

# **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	TM Letlaka	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 Walter Sisulu 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.

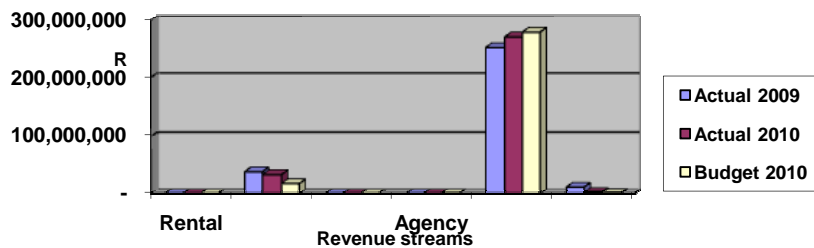
## 2. REVIEW OF OPERATING RESULTS

The 2009/2010 budget of the Nkangala District Municipality was approved by Council on 27<sup>th</sup> May 2009 and herewith is a commentary on the financial results.

### 2.1 REVENUE

2010 Budget	Note	2010 R	2009 R
<b>REVENUE</b>			
- RSC - Regional Services -Remuneration		-	556,449
- Rental of facilities and equipment		877	216,044
18,700,000 Interest earned - external investments		34,074,261	39,179,690
90,000 Interest earned - outstanding debtors		1,584	16,412
562,669 Income for agency services/ donars		177,598	14,198
278,564,580 Government grants and subsidies	16	269,774,803	251,825,228
1,228,000 Other revenue	17	2,891,765	12,554,954
<b>299,145,249</b> Total Revenue		<b>306,920,888</b>	<b>304,362,974</b>

### Revenue for 2009 & 2010



### INTEREST EARNED

Interest earned on external investments decreased from R39 179 960 (2008/2009) to R34 074 261 (2009/2010). This decrease is attributed to a decrease in interest rates on call deposits.

Interest earned on outstanding debtors declined due to a decrease in outstanding debtors from R16 412 (2009) to R1 584 (2010). With the discontinuation of the RSC Levies there are no RSC debtors.

### GOVERNMENT GRANTS AND SUBSIDIES

Government Grants and subsidies increased by 7.31 % from the previous financial year. Government Grants and subsidies include the RSC Levy Replacement grant, the equitable share, and Fire 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 76.97%, which is mainly due to the reversal of bad debts that was done in 2008/2009 financial year. Other revenue sources include discount received and rental of offices.

## BAD DEBTS

The provision for bad debts has been reversed with R 5 278 337 in the 2008/2009 financial year. Provision for bad debts was made for the Department of Health, but an amount was received from them during the 2008/2009 financial year.

Total revenue increased with R3 027 272 from R304 362 974 to R 307 390 246 from the 2008/2009 financial year. This amount exceeded the budget amount by R8 244 997.

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

<b>EXPENDITURE</b>				
38,765,491	Employee related costs	18	29,344,257	23,021,261
9,996,035	Remuneration of Councillors	19	8,528,867	8,127,754
10,000	Bad debts		8,543	-
20,000	Collection costs		16,251	134,551
	Impairment of assets			59,333
4,053,000	Depreciation		6,055,932	5,974,040
3,601,000	Repairs and maintenance		1,608,455	988,956
3,531,400	Interest paid	20	3,535,794	3,744,077
379,444,145	Grants and subsidies paid	21	115,632,692	100,006,204
22,902,627	General expenses	23	10,710,941	15,540,143
	- Loss on disposal of property, plant and equipment		-	-
<b>462,323,698</b>	<b>Total Expenditure</b>		<b>175,441,732</b>	<b>157,596,319</b>

## EMPLOYEE RELATED COST

Actual employee related costs are 27.47 % more than previous year, which is the result of vacancies that had been filled. Actual employee related costs are 75.7 % 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.

## DEPRECIATION

Depreciation is charged on Property, Plant & Equipment at rates determined in the accounting policies.

## REPAIRS & MAINTENANCE

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

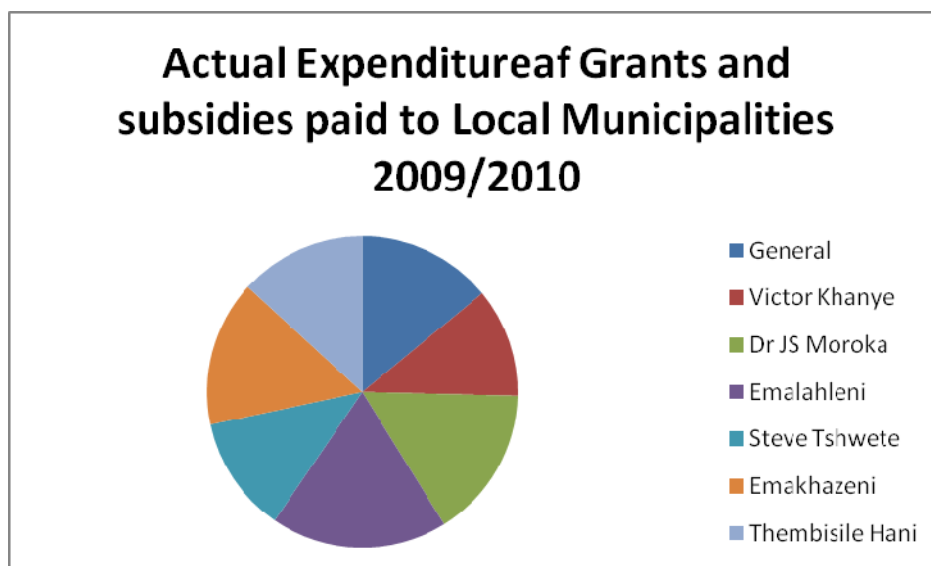
## INTEREST PAID

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 65.91% (63.45%:2009) of the total expenditure.



## GENERAL EXPENDITURE

General Expenditure comprise 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 total assets of the municipality increased by 22.20%. The contributing factors of this increase in inventory and call investments.

Liabilities increased by 3.95% due to an increase in finance leases and current liabilities.

### 4. KEY RATIOS

#### CURRENT RATIO

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

	<b>Current assets</b>	<b>Current Liabilities</b>	
	<b>R</b>	<b>R</b>	<b>Ratio</b>
<b>2009</b>	524 929 082	36 525 427	14,37:1
<b>2010</b>	660 801 996	43 794 941	15,09:1

#### SOLVENCY RATIO

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

	<b>Total Assets</b>	<b>Total Liabilities</b>	
	<b>R</b>	<b>R</b>	<b>Ratio</b>
<b>2009</b>	613 121 890	96 575 367	6,35:1
<b>2010</b>	748 889 112	100 394 075	7,46:1

## OTHER RATIOS

	2009	2010
	%	
Employee related cost/Total Expenditure	14.61	16.73
Actual Grants and subsidies paid/Total Expenditure	63.45	65.91
Actual Grants and subsidies paid/Total Revenue	32.86	37.62
Actual Grants and subsidies paid/Budget	31.64	30.41

### 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) Outlook stable	AA national ratings denote a very strong credit risk relative to other 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 1<sup>st</sup> 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 2010**

