipal and governance systems, planning and implementation management support centres, reviewing integrated development plans and

Purpose of Grant: implementing the Municipal Systems Act (2000).
All conditions of the grant has been met and the grant was never withheld

NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

18.5 DWAF Grant	2009	2008
	R	R
Balance unspent at beginning of year	-	(8,172)
Current year receipts	-	8,172
Conditions still to be met - transferred to Other Debtors (see note 13)	<u>-</u>	<u>-</u>

18.6 TRANSPORT Grant	2009	2008
	R	R
Balance unspent at beginning of year	469,358	-
Current year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(530,642)
Conditions still to be met - transferred to liabilities (see note 6)	<u>(469,358)</u>	<u>469,358</u>

Department: Planning and Development
Purpose of Grant: This grant is to counter fund the integrated transport plan for the District.
All conditions of the grant has been met and the grant was never withheld

18.7 Finance Management Grant

Balance unspent at beginning of year	272,499	-
Current year receipts	500,000	500,000
Conditions met - transferred to revenue	<u>(772,499)</u>	<u>(227,501)</u>
Conditions still to be met - transferred to liabilities (see note 6)	<u>-</u>	<u>272,499</u>

Department: Finance
To promote and support reforms in financial management by building the capacity in municipalities to implement the

Purpose of Grant: Municipal Finance Management Act (MFMA)
All conditions of the grant has been met and the grant was never withheld

18.8 Department of Local Government and Housing Grant

Balance unspent at beginning of year	(3,231,090)	(3,252,987)
Current year receipts	3,231,090	-
Conditions met - transferred to revenue	-	21,897
Conditions met still to be refunded to the municipality- transferred to current assets (see	<u>-</u>	<u>(3,231,090)</u>

Department: Planning and Development
Purpose of Grant: The Grant is intended to:
- Provide capital finance for basic municipal infrastructure
- To provide for new, rehabilitation and upgrading of
- To eradicate the bucket sanitation system mainly in
- It is important that it is properly targeted to ensure

**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**18.9 Department of
Agriculture and Land
Affairs**

	2009	2008
	R	R
Balance unspent at beginning of year	-	-
Conditions met - transferred to revenue	(851,160)	-
Conditions met still to be refunded to the municipality- transferred to current assets (see	<u>(851,160)</u>	<u>-</u>

Department: Social Services
Purpose of Grant: The Grant is intended to:
 - Assist in Geo Technical Investigation planning

All conditions of the grant has been met and the municipality still needs to be refunded.

18.10 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act ...of 2006), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

18.11 DBSA Grant

Balance unspent at beginning of year	146,190	211,132
Conditions met - transferred to revenue	<u>(14,198)</u>	<u>(64,942)</u>
Conditions still to be met - transferred to liabilities (see note 7)	<u>131,993</u>	<u>146,190</u>

Department: Social Services
Purpose of Grant: This grant was to draw up and Integrated Municipal Environmental Plan (IMEP).
 All conditions of the grant has been met and the grant was never withheld

	2009	2008
	R	R
19 OTHER INCOME		
Sundry income	1,053,493	2,745,133
Discount received	684,313	323,899
Reversal of bad debts	5,278,337	585,441
Profit on investment	5,531,289	24,013,048
Total Other Income	<u>12,547,432</u>	<u>27,667,521</u>

	2009	2008
	R	R
20 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	15,623,699	15,401,987
Employee related costs - Contributions for UIF, pensions and medical aids	3,532,840	3,201,455
Travel, motor car, accommodation, subsistence and other allowances	2,067,580	2,522,724
Housing benefits and allowances	140,637	190,893
Overtime payments	338,556	426,292
Performance bonus	548,469	800,110
Long-service awards/ Leave encashment	769,480	1,102,909
Total Employee Related Costs	<u>23,021,261</u>	<u>23,646,370</u>

There were no advances to employees. Loans to employees are set out in note 10.

