

# NKANGALA DISTRICT

## MUNICIPALITY



# FINANCIAL STATEMENTS

30 JUNE 2014

Improved quality of life through balanced, sustainable development and  
service excellence

# NKANGALA DISTRICT MUNICIPALITY



## ANNUAL FINANCIAL STATEMENTS

For the year ended  
30 June 2014

I am responsible for the preparation of these annual financial statements, which are set out on pages 10 to 76, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councilors as disclosed in note 22 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 the Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act for the year ended 30 June 2014.

\_\_\_\_\_  
EK TSHABALALA  
Acting Municipal Manager

\_\_\_\_\_  
Date

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# **GENERAL INFORMATION**

## **Executive Mayor, Speaker, Chief Whip and Members of the Mayoral Committee**

Executive Mayor:	Clr. Ngwenya T D
Speaker:	Clr. Nkwanyana B A
Council Whip:	Clr. Letlaka T
MMC for Finance:	Clr. Dikgale LJ
MMC for Infrastructure & Service Delivery:	Clr. Motau C
MMC for Social Services, Disaster, Youth, Health & Education:	Clr. Mufume AP
MMC for Local Economic Development and Rural Development:	Clr. Radebe J F
MMC for Corporate, Human Resources & Legal Services:	Clr. Masombuka IM
MMC for Rural Development, Public Safety and Transport:	Clr. Hlope N E

## **Grading of Local Authority**

Grade 9 High Capacity Municipality

## **Auditors**

Auditor-General South Africa

## **Bankers**

ABSA Bank Middelburg

## **Primary Bank Account**

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

## **Registered Office**

2A Walter Sisulu Street, Middelburg, 1050

## **Acting Municipal Manager/Acting Accounting Officer 1 July 2013 to 31 January 2014**

Mr A G Zimbwa

## **Municipal Manager/Accounting Officer 1 February 2014 to 30 June 2014**

Mrs MM Skosana

## **Manager: Finance/Chief Financial Officer**

Mrs A L Stander

## **Credit rating**

International Long Term: BBB-  
Long Term: A  
Short Term: A1

## **Contact details**

Telephone : +27 (13) 249 2000  
Fax : +27 (13) 249 2114

# **REPORT OF THE MANAGER:** **FINANCE**

## 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 and local municipalities include the payment for services, revenue collection, capacity for municipal infrastructure expenditure and compliance with legislation.

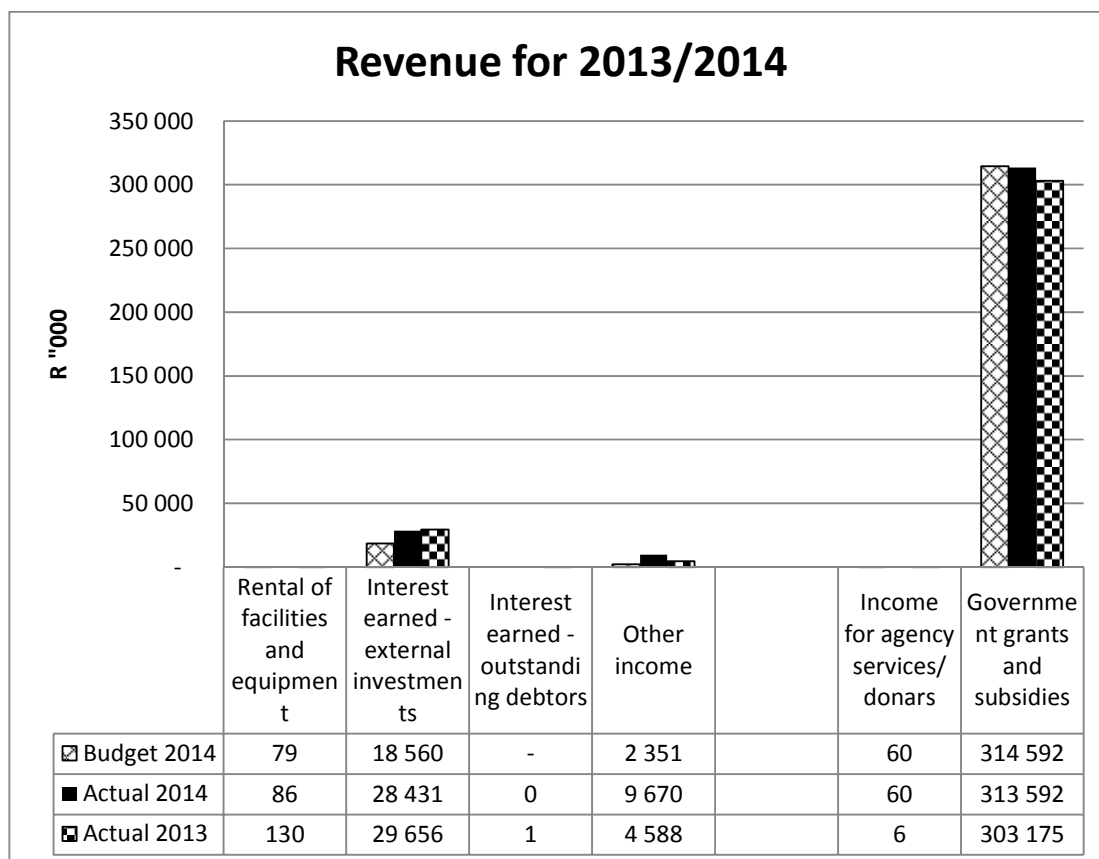
Issue 3 of the IDP relates to financial viability and includes projects that contributed to the financial viability of the district and local municipalities.