	Note	2010 R	2009 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>648,025,680</b>	<b>516,546,523</b>
Accumulated Surplus		648,025,680	516,546,523
<b>Non-current liabilities</b>		<b>56,599,133</b>	<b>60,049,940</b>
Borrowings	2	51,514,104	56,291,663
Non-current provisions	3	5,085,029	3,758,278
<b>Current liabilities</b>		<b>44,264,299</b>	<b>36,525,427</b>
Retentions	4	18,307,034	13,111,108
Provisions	5	1,596,865	1,178,881
Creditors	6	17,129,336	15,545,540
Unspent conditional grants and receipts	7	808,824	601,350
Current portion of long-term borrowings	2	6,422,241	6,088,547
<b>Total Net Assets and Liabilities</b>		<b>748,889,112</b>	<b>613,121,890</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>88,087,118</b>	<b>88,192,809</b>
Property, plant and equipment	9	79,901,962	80,879,539
Investments	10	8,185,156	7,313,270
<b>Current assets</b>		<b>660,801,996</b>	<b>524,929,082</b>
VAT	8	27,714,797	4,878,484
Inventory	11	188,503,210	124,043,492
Other debtors	12	191,126	710,005
Grants Receivable from other spheres of Government	13	-	851,160
Call investment deposits	14	425,475,241	380,828,415
Bank balances and cash	15	18,917,622	13,617,525
<b>Total Assets</b>		<b>748,889,112</b>	<b>613,121,890</b>

**NKANGALA DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

2010 Budget	Note	2010 R	2009 R
<b>REVENUE</b>			
- RSC - Regional Services -Remuneration		-	556,449
- Rental of facilities and equipment		877	216,044
18,700,000 Interest earned - external investments		34,074,261	39,179,690
90,000 Interest earned - outstanding debtors		1,584	16,412
562,669 Income for agency services/ donars		177,598	14,198
278,564,580 Government grants and subsidies	16	269,774,803	251,825,228
1,228,000 Other revenue	17	2,891,765	12,554,954
<b><u>299,145,249</u></b>	<b>Total Revenue</b>	<b><u>306,920,888</u></b>	<b><u>304,362,974</u></b>
<b>EXPENDITURE</b>			
38,765,491 Employee related costs	18	29,344,257	23,021,261
9,996,035 Remuneration of Councillors	19	8,528,867	8,127,754
10,000 Bad debts		8,543	-
20,000 Collection costs		16,251	134,551
Impairment of assets			59,333
4,053,000 Depreciation		6,055,932	5,974,040
3,601,000 Repairs and maintenance		1,608,455	988,956
3,531,400 Interest paid	20	3,535,794	3,744,077
379,444,145 Grants and subsidies paid	21	115,632,692	100,006,204
22,902,627 General expenses	23	10,710,941	15,540,143
- Loss on disposal of property, plant and equipment		-	-
<b><u>462,323,698</u></b>	<b>Total Expenditure</b>	<b><u>175,441,732</u></b>	<b><u>157,596,319</u></b>
<b><u>(163,178,449)</u></b>	<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b><u>131,479,157</u></b>	<b><u>146,766,655</u></b>

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

**NKANGALA DISTRICT MUNICIPALITY  
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010**

	<u>Note</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
		R	R
<b>2009</b>			
Balance at 1 July 2008	-	331,709,611	331,709,611
Restated balance	-	331,709,611	331,709,611
Surplus/(deficit) for the year		131,857,951	131,857,951
<b>Balance at 30 June 2009</b>	-	<b>463,567,562</b>	<b>463,567,562</b>
<b>2010</b>			
Correction of error	26	52,978,961	52,978,961
<b>Restated balance</b>		<b>516,546,523</b>	<b>516,546,523</b>
Surplus/(deficit) for the year		131,479,157	131,479,157
<b>Balance at 30 June 2010</b>		<b>648,025,680</b>	<b>648,025,680</b>

**NKANGALA DISTRICT MUNICIPALITY  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 R	2009 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		306,920,888	303,583,963
Cash paid to suppliers and employees		(277,119,914)	(200,824,502)
Cash generated from/(utilised in) operations	24	29,800,975	<u>102,759,461</u>
Interest received		34,075,845	38,417,091
Interest paid		(3,535,794)	(3,744,077)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<u>60,341,026</u>	<u>137,432,475</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(5,078,355)	(9,061,582)
Decrease in non-current receivables		-	93,046
Decrease/(Increase) in non-current investments		(871,885)	2,000,000
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<u>(5,950,240)</u>	<u>(6,968,536)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised/(repaid)		(4,443,864)	(5,067,913)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u>(4,443,864)</u>	<u>(5,067,913)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<u>49,946,921</u>	<u>125,396,025</u>
Cash and cash equivalents at the beginning of the year		<b>394,445,940</b>	<b>269,049,915</b>
Cash and cash equivalents at the end of the year	25	<b>444,392,863</b>	<b>394,445,940</b>

## 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 are 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 for provisions, impairments and the useful lives of Property, Plant and Equipment. 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.

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:-

<b>DETAILS</b>	<b>YEARS</b>	<b>DETAILS</b>	<b>YEARS</b>
<b>Infrastructure</b>		<b>Other</b>	
<b>Electricity</b>		<b>Buildings</b>	30
Supply & Reticulation	20	<b>Office Equipment</b>	
<b>Roads</b>		Computer Hardware	5
Roads	10	Computer Software	3
Bridges	30	Office Machines	3

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

<u>DETAILS</u>	<u>YEARS</u>	<u>DETAILS</u>	<u>YEARS</u>
<b>Sewerage</b>		Air Conditioners	5
Sewers	20	<b>Furniture &amp; Fittings</b>	
<b>Water</b>		Chairs	7 - 10
Supply & reticulation	20	Tables/Desks	7 - 10
Reservoirs & tanks	20	Cabinets/Cupboards	7 - 10
Pumps	15	Miscellaneous	7 - 10
		<b>Emergency Equipment</b>	
		Fire	15
		Ambulances	5
<b>Community Assets</b>		Fire hoses	5
<b>Buildings</b>		Emergency Lights	5
Clinics	30	<b>Plant &amp; Equipment</b>	
Parks	30	General	5
Community Centres	30	Telecommunication equipment	5
<b>Recreational Facilities</b>		Radio	5
Fire Breaks	20	<b>Vehicles</b>	
		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.

#### **1.7.2.1. Trade Creditors**

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

#### **1.7.2.2. Retention**

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

### **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. REVENUE RECOGNITION**

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

**1.8.1. 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

**1.8.2. 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

**1.8.3. 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

**1.8.4. RSC 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

**1.8.5. 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.

**1.8.6. Revenue from agency services:**

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

**1.8.7. 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.

**1.9. 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.

**1.10. 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.

**1.11. RETIREMENT BENEFITS**

**1.11.1. 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.

**1.11.2. Defined benefit plans:**

**1.11.2.1. *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.

#### **1.12. BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance. Borrowing costs that relate to the acquisition/purchase of Property, Plant and Equipment is capitalised to the cost of the item of Property, Plant and Equipment.