**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008	
	R	R	
Remuneration of the Municipal Manager			
Annual Remuneration	717,155	745,637	
Performance Bonuses	160,449	155,013	
Car Allowance	220,000	238,748	
Contributions to UIF, Medical and Pension Funds	80,542	91,482	
Total	1,178,146	1,230,880	
Remuneration of the Chief Finance Officer			
Annual Remuneration	423,291	478,506	
Performance Bonuses	-	98,205	
Car Allowance	52,685	118,952	
Contributions to UIF, Medical and Pension Funds	32,956	93,975	
Total	508,932	789,638	
Remuneration of Individual Executive Directors			
	<u>Technical Services</u>	<u>Corporate Services</u>	<u>Social Services</u>
	R	R	R
30-Jun-09			
Annual Remuneration	518,241	-	2,488
Overtime	-	-	-
Performance Bonuses	97,155	-	-
Car Allowance	108,000	-	-
Medical and pension funds	9,150	-	-
Total	732,547	-	2,488
30-Jun-08			
Annual Remuneration	516,248	355,670	42,698
Overtime	-	-	-
Performance Bonuses	93,864	-	-
Car Allowance	111,604	80,000	8,000
Medical and pension funds	2,946	82,194	24,956
Total	724,661	517,864	75,654
REMUNERATION OF			
21 COUNCILLORS	2009	2008	
	R	R	
Executive Mayor	569,731	519,952	
Chief Whip	443,708	399,151	
Speaker	464,401	420,809	
Executive Committee Members	2,605,760	1,958,284	
Councillors	3,160,514	3,187,548	
Councillors' pension contribution	625,764	549,911	
Councillors' medical contribution	257,877	232,183	
Total Councillors' Remuneration	8,127,754	7,267,838	

**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

In-kind Benefits

The Executive Mayor, Council Whip, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

As a result of the determination dated 1 July 2006 that was published on 1 December 2006 The municipality was down graded from a level 5 to level 4. Council adopted this determination on 31st January 2007. The application of the determination was retrospective from the 1 March 2006 and hence this resulted in remuneration of councilors on a grade 5 instead of a grade 4 for the period 1 March to February 2007. The implication of this is that an amount of R284 903.98 has been overpaid in terms of councilor remuneration. The Accounting Officer has implemented steps to recover such over payment. as at 30 June the balance outstanding is R5 242.81

22 INTEREST PAID	2009	2008
	R	R
Long-term liabilities	3,561,022	3,737,395
Finance leases	183,055	215,970
Total Interest on External Borrowings	<u>3,744,077</u>	<u>3,953,365</u>

GRANTS AND SUBSIDIES

23 PAID

The District Municipality funds infrastructure projects to local municipalities within its jurisdiction, which includes water, sanitation, township establishment, etc.

	2009	2008
	R	R
Grant paid to Local Municipalities out of own revenue		
General	15,990,722	18,174,899
Delmas	7,018,861	7,774,592
Dr JS Moroka	14,938,741	12,841,841
Emalahleni	25,518,533	17,606,477
Steve Tshwete	11,053,542	10,515,667
Emakhazeni	18,836,941	9,095,263
Thembisile	18,548,130	15,540,614
Total Grants and Subsidies out of own revenue	<u>111,905,471</u>	<u>91,549,353</u>
Grant paid to Local Municipalities out of Implementing Agents Funds		
General	1,435,594	1,188,484
Thembisile	14,198	70,450
Total Grants and Subsidies out of Implementing Agent Funds	<u>1,449,792</u>	<u>1,258,934</u>
	<u>113,355,262</u>	<u>92,808,287</u>

The cost disclosed as general is cost of projects done by the municipality on project management and related issues but which are not allocated to a specific local municipality.

**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

24 GENERAL EXPENSES	2009	2008
	R	R
Other	12,316,785	6,678,481
Audit fees	1,094,495	1,386,076
Telecommunications	1,203,492	1,025,437
Travel & accommodation	1,662,475	1,346,446
Tourism	544,365	1,103,624
Fire fighting	261,267	1,001,081
Municipal Planning	958,101	1,482,007
Roads Thembisile Municipality	7,666,448	66,356
Less debited elsewhere	<u>(9,294,806)</u>	<u>(8,259,997)</u>
	<u>16,412,621</u>	<u>5,829,513</u>

Included in general expenses are the following:-

<u>24.1 Support during heavy rains</u>	<u>-</u>	<u>695,000</u>
2008		

Heavy rains were experienced during 10 - 24 January 2008 in the Thembisile and Dr JS Moroka Local Municipal areas Council provided tents to aid the affected residents until the flooding subsided and residents were able to return to their homes. The heavy rains were unforeseen.