## 2. REVIEW OF OPERATING RESULTS

The 2013/2014 budget of the Nkangala District Municipality was approved by Council on the 29<sup>th</sup> of May 2013. An adjustment budget was approved on the 26<sup>th</sup> of February 2014. Herewith is commentary on the financial results.

### 2.1 REVENUE

2014 Budget	Note	2014 R 30-Jun-14	2013 R 30-Jun-13 AUDITED AFS
<b>20 990 104</b>		<b>29 036 221</b>	<b>30 404 041</b>
			<b>30 404 041</b>
			<b>129 828</b>
78 620		86 454	129 828
18 560 000	18	28 430 598	29 655 700
-		174	1 025
2 351 484	20	518 995	617 488
<b>314 652 000</b>		<b>322 803 002</b>	<b>307 152 348</b>
			<b>307 152 348</b>
60 000		60 000	6 428
314 592 000	19	313 592 000	303 175 000
-	20	9 151 002	3 970 920
<b>335 642 104</b>		<b>351 839 222</b>	<b>337 556 388</b>
<b>Total revenue</b>			



## INTEREST EARNED

Interest earned on external investments decreased by 4.13% from R29,655,700 (2012/2013) to R28,430,598 (2013/2014). This decrease is attributed to a decrease in interest rates on call deposits.

Interest earned on outstanding debtors decreased by 83.00% from R1,025 (2012/2013) to R0.174 (2013/2014) due to better credit control measures.

## GOVERNMENT GRANTS AND SUBSIDIES

Government Grants and subsidies increased by 3.44 % from R303,175,000 (2012/13) to R313,592,000 (2013/14). Government Grants and Subsidies include the RSC Levy Replacement grant, the Equitable Share, Municipal System Improvement Grant, Finance Management Grant and the Expanded Public Works Programme Incentive Grant .

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

## OTHER INCOME

Other income from exchange transactions decreased by 15.95% from R617,488 (2012/13) to R518,995 (2013/14), which include discount received and the reversal of provision for performance bonuses.

Other income from non-exchange transactions increased by 130.45% from R3,970,920 (2012/13) to R9,151,002 (2013/14), which include discount received and the reversal of provision for performance bonuses

