



Nkangala District Municipality
(Registration number DC31)
Annual Financial Statements
for the year ended June 30, 2019

Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended June 30, 2019

General Information

Legal form of entity	District Municipality DC31
Nature of business and principal activities	Municipal Services
Mayoral committee	
Executive Mayor	Masilela TS
Chief Whip	Boshomane KJ
Mayoral Committee	Dikgale LJ
	Mahlobogoane RC
	Mahlangu SH
	Mthimunye GT
	Maraba CL
	Masilela TS
	Nkosi MS
Councillors	Van Der Berg EH
	Nkosi NB
	Legong TB
	Bhamjee M
	Nkosi TL
	Ngwenya XS
	Sibanyoni JM
	Makhabane EN
	Masina MAS Resigned on the 11 Jul 2018
	Cronje RE
	Weber AMM
	Skosana GJ
	Ngwenya TD
	Magagula MS
	Dladla DS
	Malahle TD
	Fakude MT
	Zandamela S Resigned on the 09 Jul 2018
	Mokoena SL
	Khumalo LF
	Mhlanga MT
	Nkoane MR
	Ndlovu R
	Fakude DC
	Mahlangu A
	Malefane P
	Mboweni LM
	Shabangu MM
	Masemula LC Resigned on the 17 Oct 2018
	Moseri PP
	Mnisi ST
	Mogola SM
	Zondo LJN
	Bath DJ
	Ntshalintshali LL
	Nobela MT

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General Information

	Shongwe ME
	Selala HN Resigned on the 17 Oct 2018
	Lamola BR
	Makoala VD
	Motanyane TE
	Boshego S
	Dyason J
	Skhosana DJ
	Mtsweni NS
	Mahlangu IM
	Nkadimeng S Resigned 20 Nov 2018
	Malatjie LM
	Mahlangu NJ
	Maraba CL
	Mailola PR Started 28 Mar 2019
	Malatjie JM
	Matemane MA Started 15 Oct 2018
	Mokolo ML Started 03 Sep 2018
Grading of local authority	High Capacity
Chief Finance Officer (CFO)	A L Stander
Accounting Officer	M M Skosana
Business address	2A Walter Sisulu Street Middelburg 1050 Mpumalanga
Postal address	P.O. Box 437 Middelburg 1050 Mpumalanga
Bankers	ABSA Limited Middelburg
Auditors	Auditor General South Africa
Contact Details	Telephone: +27 (13) 249 2000 Fax : +27 (13) 249 2114 www.nkangaladm.gov.za
Members of Audit & Performance Committee	Ms. F Mudau Chairperson Mr. VK Chuene (Member) (Contract Expired 20/07/2018) Mr. L Langalibalele (Member) Mr. J Modiga (Member) (21/07/2018) Mr. M Mathabathe (Member) (Contract Expired 20/07/2018) (Re-appointed 21/07/2018) Ms. SJ Masite (Member) (Appointed 21/07/2018)

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

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2020 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in the note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act

I am responsible for the preparation of these annual financial statements, which are set out from pages 13 to 78, in terms of Section 126(1) of the Local Government: Municipal Financial Management Act and which I have signed on behalf of the municipality.

M M Skosana
Municipal Manager

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Annual Financial Statements for the year ended 30 June 2019

Report of the Chief Financial Officer

1. INTRODUCTION

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

Critical functional areas for the district municipality amongst others include improvement of audit outcomes, effective financial management, fully functional internal audit units and audit committees, high vacancy rate in key positions, declining growth in the Regional Services Council Replacement Grant, increase in operational expenditure, which negatively impacts on the allocations to local municipalities.

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

The District is a pilot site for the new mSCOA regulations and successfully implemented the mSCOA for the 2018/19 financial year starting from 1 Jul 2015. 2018/19 are the fourth year of implementation of mSCOA. It has indeed been challenging as the mSCOA chart has been changing with every new version release of the mSCOA by National Treasury. The District has finalised and prepared the annual financial statements for 2018/19 on version 6.3 from 6.1 of mSCOA for the 2017/18 financial year. Items were reclassified in terms of the mSCOA classification regulations in 2018/19. Amongst others the items of Property, plant and equipment and some employee related cost has been reclassified.

2. REVIEW OF OPERATING RESULTS

The 2018/19 budget of the Nkangala District Municipality was approved by Council on the 27 May 2018 under item DM-ND 344/05/2018. The roll over budget was approved 23 August 2018 under DM-ND 665/08/2018. An adjustment budget was approved on the 28th of February 2018 under item DM-ND 257/02/2019. Herewith is commentary on the financial results.

2.1 REVENUE

The total revenue of the municipality increased with 1.06% from R392,095 million (2017/18) to R396,246 million (2018/19) and indicate a positive outcome over the R387,031 million budgeted for the 2018/19 financial year.

Revenue from exchange transactions amounts to R43,421 million, whilst the revenue from non-exchange transactions amounts to R352,826 million of which the major portions is from government grants and subsidies. The municipality is highly dependent on the RSC Replacement Grant that shows a deterioration growth rate year on year.

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.

TRANSFERS AND SUBSIDIES

Transfers and subsidies increased by 1.06 % from R346,663 million (2017/18) to R350,321 million (2018/19). Transfers and Subsidies include conditional and non-conditional grants, donations or subsidies to the District and amongst others include the RSC Levy Replacement grant, the Equitable Share, Municipal System Improvement Grant, Finance Management Grant and the Expanded Public Works Programme Incentive Grant. 99.45% of budgeted amount was realised for 2018/19. The Rural Asset Management Grant has not been spent 100% and council have applied for a roll-over.

According to the accounting policies only the portion that has been expensed and meets the conditions of the conditional grant is recognized as revenue.

INTEREST, DIVIDENDS AND RENT ON LAND

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The District earned interest, which decreased by 0.72% from R42,713 million (2017/18) to R42,407 million (2018/19). This decrease is attributed to the improved implementation of projects to local municipalities under expenditure: transfers and subsidies paid and left more surplus cash for investment and the increase in interest rates on call deposits. 138.82% realised of budgeted amount for 2018/19 and the variance is due to the slow implementation of the projects for local municipalities under the transfer and subsidies expenditure.

FINES, PENALTIES AND FORFEITS

Revenue from Fines, Penalties and Forfeits increase by 46.62% from R1,012 million (2017/18) to R1,484 million (2018/19). 82.39% of budgeted amount realised for 2018/19 due to the adhoc nature of the imposing of fines and penalties.

SALE OF GOODS

Sale of goods increased by 217.34% from R0,195 million (2017/18) to R0,619 million (2018/19) and consists mainly the selling of tender documents. 177.08% realised for 2018/19 due to increased selling of tender documents.

OPERATIONAL REVENUE

Operational revenue decreased by 28.31% from R0,490 million (2017/18) to R0,351 million (2018/19). 31.64% of budgeted amount realised for 2018/19 due to less operational revenue received than anticipated

RENTAL FROM FIXED ASSETS

Rental from fixed assets increased by 12.56% from R0,037 million (2017/18) to R0,042 million (2018/19) and flows from the lease agreement with Vodacom. 88.90% realised as less fixed assets were rented out in 2018/19 than anticipated.

LICENCES AND PERMITS

Revenue from licences and permits has decreased with 1.07% from R0,983 million (2017/18) to R0,973 million was realised in the (2018/19) financial year. 82.39% of budgeted amount realised for 2018/19 due to the new function that are rendered by the District and various according to the number of applications recieved.

2.2 EXPENDITURE

The total expenditure decreased with 0.74% from R402,972 million (2017/18) to R399,983 million (2018/19) compared to the budgeted operating expenditure of R418,816 million (2018/19). Transfers and subsidies to local municipalities are the main driver of the expenditure of the District

TRANSFERS & SUBSIDIES

This expenditure relates to expenditure on infrastructure and operational projects for local municipalities within the District's jurisdictional area.

Actual grants and subsidies paid for 2018/19 represent 36.69% (43.92% 2017/18) of the total expenditure and decreased by 16.79% from R176,411 million (2017/18) to R146,787 million (2018/19). The actual transfers and subsidies are 87.55% of the budgeted amount of R167,664 million (2018/19) due to the delays in appointments due to the local content issue, projects that are completed from the 2017/18 financial year and transferred from Inventory – Work in progress.

EMPLOYEE RELATED COST

Actual employee related costs increased by 11.87% from R126.075 million (2017/18) to R141,038 million (2018/19) due to the drive to appoint staff in all vacancies and salary increases applied. Actual employee related costs are 92.18 % of the budgeted employee related cost, which is due to the few vacancies which have not been filled in the year under review.

OPERATIONAL COST

The actual expenditure of operational costs increased by 2.10% from R33,956 million (2017/18) to R34,671 million (2018/19). Actual operational costs are 75.82% of the budgeted operational cost. Due to non-responsive tenders and operational projects that were not fully completed.

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CONTRACTED SERVICES

Contracted services increased by 22.78% from R39,338 million (2017/18) to R48,298 million (2018/19). Actual contracted services are 93.15% of the budgeted operational cost, due increase in allocated contracts for the year.

REMUNERATION OF COUNCILLORS

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

Actual councillor allowance costs increased by 4.93 % from R13,520 million (2017/18) to R14,785 million (2018/19). Actual councillor allowance costs are 96.30% of the budgeted remuneration of councillors, due to the % increase that realised on the determination of upper limits.

DEPRECIATION/ AMORTISATION

Depreciation/amortisation is charged on Property, Plant & Equipment/intangibles at rates determined in the accounting policies and asset useful lives are reviewed annually.

Actual depreciation/amortisation costs increased by 47.74 % from R10,573 million (2017/18) to R15,620 million (2018/19). Actual depreciation/amortisation costs are 94.86% of the budgeted depreciation/amortisation cost, and is dependent on the acquisition of new assets for the District.

INVENTORY CONSUMED

Actual inventory consumed costs increased by 14.80 % from R3,791 million (2017/18) to R4,352 million (2018/19). Actual inventory consumed costs are 72.30% of the budgeted amount, due to the more than anticipated inventory consumed.

INTEREST, DIVIDEND AND RENT ON LAND PAID

The District only realised interest paid on the annuity loan with DBSA and Financial leases for office equipment.

Actual interest costs decreased by 33.46 % from R0,780 million (2017/18) to R0,519 million (2018/19), the decline is due to the redemption of loans and finance leases. Actual interest costs are 79.74% the budgeted amount due to less finance leases taken than anticipated.

GAINS AND LOSSES

The District only realised a small loss on the disposal of fixed and intangible assets, whilst an actuarial gain was realised for both 2017/18 and 2018/19, which increase from R2,597 million (2017/18) compared to the gain of R7,308 million (2018/19) financial year. The budget variance is due to the unknown nature of funding of projects.

OPERATING LEASES

Actual inventory consumed costs increased by 73.69 % from R1,122 million (2017/18) to R1,949 million (2018/19). Actual inventory consumed costs are 45.57% of the budgeted amount, due to the two additional leases taken out.

SURPLUS/DEFICIT

The municipality realised a deficit of R10,877 million 2017/18 compared to the deficit of R3,863 million 2018/19 as a result of the additional measures that were introduced to speed up project expenditure

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 0.14% from R747,294 million (2017/18) to R748,304 million (2018/19). The contributing factors of this increase can mainly be attributed to increased inventory, increase in cash and cash equivalents, property, plant and equipment and long term investment.

Total liabilities increased by 7.60% from R64,154 million (2017/18) to R69,027 million (2018/19), which is mainly due to the increase in accruals, post-retirement benefits and provisions for long services.

4. KEY RATIOS

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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 million	R million	Ratio
2017/18	525,799	40,749	12,90:1
2018/19	518,642	51,256	10,12:1

ACID TEST

A stringent indicator that determines whether a company/institution has enough short-term assets to cover its immediate liabilities without considering inventory. Institutions with ratios of less than 1 cannot pay their current liabilities and should be looked at with extreme caution.

	Current assets – Inventory	Current Liabilities	
	R million	R million	Ratio
2017/18	438,301	40,749	10,76:1
2018/19	453,019	51,256	8.84:1

SOLVENCY RATIO

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

	Total Assets	Total Liabilities	
	R million	R million	Ratio
2017/18	747,294	64,154	11.65:1
2018/19	748,304	69,027	10.84:1

OTHER RATIOS

Ratio	30 Jun 2019	30 Jun 20187
Employee related cost / Total expenditure	35.25	31.29
Actual transfers and subsidies paid / Total expenditure	36.69	43.78
Actual transfers and subsidies paid / Total revenue	37.04	44.99

5. CREDIT RATING

The NDM final credit rating report completed by Global Credit Rating Co. in November 2018.

The credit ratings of municipalities are based on South African national scales. The highest grade in the long-term assessment is "zaAAA" and scales down from there to zaBBB – the lowest. Within each of the levels a "+" or "-" sign indicates further relative strength or weakness. An "A" indicates relative strength and capacity to repay liabilities. The best short-term grades range from zaA1+ down to zaA1-. In view of the country's downgraded status the District was also downgraded as expected and overall I am satisfied with the grading given to the municipality.

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NDM PREVIOUS CREDIT RATING October 2017

Global Credit Co. performed the last NDM credit rating and the following were the results thereof:

Rating class	Rating scale	Rating	Rating outlook
Long term	National	A(ZA)	Stable
Short term	National	A(ZA)	Stable
Long term	International	BBB-	Negative

NDM CREDIT RATING NOVEMBER 2018

In summary, NDM credit rating analysis is as follows as a per credit rating report issued by Global Credit Rating Co.:

Rating class	Rating scale	Rating	Rating outlook
Long term	National	A(ZA)	Stable
Short term	National	A1(ZA)	Stable
Long term	International	BB-	Stable

NDM CURRENT RATINGS NOVEMBER 2018

Summary rating rationale:

- ✓ The fact that NDM" economy is underpinned by coal mining and primary industries, which have been significantly impacted by the constrained GDP growth, resulting in higher unemployment. Nevertheless, NDM has generally reported an improvement in socio-economic conditions. Further development of its agricultural sector is now being prioritised to bolster economic activity and job creation.
- ✓ NDM has a long track record of unqualified audit reports and the same is expected in FY18, demonstrating the strong financial management.
- ✓ Grants from National Government (99.1% of income) provide a recurring and reliable income stream. Nevertheless, the District's lack of financial independence is a ratings constraint, as has become more evident due to the low growth in grant allocation, which has not kept up with cost inflation.
- ✓ Historically, administrative costs accounted for around 30% of total expenditure, while 70% was invested in projects. However, since FY15 the balance has shifted and (particularly due to rising staff costs over which the District has little control) administrative expenditure now exceeds grant expenditure. This trends bodes negatively for the sustainability of the District municipality model.
- ✓ The increased spend on projects, following improved project management practices, is positively viewed as this is NDM's core function. Nevertheless, the higher spend was funded from cash reserves in FY18 and (somewhat perversely) the more NDM fulfils its mandate to drive development, the greater its cash needs will be. If this funding is not forthcoming from National Government, then it will lead to a deterioration in liquidity metrics, albeit this will be a long-term process.

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- ✓ Notwithstanding that, cash and investments declined to R431m at FY18 (FY17: R458m), it remains in the line with the high levels over the review period. Similarly, cash coverage was lower at 402 days (FY17: 472 days), but remains very strong. The very robust cash position continues to underpin NMD's current rating.
- ✓ Gross gearing is negligible and is expected to be fully settled in FY20.

Factors that could trigger a rating action:

Positive factors: NDM's ratings are at the upper limit for district municipalities and thus further progression is unlikely unless there is a major change in the operating structure of district municipalities.

Negative factors: A reduction in government support, either through lower

grant funding or in terms of perceived operational support would negatively impact the ratings. The ratings could also be downgraded if the current trend of rapid expenditure growth and slow income persists, resulting in an erosion of NDM's liquidity profile.

International scale: The rating is directly linked to the South African sovereign rating, and any movement in the sovereign rating would likely have an impact on NDM's international scale rating.

The District is satisfied with the credit rating under the prevailing circumstances.

6. GENERALLY RECOGNISED ACCOUNTING PRACTICES

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

The following standards were applicable during the year under review:

Reference	Topic
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	Interests 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

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Report of the Chief Financial Officer

GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of non-cash generating assets
GRAP 23	Revenue from non-exchange transactions
GRAP 24	Presentation of budget
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash generating assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

7. CONCLUSION

Good governance, sound financial management and financial viability remain critical success factors for the municipality.

8. 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.