24.2 Operating leases

	2009	2008
	R	R
Operating leases iro automated office machines - minimum payments.	18,336	18,336

The municipality lease office automation machines from various service providers over a

Future minimum lease payments at 30 June 2009:

Up to 1 year	1 - 5 years	More than 5 years
R	R	R
18,336	-	-

**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

25 CORRECTION OF ERRORS - IMPLEMENTATION OF GRAP

2009
R

2008
R

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP: -

25.1 Property, Plant & Equipment

Property, Plant & Equipment was previously treated without componentising of Property, Plant & Equipment and of 2 assets that was previously recognised as assets in the books of the Municipality and an duplication error
The change in accounting policy has been applied retrospectively from the previous financial year

25.1.1 Assets

2008

Balance previous reported

Cost		90,864,585
Less Accumulated Depreciation		12,622,495
Carrying value		78,242,089

**Implementation of GRAP componentising of PPE
2008**

	Asset not recognised before	Componitising of Office building	Total
Changes made financial year (2007)			
Cost of assets not recognised before	1,749,704		1,749,704
Less Accumulated Depreciation	139,920	1,626,005	1,765,925
Carrying value	1,609,784	(1,626,005)	(16,221)

	Asset not Duplication recognised before	Componitising of Office building	Total
Changes made financial year (2008)			
Cost duplication error	(46)		(46)
Less Accumulated Depreciation		34,980	1,254,492
Carrying value	(46)	(34,980)	(1,254,538)

	Asset not Duplication recognised before	Componitising of Office building	Total
Balance currently reported for 2008			
Cost	(46)	1,749,704	92,614,243
Less Accumulated Depreciation	-	2,845,516	15,642,912
Carrying value	(46)	1,574,804	(2,845,516)

**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**25.1.2 Accumulated
Surplus**

2008

	<u>Accumulated Surplus/ (Deficit)</u>
Balance previous reported	332,980,370
Changes made previous financial year (2007)	(16,241)
	332,964,129
Changes made current financial year (2008)	(1,254,519)
	331,709,611

**25.2 Reversal for Bad
Debts provision**

2008

The reversal of Bad Debts reversal was previously treated as a negative on the expenditure side of the Statement of financial performance and is now disclosed as Other income on the income side of the Statement of Financial Performance

25.2.1 Bad Debts reversal

Changes made financial year (2008)
Previously stated
Correction
Restated at 30 June 2008

(585,441)
585,441
-

25.2.1 Other Income

Changes made financial year (2008)
Previously stated
Correction
Restated at 30 June 2008

27,082,080
585,441
27,667,521

26 CHANGES IN ACCOUNTING ESTIMATES

During the year ended 30 June 2009 the municipality conducted an operational efficiency review for the Asset Group Furniture and equipment, which resulted in changes in the expected usage of certain items of property plant and equipment. Certain furniture and equipment, which management previously estimated to only last for 7 years, is now expected to remain in use for a period of 10 years (Decrease)/ Increase in Depreciation Expense

	2009	2010	2011	2012
(Decrease)/ Increase in Depreciation Expense	(302,679)	(299,723)	(299,697)	(295,731)

27 IMPAIRMENTS

During the year ended 30 June 2009 the municipality conducted an operational efficiency review for the Asset Group Furniture and equipment, which resulted in changes in the expected usage of certain items of property plant and equipment. Management have done an assessment of individual assets and where in management's opinion, the asset has been damaged or has a reduced value in use, reduced the carrying value accordingly.