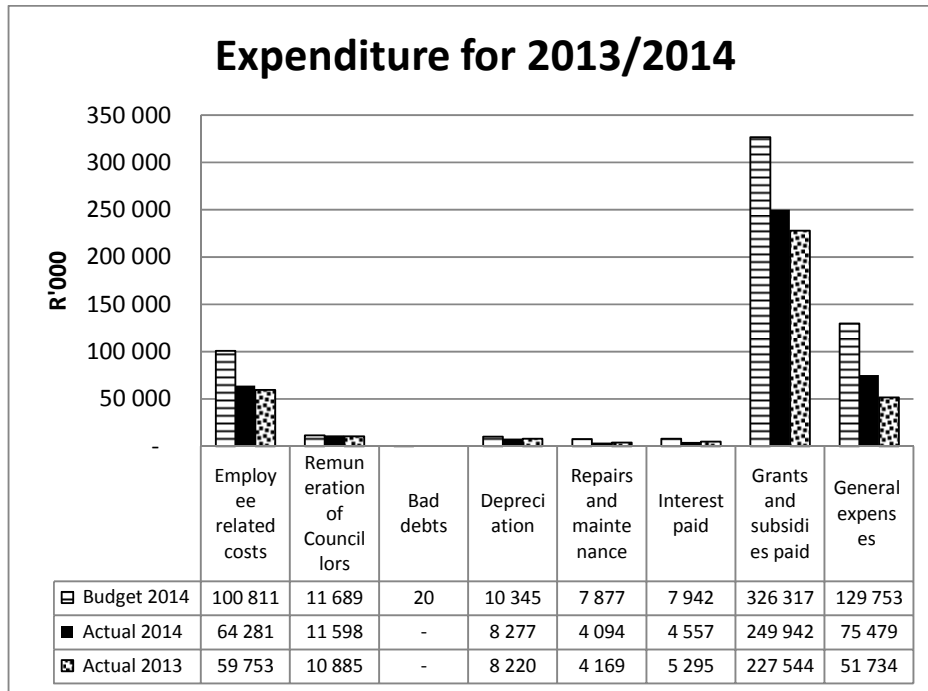
Total revenue increased by 4.23% from R337,556,388 (2012/13) to R351,839,222 2013/2014 financial year. This amount exceeded the budget amount with R16,197,118.

Indicative allocations published in Division of Revenue Act (DORA) point to an increase in the RSC Levy Replacement Grant, although the growth rate in the grant increase is declining year on year.

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

## 2.2 EXPENDITURE

Budget	EXPENDITURE		30-Jun-14	30-Jun-13
100 674 783	Employee related costs	21	64 280 524	59 753 425
11 825 284	Remuneration of councillors	22	11 598 147	10 884 898
20 000	Bad debts		-	-
10 344 507	Depreciation/ amortisation	23	8 277 058	8 220 174
8 476 593	Repairs and maintenance	24	4 094 422	4 169 471
5 778 000	Interest paid	25	4 557 206	5 295 199
316 622 756	Grants and subsidies paid	26	249 942 084	227 544 496
138 971 485	General expenses	27	75 478 543	51 734 424
6 953 700	Loss on disposal of property, plant and equipment		6 928 416	-
<b>599 667 107</b>	<b>Total expenditure</b>		<b>425 156 400</b>	<b>367 602 087</b>



## EMPLOYEE RELATED COST

Actual employee related costs increased by 7.58 % from R59,753,425 (2012/13) to R64,280,524 (2013/14). Actual employee related costs are 63.76 % of the budgeted employee related cost, which is due to the few vacancies which have not been filled in the year under review, the provision that was made for the implementation of the wage curve and the rationalisation of salaries, which did not materialise in the year under review. The increase expenditure is due to the major drive to fill vacant positions and combat unemployment.

## 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 6.55 % from R10,884,898 (2012/13) to R11,598,147 (2013/14). Actual councillor allowance costs are 99.22% of the budgeted remuneration of councillors.

## 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 0.69 % from R8,220,174 (2012/13) to R8,277,058 (2013/14). Actual depreciation/amortisation costs are 94.20% of the budgeted depreciation/amortisation cost.

### **REPAIRS & MAINTENANCE**

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

Actual repair and maintenance costs decreased by 1.80 % from R4,169,471 (2012/13) to R4,094,422 (2013/14). Actual repair and maintenance costs are 51.98% of the budgeted repairs and maintenance cost.