Thank you

AL STANDER

MANAGER: FINANCE (CHIEF FINANCIAL OFFICER)

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Statement of Financial Position as at June 30, 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Non-Current Assets			
Property, plant and equipment	3	166,758,413	163,355,065
Intangible assets	4	8,390,384	8,412,849
Heritage assets	5	508,772	508,772
Long term Investments	6	54,004,297	49,218,878
		229,661,866	221,495,564
Current Assets			
Inventories	7	65,623,094	87,497,575
Vat receivable	9	18,063,099	6,669,666
Prepayments	10	-	455,535
Trade and other receivables from exchange transactions	11	228,084	88,098
Cash and cash equivalents	12	434,727,963	431,087,741
		518,642,240	525,798,615
Total Assets		748,304,106	747,294,179
Liabilities			
Current Liabilities			
Operating lease accrual	8	187,998	248,857
Other financial liabilities	13	1,588,511	3,223,175
Finance lease obligation	14	598,405	456,471
Provision for legal proceedings	15	157,000	-
Payables from exchange transactions	16	47,676,798	35,948,548
Deposits	17	12,030	12,030
Defined benefit obligations	18	285,549	286,761
Long service awards	19	302,971	573,014
Unspent conditional grants and receipts	20	446,815	-
		51,256,077	40,748,856
Non-Current Liabilities			
Other financial liabilities	13	-	1,542,534
Finance lease obligation	14	504,636	937,061
Defined benefit obligations	18	13,107,490	18,257,645
Long service awards	19	4,159,162	2,668,031
		17,771,288	23,405,271
Total Liabilities		69,027,365	64,154,127
Net Assets		679,276,741	683,140,052
Accumulated surplus		679,276,727	683,140,050

* See Note 40

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Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Interest Revenue	21	42,407,277	42,713,440
Rental from fixed assets	22	42,364	37,638
Operational Revenue	23	351,271	490,014
Sale of goods		619,779	195,304
Total revenue from exchange transactions		43,420,691	43,436,396
Revenue from non-exchange transactions			
Taxation revenue			
Licences and Permits (Non-exchange)		972,884	983,393
Transfer revenue			
Government grants and subsidies	24	350,321,185	346,663,000
Public contributions and donations		47,686	-
Fines, Penalties and Forfeits		1,484,201	1,012,262
Total revenue from non-exchange transactions		352,825,956	348,658,655
Total revenue	25	396,246,647	392,095,051
Expenditure			
Employee related costs	26	141,038,047	126,075,195
Remuneration of councillors	27	14,184,966	13,519,502
Depreciation and amortisation	28	15,620,149	10,573,072
Interest expense	29	518,745	779,650
Debt Impairment	30	-	4,373
Inventory Consumed	31	4,351,553	3,790,568
Contracted services	32	48,298,077	39,338,262
Operational costs	33	34,670,522	33,956,218
Operating lease	34	1,948,855	1,122,000
Transfers and Subsidies	35	146,786,586	176,410,562
Total expenditure		407,417,500	405,569,402
Operating deficit		(11,170,853)	(13,474,351)
Gain (loss) on disposal of assets		(59,037)	(6,672)
Fair value adjustments		(87,391)	(45,012)
Actuarial gains/losses		7,453,958	2,648,842
		7,307,530	2,597,158
Deficit for the year		(3,863,323)	(10,877,193)

* See Note 40

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	693,987,623	693,987,623
Adjustments		
Prior year adjustments- Correction of errors refer to note 40	29,620	29,620
Balance at July 01, 2017 as restated*	694,017,243	694,017,243
Changes in net assets		
Surplus for the year	(10,877,193)	(10,877,193)
Total changes	(10,877,193)	(10,877,193)
Opening balance restated	683,385,977	683,385,977
Adjustments		
Prior year adjustments- Correction of errors refer to note 40	(245,927)	(245,927)
Restated* Balance at July 01, 2018 as restated*	683,140,050	683,140,050
Changes in net assets		
Surplus for the year	(3,863,323)	(3,863,323)
Total changes	(3,863,323)	(3,863,323)
Balance at June 30, 2019	679,276,727	679,276,727

* See Note 40

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Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Grants		350,768,009	346,663,000
Interest income		42,407,277	42,713,440
Rental from fixed assets		42,364	37,638
Other receipts		3,200,758	685,317
Movement of VAT		-	5,309,361
		<u>396,418,408</u>	<u>395,408,756</u>
Payments			
Employee costs		(151,699,334)	(134,811,150)
Suppliers		(201,840,336)	(259,041,352)
Interest expense		(610,875)	(779,653)
Movement of VAT		(11,393,433)	-
		<u>(365,543,978)</u>	<u>(394,632,155)</u>
Net cash flows from operating activities	36	<u>30,874,430</u>	<u>776,601</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(18,942,188)	(15,604,321)
Proceeds from sale of property, plant and equipment		997,962	34,280
Purchase of other intangible assets	4	(850,000)	(4,517,129)
Decreases/(Increases) of investments		(4,785,418)	(4,372,520)
		<u>(23,579,644)</u>	<u>(24,459,690)</u>
Net cash flows from investing activities		<u>(23,579,644)</u>	<u>(24,459,690)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(3,085,068)	(3,085,068)
Finance lease payments		(508,648)	(323,905)
Operating leases		(60,859)	248,826
		<u>(3,654,575)</u>	<u>(3,160,147)</u>
Net cash flows from financing activities		<u>(3,654,575)</u>	<u>(3,160,147)</u>
Net increase/(decrease) in cash and cash equivalents		3,640,211	(26,843,236)
Cash and cash equivalents at the beginning of the year		<u>431,087,741</u>	<u>457,930,977</u>
Cash and cash equivalents at the end of the year	12	<u>434,727,952</u>	<u>431,087,741</u>

* See Note 40

Nkangala District Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	350,000	-	350,000	619,779	269,779	#
Rental from fixed assets	10,600	42,840	53,440	42,364	(11,076)	#
Operational revenue	265,500	844,555	1,110,055	351,271	(758,784)	#
Interest Revenue	22,459,000	8,089,500	30,548,500	42,407,277	11,858,777	#
Total revenue from exchange transactions	23,085,100	8,976,895	32,061,995	43,420,691	11,358,696	
Revenue from non-exchange transactions						
Taxation revenue						
Licences and Permits (Non-exchange)	1,170,000	(270,000)	900,000	972,884	72,884	
Transfer revenue						
Transfers and subsidies	348,588,000	-	348,588,000	348,588,000	-	
Public contributions and donations	-	-	-	47,686	47,686	#
Fines, penalties and forfeits	900,000	901,500	1,801,500	1,484,201	(317,299)	#
Total revenue from non-exchange transactions	350,658,000	631,500	351,289,500	351,092,771	(196,729)	
Total revenue	373,743,100	9,608,395	383,351,495	394,513,462	11,161,967	
Expenditure						
Employee related costs	(144,286,965)	(636,629)	(144,923,594)	(141,038,047)	3,885,547	
Remuneration of councillors	(13,498,299)	(1,232,068)	(14,730,367)	(14,184,966)	545,401	
Depreciation and amortisation	(9,380,019)	(7,087,352)	(16,467,371)	(15,620,145)	847,226	
Interest expense	(967,752)	317,176	(650,576)	(518,745)	131,831	#
Operating leases	(2,208,749)	(2,068,000)	(4,276,749)	(1,948,855)	2,327,894	#
Inventory consumed	(7,332,853)	1,314,516	(6,018,337)	(4,351,553)	1,666,784	#
Contracted Services	(54,294,287)	2,445,112	(51,849,175)	(48,298,077)	3,551,098	
Transfers and Subsidies	(167,508,831)	(154,747)	(167,663,578)	(146,786,586)	20,876,992	
Operational costs	(45,745,859)	20,603	(45,725,256)	(34,670,511)	11,054,745	#
Total expenditure	(445,223,614)	(7,081,389)	(452,305,003)	(407,417,485)	44,887,518	
Operating deficit	(71,480,514)	2,527,006	(68,953,508)	(12,904,023)	56,049,485	
Loss on disposal of assets and liabilities	-	-	-	(59,037)	(59,037)	
Transfers and subsidies - Capital (Monetary allocations)	2,180,000	1,500,000	3,680,000	1,733,185	(1,946,815)	
Fair value adjustments	-	-	-	(87,391)	(87,391)	
Actuarial gains/losses	-	-	-	7,453,958	7,453,958	
	2,180,000	1,500,000	3,680,000	9,040,715	5,360,715	
Deficit before taxation	(69,300,514)	4,027,006	(65,273,508)	(3,863,308)	61,410,200	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(69,300,514)	4,027,006	(65,273,508)	(3,863,308)	61,410,200	

Refer to CFO report for explanation of differences between actual and final budget, pages 6-12.

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Annual Financial Statements for the year ended June 30, 2019

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Defined benefit obligations

The municipality obtains actuarial valuations of its defined benefit plan and other long term employee benefits. The defined benefit plan and other long term employee benefits identified are post retirement health benefit obligations and long service awards. The estimate liabilities are recorded in accordance with GRAP 25.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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Annual Financial Statements for the year ended June 30, 2019

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite life
Buildings and other structures	Straight line	15 to 30 years
Leased assets	Straight line	3 years
Machinery and equipment	Straight line	5 to 20 years
Furniture and office equipment	Straight line	1 to 15 years
Transport assets	Straight line	7 to 20 years
Computer equipment	Straight line	1 to 10 years
Infrastructure: Electricity	Straight line	20 years
Infrastructure: Roads, Pavements, Bridges and Stormwater	Straight line	10 to 30 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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Accounting Policies

1.5 Intangible assets (continued)

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3-15 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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Accounting Policies

1.6 Heritage assets

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

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Subsequent measurement

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

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The Municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Investment	Financial asset measured at amortised cost
Bank	Financial asset measured at amortised cost
Cash	Financial asset measured at fair value

The Municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other payables	Financial liability measured at amortised cost
Long term liabilities	Financial liability measured at amortised cost
Finance lease liabilities	Financial liability measured at amortised cost
Other receivables	Financial liability measured at amortised cost

The Municipality has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

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Annual Financial Statements for the year ended June 30, 2019

Accounting Policies

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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Annual Financial Statements for the year ended June 30, 2019

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The Municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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Annual Financial Statements for the year ended June 30, 2019

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Leases

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

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

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Annual Financial Statements for the year ended June 30, 2019

Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

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 assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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 over the lease term except where other systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed

1.9 Inventories

The municipality constructs infrastructure projects, which will subsequently be 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 are disclosed as inventory. Inventory is measured at the actual costs.

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

1.10 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an municipality that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

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1.10 Construction contracts and receivables (continued)

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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 statement of financial performance immediately. The recoverable amount of the asset is the higher of the asset's fair value less cost to sell and its value in use.

The fair value represents the amount obtained obtainable from the sale of an asset 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 specified 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 belong. 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 the value in use, R1.00 or fair value less cost to sell.

A previously recognised impairment loss related to assets is reserved 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 is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation or amortisation.

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

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

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

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1.11 Impairment of cash-generating assets (continued)

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

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 municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

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

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1.12 Impairment of non-cash-generating assets (continued)

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

Useful life is either:

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

Identification

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

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Nett assets

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

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

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1.14 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the statement of financial performance 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.

The municipality contributes towards retirement benefits of its employees and councilors to the under- mentioned pension funds:

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund

Municipal Gratuity Fund Councilors are members of the Municipal Councilor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

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1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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1.14 Employee benefits (continued)

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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1.14 Employee benefits (continued)

Long service award

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25 and 30 years of continued service

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities.

Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

1.15 Provisions and contingencies

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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1.15 Provisions and contingencies (continued)

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

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

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

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

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

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental from fixed assets

Rental of facilities arising from the use by others of entity assets yielding interest is recognised when::

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

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.18 Revenue from non-exchange transactions

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

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

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

Measurement

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

Licences and permits

Revenue from the issuing of licenses and permits in terms of laws and regulations and is recognised when:

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

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1.18 Revenue from non-exchange transactions (continued)

Fines, penalties and forfeits

Revenue from the issuing of fines is recognised when:

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

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

Government grants

Government grants are recognised as revenue when:

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

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

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

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

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

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

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.21 Comparative figures

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

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Accounting Policies

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

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

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

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

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

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

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

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

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

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Accounting Policies

1.25 Budget information (continued)

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

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

The approved budget covers the fiscal period from 7/1/2015 to 6/30/2018.

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

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

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities..

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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Accounting Policies

1.27 Events after reporting date (continued)

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Value added tax

The Municipality is registered with the South African Revenue Services as a VAT vendor in accordance with section 15(2) of the Value Added Tax Act (No. 89 of 1991).

The Municipality accounts for Value Added Tax on the payment basis as per the VAT Act

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2019

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	April 01, 2009	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	April 01, 2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	April 01, 2009	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	April 01, 2019	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	April 01, 2019	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	April 01, 2019	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	April 01, 2019	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	April 01, 2019	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	April 01, 2019	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	April 01, 2019	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	April 01, 2019	Unlikely there will be a material impact

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3. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,286,584	-	1,286,584	1,015,061	-	1,015,061
Machinery and Equipment	40,779,615	(16,023,978)	24,755,637	39,768,068	(12,308,740)	27,459,328
Furniture and Office Equipment	15,687,165	(9,149,643)	6,537,522	14,140,911	(8,596,339)	5,544,572
Transport Assets	46,851,632	(22,416,297)	24,435,335	45,120,742	(18,868,168)	26,252,574
Computer Equipment	12,428,692	(7,051,962)	5,376,730	10,062,903	(5,917,371)	4,145,532
Community-Buildings	51,024,160	(4,850,466)	46,173,694	51,024,160	(3,113,974)	47,910,186
Other property, plant and equipment- Buildings	61,240,813	(25,977,871)	35,262,942	59,839,363	(23,976,192)	35,863,171
Sanitation Infrastructure	134,228	(3,843)	130,385	56,728	(233)	56,495
Water Supply Infrastructure	144,810	(4,537)	140,273	67,310	(276)	67,034
Roads Infrastructure	2,391,548	(831,346)	1,560,202	2,391,548	(636,960)	1,754,588
Stormwater Infrastructure	6,493,177	(1,805,239)	4,687,938	6,493,177	(1,386,056)	5,107,121
Construction Work in Progress	11,387,990	-	11,387,990	2,543,709	-	2,543,709
Electrical Infrastructure	4,937,682	(1,062,083)	3,875,599	4,869,551	(835,094)	4,034,457
ICT Infrastructure	1,303,684	(1,232,627)	71,057	1,303,684	(1,118,567)	185,117
Leased Assets	1,717,821	(641,296)	1,076,525	1,499,664	(83,544)	1,416,120
Total	257,809,601	(91,051,188)	166,758,413	240,196,579	(76,841,514)	163,355,065

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Disposal Accumulated Depreciation	Depreciation	Total
Land	1,015,061	271,523	-	-	-	1,286,584
Machinery and Equipment	27,459,328	1,011,547	-	-	(3,715,238)	24,755,637
Furniture and Office Equipment	5,544,572	1,580,958	(34,701)	4,253	(557,560)	6,537,522
Transport Assets	26,252,574	3,193,224	(1,462,336)	509,823	(4,057,950)	24,435,335
Computer Equipment	4,145,532	2,463,760	(97,970)	23,927	(1,158,519)	5,376,730
Community	47,910,186	-	-	-	(1,736,492)	46,173,694
Other property, plant and equipment	35,863,171	1,401,450	-	-	(2,001,679)	35,262,942
Sanitation Infrastructure	56,495	77,500	-	-	(3,610)	130,385
Water Supply Infrastructure	67,034	77,500	-	-	(4,261)	140,273
Roads Infrastructure	1,754,588	-	-	-	(194,386)	1,560,202
Stormwater Infrastructure	5,107,121	-	-	-	(419,183)	4,687,938
Construction Work in Progress	2,543,709	8,844,281	-	-	-	11,387,990
Electrical Infrastructure	4,034,457	68,131	-	-	(226,989)	3,875,599
ICT Infrastructure	185,117	-	-	-	(114,060)	71,057
Leased Assets	1,416,120	218,157	-	-	(557,752)	1,076,525
	163,355,065	19,208,031	(1,595,007)	538,003	(14,747,679)	166,758,413

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018 Restated

	Opening balance	Additions	Disposals	Transfers received	Correction of error	Disposal Accumulated Depreciation	Depreciation	Total
Land	1,015,061	-	-	-	-	-	-	1,015,061
Machinery and Equipment	6,894,536	1,068,745	(5,600)	21,939,543	(1,032,843)	5,600	(1,410,653)	27,459,328
Furniture and fixtures	4,595,715	1,248,159	(13,928)	138,101	-	2,858	(426,333)	5,544,572
Transport Assets	27,219,315	3,144,279	-	-	-	-	(4,111,020)	26,252,574
Computer Equipment	2,900,864	1,992,660	(32,694)	371,940	-	2,815	(1,090,053)	4,145,532
Community-Buildings	14,432,694	156,912	-	33,991,083	-	-	(670,503)	47,910,186
Other property, plant and equipment- Buildings	36,238,451	1,567,154	-	-	-	-	(1,942,434)	35,863,171
Sanitation Infrastructure	-	56,728	-	-	-	-	(233)	56,495
Water Supply Infrastructure	-	67,310	-	-	-	-	(276)	67,034
Roads Infrastructure	744,511	-	-	1,103,261	-	-	(93,184)	1,754,588
Stormwater Infrastructure	890,433	-	-	4,432,596	-	-	(215,908)	5,107,121
Construction Work in Progress	61,129,778	6,243,281	-	(64,829,350)	-	-	-	2,543,709
Electrical Infrastructure	1,215,236	59,112	-	2,852,826	-	-	(92,717)	4,034,457
ICT Infrastructure	299,177	-	-	-	-	-	(114,060)	185,117
Leased Assets	218,773	1,499,663	(787,687)	-	-	787,682	(302,311)	1,416,120
	157,794,544	17,104,003	(839,909)	-	(1,032,843)	798,955	(10,469,685)	163,355,065

Pledged as security

None of assets pledged as security:

Property, plant and equipment in the process of being constructed or developed

Construction work in progress of the following asset classes

Buildings	11,213,978	2,369,695
Water Supply Infrastructure	174,012	174,014
	11,387,990	2,543,709

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Notes to the Annual Financial Statements

	2019	2018 Restated*
3. Property, plant and equipment (continued)		
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	-	-
	-	-
Machinery and equipment	1,493,985	1,003,778
Transport assets	1,663,191	1,636,307
Other property, plant and equipment	3,838,059	2,870,181
Furniture and equipment	-	150,193
Information and communication infrastructure	4,443,642	2,848,713
Computer equipment	-	43,628
	-	-
Operational Costs	-	-
Information and communication infrastructure	-	106,873
	<u>11,438,877</u>	<u>8,659,673</u>

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

Included in property, plant and equipment are assets which have been fully depreciated but still in use. These assets are held at R1 each.