#### **1.13. 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

#### **1.14. 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.

**1.15. 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 2010**

	2010 R	2009 R
<b>2 LONG-TERM BORROWINGS</b>		
Local Registered Stock Loans	-	-
Annuity Loans	56,352,415	61,206,930
Lease liabilities	1,583,931	1,173,280
Sub-total	57,936,346	62,380,210
Less : Current portion transferred to current liabilities	6,422,241	6,088,547
Local Registered Stock Loans	-	-
Annuity Loans	5,839,091	5,717,467
Lease liabilities	583,150	371,080
<b>Total External Loans</b>	<b>51,514,104</b>	<b>56,291,663</b>
<b>Reconciliation of Munimum lease payments</b>		
Not later than one year	-	132,875
Later than one year but not later than five years	1,897,805	1,291,614
Later than 5 years	-	-
	<b>1,897,805</b>	<b>1,424,489</b>
Future finance charges on finance leases	313,874	251,209
Present value of finance lease liabilities	<b>1,583,931</b>	<b>1,173,280</b>
<b>The present value of finance lease liabilities may be analysed as follows:</b>		
No later than one year	-	126,984
Later than one year but not later than five years	1,583,931	1,046,296
	<b>1,583,931</b>	<b>1,173,280</b>

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

**3 NON-CURRENT PROVISIONS**

Post employment Medical Aid benefit	5,085,029	3,758,278
<b>Total Non-Curent Provisions</b>	<b>5,085,029</b>	<b>3,758,278</b>

The post employment medical aid benefit is the liability for staff that have retired but whom the municipality contributes towards medical aid whilst on retirement until death. 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	3,758,278	3,765,216
Contributions to provision	1,338,457	(6,938)
Expenditure incurred	-	-
Increase in provision due to discounting	-	-
Transfer to current provisions	(11,705)	-
<b>Balance at end of year</b>	<b>5,085,029</b>	<b>3,758,278</b>



**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

<b>4 RETENTIONS</b>	<b>2010</b>	<b>2009</b>
Retention	18,307,034	13,111,108
<b>Total Retention</b>	<b><u>18,307,034</u></b>	<b><u>13,111,108</u></b>

<b>5 PROVISIONS</b>		
Performance bonus	1,532,451	1,118,135
Post employment Medical Aid benefit	64,414	60,746
<b>Total Provisions</b>	<b><u>1,596,865</u></b>	<b><u>1,178,881</u></b>

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	1,118,135	1,286,741
Contributions to provision	727,129	548,469
Expenditure incurred	(312,813)	(717,075)
<b>Balance at end of year</b>	<b><u>1,532,451</u></b>	<b><u>1,118,135</u></b>

**Post employment Medical Aid Benefit**

Balance at beginning of year	60,746	53,808
Transfer from non-current	11,705	-
Contributions to provision	56,832	84,453
Expenditure incurred	(64,870)	(77,514)
<b>Balance at end of year</b>	<b><u>64,414</u></b>	<b><u>60,746</u></b>

**6 CREDITORS**

Trade creditors	14,424,568	13,890,749
Credit card at ABSA Bank	11	1,929
Fleet Card at ABSA Bank	29,216	-
Leave	2,126,808	1,639,495
Payments received in advance		13,227
Other creditors	548,733	140
	<b><u>17,129,336</u></b>	<b><u>15,545,540</u></b>

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS	2010	2009
<b>7.1 Conditional Grants from other spheres of Government</b>	469,358	469,358
Transport	469,358	469,358
<b>7.2 Other Conditional Receipts</b>	339,466	131,993
DBSA	339,466	131,993
<b>Total Conditional Grants and Receipts</b>	<b>808,824</b>	<b>601,350</b>

See Note 16 for reconciliation of grants from other spheres of government.

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

**8 VAT**

VAT receivable	<u>27,714,797</u>	<u>4,878,484</u>
----------------	-------------------	------------------

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-10

Reconciliation of Carrying	<u>Land and Buildings</u>	<u>Infra-structure</u>	Community	Other	Leased	Total
	R	R				
<b>Carrying values at 1 July 2009</b>	<b>61,343,466.51</b>	-	<b>3,756.09</b>	<b>18,274,032.06</b>	<b>1,258,285.22</b>	<b>80,879,539.88</b>
Cost	64,914,482.49	-	5,632.57	26,004,810.78	3,838,892.51	94,763,818.35
Capital under Construction	6,912,006.34	-	-	-	-	6,912,006.34
Correction of error ( note 25) cost	-	-	-	880,000.00	-	880,000.00
Correction of error ( note 25) A Dep	-	-	-	(99,366.06)	-	(99,366.06)
Accumulated depreciation	(10,483,022.32)	-	(1,876.48)	(8,511,412.66)	(2,580,607.29)	(21,576,918.75)
Acquisitions	-	1,070,000.00	26,512.02	3,101,614.06	880,228.02	5,078,354.10
Capital under Construction	-	-	-	-	-	-
Depreciation	(1,936,826.38)	(35,666.63)	(920.49)	(3,390,995.12)	(691,523.11)	(6,055,931.73)
<b>Carrying value of disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cost	-	-	-	-	(2,279,837.71)	(2,279,837.71)
Accumulated depreciation	-	-	-	-	2,279,837.71	2,279,837.71
Impairment losses	-	-	-	-	-	-
Other movements cost	(6,549,076.13)	-	-	6,549,076.13	-	-
Other movements	-	-	-	-	-	-
Accumulated Depreciation	4,039,135.61	-	(2,345.94)	(4,036,789.67)	-	-
<b>Carrying values at 30 June 2010</b>	<b>56,896,699.61</b>	<b>1,034,333.37</b>	<b>27,001.68</b>	<b>20,496,937.46</b>	<b>1,446,990.13</b>	<b>79,901,962.25</b>
Cost	58,365,406.36	1,070,000.00	32,144.59	36,535,500.97	2,439,282.82	98,442,334.74
Capital under Construction	6,912,006.34	-	-	-	-	6,912,006.34
Accumulated depreciation	(8,380,713.09)	(35,666.63)	(5,142.91)	(16,038,563.51)	(992,292.69)	(25,452,378.83)

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

30-Jun-09

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>			<u>Leased Assets</u>	<u>Total</u>
	R	R	<u>Community</u>	<u>Other</u>	R	R
<b>Carrying values at 1 July 2008</b>	<b>63,763,187</b>	-	<b>4,557</b>	<b>11,219,554</b>	<b>1,984,033</b>	<b>76,971,331</b>
Cost	64,807,119	-	5,633	17,630,099	3,838,893	86,281,743
Capital under Construction	6,332,499	-	-	-	-	6,332,499
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)
<b>Carrying value of disposals</b>	-	-	-	-	-	-
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Impairment losses	-	-	-	(59,333)	-	(59,333)
Other movements	-	-	-	-	-	-
<b>Carrying values at 30 June 2009</b>	<b>61,343,467</b>	-	<b>3,756</b>	<b>17,493,398</b>	<b>1,258,285</b>	<b>80,098,909</b>
Cost	64,914,482	-	5,633	26,004,811	3,838,893	94,763,818
Capital under Construction	6,912,006	-	-	-	-	6,912,006
Accumulated depreciation	(10,483,022)	-	(1,876)	(8,511,413)	(2,580,607)	(21,576,919)

**10 NON CURRENT INVESTMENTS**

**Financial Instruments**

Non Current Investments - at effective interest rate

	2010	2009	2010	2009
			<b>8,185,156</b>	<b>6,500,000</b>
			<b>Guaranteed Value</b>	<b>Guaranteed Value</b>
Promisary note - Investec	R 8,185,156	R 7,313,270	R 11,414,148	R 11,414,148
<b>Total</b>	<b>R 8,185,156</b>	<b>R 7,313,270</b>	<b>R 11,414,148</b>	<b>R 11,414,148</b>

**Pledged Investments**

	2010	2009
Guaranteed Capital Trust - Investec	-	-

The fair value of the long term investment has been calculated at an effective interest rate of 11.32%

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 at the end of the period of 5 years at 13 June 2013.