	2009	2008
Balance at 1 July	-	-
Impairment loss recognised	59,333	-
Balance at 30 June	59,333	-

**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

28 CASH GENERATED BY OPERATIONS	2009	2008
	R	R
Surplus/(deficit) for the year	131,850,429	130,404,296
Adjustment for:-		
Depreciation and impairment loss	5,934,007	4,777,663
Contribution to provisions - non-current	(6,938)	2,018,390
Contribution to provisions – current	(161,668)	55,086
Interest paid	3,744,077	3,953,365
Investment income	(38,417,091)	(23,187,997)
Operating surplus before working capital changes:	102,950,338	118,526,049
(Increase) /Decrease in inventories	5,523,070	(19,450,445)
(Increase)/decrease in debtors	2,972,339	1,302,676
Increase / (Decrease) in creditors	(8,060,347)	305,591
Increase / (Decrease) in VAT	(625,939)	-
Cash generated by/(utilised in) operations	102,759,461	100,683,871

29 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash	13,617,525	22,518,394
Call investment deposits	380,828,415	246,531,521
Total cash and cash equivalents	394,445,940	269,049,915

30 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 1)	62,380,210	67,448,122
Used to finance property, plant and equipment – at cost	62,380,210	67,448,122
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	11,260,000	12,235,256
Cash invested for repayment of long-term liabilities (see note 14)	11,260,000	12,235,256

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

31 DISALLOWED

31.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery (note 13)	-	-
Unauthorised expenditure awaiting authorization	-	-

Incident determination dated 1 July 2006 that was published on	Disciplinary steps/criminal proceedings <i>No disciplinary hearing held</i>
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**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

<u>31.2 Fruitless and wasteful expenditure</u>	2009	2008
	R	R
Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see note 46)	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary steps/criminal proceedings
<i>No incident</i>	<i>No disciplinary hearing held</i>

31.3 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary steps/criminal proceedings
<i>No incident</i>	<i>No disciplinary hearing held</i>

32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32.1 Contributions to organized local government

Opening balance	-	-
Council subscriptions	74,673	174,434
Amount paid - current year	(74,673)	(174,434)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>(0)</u>	<u>-</u>

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

32.2 Audit fees

Opening balance	-	-
Current year audit fee	1,094,495	1,386,076
Amount paid - current year	(1,094,495)	(1,386,076)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

32.3 VAT

2009
R

2008
R

VAT inputs receivables and VAT outputs receivables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.

32.4 PAYE and UIF

Opening balance	-	-
Current year payroll deductions	2,544,391	4,859,737
Amount paid - current year	(2,544,391)	(4,859,737)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

32.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	4,265,074	5,923,450
Amount paid - current year	(4,265,074)	(5,923,450)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

32.6 Compliance with Chapter 11 of the Municipal Finance Management Act

Council's Supply Chain Policy was adopted in October 2005 (DM208/09/2005) with effective date 1 January 2006. The Supply Chain Unit was established December 2006. No deviations from the supply chain regulations occurred during the reporting period.

**NKANGALA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

33 CONTINGENT LIABILITY	2009	2008
33.1 Guarantees held in lieu of Retention		
Contingent liabilities for retentions disclosed in note 4.	R	R
Guarantees held in lieu of Retention	<u><u>11,431,544</u></u>	<u><u>10,756,257</u></u>
33.2 Dispute with KPMG	<u><u>436,683</u></u>	
A claim from KPMG was received and was not paid by council due to non/poor performance on a consultancy project. The matter was referred to councils legal representatives		
33.3 Dispute with LGDC	<u><u>1,828,878</u></u>	
A claim from LGDC was received and was not paid by council due to non/poor performance on a consultancy project. The matter was referred to councils legal representatives		
33.4 Dispute with Elmandi Road Maintenance	<u><u>372,250</u></u>	
A claim from was received for a session and was not paid by council. The matter was referred to councils legal representatives		
33.5 Dispute with North West Dev Corp	<u><u>75,248</u></u>	
A claim from North West Dev Corp was received and was not paid by council due to a dispute on the rental contract. The matter was referred to councils legal representatives		
<u>Summary</u>		
Guarantees held in lieu of Retention	11,431,544	10,756,257
Claims against council	<u>2,713,058</u>	-
Total	<u><u>14,144,602</u></u>	<u><u>10,756,257</u></u>

34 CONTINGENT ASSETS

Except for guaranteed value disclosed in note 10 Council don't have any contingent assets

35 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).

ANNEXURES TO THE FINANCIAL STATEMENTS

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