* See Note 40

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Notes to the Annual Financial Statements

	2019			2018 Restated*		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	10,459,340	(2,068,956)	8,390,384	8,609,340	(1,196,491)	7,412,849
Intangible assets under development	-	-	-	1,000,000	-	1,000,000
Total	10,459,340	(2,068,956)	8,390,384	9,609,340	(1,196,491)	8,412,849

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	7,412,849	1,850,000	-	(872,465)	8,390,384
Intangible assets under development	1,000,000	-	(1,000,000)	-	-
	8,412,849	1,850,000	(1,000,000)	(872,465)	8,390,384

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Transfers received	Correction of error	Amortisation	Total
Computer software, other	491,102	-	5,992,300	1,032,843	(103,396)	7,412,849
Intangible assets under development	2,475,171	4,517,129	(5,992,300)	-	-	1,000,000
	2,966,273	4,517,129	-	1,032,843	(103,396)	8,412,849

Pledged as security

None of the intangible assets were pledged as security:

Intangible assets in the process of being constructed or developed

Intangible assets under development comprise the following

Other intangibles	-	-	-	-	-	-
						1,000,000
						1,000,000

Expenditure incurred to repair and maintain intangible assets

Expenditure incurred to repair and maintain intangible assets included in the Statement of Financial Position

Operational Costs

Intangible assets	-	4,446,585
Contracted services	-	-
Intangible assets	793,120	-
	793,120	4,446,585

* See Note 40

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

	2019	2018 Restated*
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5. Heritage assets

	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Heritage assets	508,772	508,772	508,772	508,772

Reconciliation of heritage assets 2019

	Opening balance	Total
Municipal Jewellery	508,772	508,772

Reconciliation of heritage assets 2018

	Opening balance	Total
Municipal Jewellery	508,772	508,772

Age and/or condition of heritage assets

The heritage asset relates to the Mayoral Chain which was purchased and brought in to use in the financial year ended 30 June 2017.

Pledged as security

Non of heritage assets pledged as security:

6. Long term Investments

At amortised cost

Investec promissory note-1400121751-TR 40104	54,004,297	49,218,878
The investment was made on 23 September 2015 and the maturity is September 2020 i.e after 5 years		

Non-current assets

At amortised cost	54,004,297	49,218,878
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Long term investment movement

Opening balance	49,218,878	44,846,358
Interest capitalised	4,785,418	4,372,520
	54,004,296	49,218,878

* See Note 40

Nkangala District Municipality

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	2019	2018 Restated*
7. Inventories		
Work in progress	<u>65,623,094</u>	<u>87,497,575</u>
Work in Progress		
Balance at the beginning of the year	87,497,574	103,093,998
Current year expenditure	124,912,106	160,814,139
Less: Projects completed and transferred to Local Municipalities	<u>(146,786,586)</u>	<u>(176,410,563)</u>
	<u>65,623,094</u>	<u>87,497,574</u>
No inventories were pledged as security for liabilities in the current financial year		
8. Operating leases accrual		
Operating lease accrual	<u>187,998</u>	<u>248,857</u>
9. VAT receivable		
VAT	<u>18,063,099</u>	<u>6,669,666</u>
The Municipality accounts for Value Added Tax on the payment basis		
10. Prepayments		
Prepayments	<u>-</u>	<u>455,535</u>
2018-Prepayments relates to payments made to National School of Government for training of municipal officials and WITS business school for CPMD course.		
11. Trade and other receivables from exchange transactions		
Gross balances		
Debtors	<u>228,084</u>	<u>88,098</u>
Net balance		
Debtors	<u>228,084</u>	<u>88,098</u>
Debtors reconciliation		
91 - 120 days	174,148	5,947
121 - 365 days	53,936	86,524
Trade and other receivables - bad debts written off	<u>-</u>	<u>(4,373)</u>
	<u>228,084</u>	<u>88,098</u>

The debtors consists of only Sundry debtors.

12. Cash and cash equivalents

12.1 Cash and cash equivalents consist of:

* See Note 40

Nkangala District Municipality

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Notes to the Annual Financial Statements

	2019	2018 Restated*
12. Cash and cash equivalents (continued)		
Cash on hand	10,200	10,200
Bank Balances	9,488,646	4,717,559
Short-term deposits	425,229,117	426,359,982
	<u>434,727,963</u>	<u>431,087,741</u>

* See Note 40

Nkangala District Municipality

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2019

2018
Restated*

12. Cash and cash equivalents (continued)

12.2 The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
ABSA Bank - Current Account - 1040161836	9,490,320	4,734,449	9,488,646	4,717,559
ABSA Bank - Fixed Deposit - 2078396017	6,000,000	-	6,000,000	-
ABSA Bank - Fixed Deposit - 2078327305	14,000,000	-	14,000,000	-
ABSA Bank- Fixed Deposit - 4083615135	4,423,486	6,973,379	4,423,486	6,973,379
ABSA Bank- Fixed Deposit - 2077216890	-	10,000,000	-	10,000,000
ABSA Bank- Fixed Deposit - 2077419232	-	16,000,000	-	16,000,000
Nedbank - Fixed Deposit- 03/7881531304/000188	1,367,865	5,864,669	1,367,865	5,864,669
Nedbank - Fixed Deposit- 03/7881531304/000275	-	5,000,000	-	5,000,000
Nedbank - Fixed Deposit- 03/7881531304/000274	-	5,000,000	-	5,000,000
Nedbank - Fixed Deposit- 03/7881531304/000269	-	17,000,000	-	17,000,000
Nedbank - Fixed Deposit- 03/7881531304/000298	7,000,000	-	7,000,000	-
Nedbank - Fixed Deposit- 03/7881531304/000300	5,000,000	-	5,000,000	-
Nedbank - Fixed Deposit- 03/7881531304/000294	17,000,000	-	17,000,000	-
FNB (RMB) Bank - Term Deposit - BJS8S70058	-	37,027,262	-	37,027,262
FNB (RMB) Bank - Term Deposit DCO2E0016	-	37,266	-	37,266
FNB (RMB) Bank - Term Deposit - DCO2E00161	-	7,992,173	-	7,992,173
FNB (RMB) Bank - Term Deposit - 266116/0	-	5,000,000	-	5,000,000
FNB (RMB) Bank - Term Deposit - 265844/0	-	15,000,000	-	15,000,000
FNB (RMB) Bank - Term Deposit - 62786703184	5,391,495	-	5,391,495	-
FNB (RMB) Bank - Term Deposit - 74809025121	7,000,000	-	7,000,000	-
FNB (RMB) Bank - Term Deposit- 71805791970	15,000,000	-	15,000,000	-
Stanlib- 2311380	146,435,746	136,868,704	146,435,746	136,868,704
Standard Bank- Notice Deposit - 038433834#081	6,149,440	4,718,734	6,149,440	4,718,734
Standard Bank- Notice Deposit - 038433834#093	78,550	76,044	78,550	76,044
Standard Bank- Notice Deposit - 038433834#094	-	5,000,000	-	5,000,000
Standard Bank- Notice Deposit - 038433834#088	-	5,000,000	-	5,000,000
Standard Bank- Notice Deposit - 038433834#084	-	16,000,000	-	16,000,000
Standard Bank- Notice Deposit - 038433834#113	6,000,000	-	6,000,000	-
Standard Bank- Notice Deposit - 038433834#110	17,000,000	-	17,000,000	-
Sanlam-4054059899	95,347,325	88,651,042	95,347,325	88,651,042
Interest Accrued	2,802,415	2,512,050	2,802,415	2,512,050
Investec -Fixed Deposit- 1400-121751-500	2,452,538	1,072,731	2,452,538	1,072,731
Investec -Fixed Deposit- 1400-121751-502	700,752	4,565,929	700,752	4,565,929
Investec -Fixed Deposit- 1400-121751-452	26,000,000	31,000,000	26,000,000	31,000,000
FNB Retention-74794690154	40,079,506	-	40,079,506	-
Total	434,719,438	431,094,432	434,717,764	431,077,542

12.3 Summary of call investments

The municipality has the following investments

ABSA	24,423,486	32,973,379
Nedbank	30,367,865	32,864,669
First National Bank	27,391,495	27,992,173
Standard Bank	29,227,990	30,794,777
Sanlam	95,347,325	88,651,042
Investec	29,153,290	36,638,659
Stanlib	146,435,746	136,868,704
FNB Retention	40,079,506	37,064,528

* See Note 40

Nkangala District Municipality

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Notes to the Annual Financial Statements

	2019	2018 Restated*
12. Cash and cash equivalents (continued)		
Accrued Interest	2,802,415	2,512,050
	425,229,118	426,359,981
13. Other financial liabilities		
At amortised cost		
DBSA Short Term Portion	1,588,511	3,223,175
DBSA Long Term Portion	-	1,542,534
	1,588,511	4,765,709
Total other financial liabilities	1,588,511	4,765,709

The loan was obtained from Development Bank Of Southern Africa in the financial year ended 30 June 2000 exclusively for the construction of various infrastructure programme. The municipality will settle the loan by means of the last payment instalment on 30 September 2019 .. The loan bears interest at the nominal fixed rate of 15,75% per annum

Non-current liabilities

At amortised cost	-	1,542,534
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Current liabilities

At amortised cost	1,588,511	3,223,175
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Financial liabilities at armortised cost

Reconciliation of financial liabilities

Reconciliation of DBSA - 2019

	Opening balance	Redeemed during the year	Closing Balance	Short Term Portion
DBSA:1996@ 6 months JIBAR plus 2% redeemable at 30/09/2019	4,765,709	(3,177,198)	1,588,511	1,588,511

Reconciliation of DBSA - 2018

	Opening balance	Redeemed during the year	Closing Balance	Short Term Portion	Long Term Portion
DBSA:1996@ 6 months JIBAR plus 2% redeemable at 30/09/2019	7,939,763	(3,174,054)	4,765,706	3,223,175	1,542,534

* See Note 40

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	2019	2018 Restated*
14. Finance lease obligation		
Minimum lease payments due		
- within one year	695,040	594,121
- in second to fifth year inclusive	529,690	1,039,710
	<u>1,224,730</u>	<u>1,633,831</u>
less: future finance charges	(121,689)	(240,299)
Present value of minimum lease payments	<u>1,103,041</u>	<u>1,393,532</u>
Present value of minimum lease payments due		
- within one year	512,227	456,471
	<u>512,227</u>	<u>456,471</u>
Non-current liabilities	504,636	937,061
Current liabilities	598,405	456,471
	<u>1,103,041</u>	<u>1,393,532</u>

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 30 to 36 months and the average effective borrowing rate was 11.84% (2018 : 11.84%)

15. Provision for legal proceedings

Provision for legal proceedings		
Provisions for legal costs	157,000	-
	<u>157,000</u>	<u>-</u>

16. Payables from exchange transactions

Trade payables	28,177,147	10,409,930
Advance Payments	20,189	8,221
Retentions	10,775,670	16,898,298
Accrued leave pay	8,703,792	8,632,099
	<u>47,676,798</u>	<u>35,948,548</u>

17. Deposits

Rental of facilities	12,030	12,030
	<u>12,030</u>	<u>12,030</u>

Deposits relates to rental of NDM facilities.

18. Defined benefit obligations

Projected accrued liability

The post-employment medical aid benefits are provided for 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 reporting date. The following is a reconciliation of the unfunded accrued liability:

* See Note 40

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Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

	2019	2018 Restated*
18. Defined benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Opening Balance	18,544,406	18,165,138
Current service cost	1,683,700	1,703,976
Interest cost	1,796,300	1,805,129
Actuarial (gain)/loss	(8,344,606)	(2,893,899)
Employer benefit payments	(286,761)	(235,938)
	13,393,039	18,544,406
Non-current liabilities	13,107,490	18,257,645
Current liabilities	285,549	286,761
	13,393,039	18,544,406

Valuation method

The method used is called the "Projected unit credit method". Under this method the accrued service liabilities are determined by projecting all future payments which will be made by the employer in respect of benefits accrued up to the valuation date. Assumptions are made in respect of, inter-alia, medical scheme contribution increases, withdrawals, deaths and ill-health, early and normal retirements. These payments are discounted at the valuation rate of discount to determine the present value of the liabilities at the valuation date.]

* See Note 40

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Notes to the Annual Financial Statements

2019

2018
Restated*

18. Defined benefit obligations (continued)

Key assumptions used

The following key assumptions were used to calculate the unfunded accrued liability and the expense figures for the current financial year:

Assumption	2019 value p.a.	2018 value p.a.
Discount rate	9.64 %	9.76 %
Health care cost inflation	7.04 %	7.50 %
Net effective discount cost	2.43 %	2.10 %
Salary inflation rate	4.91 %	5.25 %

Sensitivity Analysis

The liability at the Valuation Date was recalculated to show the effect of:

- A 1% increase and decrease in the assumed rate of health care cost inflation;
- A 1% increase and decrease in the discount rate
- A one year age reduction in the assumed rates of post-retirement mortality;
- A one year decrease in the assumed average retirement age; and]
- A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement

The table below summarises the results of the sensitivity on the accrued liability:

	Changes in Assumptions	In-service RMillion	Continuation		
Central assumptions		9.419	3.974	13.393	-
Health care inflation	+1%	10.371	4.245	14.616	9%
	-1%	8.183	3.635	11.818	-12%
Discount rate	+1%	7.806	3.605	11.410	-15%
	-1%	11.530	4.418	15.947	19%
Post retirement mortality	-1 yr	9.659	4.099	13.758	3%
Average retirement age	-1 yr	10.228	3.974	14.202	6%
Continuation of membership at retirement	-10%	8.257	3.974	12.231	-9%

The table below summarises the results of the sensitivity analysis on the current service and interest costs for the year ending June 30, 2019.