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

11 INVENTORY	2010	2009
Projects - Work in progress	188,503,210	124,043,492
<b>Total Inventory</b>	<b>188,503,210</b>	<b>124,043,492</b>
<b>11.1 Work in Progress</b>		
Balance at the beginning of the year	124,043,492	116,398,524
Expenditure during the year	180,092,409	107,651,172
Less completed and transferred to local municipalities as per note 21	115,632,692	100,006,204
<b>Balance at the end of the year</b>	<b>188,503,210</b>	<b>124,043,492</b>

12 OTHER DEBTORS	Gross Balances R	Provision for Bad Debts R	Net Balance R
<b>As at 30 June 2010</b>			
Sundry Debtors			
Ogies Local Municipality	-	-	-
Department of Health	-	-	-
Other	191,126	-	191,126
<b>Total</b>	<b>191,126</b>	<b>-</b>	<b>191,126</b>
<b>As at 30 June 2009</b>			
Sundry Debtors			
Ogies Local Municipality	-	-	-
Department of Health	435,269	-	435,269
Other	274,736	-	274,736
<b>Total</b>	<b>710,005</b>	<b>-</b>	<b>710,005</b>

	2010 R	2009 R
<b>Other : Ageing</b>		
Current (0 – 30 days)	6,695	198,801
31 - 60 Days	21,469	43,103
61 - 90 Days	21,469	5,903
91 - 120 Days	35,101	9,929
+ 120 Days	106,392	452,269
Provision for Bad Debts	-	-
<b>Total</b>	<b>191,126</b>	<b>710,005</b>

	2010 R	2009 R
<b>Reconciliation of the bad debt provision</b>		
Balance at beginning of the year	(0)	5,348,861
Contributions to provision	0	-
Bad debts written off against provision	-	(70,524)
Reversal of provision	-	(5,278,337)
Balance at end of year	<b>-</b>	<b>(0)</b>
Sundry Debtors as above	191,126	710,005
Payments made in advance	-	-
Unauthorized expenditure (see Note 28.1)	-	-
Insurance claims	-	-
Road reinstatements	-	-
<b>Total Other Debtors</b>	<b>191,126</b>	<b>710,005</b>

**NKANGALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

<b>13 GRANTS RECOVERABLE FROM OTHER SPHERES OF GOVERNEMENT</b>	<b>2010</b>	<b>2009</b>
Department of Agriculture and Land Affairs (refer to note 16.9 for more detail)	-	851,160
<b>Total government Grants and Commitments</b>	<u>-</u>	<u>851,160</u>

<b>14 CALL INVESTMENT DEPOSITS</b>		
Other Deposits	<u>425,475,241</u>	<u>380,828,415</u>

Refer to Appendix G for more detail on Investments.

**15 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 (including Petty cash balance of R5200.00)	<u>13,617,525</u>	<u>22,518,394</u>
Cash book balance at end of year (including Petty cash balance of R5200.00)	<u>18,917,622</u>	<u>13,617,525</u>
Bank statement balance at beginning of year	<u>19,424,771</u>	<u>11,156,705</u>
Bank statement balance at end of year	<u>26,167,270</u>	<u>19,424,771</u>

**16 GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	11,113,513	8,710,000
RSC Levy Replacement Grant	256,825,000	239,308,419
Fire	-	-
MSIG	735,000	1,433,150
Transport	-	-
FMG	750,000	772,499
EPWP Incentive	284,750	
Department of Agriculture and Land Affairs		
Vuna Awards	66,540	851,160
	-	750,000
<b>Total Government Grant</b>	<u>269,774,803</u>	<u>251,825,228</u>

**16.1 Equitable Share**

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

**16.2 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

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

<b>16.3 MSIG Grant</b>	<b>2010</b>	<b>2009</b>
Balance unspent at beginning of year	-	698,150
Current year receipts	735,000	735,000
Conditions met - transferred to revenue	735,000	(1,433,150)
Conditions still to be met - transferred to liabilities (see note 7)	<u>-</u>	<u>-</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

**16.4 TRANSPORT Grant**

Balance unspent at beginning of year	469,358	469,358
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 7)	<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

**16.5 Finance Management Grant**

Balance unspent at beginning of year	-	272,499
Current year receipts	750,000	500,000
Conditions met - transferred to revenue	(750,000)	(772,499)
Conditions still to be met - transferred to liabilities (see note 7)	<u>-</u>	<u>-</u>

**Department:** Finance

To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA)

**Purpose of Grant:**  
All conditions of the grant has been met and the grant was never withheld

**16.6 Department of Local Government and Housing Grant**

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

**Department:** Planning and Development

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

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

**NKANGALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**16.7 Department of  
Agriculture and Land  
Affairs**

	<b>2010</b>	<b>2009</b>
Balance unspent at beginning of year	851,160	-
Current year receipts	(917,700)	-
Conditions met - transferred to revenue	66,540	851,160
Conditions met still to be refunded to the municipality- transferred to current	<u>-</u>	<u>851,160</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.

**16.8 EPWP Intensive Grant**

Balance unspent at beginning of year	-	-
Current year receipts	(284,750)	-
Conditions met - transferred to revenue	284,750	-
Conditions met still to be refunded to the municipality- transferred to current	<u>-</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.

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

**16.9 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.

**16.10 DBSA Grant**

Balance unspent at beginning of year	131,993	146,190
Current year receipts	385,071	-
Conditions met - transferred to revenue	(177,598)	(14,198)
Conditions still to be met - transferred to liabilities (see note 7)	<u>339,466</u>	<u>131,993</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

**17 OTHER REVENUE**

Sundry revenue	1,429,841	1,061,015
Discount received	1,461,924	684,313
Reversal of bad debts	-	5,278,337
Profit on investment	-	5,531,289
<b>Total Other Income</b>	<u><b>2,891,765</b></u>	<u><b>12,554,954</b></u>

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

<b>18 EMPLOYEE RELATED COSTS</b>	<b>2010</b>	<b>2009</b>
Employee related costs - Salaries and Wages	19,232,043	15,623,699
Employee related costs - Contributions for UIF, pensions and medical aids	4,915,014	3,532,840
Travel, motor car, and other allowances	3,304,878	2,067,580
Housing benefits and allowances	139,489	140,637
Overtime payments	1,015,565	338,556
Performance bonus	727,129	548,469
Long-service awards/ Leave encashment	10,138	769,480
<b>Total Employee Related Costs</b>	<b><u>29,344,257</u></b>	<b><u>23,021,261</u></b>

There were no advances to employees.

**Remuneration of the Municipal Manager**

Annual Remuneration	1,125,534	717,155
Performance Bonuses	148,989	160,449
Car Allowance	220,000	220,000
Contributions to UIF, Medical and Pension Funds	83,370	80,542
<b>Total</b>	<b><u>1,577,892</u></b>	<b><u>1,178,146</u></b>

**Remuneration of the Acting Chief Finance Officer**

Annual Remuneration	643,075	423,291
Performance Bonuses	52,203	-
Car Allowance	84,000	52,685
Contributions to UIF, Medical and Pension Funds	110,359	32,956
<b>Total</b>	<b><u>889,636</u></b>	<b><u>508,932</u></b>

**Remuneration of Individual Executive Directors**

	<u>Technical Services</u> R	<u>Corporate Services</u> R	<u>Social Services</u> R
<b>30-Jun-10</b>			
Annual Remuneration	740,137	426,707	302,228
Overtime	-	-	-
Performance Bonuses	69,397	-	-
Car Allowance	108,000	120,000	105,000
Medical and pension funds	9,664	6,123	38,473
<b>Total</b>	<b><u>927,197</u></b>	<b><u>552,831</u></b>	<b><u>445,701</u></b>
<b>30-Jun-09</b>			
Annual Remuneration	518,241	-	2,488
Overtime	-	-	-
Performance Bonuses	97,155	-	-
Car Allowance	108,000	-	-
Medical and pension funds	9,150	-	-
<b>Total</b>	<b><u>732,547</u></b>	<b><u>-</u></b>	<b><u>2,488</u></b>



**NKANGALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**19 REMUNERATION OF  
COUNCILLORS**

	<b>2010</b>	<b>2009</b>
Executive Mayor	619,816	569,731
Chief Whip	468,040	443,708
Speaker	508,660	464,401
Executive Committee Members	2,730,106	2,605,760
Councillors	3,235,666	3,160,514
Councillors' pension contribution	660,847	625,764
Councillors' medical contribution and other	305,732	257,877
<b>Total Councillors' Remuneration</b>	<b><u>8,528,867</u></b>	<b><u>8,127,754</u></b>

***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. The balance outstanding is R8 333.90 at 30 June 2010

**20 INTEREST PAID**

Long-term liabilities	3,372,430	3,561,022
Finance leases	163,364	183,055
<b>Total Interest on External Borrowings</b>	<b><u>3,535,794</u></b>	<b><u>3,744,077</u></b>

**NKANGALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**21 GRANTS AND SUBSIDIES  
PAID**

**2010**

**2009**

The District Municipality funds infrastructure projects to local municipalities within

its jurisdiction, which includes water, sanitation, township establishment, etc.