### **INTEREST PAID**

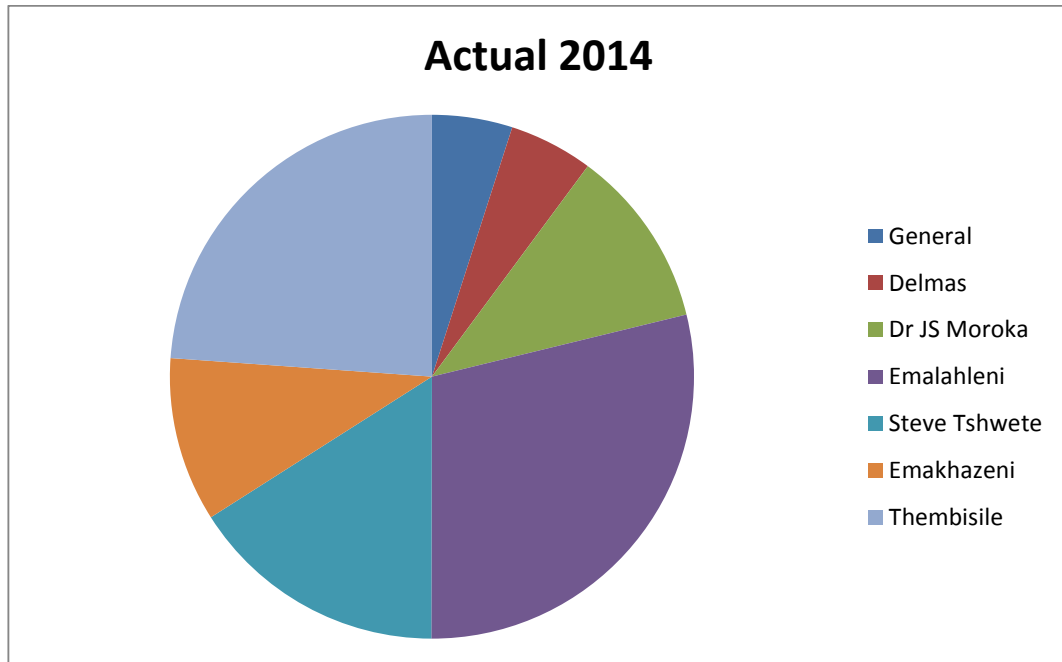
This interest relates to interest on long term loans with INCA, DBSA and financial leases for office equipment.

Actual interest costs decreased by 13.94 % from R5,295,199 (2012/13) to R4,557,206 (2013/14). Actual interest costs are 57.38% of the budgeted finance charges.

### **GRANTS & SUBSIDIES**

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

Actual grants and subsidies paid represent 58.79% (61.90% 2012/13) of the total expenditure and increased by 9.84% from R227,544,496 (2012/13) to R249,942,084 (2013/14).



### **GENERAL EXPENDITURE**

General Expenditure comprises of operating expenditure not disclosed elsewhere on the statement of financial performance. Detail of general expenditure is disclosed under note 27 to the financial statements.

Actual general expenditure costs increased by 45.90 % from R51,734,424 (2012/13) to R75,478,543 (2013/14). Actual general expenditure costs are 58.17% of the budgeted general expenditure.

### **DEFICIT**

The municipality realised a deficit of R30,045,699 for 2012/13 and R73,317,178 for 2013/14, which is an indication that the municipality is eradicating the backlog of project implementation. These deficits are funded by the accumulated surplus of the municipality.

### **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 decreased by 9.30% from R798,671,355 (2012/13) to R724,388,729 (2013/14). The contributing factors of this decrease can mainly be attributed to declining inventory and call investments.

Liabilities decreased by 0.88% from R109,450,259 (2012/13) to R108,484,810 (2013/14), which is mainly due to the redemption of liabilities for 2014.

#### 4. KEY RATIOS

##### CURRENT RATIO

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

	<b>Current assets</b>	<b>Current Liabilities</b>	
	<b>R</b>	<b>R</b>	<b>Ratio</b>
<b>2012/13</b>	675,107,679	64,830,127	10.41:1
<b>2013/14</b>	591,136,925	66,761,537	8.85:1

##### 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.

	<b>Current assets - Inventory</b>	<b>Current Liabilities</b>	
	<b>R</b>	<b>R</b>	<b>Ratio</b>
<b>2012/13</b>	488,425,632	64,830,127	7.53:1
<b>2013/14</b>	425,379,801	66,761.537	6.37:1

##### SOLVENCY RATIO

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

	<b>Total Assets</b>	<b>Total Liabilities</b>	
	<b>R</b>	<b>R</b>	<b>Ratio</b>
<b>2012/13</b>	798,671,355	109,450,259	7.30:1
<b>2013/14</b>	724,388,729	108,484,810	6.68:1

##### OTHER RATIOS

	<b>30-Jun-14</b>	<b>30-Jun-13</b>	<b>30-Jun-13</b>
Employee related cost/Total Expenditure	15.12	16.25	17.18
Actual Grants and subsidies paid/Total Expenditure	58.79	61.90	58.61
Actual Grants and subsidies paid/Total Revenue	71.04	67.41	54.89
Actual Grants and subsidies paid/Budget	76.59	63.39	7.91

## 5. CREDIT RATING

Global Credit rating committee has in August 2013 rated the Nkangala District Municipality's as follows:

Security class	Rating scale	Rating	Rating outlook	Review date
Long term	National	A(ZA)	Stable	08/2014
High credit quality relative to other issuers or obligations in the same country. Protection factors are good. However, risk factors are more variable and greater in periods of economic stress.				
Short term	National	A1(ZA)	Stable	08/2014
Very high certainty of timely payment relative to other issuers or obligations in the same country. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.				
Long term	International	BBB-	Stable	08/2014
Adequate protection factors and considered sufficient for prudent investment. However there is considerable variability in risk during economic cycles.				