	Changes in Assumptions	In-service RMillion	Interest Cost		
Central assumptions	+1%	1 683 700	1 796 300	3 480 000	
Health care inflation	-1%	1 811 900	1 925 800	3 737 700	7%
	+1%	1 470 500	1 618 900	3 089 400	-11%
Discount rate	-1%	1 361 100	1 696 100	3 057 200	-12%
	+1%	2 109 600	4.366	4 015 600	15%
Post retirement mortality	-1yr	1 721 200	1 842 000	3 563 200	2%

* See Note 40

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2019

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2019

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Restated*

18. Defined benefit obligations (continued)

Average retirement age	-1yr	1 853 600	1 911 000	3 764 600	8%
Continuation of membership at retirement	-10%	1 525 000	1 658 300	3 183 300	-9%

The basis on which the discount rate has been determined is as follow: [state basis]

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

Reconciliation of movement in post-employment medical aid benefit long term portion

Balance at the beginning of the year	18,257,645	17,929,200
Contributions to post employment medical aid benefit	(4,863,340)	615,206
Transfer to the current post employment medical aid benefit.	(286,815)	(286,761)
	13,107,490	18,257,645

Post retirement medical benefits projection for the year

	Year ending 30 June 2021	Year ending 30 June 2020
Opening balance	15,694,029	13,393,044
Current service cost	1,435,075	1,308,897
Interest cost	1,498,511	1,277,642
Expected employer benefit payments	(305,657)	(285,554)
	18,321,958	15,694,029
Current liability	305,657	285,554
Non-current liability	18,016,301	15,408,475
	18,321,958	15,694,029

Amounts for the current and previous four years are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Present value of accrual	13,393,039	18,544,406	18,165,138	16,146,640	13,798,769

* See Note 40

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Notes to the Annual Financial Statements

	2019	2018 Restated*
19. Long service awards		
Long service awards		
Opening Balance	3,241,045	2,691,455
Current service costs	649,413	530,163
Interest cost	254,005	210,034
Actuarial (gain)/ loss	890,684	245,057
Expected employer benefits payments	(573,014)	(435,664)
	4,462,133	3,241,045
Non-current liabilities	4,159,162	2,668,031
Current liabilities	302,971	573,014
	4,462,133	3,241,045

Key financial assumptions

The following key financial assumptions were used to calculate the unfunded accrued liability and the expense figures for the current year.

Assumption	2019 value p.a	2018 value p.a
Discount rate	8.38%	8.58%
Health care cost rate		
Net effective discount rate	2.55%	2.26%
Salary inflation rate	5.69%	6.18%

Sensitivity Analysis

The liability at the valuation date was recalculated to show the effect of:

- i) A 1% increase and decrease in the assumed general salary inflation rate;
- ii) A 1% increase and decrease in the discount rate;
- iii) A two-year decrease and increase in the assumed average retirement age of employees; and
- iv) A 50% decrease in the assumed withdrawal rates from service.

The table on the next page summarises the results of the sensitivity on the accrued liability:

Assumption	Changes in Assumptions	Liability R' Million	% Change
Central assumptions		4.462	
General salary inflation	+1%	4.827	8%
	-1%	4.137	-7%
Discount rate	+1%	4.128	-7%
	-1%	4.843	9%
Average retirement age	-2 yrs	4.126	-8%
	+2 yrs	4.822	8%
Withdrawals rate	-50 yrs	5.380	21%

The table below summarises the results of the sensitivity analysis on the current service and interest costs for the year ending 30 June 2019:

Assumption	Changes in Assumptions	Current-Svc. Cost	Interest Cost	Total	% Change
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* See Note 40

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

2019

2018
Restated*

19. Long service awards (continued)

Central assumptions		649 400	254 000	903 400	
General salary inflation	+1%	704 500	272 700	977 200	8%
	-1%	600 200	237 100	837 300	-7%
Discount rate	+1%	604 200	264 200	868 400	-4%
	-1%	700 800	241 700	942 500	4%
Average retirement age	-2 yrs	603 500	230 600	834 100	-8%
	+2 yrs	707 900	276 700	984 600	9%
Withdrawals rate	-50 yrs	913 800	331 100	1 244 900	38%

Reconciliation of movement in long service awards provision-Long term portion

Reconciliation of movement in long service awards provision-Long term portion

Balance at the beginning of the year	2,668,031	2,255,791
Contribution to long service benefit	1,794,102	985,254
Transfer to current long service benefit	(302,971)	(573,014)
	4,159,162	2,668,031

Long service award benefit projections for the year

	Year ending 30 June 2021	Year ending 30 June 2020
Opening balance	5,466,950	4,462,133
Current service cost	1,025,600	946,300
Interest cost	440,954	361,488
Expected employer benefit payments	(418,348)	(302,971)
	6,515,156	5,466,950
Current liability	418,348	302,971
Non-current liability	6,096,808	5,163,979
	6,515,156	5,466,950

Amount of the current and previous four years are as follows

	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Present value	4 462 133	3 241 045	2691 455	2 555 244	1 247 286
accrual					

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Rural Road Asset Management Systems Grant	446,815	-
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The purpose of the grant as stated in the Division of Revenue Act (DORA) is to assist rural district municipalities in setting up their road asset management systems, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA).

* See Note 40

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	2019	2018 Restated*
21. Interest Revenue		
Interest revenue		
Short term Investments and Call Accounts	41,859,418	42,211,576
Bank accounts	547,859	501,864
	<u>42,407,277</u>	<u>42,713,440</u>
22. Rental of Fixed Assets		
Premises		
Buildings	42,364	37,638
23. Operational Revenue		
Commision	24,409	21,664
Handling fees	652	1,138
Insurance Refund	13,827	-
Breakages and Losses Recovered	500	-
Request for access of information	634	121
Skills development	255,160	467,091
Staff Recoveries	56,089	-
	<u>351,271</u>	<u>490,014</u>

* See Note 40

Nkangala District Municipality

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Notes to the Annual Financial Statements

	2019	2018 Restated*
24. Government grants and subsidies		
Operating grants		
Equitable share	343,962,000	339,056,000
Financial Management Grant	1,000,000	1,250,000
Expanded Public Works Programme Intergrated Grant.	3,626,000	4,182,000
	<u>348,588,000</u>	<u>344,488,000</u>
Capital grants		
Rural Road Asset Management System Grant	1,733,185	2,175,000
	<u>350,321,185</u>	<u>346,663,000</u>
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	6,359,185	7,607,000
Unconditional grants received	343,962,000	339,056,000
	<u>350,321,185</u>	<u>346,663,000</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services.		
Rural Road Asset Management Systems Grant		
Current-year receipts	2,180,000	2,175,000
Conditions met - transferred to revenue	(1,733,185)	(2,175,000)
	<u>446,815</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 20).		
Financial Management Grant		
Current-year receipts	1,000,000	1,250,000
Conditions met - transferred to revenue	(1,000,000)	(1,250,000)
	<u>-</u>	<u>-</u>
Expanded Public Works Programme Intergrated Grant.		
Current-year receipts	3,626,000	4,182,000
Conditions met - transferred to revenue	(3,626,000)	(4,182,000)
	<u>-</u>	<u>-</u>

* See Note 40

Nkangala District Municipality

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Notes to the Annual Financial Statements

	2019	2018 Restated*
25. Total Revenue		
Sale of goods	619,779	195,304
Rental of facilities and equipment	42,364	37,638
Licences and Permits (Non-exchange)	972,884	983,393
Operational revenue	351,271	490,014
Interest revenue	42,407,277	42,713,440
Transfers & subsidies	350,321,185	346,663,000
Public contributions and donations	47,686	-
Fines, Penalties and Forfeits	1,484,201	1,012,262
	396,246,647	392,095,051
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	619,779	195,304
Rental of facilities and equipment	42,364	37,638
Operational revenue	351,271	490,014
Interest revenue	42,407,277	42,713,440
	43,420,691	43,436,396
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Licences or permits	972,884	983,393
Transfer revenue		
Government grants & subsidies	350,321,185	346,663,000
Public contributions and donations	47,686	-
Fines, Penalties and Forfeits	1,484,201	1,012,262
	352,825,956	348,658,655

* See Note 40

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	2019	2018 Restated*
26. Employee related costs		
Basic Salary and Wages	84,972,396	74,818,033
Salaries Wages and Allowances: Bonuses	6,705,800	5,902,982
Social Contributions: Medical	7,349,523	6,491,409
Social Contributions: Unemployment Insurance	458,672	420,357
Leave pay provision charge	2,497,322	3,916,808
Social Contributions: Pension	14,538,447	12,653,449
Allowance: Overtime	5,864,862	4,215,464
Allowance: Service Related Benefits: Long Service Award	847,988	880,728
Allowance: Acting and Post Related Allowances	623,502	572,758
Allowance: Travel or Motor Vehicle	10,748,053	10,050,649
Allowance: Housing Benefits and Incidental: Housing Benefits	610,178	543,126
Standby Allowance	20,929	-
Social Contributions: Group Life Insurance	802,951	715,421
Allowance: Cellular and Telephone	1,499,971	1,332,152
Social Contributions: Bargaining Council	26,173	22,755
Post-retirement Benefit: Medical	3,471,280	3,539,104
	141,038,047	126,075,195
Remuneration of Municipal Manager		
Annual Remuneration	1,253,618	1,181,864
Performance Bonuses	112,808	106,848
Contribution to UIF, Medical and Pension Funds	324,955	309,784
Cellphone Allowance	39,600	39,600
Car Allowance	120,000	138,526
Leave Pay	101,914	253,403
	1,952,895	2,030,025
Remuneration of Chief Finance Officer		
Annual Remuneration	1,049,798	988,370
Car Allowance	126,000	139,019
Performance Bonuses	105,395	74,642
Contributions to UIF, Medical and Pension Funds	212,781	203,067
Cellphone Allowance	27,600	27,600
Leave Pay	66,652	63,237
Acting Allowance	4,497	15,967
Long Service Allowance	-	16,470
	1,592,723	1,528,372
General Manager Planning and Economic Development		
Annual Remuneration	925,781	434,839
Car Allowance	144,000	72,000
Contributions to UIF, Medical and Pension Funds	137,680	65,960
Cellphone Allowance	27,600	13,800
Leave Pay	57,958	27,494
	1,293,019	614,093
Remuneration of Manager: Corporate Services		

* See Note 40

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Notes to the Annual Financial Statements

	2019	2018 Restated*
26. Employee related costs (continued)		
Annual Remuneration	1,109,570	611,167
Car Allowance	96,000	56,000
Contributions to UIF, Medical and Pension Funds	1,890	1,099
Acting Allowance	401	-
CellPhone Allowance	27,600	16,100
Leave Pay	57,958	32,077
	1,293,419	716,443

* See Note 40

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Notes to the Annual Financial Statements

	2019	2018 Restated*
26. Employee related costs (continued)		
Remuneration of Manager: Technical Services		
Annual Remuneration	278,927	170,619
Car Allowance	40,000	21,747
Contributions to UIF, Medical and Pension Funds	23,187	166
Cellphone Allowance	9,200	4,600
Leave Pay	16,421	27,494
	367,735	224,626
Remuneration of Manager: Social Services		
Annual Remuneration	831,503	778,635
Car Allowance	183,901	197,142
Performance Bonuses	57,280	21,635
Contributions to UIF, Medical and Pension Funds	192,055	183,408
Acting Allowance	423	3,013
Cellphone Allowance	27,600	27,600
Leave Pay	57,958	107,136
	1,350,720	1,318,569
27. Remuneration of councillors		
Councillors	8,433,177	7,896,773
Councillors' pension contribution	962,705	969,345
Councillors medical and other contributions	4,789,084	4,653,384
	14,184,966	13,519,502

* See Note 40

Nkangala District Municipality

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Notes to the Annual Financial Statements

	2019	2018 Restated*
27. Remuneration of councillors (continued)		
In-kind benefits		
The Executive Mayor, 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 and the Speaker have the use of the Council owned vehicles for official duties.		
Remuneration of the Executive Mayor		
Annual Remuneration	842,190	740,881
Car Allowance	136,840	123,000
Cellphone Allowance	43,256	43,500
Contribution to UIF, Medical and Pension Funds	27,697	104,127
	1,049,983	1,011,508
Remuneration of the Speaker		
Annual Remuneration	518,802	498,183
Car Allowance	201,346	193,601
Cellphone Allowance	43,256	44,400
Contribution to UIF, Medical and Pension Funds	85,234	82,621
	848,638	818,805
Remuneration of the Chief Whip		
Annual Remuneration	513,851	493,423
Car Allowance	188,761	181,501
Cellphone Allowance	43,256	44,400
Contribution to UIF, Medical and Pension Funds and Skills levy	52,433	51,081
	798,301	770,405
Remuneration of the Mayoral Committee Members		
Annual Remuneration	2,703,301	2,642,734
Car Allowance	1,072,801	1,027,787
Cellphone Allowance	245,176	252,500
Contribution to UIF, Medical and Pension Funds	532,382	461,720
	4,553,660	4,384,741
Remuneration of other Councillors		
Annual Remuneration	4,368,884	4,014,974
Car Allowance	1,509,049	1,381,204
Cellphone Allowance	564,087	648,374
Contribution to UIF, Medical and Pension Funds	492,362	489,491
	6,934,382	6,534,043
28. Depreciation and amortisation		
Property, plant and equipment	14,747,685	10,469,684
Intangible assets	872,464	103,388
	15,620,149	10,573,072

* See Note 40

Nkangala District Municipality

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Notes to the Annual Financial Statements

	2019	2018 Restated*
29. Interest expense		
Finance leases	152,753	47,313
Current borrowings	365,992	732,337
	518,745	779,650
30. Debt impairment		
Debt impairment	-	4,373
31. Inventory Consumed		
Inventory Consumed	4,351,553	3,790,568
Materials and supplies all directly expensed and no stores in place.		
32. Contracted services		
Outsourced Services		
Administrative and Support Staff	2,640,083	1,985,353
Professional Staff	-	180,385
Business and Advisory	3,244,468	1,830,602
Cleaning Services	1,342,405	1,232,779
Translators, Scribes and Editors	34,550	24,502
Consultants and Professional Services		
Business and Advisory	9,485,375	8,763,404
Infrastructure and Planning	739,820	1,943
Laboratory Services	1,655,298	2,396,320
Legal Cost	3,563,592	2,646,843
Contractors		
Artists and Performers	119,125	28,800
Audio-visual Services	-	99,800
Catering Services	5,777,063	5,421,902
Employee Wellness	368,487	353,510
Event Promoters	62,332	45,000
Fire Protection	370,397	300,866
Gardening Services	1,053,107	1,136,357
Graphic Designers	84,702	61,536
Maintenance of Buildings and Facilities	3,838,059	2,960,799
Maintenance of Equipment	1,911,598	1,233,738
Maintenance of Unspecified Assets	6,482,340	4,306,502
Pest Control and Fumigation	80,000	-
Plants, Flowers and Other Decorations	390,720	169,808
Transportation	1,197,864	1,158,539
Safeguard and Security	3,183,260	2,732,808
Stage and Sound Crew	673,432	266,166
	48,298,077	39,338,262

* See Note 40

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Notes to the Annual Financial Statements

	2019	2018 Restated*
33. Operational Costs		
Advertising Publicity and Marketing	3,040,651	2,715,618
Bank Charges Facility and Card Fees	926,120	816,935
Communication	5,243,959	4,019,981
Courier and Delivery Services	2,827	2,270
External Computer Service	2,611,124	4,919,072
Hire Charges	100,870	-
Insurance Underwriting	800,638	533,332
Learnership and internships	456,711	520,418
Motor vehicle expenses	73,123	106,873
Municipal Services - Rates, Water & Electricity	3,662,758	3,019,579
Printing. Publications and Books	460,070	564,702
Uniform and Protective Clothing	2,788,738	1,947,805
Registration Fees	2,132,384	2,913,592
Samples and Specimens	5,867	-
Seating Allowance for Traditional Leaders	37,500	-
Skills Development Fund Levy	1,212,707	1,078,419
Subscriptions and membership fees	127,104	353,919
Toll Gate Fees	118,169	180,555
Transport Provided as Part of Departmental Activities	646,709	1,786,886
Travel Agency Fees	382,185	290,946
Travel and Subsistence	7,719,253	6,372,391
Wet Fuel	1,354,418	1,222,326
Workmen's Compensation Fund	766,637	590,599
	34,670,522	33,956,218
34. Operating lease		
Lease rentals on operating lease		
Operating lease payments	1,948,855	1,122,000
Operating lease expense refers to the Performance Management System, Risk Management System and Electronic Document Management System that the Municipality is renting.		
35. Transfers and subsidies		
Operational		
Community and Social Services	5,893,790	5,536,781
Environmental Protection	-	335,680
Finance and Admin	7,629,950	7,813,277
Planning and Development	27,243,893	21,645,750
Road Transport	1,533,330	2,323,075
Water	-	3,177,743
	42,300,963	40,832,306
Capital		
Community and Social Services	-	5,516,985
Planning and Development	18,667,464	20,822,200
Public Safety	-	10,677,245
Road Transport	7,815,506	76,576,575
Waste Water Management	32,279,465	7,622,325
Water	45,723,188	14,362,926
	104,485,623	135,578,256

* See Note 40

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Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