**Grant paid to Local Municipalities out of own revenue**

General	15,860,149	15,990,722
Victor Khanye	13,079,707	4,333,447
Dr JS Moroka	17,528,128	14,561,827
Emalahleni	21,241,095	17,583,372
Steve Tshwete	13,949,576	10,350,740
Emakhazeni	19,644,504	16,552,622
Thembisile Hani	14,151,934	19,183,682
<b>Total Grants and Subsidies out of own revenue</b>	<u>115,455,094</u>	<u>98,556,412</u>

**Grant paid to Local Municipalities out of Implementing  
Agents Funds**

General	-	1,435,594
Thembisile Hani	177,598	14,198
<b>Total Grants and Subsidies out of Implementing Agent Funds</b>	<u>177,598</u>	<u>1,449,792</u>

**115,632,692**

**100,006,204**

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.

**22 COMMITMENTS**

**2010**

**2009**

**22.1 Contracted and  
approved Projects to be  
completed**

Regional	9,061,043	
General	12,103,377	49,774,314
Victor Khanye	17,697,865	11,563,825
Dr J S Moroka	31,451,894	30,345,536
Emalahleni	45,309,477	40,444,494
Steve Tshwete	35,002,819	34,597,774
Emakhazeni	19,076,400	18,716,530
Thembisile Hani	29,357,017	39,597,334
Other	1,447,631	
	<u>200,507,523</u>	<u>225,039,807</u>

The District Municipality entered into contracts with services providers to construct projects, which will subsequently be transferred to local municipalities.

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

<b>23 GENERAL EXPENSES</b>	<b>2010</b>	<b>2009</b>
Other	11,620,485	11,444,307
Audit fees	1,021,480	1,094,495
Telecommunications	1,463,490	1,203,492
Travel & accommodation	1,510,021	1,662,475
Tourism	-	544,365
Fire fighting	321,252	261,267
Municipal Planning	1,475,176	958,101
Roads Thembisile Municipality	3,217,566	7,666,448
Less debited elsewhere	(9,918,530)	(9,294,806)
	<u><b>10,710,941</b></u>	<u><b>15,540,143</b></u>

**24 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	131,479,157	131,857,951
Adjustment for:-		
Depreciation	6,055,932	5,934,007
Contribution to provisions - non-current	1,326,751	(6,938)
Contribution to provisions – current	417,984	(161,668)
Interest paid	3,535,794	3,744,077
Investment income	(34,075,845)	(38,417,091)
<b>Operating surplus before working capital changes:</b>	<u><b>108,739,772</b></u>	<u><b>102,950,338</b></u>
(Increase) /Decrease in inventories	(64,459,718)	5,523,070
(Increase)/decrease in debtors	1,370,039	2,972,339
(Increase)/decrease in other debtors	-	-
(Decrease)/increase in conditional grants and receipts	-	-
Increase / (Decrease) in creditors	6,987,194	(8,060,347)
Increase / (Decrease) in VAT	(22,836,313)	(625,939)
<b>Cash generated by/(utilised in) operations</b>	<u><b>29,800,975</b></u>	<u><b>102,759,461</b></u>

**25 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	18,917,622	13,617,525
Bank overdrafts	-	-
Call investment deposits	425,475,241	380,828,415
<b>Total cash and cash equivalents</b>	<u><b>444,392,863</b></u>	<u><b>394,445,940</b></u>

**NKANGALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**26 CORRECTION OF ERRORS**

**26.1 Correction of Tipper trucks and depreciation**

Two tipper trucks were bought in September 2009 and was mistakenly omitted from the asset register and a system error for depreciation calculation for 2009

**26.1.1 Property, Plant & Equipment**

**26.1.1 Assets**

		2009
Balance previous reported		
Cost	Tipper trucks omitted	101,675,825
Less Accumulated Depreciation	System error	21,576,919
Carrying value		<b>80,098,906</b>
Correction made		
Cost	880,000	880,000
Less Accumulated Depreciation	48,889      50,477	99,366
Carrying value	<b>831,111      (50,477)</b>	<b>780,634</b>
Balance reported after correction		
Cost	880,000	102,555,825
Less Accumulated Depreciation	48,889      50,477	21,676,285
Carrying value	<b>831,111      (50,477)</b>	<b>80,879,540</b>

**26.2 Correction: Inventory**

With the implementation of GRAP projects not completed is shown as work in progress and disclosed as inventory. A calculation error was made during the 2009 calculation

**26.2.1 Inventory**

	2009
Balance previous reported 2008	72,658,436
Correction made	38,217,019
Balance corrected 2008	<b>110,875,455</b>
Correction made	13,168,038
Balance corrected 2009	<b>124,043,493</b>

**26.3 Correction: Long term investment**

Previously the long term investment was disclosed at cost. Grap requires it to be disclosed at the effective interest rate value

**26.3.1 Non Current Investment**

Balance previous reported	6,500,000
Correction made 2008	34,259
Balance corrected 30 June 2008	<b>6,534,259</b>
Correction made 2009	779,012
Balance corrected 30 June 2009	<b>7,313,270</b>

**NKANGALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**26.4 Accumulated Surplus**

	Asset Cost	Accumulated <u>Inventory</u>	Non Dep	Current investment	<u>Accumulated Surplus/ (Deficit)</u>
Balance previous reported					463,567,562
Changes made 2008 financial year Balance 30 June 2008			38,217,019	34,259	38,251,277
Changes made 2009 financial year	880000	(99,366)	13,168,038	779,012	14,727,684
	<b>880,000</b>	<b>(99,366)</b>	<b>51,385,057</b>	<b>813,270</b>	<b>516,546,523</b>

**27 CHANGES IN ACCOUNTING ESTIMATES**

During the year ended 30 June 2009 the municipality conducted an operational (Decrease)/ Increase in Depreciation Expense	2009	2010	2011	2012
	(302,679)	(299,723)	(299,697)	(295,731)

**28 IMPAIRMENTS**

During the year ended 30 June 2009 the municipality conducted an operational	2010	2009
Balance at 1 July	-	-
Impairment loss recognised	-	(59,333)
Balance at 30 June	-	(59,333)

**29 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term liabilities (see Note 1)	61,206,931	62,380,210
Used to finance property, plant and equipment – at cost	61,206,931	62,380,210
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	11,260,000	11,260,000
<b>Cash invested for repayment of long-term liabilities (see note 14)</b>	<b>11,260,000</b>	<b>11,260,000</b>