## 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
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	Non-current Assets Held for Sale and 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)**

**NKANGALA DISTRICT MUNICIPALITY  
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**

	Note	2014 R 30-Jun-14	AUDITED AFS 2013 R 30-Jun-13
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>615 903 917</b>	<b>689 221 095</b>
Accumulated surplus/(deficit)		615 903 917	689 221 095
<b>Non-current liabilities</b>		<b>41 723 273</b>	<b>44 620 132</b>
Long-term liabilities	2	27 903 833	34 033 715
Long-term lease liabilities	3	-	29 044
Long term employee benefits	4	13 819 440	10 557 373
<b>Current liabilities</b>		<b>66 761 537</b>	<b>64 830 127</b>
Retentions	5	26 503 387	24 205 988
Current portion of employee benefits	6	166 756	618 383
Provisions	7	-	7 512 370
Payables from exchange transactions	8	32 432 864	25 740 482
Unspent conditional grants and other subsidies	9	1 000 000	-
Current portion of long-term liabilities	2	6 629 486	6 380 061
Current portion of long-term lease liabilities	3	29 044	372 843
<b>Total net assets and liabilities</b>		<b><u>724 388 729</u></b>	<b><u>798 671 355</u></b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>133 251 804</b>	<b>123 563 675</b>
Property, plant and equipment	10	98 644 262	92 124 690
Intangible assets	11	851 118	353 651
Investments	12	33 756 425	31 085 334
<b>Current assets</b>		<b>591 136 925</b>	<b>675 107 679</b>
VAT	13	23 554 659	22 273 504
Inventory	14	165 757 124	186 682 047
Other receivables from exchange transactions	15	42 306	99 902
Call investment deposits	16	395 570 244	457 510 506
Bank balances and cash	17	6 212 592	8 541 721
<b>Total assets</b>		<b><u>724 388 729</u></b>	<b><u>798 671 355</u></b>

**NKANGALA DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2014**

2014 Budget	Note	2014 R 30-Jun-14	2013 R 30-Jun-13 AUDITED AFS
<b>REVENUE</b>			
<b>20 990 104</b>		<b>29 036 221</b>	<b>30 404 041</b>
78 620		86 454	129 828
18 560 000	18	28 430 598	29 655 700
-		174	1 025
2 351 484	20	518 995	617 488
<b>314 652 000</b>		<b>322 803 002</b>	<b>307 152 348</b>
60 000		60 000	6 428
314 592 000	19	313 592 000	303 175 000
-	20	9 151 002	3 970 920
<b>335 642 104</b>		<b>351 839 222</b>	<b>337 556 388</b>
<b>EXPENDITURE</b>			
<b>Budget</b>		<b>30-Jun-14</b>	<b>30-Jun-13</b>
100 674 783	21	64 280 524	59 753 425
11 825 284	22	11 598 147	10 884 898
20 000		-	-
10 344 507	23	8 277 058	8 220 174
8 476 593	24	4 094 422	4 169 471
5 778 000	25	4 557 206	5 295 199
316 622 756	26	249 942 084	227 544 496
138 971 485	27	75 478 543	51 734 424
6 953 700		6 928 416	-
<b>599 667 107</b>		<b>425 156 400</b>	<b>367 602 087</b>
<b>(264 025 003)</b>		<b>(73 317 178)</b>	<b>(30 045 699)</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>			

Refer to the Appropriation Statement for the comparison with the approved budget

**NKANGALA DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30 JUNE 2014**

	<u>Note</u>	<u>Accumulated</u> <u>Surplus/</u> <u>(Deficit)</u>	<u>Total</u>
			R
	<b>2013</b>		
Balance at 1 July 2012		719 266 793	719 266 793
Surplus/(deficit) for the year		(30 045 699)	(30 045 699)
<b>Balance at 30 June 2013</b>		<b>689 221 094</b>	<b>689 221 094</b>
	<b>2014</b>		
<b>Balance at 1 July 2013</b>		<b>689 221 094</b>	<b>689 221 094</b>
Surplus/(deficit) for the period		(73 317 178)	(73 317 178)
<b>Balance at 30 June 2014</b>		<b>615 903 916</b>	<b>615 903 916</b>