	2019	2018 Restated*
35. Transfers and subsidies (continued)		
	<u>146,786,586</u>	<u>176,410,562</u>
Transfers and Subsidies paid classified by region		
General	18,731,320	21,830,060
Dr JS Moroka	21,591,289	37,112,224
Emakhazeni	16,050,927	40,861,402
Emalaheni	59,199,428	12,382,268
Steve Tshwete	17,903,233	1,866,830
Thembisile Hani	7,358,699	56,505,259
Victor Khanye	5,951,691	5,852,519
	<u>146,786,587</u>	<u>176,410,562</u>
WIP transfer from Inventories to Transfers and subsidies		
Dr JS Moroka	13,438,411	39,519,766
Emakhazeni	6,082,405	10,163,224
Emalaheni	42,853,557	7,996,148
Steve Tshwete	2,182,711	917,331
Thembisile Hani	1,913,336	30,463,662
Victor Khanye	21,027,156	14,033,867
	<u>87,497,576</u>	<u>103,093,998</u>
WIP Transfer to Inventory from Transfers and subsidies		
Dr JS Moroka	6,770,626	13,438,411
Emakhazeni	10,904,755	6,082,405
Emalaheni	2,393,358	42,853,557
Steve Tshwete	2,273,079	2,182,711
Thembisile Hani	16,983,256	1,913,336
Victor Khanye	26,298,020	21,027,156
	<u>65,623,094</u>	<u>87,497,576</u>
Net non-cash movement of transfers and subsidies	<u>21,874,482</u>	<u>15,596,423</u>

* See Note 40

Nkangala District Municipality

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Notes to the Annual Financial Statements

	2019	2018 Restated*
36. Cash generated from operations		
Deficit	(3,863,323)	(10,877,193)
Adjustments for:		
Depreciation and amortisation	15,620,149	10,573,072
Loss on sale of assets and liabilities	59,037	6,672
Debt impairment	-	4,373
Movements in employee benefits	(5,151,367)	379,268
Movements in provisions	1,221,088	549,590
Less : Prior year accrued interest	(138,107)	(227,101)
Add: Current year accrued interest	45,977	138,107
Donations	(47,686)	-
Movement in provision for legal proceedings	157,000	-
Changes in working capital:		
Inventories	21,874,481	15,596,423
Consumer debtors	(139,986)	70,302
Prepayments	455,535	(236,959)
Construction contracts and receivables	-	648
Payables from exchange transactions	11,728,250	(20,511,962)
VAT	(11,393,433)	5,309,361
Unspent conditional grants and receipts	446,815	-
Consumer deposits	-	2,000
	30,874,430	776,601

* See Note 40

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Notes to the Annual Financial Statements

	2019	2018 Restated*
37. Commitments		
Authorised capital expenditure		
Contracted and Authorised by Accounting Officer		
• Property, plant and equipment	8,422,099	17,687,862
Total capital commitments		
Contracted and Authorised by Accounting Officer	8,422,099	17,687,862
Authorised operational expenditure		
Already contracted for but not provided for		
• Victor Khanye	5,020,568	9,900,381
• Dr JS Moroka	5,717,016	5,663,220
• Emalahleni	7,388,179	11,014,301
• Steve Tshwete	4,254,000	1,559,948
• Emakhazeni	2,962,249	11,242,228
• Thembisile Hani	21,950,742	4,120,148
• Nkangala	26,039,158	21,310,723
	73,331,912	64,810,949
Total operational commitments		
Already contracted for but not provided for	73,331,912	64,810,949
Total commitments		
Total commitments		
Authorised capital expenditure	8,422,099	17,687,862
Authorised operational expenditure	73,331,912	64,810,949
	81,754,011	82,498,811

The district municipality entered into contracts with service providers to construct projects, which will subsequently be transferred to local municipalities on completion.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	2,532,077	1,224,000
- in second to fifth year inclusive	1,169,846	1,326,000
	3,701,923	2,550,000

Operating lease payments refers to the Performance Management System, Risk Management System and Electronic Document Management System that the Municipality is renting. No contingent rent is payable.

* See Note 40

Nkangala District Municipality

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Notes to the Annual Financial Statements

	2019	2018 Restated*
38. Contingencies		
Contingent Liabilities		
J Ntuli	-	1,850,000
TC Makola	1,960,000	1,960,000
Pipe Jack Gauteng	-	2,198,495
MSB Seretse	1,553,500	1,553,500
Diamond Ntuli	90,000	90,000
Magiya Women Development	2,187,705	1,887,705
Messrs BTW	846,899	-
	6,638,104	9,539,700

(i) Mrs J Ntuli is claiming an amount of R 1550 000 for personal damages suffered due to her falling into an open trench in the area of Boekenhoutdoek, KwaNdebele. Legal costs are estimated at R300 000. The parties reached an amicable settlement of the matter and the matter was settled by means of NDM paying to Mrs J Ntuli an amount in the sum of R150 000.00 in full and final settlement of the dispute.

(ii) TC Mokola is claiming to be paid an amount of R 1560 000.00 and legal fees R400 000 due to the loss of office suffered whilst he was still a municipal manager of NDM.

(iii) Messrs Pipe Jack (Pty) is suing NDM an amount of R 1 898 495 for outstanding contract price due to the work done at NDM. Legal costs are estimated at R299 999.51. The parties reached an amicable settlement of the matter and the matter was settled by means of NDM paying to Pipe Jack an amount in the sum of R 900 000.00 in full and final settlement of the dispute.

(iv) MSB Seretse has instituted a civil claim against NDM and other for an amount of R 1 253 500 for compensation, medical expenses and loss of income. Legal costs are estimated at R300 000.

(v) Mr Diamond Ntuli is suing NDM an amount of R 45 000 for loss of Councillor allowances from September 2014 to the date of reinstatement. Legal costs are estimated at R45 000

(vi) Messrs Magiya Women Development is suing NDM an amount of R 1 887 705 for termination of contract done in December 2015 in accordance with the GCC and legal costs of R300 000.

(vii) Messrs BTW has referred a complaint to the public protector of non-payment of its invoices for an amount of R846 899 for a period dating as far back as 2002 to 2007 for the works done under 5 projects for which Messrs BTW was appointed by the Municipality. There is no implication of legal costs at this stage.

39. Related parties

Other than the related parties included in note 26, 27 and 35 the municipality do not have any other related parties. No transactions occurred with related parties that were not at arm's length or not in the ordinary course of business.

When the municipality enters into agreements with service providers who made declarations that close family members or directors are in service of the State. The municipality considers the transactions to be at an arms length and in the ordinary course of business

40. Prior-year error adjustments

Statement of financial position

* See Note 40

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

		2019	2018 Restated*
40. Prior-year error adjustments (continued)			
2017			
	Note	As previously reported	Correction of error
Cash and cash equivalents	12	457,901,357	29,620
Accumulated surplus		(693,987,623)	(29,620)
		(236,086,266)	-
			(236,086,266)
2018			
	Note	As previously reported	Correction of error
Retentions	16	(16,483,311)	(414,987)
Vat Receivable	9	6,309,479	360,187
Trade Payables	16	(10,311,356)	(98,576)
Leave accrual	16	(8,633,684)	1,585
Cash and cash equivalents	12	430,933,051	154,690
Accumulated surplus		(683,386,009)	245,927
Operating leases	8	-	(248,826)
Property, plant and equipment	3	164,387,909	(1,032,843)
Intangibles	4	7,380,004	1,032,843
Prepayments	10	447,885	7,650
Advance Payments	16	(571)	(7,650)
		(109,356,603)	-
			(109,356,601)
Statement of financial performance			
2018			
	Note	As previously reported	Correction of error
Fines, penalties and forfeits		1,269,617	(257,355)
Employee costs	26	(123,427,938)	1,585
Contacted services	32	(39,089,405)	(248,857)
Operational costs	33	(33,272,273)	(683,945)
Interest revenue	21	41,755,434	958,006
Fair value adjustments		-	(45,012)
Net loss		10,601,615	275,578
		(142,162,950)	-
			(142,162,950)
Cash flow statement			

* See Note 40

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

		2019	2018 Restated*	
40. Prior-year error adjustments (continued)				
2018				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Other non-cash items		-	-	-
Vat		5,669,548	(360,187)	5,309,361
Trade and other payables		(21,031,620)	519,658	(20,511,962)
		<u>(15,362,072)</u>	<u>159,471</u>	<u>(15,202,601)</u>
Cash flow from investing activities				
Purchases of property and equipment		(17,103,996)	1,499,675	(15,604,321)
Cash flow from financing activities				
Finance lease receipts		1,499,675	(1,499,675)	-

Errors

The following prior period errors adjustments occurred.

Stanlib opening balance was corrected and accrued interest was recognised. Effect on Cash and cash equivalents and Accumulated surplus is R29 620.26

Retentions were erroneously recognised as forfeits. Effect on Trade payables and Revenue is R98 576.21

Biometric asset of R1 032 844 was incorrectly recorded as machinery and equipment instead of intangible asset.

Correction of VAT and erroneous recognition of unclaimed money in revenue. Effect on VAT is R256 207.85, on Trade Payables is R414 986.85 and on Revenue is R158 779.

Correction of prepaid debtor previously recognised in debtors to advance payment current liability. Effect on Trade and other receivables and Trade and other payables is R7 650.

Correction of operating lease smoothing that was not recognised in 2018. Effect on Current liabilities and Contracted services R248 857.14.

Leave accrued was incorrectly calculated in 2018. Effect on Current liabilities and Employee related costs is R1 584.65.

Correction of accrued interest, VAT, management fees on the investments and investments. Effect on Cash and cash equivalents is R125 069.49, VAT R103 979 .46, Bank charges R683 945.16 Interest R958 006.30, Fair value adjustment R45 012.19.

* See Note 40

Nkangala District Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2019 2018

41. Comparative figures

Certain comparative figures have been reclassified.

[The purpose of the reclassification was to align the comparative figures to the correct classification.

The effects of the reclassification are as follows:

Statement of financial performance - extract

	Comparative figures previously reported	Reclassifi- cation	After reclassification
Contracted Services	-	-	-
Contractors- Translators	24,502	(24,502)	-
Outsourced Services- Translators, Scribes and Editors	-	24,502	24,502
Employee costs after correction of error	(123,426,353)	(2,648,842)	(126,075,195)
Gain/loses	-	2,648,842	2,648,842
Total	(123,401,851)	-	(123,401,851)

42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's risk management policies are established and analyse the risks faced by the municipality, to set up limits and controls to monitor risks and adherence to limits. The risk management policy is reviewed annually and a risk assessment is performed annually and monitored regularly to effect changes in the municipality's activities and risk profile..

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1,542,534	-	-	-
Finance leases	512,230	424,830	-	-
At June 30, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	3,085,068	1,542,534	-	-
Finance Leases	594,120	512,230	424,830	-

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Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

42. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Trade and other receivables from exchange transaction	228,084	88,098
Investments	54,004,297	49,218,878
Cash and cash equivalents	434,727,963	430,933,050
Prepayments	-	455,535

Market risk

Interest rate risk

Nkangala District Municipality is exposed to interest rate risk on one of its long term borrowings, namely the Development Bank of South Africa loan conditions set on 6 months JIBAR - 2%.

Nkangala District Municipality has a long term investment in the form of a promissory note. The municipality's interest rate risk arises from long-term borrowings which are issued at variable rates thereby exposing the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

43. Going concern

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

44. Irregular expenditure

Opening balance	3,553,770	800,683
Opening balance as restated	3,553,770	800,683
Add: Irregular Expenditure - current year	330,825	38,775
Less: Amounts written off by Council	-	(738,306)
Add: Amounts identified during the audit	-	3,482,541
Less: Amount recovered.	-	(29,923)
Closing balance	3,884,595	3,553,770
Analysis of irregular expenditure		
Current year	-	3,521,315
Prior years	3,884,595	800,683
	3,884,595	4,321,998

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Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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44. Irregular expenditure (continued)

Cases under investigation

The irregular occurred as result of procurement processes which occurred that were not in line with various pieces of legislations and regulations.

The matters have been investigated by internal audit unit of the municipality and are currently awaiting council decisions on the final treatment and finalisation which is envisaged to be finalized in the 2020 financial year.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,446,119	1,371,933
Amount paid - current year	(1,446,119)	(1,371,933)
	<u>-</u>	<u>-</u>

Audit fees

Current year subscription / fee	3,922,878	3,780,506
Amount paid - current year	(3,922,878)	(3,780,506)
	<u>-</u>	<u>-</u>

PAYE and UIF

Current year subscription / fee	26,377,264	20,658,917
Amount paid - current year	(26,377,264)	(20,658,917)
	<u>-</u>	<u>-</u>

Pension and Medical Aid Deductions

Current year subscription / fee	26,162,113	20,333,900
Amount paid - current year	(26,162,113)	(20,333,900)
	<u>-</u>	<u>-</u>

46. Deviation from supply chain management regulations

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

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

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Annual Financial Statements for the year ended June 30, 2019

DMS 00/00/2018							
SUPPLY CHAIN MANAGEMENT IMPLEMENTATION: ANNUAL REPORT FOR THE YEAR ENDING 30 JUNE 2019							
REPORT OF THE GENERAL MANAGER FINANCE							
5	Paragraph 57 of the SCM Policy: Deviation from, ratification of minor breaches of procurement process and emergencies:						
Deviation Report for Year ending June 2019							
N o.	Descript ion Of Services Required	Reque sting Depart ment	Appro ved Service Provider	Value Of Project / Services / Goods	Date Of Decisi on	Reasons For Deviation	
						Departm ent	Am: SCM
1	Attending Conference with Institute of Internal Audit	Internal Audit	Institute of Internal Audit	R 46 460.00	12/07/2018	The conference is offered by the Institute of Internal Audit	Services available from single provider
2	Radio Broadcasting in the area of Nkangala District	Corporate Services	Mpumalanga Community Radio Forum	R 53 400.00	26/07/2018	The service provider covers the large intended audience in our area of jurisdiction and because of their language they use.	Services available from single provider
3	Attending Conference with Institute of People Management	Corporate Services	Institute of People Management	R 10 925.00	11/07/2018	Institute of People Management is the only provider for the said convention	Services available from single provider
4	Continuation of studies for NE Zulu (Bachelor of Commerce)	Corporate Services	UNISA	R 5 760.00	18/07/2018	studying a Bachelor of commerce in financial management through Unisa	Services available from single provider

* See Note 40

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Supplementary Information

5	Continuation of studies for TW Machike (Bachelor of Arts)	Corporate Services	UNISA	R 7 340.00	27/07/2018	studying a Bachelor of Art in Policy Developmental studies through Unisa	Services available from single provider
6	Membership fees for Occupational Health and Safety Officer-Mr MR Mkulane	Corporate Services	SAIOSH	R 937.25	27/07/2018	Membership fees for Occupational Health and Safety Officer-Mr MR Mkulane	Impractical or impossible to follow official procurement processes
7	Continuation of studies for T Van Niekerk (Bachelor of Accounting)	Corporate Services	UNISA	R 4 320.00	27/07/2018	studying a Bachelor of Accounting science in financial accounting through Unisa	Services available from single provider
8	Continuation of studies for Ms Nkosi (Bachelor of Arts)	Corporate Services	UNISA	R 10 080.00	27/07/2018	Studying a Bachelor of Art in communication through Unisa	Services available from single provider
9	Studying the LLB Degree for MJ Nhlapho	Corporate Services	UNISA	R 5 880.00	27/07/2018	Studying a LLB degree through Unisa	Services available from single provider
10	Continuation of studies for Ms SO Mahlangu (Bachelor of Arts)	Corporate Services	UNISA	R 7 490.00	27/07/2018	Studying a Bachelor of Arts through Unisa	Services available from single provider
11	Continuation of studies for HB Nkosi (B.com HR)	Corporate Services	UNISA	R 5 760.00	31/07/2018	Studying a Bcomm HR Unisa	Services available from single provider

* See Note 40

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12	Mr SPL Myeni is registered with the Southern Business School for Bachelor of Business Administration Majoring in disaster risk reduction	Corporate Services	Southern Business School	R 5 740.00	25/07/2018	Mr SPL Myeni is registered with the Southern Business School for Bachelor of Business Administration Majoring in disaster risk reduction	Impractical or impossible to follow official procurement processes
13	Ms SE Nhlabathi is registered with the Southern Business School for Bachelor of Business Administration Majoring in project management and she completed 9 modules and she wants to register two	Corporate Services	Southern Business School	R 3 140.00	30/07/2018	Ms SE Nhlabathi is registered with the Southern Business School for Bachelor of Business Administration Majoring in project management and she completed 9 modules and she wants to register two	Impractical or impossible to follow official procurement processes
14	Munsoft ICT forum	Finance & ICT	Munsoft	R21 850.00	16/07/2018	only system vendor for the financial system & it is impractical to follow scm process	only system vendor for the financial system & it is impractical to follow scm process
15	Registration with Leadership academy on Internal Audit (Peggy Seerane)	Corporate Services	Guardians & Government	R25 254.00	23/08/2018	Registered with leadership academy on internal audit & completed 4 modules	Registered with leadership academy on internal audit & completed 4 modules
16	Registration with Leadership academy on Internal Audit (AM Twala)	Corporate Services	Guardians & Government	R21 960.00	23/08/2018	Identified the Internal Audit Technical I Leadership during the skills audit process the programme is also included on the institutional plan	in any other exceptional case where it is impractical or impossible to follow official procurement processes