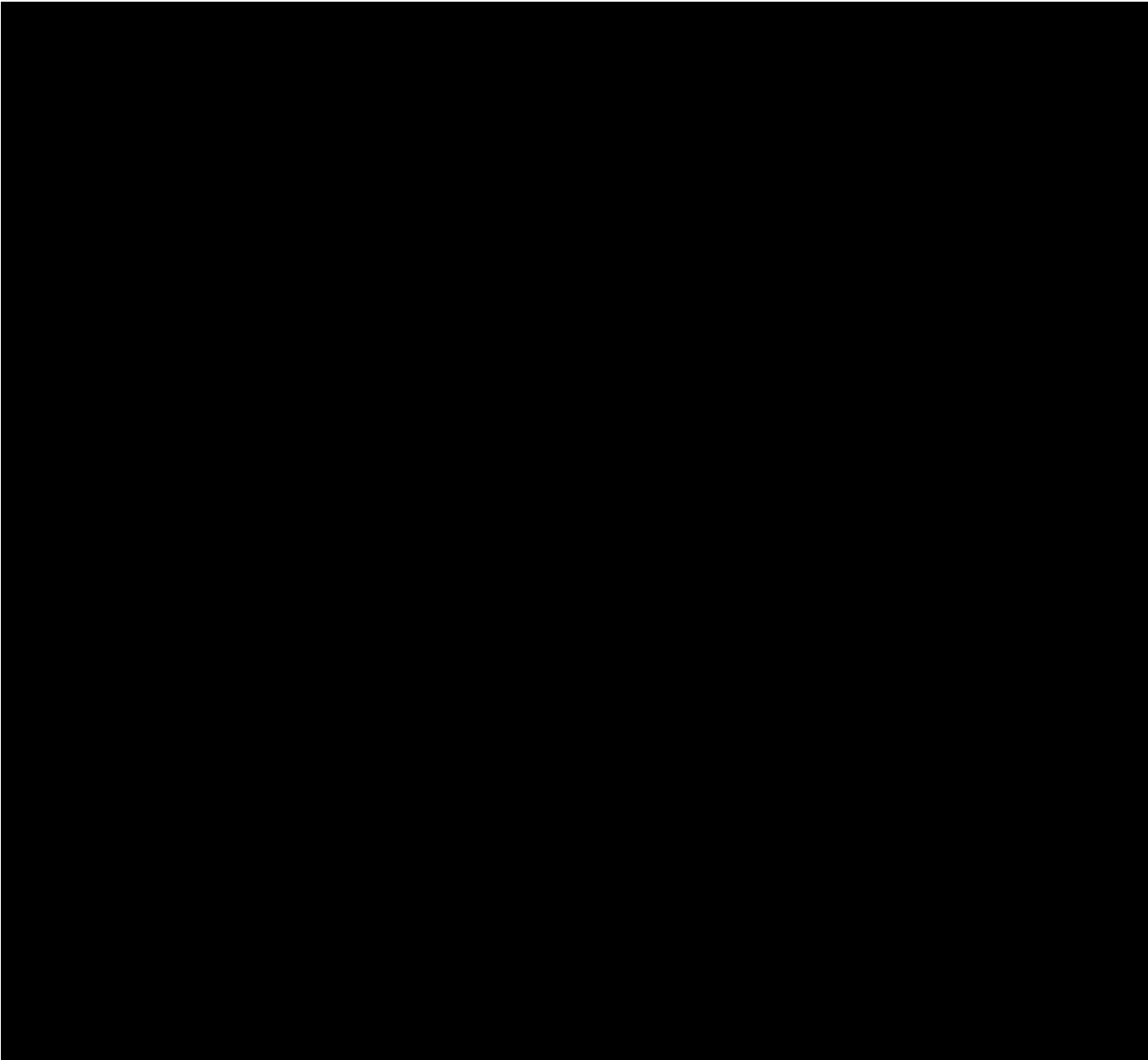
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. A long term investment has been pledged as security as per note 9.

**30 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**30.1 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	Disciplinary steps/criminal proceedings
As a result of the determination dated 1 July 2006 that was published on 1	<i>No disciplinary hearing held</i>



**NKANGALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**31.3 VAT**

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.

**31.4 PAYE and UIF**

Opening balance	-	-
Current year payroll deductions	5,716,385	2,544,391
Amount paid - current year	(5,716,385)	(2,544,391)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**31.5 Pension and Medical Aid Deductions**

Opening balance	-	-
Current year payroll deductions and Council Contributions	6,942,143	4,265,074
Amount paid - current year	(6,942,143)	(4,265,074)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**31.6 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

**32 CONTINGENT LIABILITY**

Except for the guarantees held in lieu of Retention disclosed in note 4 Council no

other contingent liabilities

**33 CONTINGENT ASSETS**

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

**34 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).

**APPENDICES TO THE FINANCIAL STATEMENTS**

**APPENDIX A**

**NKANGALA DISTRICT MUNICIPALITY: SCHEDULE OF BORROWINGS & LEASES AS AT 30 JUNE 2010**

<b>EXTERNAL LONG TERM LOANS</b>			<b>Balance at 30/06/09</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30/06/2010</b>	<b>Less short term portion</b>	<b>Long term portion</b>	<b>Carrying Value of Property, Plant &amp; Equip</b>	<b>Other Costs in accordance with the MFMA</b>
<b>Loan Number</b>	<b>Redeemable</b>		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>LONG-TERM BORROWINGS</b>										
1996 @ 6 months JIBAR plus 2%.	1	30/09/2019	33,347,004	-	3,175,906	30,171,098	3,948,020	26,223,078	-	-
2004 @ 12.28% p.a. INCA	2	30/12/2018	27,859,927		1,678,610	26,181,317	1,891,071	24,290,246	35,000,000	-
<b>Total long-term borrowings</b>			<b>61,206,931</b>	<b>-</b>	<b>4,854,516</b>	<b>56,352,415</b>	<b>5,839,091</b>	<b>50,513,324</b>	<b>35,000,000</b>	<b>-</b>

<b>FINANCE LEASE LIABILITIES</b>			<b>Balance at 30/06/09</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30/06/2010</b>	<b>Less short term portion</b>	<b>Long term portion</b>	<b>Carrying Value of Property, Plant &amp; Equip</b>	<b>Other Costs in accordance with the MFMA</b>
<b>Lease Number</b>	<b>Redeemable</b>		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>LONG-TERM LEASE LIABILITIES</b>										
Gestetner Finance (Gestetner MPC 300AD)	1	31/08/2012	51,407		13,942	37,465	15,945	21,520	60,481	-
Gestetner Finance (Gestetner MP 1350)	2	31/08/2012	994,889		269,819	725,070	308,585	416,486	1,170,508	-
Gestetner Finance (Gestetner DSC332)	4	31/03/2010	68,121		68,121	(0)	(0)	-	127,495	-
Gestetner Finance (Gestetner DSM627)	5	31/03/2010	43,552		43,552	-	-	-	81,514	-
Nashua (AF2022)	7	30/03/2010	15,310		15,310	-	-	-	28,654	-
GESTETNER COLOUR DIGITAL MPC 3300 /	9	25/03/2013		133,188	8,902	124,286	39,242	85,044		
GESTETNER COLOUR DIGITAL MPC2800AI	10	25/03/2013		112,878	7,545	105,334	32,530	72,803		
GESTETNER DIGITAL MFP PRO1357EX	11	25/03/2013		515,602	34,462	481,140	151,916	329,224		
GESTETNER MONO DIGITAL MP4000CSP	12	25/03/2013		118,560	7,924	110,635	34,932	75,703		
<b>Total long-term Finance leases</b>			<b>1,173,279</b>	<b>880,228</b>	<b>469,576</b>	<b>1,583,931</b>	<b>583,150</b>	<b>1,000,780</b>	<b>1,984,033</b>	<b>-</b>
<b>TOTAL LONG TERM BORROWINGS &amp; LEASE LIABILITY</b>			<b>62,380,210</b>	<b>880,228</b>	<b>5,324,092</b>	<b>57,936,346</b>	<b>6,422,241</b>	<b>51,514,104</b>	<b>36,984,033</b>	<b>-</b>