**NKANGALA DISTRICT MUNICIPALITY  
CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2014**

	Note	2014 R	2013 R
		2014	2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		<b>353 497 667</b>	<b>333 403 283</b>
Government grants received		314 592 000	303 175 000
Other		38 905 667	30 228 283
Cash paid to suppliers and employees		<b>(410 493 720)</b>	<b>(331 269 646)</b>
Salaries and re-imbursments		(74 286 648)	(68 870 047)
Suppliers		(336 194 114)	(258 737 519)
Other		(12 958)	(3 662 080)
Cash generated from/(utilised in) operations	28	<b>(56 996 053)</b>	<b>2 133 637</b>
Interest received		28 430 772	27 195 969
Interest paid		(4 557 206)	(5 295 198)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>(33 122 487)</b>	<b>24 034 407</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(22 222 512)	(10 017 071)
Decrease/(Increase) in non-current investments		(2 671 091)	10 229 024
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(24 893 602)</b>	<b>211 953</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised/(repaid)		(6 253 300)	(6 242 340)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(6 253 300)</b>	<b>(6 242 340)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(64 269 390)</b>	<b>18 004 019</b>
Cash and cash equivalents at the beginning of the year		<b>466 052 227</b>	<b>448 048 208</b>
Cash and cash equivalents at the end of the period	29	<b>401 782 836</b>	<b>466 052 227</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(64 269 390)</b>	<b>18 004 019</b>

NKANGALA DISTRICT MUNICIPALITY  
APPROPRIATION STATEMENT FOR THE PERIOD ENDED 30 JUNE 2014

Reconciliation of Table A1 Budget Summary

Description	2013/2014											2012/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousands	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Financial Performance</b>															
Property rates															
Service charges															
Investment revenue	18 060	500	18 560	-		18 560	28 431		9 871	153.18	157.42				29 656
Transfers recognised - operational	313 592	1 060	314 652	-		314 652	313 652		(1 000)	99.68	100.02				303 175
Other own revenue	1 971	459	2 430	-		2 430	9 756		7 326	401.48	494.98				4 719
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>333 623</b>	<b>2 019</b>	<b>335 642</b>	<b>-</b>		<b>335 642</b>	<b>351 839</b>		<b>16 197</b>	<b>104.83</b>	<b>105.46</b>				<b>337 550</b>
Employee costs	121 101	(18 916)	102 184	-	(1 510)	100 675	64 281		(36 394)	63.85	53.08				59 490
Remuneration of councillors	14 579	(2 904)	11 675	-	150	11 825	11 598		(227)	98.08	79.55				11 148
Debt impairment	20	-	20	-	-	20	-		(20)	-	-				0
Depreciation & asset impairment	6 861	3 306	10 167	-	178	10 345	8 277		(2 067)	80.01	120.64				8 220
Finance charges	5 778	-	5 778	-	-	5 778	4 557		(1 221)	78.87	78.87				5 295
Materials and bulk purchases	709	185	895	-	0	895	299		(596)	33.42	42.16				245
Transfers and grants	439 454	(122 686)	316 768	-	(146)	316 623	249 942		(66 681)	78.94	56.88				227 544
Other expenditure	144 968	7 211	152 179	-	(5 626)	146 553	79 274		(67 279)	54.09	54.68				55 659
Loss on disposal of PPE	-	-	-	-	6 954	6 954	6 928		(25)	99.64	-				-
<b>Total Expenditure</b>	<b>733 471</b>	<b>(133 803)</b>	<b>599 667</b>	<b>-</b>	<b>0</b>	<b>599 667</b>	<b>425 156</b>		<b>(174 511)</b>	<b>70.90</b>	<b>57.97</b>				<b>367 602</b>
<b>Surplus/(Deficit)</b>	<b>(399 847)</b>	<b>135 822</b>	<b>(264 025)</b>	<b>-</b>	<b>(0)</b>	<b>(264 025)</b>	<b>(73 317)</b>		<b>190 708</b>	<b>27.77</b>	<b>18.34</b>				<b>(30 052)</b>
Transfers recognised - capital	-	-	-	-	-	-	-		-	-	-				-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-		-	-	-				6
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(399 847)</b>	<b>135 822</b>	<b>(264 025)</b>	<b>-</b>	<b>(0)</b>	<b>(264 025)</b>	<b>(73 317)</b>		<b>190 708</b>	<b>27.77</b>	<b>18.34</b>				<b>(30 046)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-		-	-	-				-
<b>Surplus/(Deficit) for the year</b>	<b>(399 847)</b>	<b>135 822</b>	<b>(264 025)</b>	<b>-</b>	<b>(0)</b>	<b>(264 025)</b>	<b>(73 317)</b>		<b>190 708</b>	<b>27.77</b>	<b>18.34</b>				<b>(30 046)</b>
<b>Capital expenditure &amp; funds sources</b>															
<b>Capital expenditure</b>															
Transfers recognised - capital	-	-	-	-	-	-	-		0	0	0				6
Public contributions & donations	-	-	-	-	-	-	-		0	0	0				-
Borrowing	-	-	-	-	-	-	-		0	0	0				-
Internally generated funds	56 338	(13 104)	43 234	-	-	43 234	22 223		(21 011)	51.40	39.44				10 017
<b>Total sources of capital funds</b>	<b>56 338</b>	<b>(13 104)</b>	<b>43 234</b>	<b>-</b>	<b>-</b>	<b>43 234</b>	<b>22 223</b>		<b>(21 011)</b>	<b>51.40</b>	<b>39.44</b>				<b>10 023</b>
<b>Cash flows</b>															
Net cash from (used) operating	(392 967)	179 551	(213 415)			(213 415)	(33 122)		180 293	15.52	8.43				24 034
Net cash from (used) investing	(50 405)	9 008	(41 397)			(41 397)	(24 894)		16 504	60.13	49.39				212
Net cash from (used) financing	(4 874)	-	(4 874)			(4 874)	(6 253)		(1 379)	128.29	128.29				(6 242)
<b>Cash/cash equivalents at the year end</b>	<b>67 425</b>	<b>654 712</b>	<b>206 365</b>			<b>206 365</b>	<b>401 783</b>		<b>195 417</b>	<b>194.69</b>	<b>595.89</b>				<b>466 052</b>