* See Note 40

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17	national Lekgotla on National Women Caucus	Speakers office	SALGA	R 12 500.00	03/08/2018	SALGA is conducting National Women Caucus Lekgotla	Services available from single provider
18	Registration for advance diploma in Security Management with UNISA (JE Nkosi)	Corporate Services	UNISA	R 4 820.00	08/08/2018	Registration for advance diploma in Security Management with UNISA	in any other exceptional case where it is impractical or impossible to follow official procurement processes
19	Outstanding Balance for Chartered Institute of Government Finance, Audit and Risk	Office of the Municipal Manager	GCFAR O	R 870.00	07/08/2018	Outstanding Balance for Chartered Institute of Government Finance, Audit and Risk	in any other exceptional case where it is impractical or impossible to follow official procurement processes
20	Litigation matter against Bakone Power	legal Services	Ntuli Noble	R 3 504.00	08/08/2018	Ntuli Noble were appointed by council in the litigation of the matter of Bakone Power against which the municipality has obtained a court order for recovery of legal costs	in any other exceptional case where it is impractical or impossible to follow official procurement processes
21	Publication of the Emalahleni resolution on levying of property rates	legal Services	Government printers	R22 69.80	20/08/2018	Publication of the Emalahleni resolution on levying of property rates must be published on the Mpumalanga Provincial Government Gazette	Services available from single provider

* See Note 40

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22	Registration fee for annual conference	Finance	CIGFARO	R48 555.00	13/08/2018	Registration for annual conference	Services available from single provider
23	Registration fee and attendance of SASAE	Local Economic Development	SASAE	R 1 925.00	15/08/2018	Services available from single provider	Services available from single provider
24	Train race charity	Social Services	GTR for charity	R27 720.00	17/08/2018	Registration fees for train race	Services available from single provider
25	Postgrad Diploma in Business Management for Mokgolomotho M	Corporate Services	Regenesis	R 77 900.00	27/07/2018	Postgrad Diploma in Business Management for Mokgolomotho M	Impractical or impossible to follow official procurement processes
26	Registration with Leadership academy on Internal Audit (Jayvanty)	Corporate Services	Guardians & Government	R 7 812.00	05/09/2018	Registration with Leadership academy on Internal Audit (Jayvanty)	in any other exceptional case where it is impractical or impossible to follow official procurement processes
27	Continuation of studies for MP Manweli (Diploma in Fire Technology)	Corporate Services	Tshwane University of Technology	R 9 660.00	04/09/2018	Continuation of studies for MP Manweli (Diploma in Fire Technology)	in any other exceptional case where it is impractical or impossible to follow official procurement processes
28	Continuation of studies for Ms M Malele (Diploma in Fire Technology)	Corporate Services	Tshwane University of Technology	R 3 644.29	07/09/2018	Continuation of studies for Ms M Malele (Diploma in Fire Technology)	in any other exceptional case where it is impractical or impossible to follow official procurement processes

* See Note 40

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29	Continuation of studies for Mr Ramohale (Masters in Fire Technology)	Corporate Services	Tshwane University of Technology	R 18 590.00	07/09/2018	Continuation of studies for Mr Ramohale (Masters in Fire Technology)	in any other exceptional case where it is impractical or impossible to follow official procurement processes
30	Registration with Leadership academy on Internal Audit (K Masemola)	Corporate Services	Guardians & Government	R 25 254.00	07/09/2018	Registration with Leadership academy on Internal Audit (K Masemola)	in any other exceptional case where it is impractical or impossible to follow official procurement
31	Radio broadcasting for a period of 3 years	Corporate Services	Mpumalanga national radio forum	R 28 500.00	05/09/2018	The service provider covers and manages all local radio stations	in any other exceptional case where it is impractical or impossible to follow official procurement
32	Attending Conference with IRMSA	Risk Management	Institute of Risk Management SA	R 8 280.00	14/09/2018	Conference is hosted by IRMSA	Services available from single provider
33	Continuation of studies for MFMA	Corporate Services	Enterprises University of Pretoria	R99 360.00	18/09/2018	Continuation of studies for MFMA	in any other exceptional case where it is impractical or impossible to follow official procurement processes
34	Printing By-Laws	Legal	Government Printing	R 2 320.24	21/09/2018	Printing By-Laws	in any other exceptional case where it is impractical or impossible to follow official procurement processes
35	Registration with Lyceum College for Diploma in Fleet Management (MS Mabusela)	Corporate Services	Lyceum College	R16 110.00	07/09/2018	Registration with Lyceum College for Diploma in Fleet Management (MS Mabusela)	in any other exceptional case where it is impractical or impossible to follow official procurement processes

* See Note 40

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36	The antivirus renewal	ICT	BVI Network security service	R 51 577.50	01/10/2018	Kaspersky Endpoint Security is the current NDM installed Antivirus commissioned by BVI NetSec.	the interruption of essential services, including communication facilities or services critical to the effective functioning of the municipality as a whole
37	registration fee for LIASA conference	Corporate Services	LIASA	R 8 000.00	04/10/2018	LIASA is a professional body is the organiser and the only provider of the service for this conference	in any other exceptional case where it is impractical or impossible to follow official procurement processes
38	registration fee for OHASA conference	Corporate Services	OHASA	R 1 800.00	05/10/2018	OHASA is the organiser and the only provider of the oral history conference	Services available from single provider
39	Registration fee for Mr ML Mahlangu for Masters in Labour Law	Corporate Services	UNISA	R 5 320.00	11/10/2018	Registration fee for Mr ML Mahlangu for Masters in Labour Law	in any other exceptional case where it is impractical or impossible to follow official procurement processes
40	Registration fee for Ms G Mogorosi for Postgraduate Diploma in Monitoring & Evaluation	Corporate Services	Wits University	R 45 682.00	11/10/2018	Registration fee for Ms G Mogorosi for Postgraduate Diploma in Monitoring & Evaluation	in any other exceptional case where it is impractical or impossible to follow official procurement processes
41	Printing of Gazettes by Laws	Legal	Government printers	R 3 026.40	18/07/2018	Government printers is the sole provider that gazettes by laws	Services available from single provider

* See Note 40

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42	Registration fee for Mr SI Masilela for Bachelor of Commerce Degree in Supply chain	Corporate Services	MANCO SA	R 27 670.00	22/11/2018	Registration fee for Mr SI Masilela for Bachelor of Commerce Degree in Supply chain	in any other exceptional case where it is impractical or impossible to follow official procurement processes
43	Investigate fault and restore water supply in the bathrooms on the strip and quote (repairs and maintenance)	Investigate fault and restore water supply in the bathrooms on the strip and quote (repairs and maintenance)	Kelnoda trading	R 130 755.0	10/12/2018	Investigate fault and restore water supply in the bathrooms on the strip and quote (repairs and maintenance)	Repairs and maintenance - on strip and quote
44	Renewal of membership for AT Maseko with Institute of Information Technology Professions South Africa	ICT	Institute of Information Technology Professions South Africa (IITPSA)	R 950.00	22/08/2018	Renewal of membership for AT Maseko with Institute of Information Technology Professions South Africa	in any other exceptional case where it is impractical or impossible to follow official procurement processes
45	Registration with SALGA	Office of the Municipal Manager	SALGA	R20 000.00	12/09/2018	Registration with SALGA	Services available from single provider
46	Mr AT Maseko attending the symposium expo for ICT	ICT	Gartner	R 20 671.25	12/09/2018	Mr AT Maseko attending the symposium expo for ICT	in any other exceptional case where it is impractical or impossible to follow official procurement processes

* See Note 40

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47	Registration fee for Mr MJ Nhlapho for LLB Degree, he passed 4 modules	Corporate Services	UNISA	R6 280.00	28/01/2019	Registration fee for Mr MJ Nhlapho for LLB Degree, he passed 4 modules	in any other exceptional case where it is impractical or impossible to follow official procurement processes
48	Registration fee for Ms T Van Niekerk for Bachelor of Accounting Science, she passed 18 modules	Corporate Services	UNISA	R4 620.00	28/01/2019	Registration fee for Ms T Van Niekerk for Bachelor of Accounting Science, she passed 18 modules	in any other exceptional case where it is impractical or impossible to follow official procurement processes
49	Registration fee for Ms NP Maphalala for Bachelor of Accounting Science in Financial Accounting	Corporate Services	UNISA	R6 160.00	28/01/2019	Registration fee for Ms NP Maphalala for Bachelor of Accounting Science in Financial Accounting	in any other exceptional case where it is impractical or impossible to follow official procurement processes
50	Registration fee for Mr T Machike for Bachelor of Arts in Policy Developmental Studies	Corporate Services	UNISA	R7 820.00	28/01/2019	Registration fee for Mr T Machike for Bachelor of Arts in Policy Developmental Studies	in any other exceptional case where it is impractical or impossible to follow official procurement processes
51	Registration fee for MS SO Mahlangu for Bachelor of Arts in Government, Administration and Development	Corporate Services	UNISA	R7 760.00	28/01/2019	Registration fee for MS SO Mahlangu for Bachelor of Arts in Government, Administration and Development	in any other exceptional case where it is impractical or impossible to follow official procurement processes
52	Registration fee for Ms S Silinda for Business Administration, she completed 8 modules	Corporate Services	MANCO SA	R26 745.00	28/01/2019	Registration fee for Ms S Silinda for Business Administration, she completed 8 modules	in any other exceptional case where it is impractical or impossible to follow official procurement processes

* See Note 40

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53	Registration fee for Ms LT Mashiane for Bachelor of Financial Management, she completed 7 modules	Corporate Services	MANCO SA	R26 744.96	28/01/2019	Registration fee for Ms LT Mashiane for Bachelor of Financial Management, she completed 7 modules	in any other exceptional case where it is impractical or impossible to follow official procurement processes
54	Registration fee for DZ Skosana for Fire Technology NQF 6	Corporate Services	Tshwane University of Technology	R12 094.29	28/01/2019	Registration fee for DZ Skosana for Fire Technology NQF 6	in any other exceptional case where it is impractical or impossible to follow official procurement processes
55	Registration fee for Ms MM Machete for Masters in Fire Technology	Corporate Services	Tshwane University of Technology	R19 570.00	28/01/2019	Registration fee for Ms MM Machete for Masters in Fire Technology	in any other exceptional case where it is impractical or impossible to follow official procurement processes
56	Registration fee for Mr J Lubisi for Facility Management	Corporate Services	Academy for Facility Management	R43 500.00	28/01/2019	Registration fee for Mr J Lubisi for Facility Management	in any other exceptional case where it is impractical or impossible to follow official procurement processes
57	The business as a sole provider as appointed by National Department of Tourism as per accreditation criteria for the floor space of annual tourism Indaba	PED	Synergy Business events	R137 155.67	28/01/2019	The business as a sole provider as appointed by National Department of Tourism as per accreditation criteria for the floor space of annual tourism Indaba	Services available from single provider
58	The service provider is an authorised dealer of the vehicle and sole provider for the services.	Corporate Services	McCarthy Kunene Motors	R26 965.70	12/02/2019	The service provider is an authorised dealer of the vehicle and sole provider for the services. Vehicle also	Repairs and maintenance - on strip and quote

* See Note 40

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	Vehicle also needed strip quote					needed strip quote	
59	Government Printers is the sole provider for gazetting of by-laws	Municipal Manager	Government Printing Works	R1 008.80	21/01/2019	Government Printers is the sole provider for gazetting of by-laws	Services available from single provider
60	Ms. R Mogodi has identified the Bcom in Financial Management as a priority training during the need analysis training. Permission is requested to register her with Da Vinci Institute	Corporate Services	Da Vinci Institute	R57 508.00	21/02/2019	Ms. R Mogodi has identified the Bcom in Financial Management as a priority training during the need analysis training. Permission is requested to register her with Da Vinci Institute	in any other exceptional case where it is impractical or impossible to follow official procurement processes
61	Registration fee for Mr V Kubheka for Master in Town planning, he passed 6 modules and now must register 4 modules	Corporate Services	University of Pretoria	R24 565.00	28/01/2019	Registration fee for Mr V Kubheka for Master in Town planning, he passed 6 modules and now must register 4 modules	in any other exceptional case where it is impractical or impossible to follow official procurement processes
62	Registration fee for Mr PS Sibeko for Bachelor of Business Admin,	Corporate Services	Southern Business School	R6 545.00	28/01/2019	Registration fee for Mr PS Sibeko for Bachelor of Business Admin,	in any other exceptional case where it is impractical or impossible to follow official procurement processes

* See Note 40

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63	Registration fee for GF Gakwa for B-tech in Environmental Management	Corporate Services	Tshwane University of Technology	R7 061.72	28/01/2019	Registration fee for GF Gakwa for B-tech in Environmental Management	in any other exceptional case where it is impractical or impossible to follow official procurement processes
64	Mrs. NE Zulu is studying Bcom in Financial Management through UNISA. She has successfully completed 3 modules she has registered before	Corporate Services	UNISA	R 4 620	04/02/2019	Mrs. NE Zulu is studying Bcom in Financial Management through UNISA. She has successfully completed 3 modules she has registered before	in any other exceptional case where it is impractical or impossible to follow official procurement processes
65	Cllrs Weber and Sibanyoni have identified CPMD on their skills audit forms and was included in the approved institutional plan. Permission is requested to continue to register the two councillors with the WITS Business School	Corporate Services	WITS School of Governance	R116 000.00	19/02/2019	Cllrs Weber and Sibanyoni have identified CPMD on their skills audit forms and was included in the approved institutional plan. Permission is requested to continue to register the two councillors with the WITS Business School	in any other exceptional case where it is impractical or impossible to follow official procurement processes
67	Ms. Nhlabathi SE is registered with the Southern Business School for a Bachelor of Business Administration Majoring	Corporate Services	Southern Business School	R4 090.00	14/02/2019	Ms. Nhlabathi SE is registered with the Southern Business School for a Bachelor of Business Administration Majoring	in any other exceptional case where it is impractical or impossible to follow official procurement processes

* See Note 40

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	in Project Management					in Project Management	
68	Municipal/Eskom Power outage burned and damaged the NDM electrical infrastructure, the ICT server and the entire building was not operational. Inspection was summoned to determine the electrical problem.	Corporate Services	Mayivuthe Contractors	R99 750.00	07/03/2019	Municipal/Eskom Power outage burned and damaged the NDM electrical infrastructure, the ICT server and the entire building was not operational. Inspection was summoned to determine the electrical problem.	Repairs and maintenance - on strip and quote
69	IRMSA is hosting a 2 day workshop on Risk Management for risk champions. Permission is requested to send the 8 Risk Champions and 1 Risk Officer to the workshop in order to assist them to understand their roles in the Risk Management Activities.	Corporate Services	Institute of Risk Management South Africa	R 15 637.33	08/03/2019	IRMSA is hosting a 2 day workshop on Risk Management for risk champions. Permission is requested to send the 8 Risk Champions and 1 Risk Officer to the workshop in order to assist them to understand their roles in the Risk Management Activities.	in any other exceptional case where it is impractical or impossible to follow official procurement processes

* See Note 40

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70	Registration for Speaker and Executive Mayor attending SALGA Asset Management Indaba	Executive Mayor	SALGA	R3 900.00	12/03/2019	Registration for Speaker and Executive Mayor attending SALGA Asset Management Indaba	Services available from single provider
71	Govt Printer is the sole provider for gazetting of by-laws	Corporate Services	Government Printing Works	R 40 352.00	27/03/2019	Govt Printer is the sole provider for gazetting of by-laws	in any other exceptional case where it is impractical or impossible to follow official procurement processes
72	District SAMSRA Affiliation fee	Social Services	SAMSRA	R 4 000.00	25/03/2019	District SAMSRA Affiliation fee	in any other exceptional case where it is impractical or impossible to follow official procurement processes
73	Ms. SE Maseko has identified the ODETDP programme during the skills Gap Analysis and the course was included in the approved institutional plan.	Corporate Services	Fachs	R35 000.00	12/03/2019	Ms. SE Maseko has identified the ODETDP programme during the skills Gap Analysis and the course was included in the approved institutional plan.	in any other exceptional case where it is impractical or impossible to follow official procurement processes
74	Registration fee for Mr Masanabo for B-Tech in fire technology	Corporate Services	Tshwane University of Technology	R8 041,00	27/07/2018	Registration fee for Mr Masanabo for B-Tech in fire technology	in any other exceptional case where it is impractical or impossible to follow official procurement processes