APPENDICES TO THE FINANCIAL STATEMENTS

**APPENDIX B  
NKANGALA DISTRICT MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
30 JUNE 2010**

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
<b>Infrastructure Assets</b>	-	<b>1,070,000</b>	-	-	<b>1,070,000</b>	-	<b>35,667</b>	-	<b>35,667</b>	<b>1,034,333</b>
Electricity	-	-	-	-	-	-	-	-	-	-
Roads	-	1,070,000	-	-	1,070,000	-	35,667	-	35,667	1,034,333
Sewerage	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-
<b>Community assets</b>	<b>5,633</b>	<b>26,512</b>	-	-	<b>32,145</b>	<b>4,222</b>	<b>920</b>	-	<b>5,143</b>	<b>27,002</b>
Buildings	-	-	-	-	-	-	-	-	-	-
Recreational	5,633	26,512	-	-	32,145	4,222	920	-	5,143	27,002
<b>Other Assets</b>	<b>37,272,780</b>	<b>3,981,842</b>	-	<b>(2,279,838)</b>	<b>38,974,784</b>	<b>15,228,178</b>	<b>4,082,518</b>	<b>(2,279,838)</b>	<b>17,030,859</b>	<b>21,943,925</b>
- Accounting and Office Machines	15,285,342	2,016,100	-	(2,279,838)	15,021,604	8,829,485	1,991,390	(2,279,838)	8,541,037	6,480,568
- Plant and Equipment	8,540,722	-	-	-	8,540,722	1,270,617	840,781	-	2,111,398	6,429,324
- Security measures	219,700	-	-	-	219,700	92,358	19,103	-	111,462	108,238
- Furniture and appliances	8,982,082	517,645	-	-	9,499,726	3,595,303	752,133	-	4,347,436	5,152,290
- Vehicles	2,308,559	1,078,408	-	-	3,386,968	1,138,834	371,834	-	1,510,668	1,876,300
- Emergency Equipment	1,936,376	369,689	-	-	2,306,065	301,580	107,278	-	408,859	1,897,206
<b>Land and Buildings</b>	<b>65,277,413</b>	-	-	-	<b>65,277,413</b>	<b>6,443,887</b>	<b>1,936,826</b>	-	<b>8,380,713</b>	<b>56,896,700</b>
- Land	300,000	-	-	-	300,000	-	-	-	-	300,000
- Buildings	58,065,406	-	-	-	58,065,406	6,443,887	1,936,826	-	8,380,713	49,684,693
- Capital under construction	6,912,006	-	-	-	6,912,006	-	-	-	-	6,912,006
<b>Total</b>	<b>102,555,825</b>	<b>5,078,354</b>	-	<b>(2,279,838)</b>	<b>105,354,341</b>	<b>21,676,287</b>	<b>6,055,932</b>	<b>(2,279,838)</b>	<b>25,452,378</b>	<b>79,901,962</b>

**APPENDICES TO THE FINANCIAL STATEMENTS**

**APPENDIX C**

**NKANGALA DISTRICT MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT 30 JUNE 2010**

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
Executive & Council	77,396,918	1,294,952	-	(232,898)	78,458,972	15,805,043	4,175,079	(232,898)	19,747,224	58,711,748
Finance & Admin	4,672,578	1,442,453	-	(1,544,434)	4,570,597	3,162,063	562,197	(1,544,434)	2,179,826	2,390,771
Planning & Development	1,518,982	257,577	-	(138,235)	1,638,325	1,766,131	174,079	(138,235)	1,801,975	(163,650)
Community & Social Services	12,055,340	2,083,373	-	(364,270)	13,774,443	943,051	1,144,577	(364,270)	1,723,357	12,051,085
Work in progress	6,912,006	-	-	-	6,912,006	-	-	-	-	6,912,006
<b>TOTAL</b>	<b>102,555,825</b>	<b>5,078,355</b>	<b>-</b>	<b>(2,279,838)</b>	<b>105,354,341</b>	<b>21,676,287</b>	<b>6,055,932</b>	<b>(2,279,838)</b>	<b>25,452,379</b>	<b>79,901,962</b>

APPENDICES TO THE FINANCIAL STATEMENTS

APPENDIX D

NKANGALA DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income	2009 Actual Expenditure	2009 Surplus/ (Deficit)		2010 Actual Income	2010 Actual Expenditure	2010 Surplus/ (Deficit)
R	R	R		R	R	R
-	25,025,415	(25,025,415)	Executive & Council	877	26,229,600	(26,228,723)
302,064,467	13,635,150	288,429,317	Finance & Admin	305,940,873	12,139,703	293,801,171
2,298,507	98,657,905	(96,359,398)	Planning & Development	979,138	117,700,046	(116,720,908)
-	7,512,322	(7,512,322)	Community & Social Services	-	8,745,608	(8,745,608)
-	11,978,066	(11,978,066)	Primary Functions	-	5,548,420	(5,548,420)
<b>304,362,974</b>	<b>156,808,858</b>	<b>147,554,116</b>	<b>Sub Total</b>	<b>306,920,888</b>	<b>170,363,377</b>	<b>136,557,512</b>
-	-	-	Less Inter-Department Charges	-	-	-
<b>304,362,974</b>	<b>156,808,858</b>	<b>147,554,116</b>	<b>Total</b>	<b>306,920,888</b>	<b>170,363,377</b>	<b>136,557,512</b>

APPENDICES TO THE FINANCIAL STATEMENTS  
APPENDIX E(1)

**NKANGALA DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010**

	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>Explanation of Significant Variances</u>
<b>REVENUE</b>	<b>Actual YTD (R)</b>	<b>Budget (R)</b>	<b>Variance (R)</b>	<b>Variance (%)</b>	<b>Greater than 10% versus Budget</b>
Regional Services - Turnover	-	-	-	-	<i>(Explanations to be recorded)</i>
Regional Services -Remuneration	-	-	-	-	
Rental of facilities and equipment	877	-	877	-	
Interest earned - external investments	34,074,261	18,700,000	15,374,261	82.22	Earned more than what was anticipated
Interest earned - outstanding debtors	1,584	90,000	(88,416)	(98.24)	Earned less than what was anticipated
Income for agency services	177,598	562,669	(385,071)	-	
Government grants and subsidies	269,774,803	278,564,580	(8,789,777)	(3.16)	
Other income	2,891,765	1,228,000	1,663,765	135.49	Earned more than what was anticipated
Surplus cash				-	
<b>Total Revenue</b>	<b>306,920,888</b>	<b>299,145,249</b>	<b>7,775,639</b>	<b>2.60</b>	
<b>EXPENDITURE</b>				-	
Executive & Council	27,524,552	31,739,849	4,215,296	13.28	Under expenditure mainly due to vacancies not filled
Finance & Admin	13,582,155	17,278,450	3,696,295	21.39	Under expenditure mainly due to vacancies not filled
Planning & Development	117,957,624	384,593,645	266,636,021	69.33	Under expenditure mainly due to vacancies not filled and project expenditure that is not 100% completed is disclosed as Work in progress
Community & Social Services	10,828,980	15,148,516	4,319,536	28.51	Under expenditure mainly due to vacancies not filled and the anticipated transfer of the municipal health services that was not concluded during the year under review
Primary Functions	5,548,420	23,142,396	17,593,976	76.02	Underspending ia as a result of the clarification of responsibilities with regard to powers and functions between Thembisile Hani LM and Nkangala DM
Less Inter-Departmental Charges	-	-	-	-	
<b>Total Expenditure</b>	<b>175,441,732</b>	<b>471,902,855</b>	<b>296,461,124</b>	<b>62.82</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>131,479,157</b>	<b>(172,757,606)</b>	<b>(288,685,485)</b>	<b>176.11</b>	