**Explanatory Notes**

Revenue

Other own revenue

In the Statement of Financial Performance of 2013/14 AFS, the revenue relating to rental of facilities and equipment, interest on outstanding debtors and income from agency services/donors are separately disclosed, whilst it is combined into Other own revenue on the budget schedule A1

Rental of facilities and equipment	86 454
Interest earned - outstanding debtors	174
Other income from exchange transactions	518 995
Other income from non-exchange transactions	9 151 002
	<u>9 756 625</u>

Transfers recognised - operational

In the Statement of Financial Performance of 2013/14 AFS, the income for agency services/donors is indicated separately as part of revenue, whilst it is included in the transfers recognised-operational section on the budget schedule A1

Government Grants	313 592 000
Income from agency services/donors	60 000
	<u>313 652 000</u>

Expenditure

Materials and bulk purchases

In the Statement of Financial Performance of 2013/14 AFS, the expenditure for materials and bulk purchases is included in general expenditure, whilst it is separate on the budget schedule A1

Other expenditure

In the Statement of Financial Performance of 2013/14 AFS, the expenditure for repair and maintenance is indicated separately whilst it forms part of other expenditure on the budget schedule A1

Repairs and maintenance	4 094 422
General expenditure	75 478 543
Materials and bulk purchases	(299 119)
	<u>79 273 846</u>

**NKANGALA DISTRICT MUNICIPALITY: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (REVENUE AND EXPENDITURE) FOR THE PERIOD ENDED 30 JUNE 2014**