* See Note 40

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75	Mr SK Mahlangu is studying with UNISA in the field of Postgraduate Diploma Applied Accounting Science. He completed some modules in the curriculum and has registered 5 modules for the 2019 academic year.	Corporate	UNISA	R 21 000.00	14/03/19	Mr SK Mahlangu is studying with UNISA in the field of Postgraduate Diploma Applied Accounting Science. He completed some modules in the curriculum and has registered 5 modules for the 2019 academic year.	in any other exceptional case where it is impractical or impossible to follow official procurement processes
76	CIGFARO - Professional body for membership fees	Internal Audit	CIGFARO	R 870.00	03/04/2019	CIGFARO - Professional body for membership fees	Services available from single provider
77	An incident occurred on the 25th February wherein OPEX was called to assist since it was an emergency situation	IT	OPEX Business Solution	R 53 219.70	05/04/2019	An incident occurred on the 25th February wherein OPEX was called to assist since it was an emergency situation	in any other exceptional case where it is impractical or impossible to follow official procurement processes
78	CIGFARO - Professional body for membership fees	Internal Audit	CIGFARO	R 960.00	05/04/2019	CIGFARO - Professional body for membership fees	Services available from single provider
79	Reimburse Bakgatla Municipal Solutions for the services rendered during RTO Benchmarking exercise with Ehlanzeni	PED	Bakgatla Municipal Solutions	R 37 030.00	16/4/2019	Reimburse Bakgatla Municipal Solutions for the services rendered during RTO Benchmarking exercise with Ehlanzeni	in any other exceptional case where it is impractical or impossible to follow official procurement processes

* See Note 40

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80	12 Months renewal of contract with MultiChoice for 2019/2020	Corporate Services	MultiChoice SA	R 26 013.38	21/05/2019	12 Months renewal of contract with MultiChoice for 2019/2020	Services available from single provider
81	Membership Fees to SAAPAM for PMS officials	PMS	SAAPAM	R 1 050.00	06/05/2019	Membership Fees to SAAPAM for PMS officials	Services available from single provider
82	Mr. A Twala was registered with the Leadership Academy for the IAT Learner ship Program. He has completed 4 modules and now registered another 4 modules. Permission is requested to use the Leadership Academy	Internal Audit	Leadership Academy	R 27 278.00	06/05/2019	Mr. A Twala was registered with the Leadership Academy for the IAT Learner ship Program. He has completed 4 modules and now registered another 4 modules. Permission is requested to use the Leadership Academy	in any other exceptional case where it is impractical or impossible to follow official procurement processes
83	IIA - Sole Provider for conference hosted by Professional Body	Internal Audit	Institute of Internal Auditors	R 23 000.00	16/05/2019	IIA - Sole Provider for conference hosted by Professional Body	Services available from single provider
84	Ms K Gwangwa has registered with the Institute of Internal Auditors as a member. Permission is requested to register her for the CIA Learning System	Internal Audit	Leadership Academy	R 8 522.00	06/05/2019	Ms K Gwangwa has registered with the Institute of Internal Auditors as a member. Permission is requested to register her for the CIA Learning System Instructor	in any other exceptional case where it is impractical or impossible to follow official procurement processes

* See Note 40

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		Instructor Led Course Scheduled for the 27-28 May 2019					Led Course Scheduled for the 27-28 May 2019	
85	Clr. Malefane is studying with UNISA for her LLM. The course was identified during the skills audit process Permission is requested to pay her fees at UNISA as this is the continuation of her studies	Corporate Services	UNISA	R 5 400.00	14/05/2019	Clr. Malefane is studying with UNISA for her LLM. The course was identified during the skills audit process Permission is requested to pay her fees at UNISA as this is the continuation of her studies	in any other exceptional case where it is impractical or impossible to follow official procurement processes	
86	Renewal of CIPS membership for existing members and registration of four new members	Finance	CIPS Southern Africa	R 15 387.00	11/06/2019	Renewal of CIPS membership for existing members and registration of four new members	Services available from single provider	
87	The leave management module is only offered by SAGE/VIP as the system owner that the institution currently in use	Corporate Services	Sage/VIP	R 7 696.50	28/06/2019	The leave management module is only offered by SAGE/VIP as the system owner that the institution currently in use	in any other exceptional case where it is impractical or impossible to follow official procurement processes	

* See Note 40

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	TOTAL	R 2 015 508.44
10	SUGGESTIONS	
10.1	THAT the report for the Year ending 30 June 2019 be noted.	

* See Note 40

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2018 / 2019 REGISTER OF UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE														
NKANGALA DISTRICT MUNICIPALITY														
NO	Date of discovery	Date reported to the Accounting Officer	Service Provider	Amount	Description of incident	Person liable (Official or Political office bearer)	Type of prohibited expenditure	Status					General comments	
								UI	DP	CC	TR	P		WO
2019/19 Opening Balance (Audited)				R	3,553,769.07									
1	2019-03-31	2019-03-31	Zambezi Consulting	R	330,825.00	SCM Unit	irregular expenditure	√						Matter was investigated by IA and submitted to Council for finalisation
Cumulative balance as at 30 June 2019				R	3,884,594.07									
Amounts investigated and written off by Council.				R	-									
Amounts recovered				R	-									
Closing balance as at 30 June 2019				R	3,884,594.07									

Abbreviations

UI	Irregular expenditure under investigation
DP	Disciplinary process initiated against responsible person
CC	Criminal charges laid with SAPS
TR	Transferred to receivables for recovery
P	Paid or in process of paying in installments
WO	Written-off by Council as irrecoverable

* See Note 40

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Annexure 2

Interpretation of results

The green indicate that the results is within the norm

not within the acceptable norms

Nkangala District Municipality

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS		
					2018	2019	
1. FINANCIAL POSITION							
A. Asset Management/Utilisation							
1	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating expenditure + Capital expenditure) x 100	10% - 20%	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year reports, IDP and AR		5%	5%
					Total Operating Expenditure	407,417,500	405,569,402
					Taxation Expense	-	-
					Total Capital Expenditure	19,792,188	21,621,125
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment/(Total Property, Plant and Equipment + Investment Property + Intangible Assets) x 100	0%	Statement of Financial Position, Notes to the AFS and AR		9%	5%
					PPE, Investment Property and Intangible Impairment	15,620,149	10,573,072
					PPE at carrying value	167,267,185	164,896,681
					Investment at carrying value	-	-
					Intangible Assets at carrying value	8,390,384	7,380,004
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure/ Property, Plant and Equipment and Investment Property (Carrying value) x 100	0%	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-Year Reports		7%	5%
					Total Repairs and Maintenance Expenditure	12,065,299	8,501,039
					PPE at carrying value	175,657,568	172,276,885
					Investment Property at Carrying value	-	-

* See Note 40

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B. Debtors Management							
1	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR Reports, IDP and AR	95%		47%	26%
					Gross Debtors closing balance	228,084	88,098
					Gross Debtors opening balance	88,098	162,773
					Bad debts written Off	-	4,373
					Billed Revenue	24,179	43,993
2	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off/Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		#DIV/0!	#DIV/0!
					Consumer Debtors Bad debts written off	-	4,373
					Consumer Debtors Current bad debt Provision	-	-
3	Net Debtors Days	((Gross Debtors - Bad debt Provision)/ Actual Billed Revenue) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 days		3,443 days	693 days
					Gross debtors	228,084	88,098
					Bad debts Provision	-	4,373
					Billed Revenue	24,179	43,993
C. Liquidity Management							
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investments) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, in year Reports and AR	1 - 3 Months		13 Month	13 Month
					Cash and cash equivalents	434,727,963	431,087,741
					Unspent Conditional Grants	446,816	-
					Overdraft	-	-
					Short Term Investments	-	-
Total Annual Operational Expenditure	407,417,500	405,569,402					
2	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		10.12	12.90
					Current Assets	518,642,240	525,798,615
					Current Liabilities	51,256,077	40,748,856
D. Liability Management							
1	Capital Cost/Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost/Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-Year Reports and AR	6% - 8%		1%	1%
					Interest Paid	518,745	779,650
					Redemption	3,467,869	3,408,378
					Total Operating Expenditure	407,417,500	405,569,402
Taxation Expense	-	-					
2	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non current Finance Lease Obligation + Short Term Borrowings + Long term borrowing) / Total Operating Revenue	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		1%	2%
					Total Debt	2,196,947	6,159,241
					Total Operating Revenue	396,246,547	392,095,052
					Operational Conditional Grants	6,808,000	7,607,000

* See Note 40

Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended June 30, 2019

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E. Sustainability							
						72%	
						70%	
1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank overdraft + Short Term Investment + Long Term Investment - Unspent grants) / (Net Assets - Accumulated Surplus - Non Controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%	Cash and cash Equivalents	434,727,963	431,087,741
					Bank Overdraft	-	-
					Short Term Investment	-	-
					Long Term Investment	54,004,297	49,218,878
					Unspent Grants	-	-
					Net Assets	679,276,741	683,140,052
					Share Premium	-	0
					Share Capital	-	-
					Revaluation Reserve	-	-
					Fair Value Adjustment Reserve	-	-
Accumulated Surplus	-	-					
2. FINANCIAL PERFORMANCE							
A. Efficiency							
						1%	
						-1%	
1	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure)/Total Operating Revenue	Statement of Financial Performance, Budget, In-Year reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Asset	= or > 0%	Total Operating Revenue	396,246,847	382,095,052
					Depreciation - Revalued Portion (Only operate if Depreciation line item in the Statement of Financial)	15,620,149	10,573,072
					Total Operating Expenditure	407,417,500	405,569,402
					Taxation Expense	-	-
2	Net Surplus /Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure/Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	0% - 15%	Total Electricity Revenue	#DIV/0!	#DIV/0!
					Total Electricity Expenditure	-	-
3	Net Surplus /Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%	Total Water Revenue	#DIV/0!	#DIV/0!
					Total Water Expenditure	-	-
4	Net Surplus /Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%	Total Refuse Revenue	#DIV/0!	#DIV/0!
					Total Refuse Expenditure	-	-
5	Net Surplus /Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	= or > 0%	Total Sanitation and Waste Water Revenue	#DIV/0!	#DIV/0!
					Total Sanitation and Waste Water Expenditure	-	-

* See Note 40

Nkangala District Municipality

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B. Distribution Losses							
1	Electricity Distribution Losses (Percentage)	(Number of Electricity Units Purchased and/or Generated - Number of units sold) / Number of Electricity Units Purchased and/or generated) × 100	Annual Report, Audit Report and Notes to Annual Financial Statements	7% - 10%	Number of units purchased and/or generated	#DIV/0!	#DIV/0!
					Number of units sold	-	-
2	Water Distribution Losses (Percentage)	(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified × 100	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%	Number of kilolitres purchased and/or purified	#DIV/0!	#DIV/0!
					Number of kilolitres sold	-	-
C. Revenue Management							
1	Growth in Number of Active Consumer Accounts	(Period under review's number of Active Debtor Accounts - previous period's number of Active Debtor Accounts) / previous number of Active Debtor Accounts × 100	Debtors System	None	Number of Active Debtors Accounts (Previous)	#DIV/0!	#DIV/0!
					Number of Active Debtors Accounts (Current)	-	-
2	Revenue Growth (%)	(Period under review's Total Revenue - previous period's Total Revenue) / previous period's Total Revenue) × 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= CPI	CPI	1%	1%
					Total Revenue (Previous)	392,095,052	387,904,639
					Total Revenue (Current)	396,246,647	392,095,052
3	Revenue Growth (%) - Excluding capital grants	(Period under review's Total Revenue Excluding capital grants - previous period's Total Revenue excluding capital grants) / previous period's Total Revenue excluding capital grants) × 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	= CPI	CPI	1%	1%
					Total Revenue Excl. Capital (Previous)	389,920,052	385,828,639
					Total Revenue Excl. Capital (Current)	394,071,647	389,920,052

* See Note 40

Nkangala District Municipality

(Registration number DC31)

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D. Expenditure Management							
1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-Year reports and AR	30 days		-41.0%	
					Trade Creditors	28,177,147	10,409,930
					Contracted Services	36,232,778	30,837,223
					Repairs and Maintenance	12,065,299	8,501,039
					General expenses	185,808,661	214,157,347
					Bulk Purchases		
Capital Credit Purchases (Capital Credit Purchases refers to additions of Investment Property)	19,792,189	21,821,125					
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	(Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		-1%	
					Irregular, Fruitless and Wasteful and Unauthorised Expenditure	3,884,595	3,553,770
					Total Operating Expenditure	407,417,500	405,569,402
					Taxation Expense		
3	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	25% - 40%		38%	
					Employee/personnel related cost	141,038,047	126,075,195
					Councillors Remuneration	14,184,966	13,519,502
					Total Operating Expenditure	407,417,500	405,569,402
Taxation Expense							
4	Contracted Services % of Total Operating Expenditure	Contracted Services / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	2% - 5%		12%	
					Contracted Services	48,298,077	39,338,262
					Total Operating Expenditure	407,417,500	405,569,402
Taxation Expense							

* See Note 40

Nkangala District Municipality

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E. Grant Dependency							
1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	Own funded Capital Expenditure (Internally generated funds + Borrowings) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-Year reports and AR	None		100%	100%
					Internally generated funds	21,010,345	21,621,125
					Borrowings		
					Total Capital Expenditure	21,010,345	21,621,125
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information) Budget, IDP, In-Year reports and AR	None		100%	100%
					Internally generated funds	21,010,345	21,621,125
					Total Capital Expenditure	21,010,345	21,621,125
3	Own Source Revenue to Total Operating Revenue (including Agency Revenue)	Own Source Revenue (Total revenue - Government grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including agency services) x 100	Statement Financial Performance Budget, IDP, In-Year reports and AR	None		12%	12%
					Total Revenue	396,246,647	392,095,052
					Government grant and subsidies	348,588,000	344,488,000
					Public contributions and Donations	-	-
					Capital Grants	1,733,185	2,175,000
3. BUDGET IMPLEMENTATION							
1	Capital Expenditure Budget Implementation Indicator	Actual capital Expenditure / Budget Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, In-Year reports and AR	95% - 100%		66%	85%
					Actual Capital Expenditure	21,010,345	21,621,125
					Budget Capital Expenditure	30,745,947	25,498,452
2	Operating Expenditure Budget Implementation Indicator	Actual Operating Expenditure / Budgeted Operating Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		89%	97%
					Actual Operating Expenditure	407,417,500	405,569,402
					Budget Operating Expenditure	463,264,137	418,815,980
3	Operating Revenue Budget Implementation Indicator	Actual Operating Revenue / Budget Operating Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		103%	105%
					Actual Operating Revenue	396,246,647	392,095,052
					Budget Operating Revenue	383,398,655	374,524,600
4	Service Charges and Property Rates Revenue Budget Implementation Indicator	Actual Service Charges and Property Rates Revenue / Budget Service Charges and Property Rates Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		#DIV/0!	#DIV/0!
					Actual Service Charges and Property Rates Revenue	-	-
					Budget Service Charges and Property Rates Revenue	-	-

* See Note 40

Nkangala District Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended June 30, 2019

	2019/2018								2018/2017						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional															
Municipal governance and administration	370,427,100	9,278,395	379,705,495	-		379,705,495	390,389,263		10,683,768	103 %	105 %				385,934,856
Executive and council	10,600	1,000	11,600	-		11,600	652		(10,948)	6 %	6 %				1,138
Finance and administration	370,416,500	9,277,395	379,693,895	-		379,693,895	390,388,611		10,694,716	103 %	105 %				385,933,718
Internal audit	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and public safety	1,100,000	1,250,000	2,350,000	-		2,350,000	834,836		(1,515,164)	36 %	76 %				1,036,239
Community and social services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Sport and recreation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public safety	350,000	1,250,000	1,600,000	-		1,600,000	58,500		(1,541,500)	4 %	17 %				294,150
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	750,000	-	750,000	-		750,000	776,336		26,336	104 %	104 %				742,089
Economic and environmental services	4,046,000	930,000	4,976,000	-		4,976,000	5,022,548		46,548	101 %	124 %				4,423,304
Planning and development	3,626,000	-	3,626,000	-		3,626,000	3,626,000		-	100 %	100 %				4,182,000
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Environmental protection	420,000	930,000	1,350,000	-		1,350,000	1,396,548		46,548	103 %	333 %				241,304
Trading services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Energy sources	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Water management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste water management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Functional	375,573,100	11,458,395	387,031,495	-		387,031,495	396,246,647		9,215,152	102 %	106 %				391,394,399