APPENDICES TO THE FINANCIAL STATEMENTS

APPENDIX E(2)

NKANGALA DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	<u>2010</u> <u>Actual</u>	<u>2010</u> <u>Under</u> <u>Construction</u>	<u>2010</u> <u>Total</u> <u>Additions</u>	<u>2010</u> <u>Budget</u>	<u>2010</u> <u>Variance</u>	<u>2010</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>Greater than 5% versus Budget</u>
	R	R	R	R	R	%	<i>(Explanations to be recorded)</i>
Executive & Council	1,294,952	-	1,294,952	3,111,000	(1,816,048)	(58)	Less expenditure incurred than what was estimated to be spend, see reasons as per Annexure E(1)
Finance & Admin	1,442,453	-	1,442,453	879,500	562,953	64	This expenditure was budgeted for under the project expenditure falling under planning and development and assets falls back to the NDM
Planning & Development	257,577	-	257,577	5,623,559	(5,365,982)	(95)	Less expenditure incurred than what was estimated to be spend, see reasons as per Annexure E(1)
Community & Social Servi	2,083,373	-	2,083,373	3,828,710	(1,745,337)	(46)	Less expenditure incurred than what was estimated to be spend, see reasons as per Annexure E(1)
<b>TOTAL</b>	<b>5,078,355</b>	<b>-</b>	<b>5,078,355</b>	<b>13,442,769</b>	<b>(8,364,414)</b>	<b>(62)</b>	

**APPENDICES TO THE FINANCIAL STATEMENTS**

**APPENDIX F**

**NKANGALA DISTRICT MUNICIPALITY: DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 AS AT 30 JUNE 2010**

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	Reason for non-compliance	
		Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10				
																				Yes / No
MSIG	National Gov	807,660	735,000	-	-	-	-	44,007	49,034	84,880	557,079	-	-	-	-	-	-	NA	Yes	NA
FMG	National Gov	332,442	-	-	-	-	-	-	89,303	224,161	436,536	-	-	-	-	-	-	NA	Yes	NA

APPENDICES TO THE FINANCIAL STATEMENTS

**APPENDIX G  
NKANGALA DISTRICT MUNICIPALITY: SCHEDULE OF INVESTMENTS AS AT 30 JUNE 2010**

Bank	Call	30 Days	60 Days	90+ Days	Long Term	Total
ABSA	4,747,883	15,000,000	33,000,000	25,000,000		77,747,883
Nedbank	-	4,000,000	26,000,000	-		30,000,000
FNB	32,688,536	20,000,000	37,000,000	-		89,688,536
Standard Bank	58,808,931	10,000,000	18,000,000	-		86,808,931
Sanlam	57,794,595	-	-	-		57,794,595
Investec	23,277,068	30,000,000	18,000,000	10,000,000	8,185,155	89,462,223
Accrued Interest	2,158,228					2,158,228
<b>Total</b>	<b>179,475,241</b>	<b>79,000,000</b>	<b>132,000,000</b>	<b>35,000,000</b>	<b>8,185,155</b>	<b>433,660,396</b>

APPENDICES TO THE FINANCIAL STATEMENTS

**Annexure H**

**Budget information to annual financial statements**

Description	2009/10								
	Original Budget	Budget Adjustment	Virement	Final Budget	Actual outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual outcome as % of Original Budget
	1	2	3	4	5	6	7	8	9
				(1+2+3)			(5-4)	(5/4*100)	(5/1*100)
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Investment Revenue	18,790	-	-	18,790	34,074	-	15,284	181.34	181.34
Transfer recognised	278,139	-	988	279,127	269,775	-	(9,352)	96.65	96.99
Other own revenue	1,228	-	-	1,228	3,072	-	1,844	250.15	250.15
<b>Total Revenue</b>	<b>298,157</b>	<b>-</b>	<b>988</b>	<b>299,145</b>	<b>306,921</b>	<b>-</b>	<b>7,776</b>	<b>102.60</b>	<b>102.94</b>
Employee cost	61,725	-	(22,960)	38,765	29,344	-	(9,421)	75.70	47.54
Remuneration to councilors	11,871	-	(1,875)	9,996	8,529	-	(1,467)	85.32	71.85
Debt impairment	110	-	(100)	10	9	-	(1)	85.43	7.77
Depreciation and asset impairment	4,403	-	(350)	4,053	6,056	-	2,003	149.42	137.54
Finance Charges	4,531	-	(1,000)	3,531	3,536	-	4	100.12	78.03
Transfer & Grants	339,385	-	40,059	379,444	115,633	-	(263,811)	30.47	34.07
Other expenditure	47,599	-	(21,075)	26,524	12,336	-	(14,188)	46.51	25.92
<b>Total Expenditure</b>	<b>469,624</b>	<b>-</b>	<b>(7,301)</b>	<b>462,324</b>	<b>175,442</b>	<b>-</b>	<b>(286,882)</b>	<b>37.95</b>	<b>37.36</b>
Surplus / (Defecit)	<b>(171,467)</b>	<b>-</b>	<b>8,289</b>	<b>(163,178)</b>	<b>131,479</b>	<b>-</b>	<b>294,658</b>		
<b>Capital Expenditure &amp; Funds sources</b>									
<b>Capital Expenditure</b>									
Transfers									
Public contributions & Donations	-	-	-	-	298	-	298	100.00	100.00
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	13,780	-	-	13,780	3,900	-	(9,880)	28.30	28.30
<b>Total sources of capital expenditure</b>	<b>13,780</b>	<b>-</b>	<b>-</b>	<b>13,780</b>	<b>4,198</b>	<b>-</b>	<b>(9,582)</b>	<b>30.47</b>	<b>30.47</b>
<b>Cash flows</b>									
<b>Cash/ cash equivalents at the beginning of the year</b>	<b>405,805</b>	<b>-</b>	<b>-</b>	<b>405,805</b>	<b>394,446</b>	<b>-</b>	<b>(11,359)</b>	<b>97.20</b>	<b>97.20</b>
Nett cash flow from operating	(162,107)	-	8,289	(153,818)	60,341	-	214,159	(39.23)	(37.22)
Nett cash flow from investing	(19,690)	-	-	(19,690)	(5,950)	-	13,740	30.22	30.22
Nett cash flow from financing	(1,378)	-	-	(1,378)	(4,444)	-	(3,066)	322.49	322.49
Nett cash outflow	<b>(183,175)</b>	<b>-</b>	<b>8,289</b>	<b>(174,886)</b>	<b>49,947</b>	<b>-</b>	<b>224,833</b>	<b>(28.56)</b>	<b>(27.27)</b>
<b>Cash/ cash equivalents at the year end</b>	<b>222,630</b>	<b>-</b>	<b>8,289</b>	<b>230,919</b>	<b>444,393</b>	<b>-</b>	<b>213,474</b>	<b>192.45</b>	<b>199.61</b>