Nkangala District Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended June 30, 2019

2019/2018

2018/2017

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional															
Governance and administration	160,626,273	4,469,601	165,095,874	-	-	165,095,874	143,004,459	-	(22,091,415)	87 %	89 %	-	-	-	126,993,952
Executive and council	36,677,349	691,936	37,369,285	-	-	37,369,285	29,805,518	-	(7,563,767)	80 %	81 %	-	-	-	31,228,835
Finance and administration	111,837,842	4,524,497	116,362,339	-	-	116,362,339	102,201,917	-	(14,160,422)	88 %	91 %	-	-	-	87,762,433
Internal audit	12,111,082	(746,832)	11,364,250	-	-	11,364,250	10,997,024	-	(367,226)	97 %	91 %	-	-	-	8,002,684
Community and public safety	96,016,159	5,746,485	101,762,644	-	-	101,762,644	96,102,628	-	(5,660,016)	94 %	100 %	-	-	-	84,733,825
Community and social services	31,498,408	1,681,475	33,179,883	-	-	33,179,883	31,281,700	-	(1,898,183)	94 %	99 %	-	-	-	27,213,004
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	35,771,692	4,328,650	40,100,342	-	-	40,100,342	38,232,720	-	(1,867,622)	95 %	107 %	-	-	-	31,843,449
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	28,746,059	(263,640)	28,482,419	-	-	28,482,419	26,588,208	-	(1,894,211)	93 %	92 %	-	-	-	25,677,372
Economic and environmental services	187,284,110	(2,984,697)	184,299,413	-	-	184,299,413	160,372,490	-	(23,926,923)	87 %	86 %	-	-	-	185,919,760
Planning and development	185,072,984	(3,237,666)	181,835,318	-	-	181,835,318	158,080,363	-	(23,754,955)	87 %	85 %	-	-	-	183,723,047
Road transport	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	2,211,126	252,969	2,464,095	-	-	2,464,095	2,292,127	-	(171,968)	93 %	104 %	-	-	-	2,196,713
Trading services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Energy sources	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	1,297,072	(150,000)	1,147,072	-	-	1,147,072	630,377	-	(516,695)	55 %	49 %	-	-	-	-
Other	1,297,072	(150,000)	1,147,072	-	-	1,147,072	630,377	-	(516,695)	55 %	49 %	-	-	-	4,348,475
Total Expenditure - Functional	445,223,614	7,081,389	452,305,003	-	-	452,305,003	400,109,954	-	(52,195,049)	88 %	90 %	-	-	-	401,996,012
Surplus/(Deficit) for the year	(69,650,514)	4,377,006	(65,273,508)	-	-	(65,273,508)	(3,863,307)	-	61,410,201	6 %	6 %	-	-	-	(10,601,613)

**Nkangala District Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended June 30, 2019**

	2019/2018							2018/2017							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Vote1- Council General	10,600	1,000	11,600	-		11,600	652		(10,948)	6 %	6 %				1,138
Vote2- Municipal Manager	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Vote3- Finance	370,416,500	9,277,395	379,693,895	-		379,693,895	390,388,611		10,694,716	103 %	105 %				385,933,718
Vote4- Social Services	1,520,000	2,180,000	3,700,000	-		3,700,000	2,231,384		(1,468,616)	60 %	147 %				1,277,543
Vote5- Local Economic Development	3,626,000	-	3,626,000	-		3,626,000	3,626,000		-	100 %	100 %				4,182,000
Vote6- Development and Planning	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Vote7- Technical Services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Vote8- Corporate Services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue by Vote	375,573,100	11,458,395	387,031,495	-		387,031,495	396,246,647		9,215,152	102 %	106 %				391,394,399
Expenditure by Vote to be appropriated															
Vote1- Council General	33,226,335	630,314	33,856,649	-	97,500	33,954,149	26,909,132	-	(7,045,017)	79 %	81 %	-	-	-	28,252,694
Vote2- Municipal Manager	49,397,006	4,269,432	53,666,438	-	1,030,491	54,696,929	46,520,664	-	(8,176,265)	85 %	94 %	-	-	-	39,071,674
Vote3- Finance	31,652,291	(390,895)	31,261,396	-	(832,985)	30,428,411	27,739,164	-	(2,689,247)	91 %	88 %	-	-	-	27,055,493
Vote4- Social Services	98,227,285	6,097,454	104,324,739	-	(98,000)	104,226,739	98,394,757	-	(5,831,982)	94 %	100 %	-	-	-	86,930,538
Vote5- Local Economic Development	25,930,726	3,589,191	29,519,917	-	(407,000)	29,112,917	20,938,834	-	(8,174,083)	72 %	81 %	-	-	-	23,524,614
Vote6- Development and Planning	25,659,960	(2,516,670)	23,143,290	-	585,400	23,728,690	18,379,886	-	(5,348,804)	77 %	72 %	-	-	-	16,219,809
Vote7- Technical Services	129,735,741	(3,379,664)	126,356,077	-	(532,201)	125,823,876	115,338,277	-	(10,485,599)	92 %	89 %	-	-	-	143,659,249
Vote8- Corporate Services	51,394,270	(1,217,772)	50,176,498	-	156,795	50,333,293	45,889,241	-	(4,444,052)	91 %	89 %	-	-	-	37,281,940
Total Expenditure by Vote	445,223,614	7,081,390	452,305,004	-	-	452,305,004	400,109,955	-	(52,195,049)	88 %	90 %	-	-	-	401,996,011
Surplus/(Deficit) for the year	(69,650,514)	4,377,005	(65,273,509)	-		(65,273,509)	(3,863,308)		61,410,201	6 %	6 %				(10,601,612)

Nkangala District Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended June 30, 2019

	2019/2018							2018/2017							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Sale of goods	-	350,000	350,000	-		350,000	619,779		269,779	177 %	DIV/0 %				-
Rental of facilities and equipment	10,600	-	10,600	-		10,600	42,364		31,764	400 %	400 %				-
Interest earned - external investments	22,459,000	8,132,340	30,591,340	-		30,591,340	42,449,641		11,858,301	139 %	189 %				41,793,071
Interest earned - outstanding debtors	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	900,000	901,500	1,801,500	-		1,801,500	1,484,201		(317,299)	82 %	165 %				1,269,617
Licences and permits	1,170,000	(270,000)	900,000	-		900,000	972,885		72,885	108 %	83 %				983,393
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies	348,588,000	-	348,588,000	-		348,588,000	348,588,000		-	100 %	100 %				344,488,000
Operational revenue	265,000	845,055	1,110,055	-		1,110,055	351,271		(758,784)	32 %	133 %				685,317
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	373,392,600	9,958,895	383,351,495	-		383,351,495	394,508,141		11,156,646	103 %	106 %				389,219,398

Nkangala District Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended June 30, 2019

	2019/2018								2018/2017						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	144,286,965	(923,273)	143,363,692	-	1,559,902	144,923,594	141,038,047	-	(3,885,547)	97 %	98 %	-	-	-	123,427,934
Remuneration of councillors	13,498,299	1,232,068	14,730,367	-	-	14,730,367	14,184,966	-	(545,401)	96 %	105 %	-	-	-	13,519,502
Fair value	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	4,373
Depreciation & asset impairment	9,380,019	6,146,052	15,526,071	-	941,300	16,467,371	15,620,146	-	(847,225)	95 %	167 %	-	-	-	10,573,072
Interest expense	967,752	(333,176)	634,576	-	16,000	650,576	518,745	-	(131,831)	80 %	54 %	-	-	-	779,649
Operating leases	2,208,749	-	2,208,749	-	632,000	2,840,749	1,948,855	-	(891,894)	69 %	88 %	-	-	-	-
Inventory consumed	-	7,387,132	7,387,132	-	(1,368,795)	6,018,337	4,351,553	-	(1,666,784)	72 %	DIV/0 %	-	-	-	-
Contracted services	54,294,287	42,452	54,336,739	-	(1,051,564)	53,285,175	48,298,077	-	(4,987,098)	91 %	89 %	-	-	-	39,089,403
Transfers and subsidies	167,508,831	(885,552)	166,623,279	-	1,040,299	167,663,578	146,786,586	-	(20,876,992)	88 %	88 %	-	-	-	176,410,562
Operational costs	53,078,712	(5,584,314)	47,494,398	-	(1,769,142)	45,725,256	34,670,511	-	(11,054,745)	76 %	65 %	-	-	-	38,184,844
Loss on disposal of PPE	-	-	-	-	-	-	(7,312,852)	-	-	DIV/0 %	DIV/0 %	-	-	-	6,672
Total Expenditure	445,223,614	7,081,389	452,305,003	-	-	452,305,003	400,104,634	-	(52,200,369)	88 %	90 %	-	-	-	401,996,011
Surplus/(Deficit)	(71,831,014)	2,877,506	(68,953,508)	-	-	(68,953,508)	(5,596,493)	-	63,357,015	8 %	8 %	-	-	-	(12,776,613)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	2,180,000	-	2,180,000	-	-	2,180,000	1,733,185	-	(446,815)	80 %	80 %	-	-	-	2,175,000
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Transfers and subsidies - operational	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(69,651,014)	2,877,506	(66,773,508)	-	-	(66,773,508)	(3,863,308)	-	62,910,200	6 %	6 %	-	-	-	(10,601,613)
Taxation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) after taxation	(69,651,014)	2,877,506	(66,773,508)	-	-	(66,773,508)	(3,863,308)	-	62,910,200	6 %	6 %	-	-	-	(10,601,613)
Attributable to minorities	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) attributable to municipality	(69,651,014)	2,877,506	(66,773,508)	-	-	(66,773,508)	(3,863,308)	-	62,910,200	6 %	6 %	-	-	-	(10,601,613)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) for the year	(69,651,014)	2,877,506	(66,773,508)	-	-	(66,773,508)	(3,863,308)	-	62,910,200	6 %	6 %	-	-	-	(10,601,613)

Nkangala District Municipality
Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended June 30, 2019

	2019/2018							2018/2017							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital multi-year expenditure sub-total	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Single-year expenditure															
Vote1- Council General	100,000	920,000	1,020,000	-	-	1,020,000	75,969	-	(944,031)	7 %	76 %	-	-	-	1,952,156
Vote2- Municipal Manager	4,650,000	45,807	4,695,807	-	-	4,695,807	4,022,633	-	(673,174)	86 %	87 %	-	-	-	8,701,991
Vote3-Finance	60,000	-	60,000	-	-	60,000	19,800	-	(40,200)	33 %	33 %	-	-	-	136,977
Vote4- Social Services	15,928,000	(3,646,160)	12,281,840	-	-	12,281,840	5,980,602	-	(6,301,238)	49 %	38 %	-	-	-	5,902,664
Vote5- Local Economic Development	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote6- Development and Planning	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote7- Technical Services	1,700,000	(203,000)	1,497,000	-	-	1,497,000	1,497,000	-	-	100 %	88 %	-	-	-	1,461,445
Vote8-Corporate Services	10,810,000	381,300	11,191,300	-	-	11,191,300	8,196,185	-	(2,995,115)	73 %	76 %	-	-	-	3,291,978
Capital single-year expenditure sub-total	33,248,000	(2,502,053)	30,745,947	-	-	30,745,947	19,792,189	-	(10,953,758)	64 %	60 %	-	-	-	-
Total Capital Expenditure - Vote	33,248,000	(2,502,053)	30,745,947	-	-	30,745,947	19,792,189	-	(10,953,758)	64 %	60 %	-	-	-	-

Nkangala District Municipality
Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended June 30, 2019

	2019/2018							2018/2017							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Functional															
Governance and administration	15,620,000	1,347,107	16,967,107	-	-	16,967,107	12,314,587	-	(4,652,520)	73 %	79 %	-	-	-	14,083,101
Executive and council	100,000	920,000	1,020,000	-	-	1,020,000	75,969	-	(944,031)	7 %	76 %	-	-	-	2,045,601
Finance and administration	15,520,000	424,107	15,944,107	-	-	15,944,107	12,235,518	-	(3,708,589)	77 %	79 %	-	-	-	12,021,750
Internal audit	-	3,000	3,000	-	-	3,000	3,100	-	100	103 %	DIV/0 %	-	-	-	15,750
Community and public safety	15,928,000	(3,646,160)	12,281,840	-	-	12,281,840	5,980,602	-	(6,301,238)	49 %	38 %	-	-	-	5,902,665
Community and social services	2,070,000	126,900	2,196,900	-	-	2,196,900	983,228	-	(1,213,672)	45 %	47 %	-	-	-	212,604
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	12,358,000	(4,349,561)	8,008,439	-	-	8,008,439	3,058,431	-	(4,950,008)	38 %	25 %	-	-	-	3,652,287
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	1,500,000	576,501	2,076,501	-	-	2,076,501	1,938,943	-	(137,558)	93 %	129 %	-	-	-	2,037,774
Economic and environmental services	1,700,000	(203,000)	1,497,000	-	-	1,497,000	1,497,000	-	-	100 %	88 %	-	-	-	1,461,445
Planning and development	1,700,000	(203,000)	1,497,000	-	-	1,497,000	1,497,000	-	-	100 %	88 %	-	-	-	1,461,445
Road transport	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Energy sources	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Functional	33,248,000	(2,502,053)	30,745,947	-	-	30,745,947	19,792,189	-	(10,953,758)	64 %	60 %	-	-	-	21,447,211
Funded by:															
National Government	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Provincial Government	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public contributions & donations	-	1,500,000	1,500,000	-	-	1,500,000	-	-	(1,500,000)	- %	DIV/0 %	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Internally generated funds	33,248,000	(4,002,053)	29,245,947	-	-	29,245,947	19,792,189	-	(9,453,758)	68 %	60 %	-	-	-	-
Total Capital Funding	33,248,000	(2,502,053)	30,745,947	-	-	30,745,947	19,792,189	-	(10,953,758)	64 %	60 %	-	-	-	-

Nkangala District Municipality
Appendix G5
Budgeted Cash Flows
for the year ended June 30, 2019

2019/2018

2018

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Operational revenue	2,346,100	1,826,055	4,172,155	4,172,155	3,436,557	(735,598)	82 %	146 %	6,392,505
Government - operating	348,588,000	-	348,588,000	348,588,000	348,588,000	-	100 %	100 %	344,488,000
Government - capital	2,180,000	1,500,000	3,680,000	3,680,000	1,733,185	(1,946,815)	47 %	80 %	2,175,000
Interest	22,459,000	8,132,340	30,591,340	30,591,340	42,407,277	11,815,937	139 %	189 %	41,755,434
VAT	-	-	-	-	(11,326,581)	(11,326,581)	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	(192,345,051)	(41,173,399)	(233,518,450)	(233,518,450)	(207,652,764)	25,865,686	89 %	108 %	(216,720,366)
Finance charges	(967,752)	333,187	(634,565)	(634,565)	(518,745)	115,820	82 %	54 %	(779,650)
Transfers and Grants	(147,153,831)	(19,469,448)	(166,623,279)	(166,623,279)	(146,786,587)	19,836,692	88 %	100 %	(176,410,562)
Net cash flow from/used operating activities	35,106,466	(48,851,265)	(13,744,799)	(13,744,799)	29,880,342	43,625,141	(217)%	85 %	900,361
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	997,962	997,962	DIV/0 %	DIV/0 %	34,280
Decrease (increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	(4,120,000)	-	(4,120,000)	(4,120,000)	(4,785,418)	(665,418)	116 %	116 %	(4,372,520)
Payments									
Capital assets	(33,248,000)	2,502,053	(30,745,947)	(30,745,947)	(19,792,188)	10,953,759	64 %	60 %	(21,621,125)
Net cash flow from/used investing activities	(37,368,000)	2,502,053	(34,865,947)	(34,865,947)	(23,579,644)	11,286,303	68 %	63 %	(25,959,365)
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	(567,508)	(567,508)	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Repayment of borrowing	(3,085,068)	-	(3,085,068)	(3,085,068)	(3,177,198)	(92,130)	103 %	103 %	(1,909,303)
Net cash flow from/used financing activities	(3,085,068)	-	(3,085,068)	(3,085,068)	(3,744,706)	(659,638)	121 %	121 %	(1,909,303)
Net increase/(decrease) in cash held Cash/cash equivalents at the year begin:	(5,346,602)	(46,349,212)	(51,695,814)	(51,695,814)	2,555,992	54,251,806	(5)%	(48)%	(26,968,307) 431,087,741
Cash/cash equivalents at the year end:	(5,346,602)	(46,349,212)	(51,695,814)	(51,695,814)	2,555,992	54,251,806	(5)%	(48)%	