	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>Explanation of significant variances greater than 10% versus budget</b>
<b>REVENUE</b>	<b>Actual YTD (R)</b>	<b>Budget (R)</b>	<b>Variance (R)</b>	<b>Variance (%)</b>	
Rental of facilities and equipment	86 454	78 620	7 834	9.96	
Interest earned - external investments	28 430 598	18 560 000	9 870 598	53.18	More interest was collected as estimated due to slow project implementation
Interest earned - outstanding debtors	174	-	174	#DIV/0!	Less interest was collected as estimated due to better debt collection
Income for agency services/ donar	60 000	60 000	-	-	Public donation received that was not anticipated
Government grants and subsidies	313 592 000	314 592 000	(1 000 000)	(0.32)	
Other income	9 669 996	2 351 484	7 318 512	311.23	The reversal of performance provision created this huge variance
Surplus cash				-	
<b>Total Revenue</b>	<b>351 839 222</b>	<b>335 642 104</b>	<b>16 197 118</b>	<b>4.83</b>	
				-	
<b>EXPENDITURE</b>				-	
Executive & Council	61 706 255	70 249 993	8 543 738	12.16	Under-expenditure is mainly as a result of vacancies, as well as wage curve and rationalisation not finalised
Budget & Treasury Office	18 133 008	30 671 853	12 538 845	40.88	Under-expenditure is mainly as a result of vacancies, as well as wage curve and rationalisation not finalised. Saving realised from cost curtailment also resulted in lower expenditure
Corporate Services	18 523 092	37 641 311	19 118 219	50.79	Under-expenditure is mainly as a result of vacancies, as well as wage curve and rationalisation not finalised
Planning & Development	258 825 667	333 003 418	74 177 751	22.28	Under-expenditure is mainly as a result of vacancies not filled during the financial year. Project expenditure that is not 100% completed is disclosed as Work in progress
Community & Social Services	6 358 507	13 842 306	7 483 799	54.06	Under-expenditure is mainly as a result of vacancies, as well as wage curve and rationalisation not finalised
Environmental Protection	2 802 227	13 940 755	11 138 528	79.90	An allocation was made in anticipation of the transfer of Municipal Health Services function and unfortunately the transfer did not take place.
Public Safety	30 383 793	38 860 347	8 476 554	21.81	Under-expenditure is mainly as a result of vacancies, as well as wage curve and rationalisation not finalised
Road Transport	27 898 025	52 338 606	24 440 580	46.70	Under-expenditure is mainly as a result of vacancies, as well as wage curve and rationalisation not finalised
Other	525 826	9 118 519	8 592 694	94.23	Underspending is as a result of the clarification of responsibilities with regard to powers and functions between Thembisile Hani LM and Nkangala DM and project expenditure that is not 100% completed is disclosed as Work in progress
Less Inter-Departmental Charges	-	-	-	-	
<b>Total Expenditure</b>	<b>425 156 400</b>	<b>599 667 107</b>	<b>174 510 707</b>	<b>29.10</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(73 317 178)</b>	<b>(264 025 003)</b>	<b>(158 313 589)</b>	<b>60</b>	

**NKANGALA DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE PERIOD ENDED 30 JUNE 2014**

<b>VOTE DESCRIPTION</b>	<b>Actual R</b>	<b>Disposals R</b>	<b>Under Construction R</b>	<b>Total Additions R</b>	<b>Budget R</b>	<b>Variance R</b>	<b>Variance %</b>	<b>Explanation of significant variances greater than 5% versus budget</b>
Executive & Council	249 233	(636 860)	-	249 233	2 718 859	2 469 626	90.83	Under-expenditure mainly due to mayoral vehicle which was not bought
Budget & Treasury Office	-	(143 311)	-	-	12 000	12 000	100.00	Under-expenditure relate to furniture which could not be delivered before 30 June 2014
Corporate Services	44 744	(86 304)	-	44 744	2 730 000	2 685 256	98.36	Under-expenditure mainly as result of performance management system not acquired. Roll-over to new financial year
Planning & Development	-	(87 992)	-	-	30 000	30 000	100.00	Under-expenditure relate to furniture which could not be delivered before 30 June 2014
Community & Social Services	-	(579 766)	-	-	100 000	100 000	100.00	Under-expenditure relate to furniture which could not be delivered before 30 June 2014
Environmental Protection	-	-	-	-	720 000	720 000	100.00	Under-expenditure mainly as a result of Helath personeel not yet transferred
Public Safety	7 017 372	-	14 911 163	21 928 535	36 922 859	29 905 487	80.99	Under-expenditure relate to the fire stations at Dr JS Moroka & Thembisile which is work-in-process and ongoing
Road Transport	-	(10 343 000)	-	-	-	-	-	
Other	-	-	-	-	-	-	-	
	<b>7 311 349</b>	<b>(11 877 233)</b>	<b>14 911 163</b>	<b>22 222 512</b>	<b>43 233 718</b>	<b>35 922 369</b>	<b>83.09</b>	

## **1. ACCOUNTING POLICIES**

### **1.1. BASIS OF PREPARATION**

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

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:

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous year.

### **1.2. 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**

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 municipality 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 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 balances in the portfolio and scaled to the estimated loss emergence period.

#### **Impairment testing**

The recoverable amounts or recoverable service 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.

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. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including supply demand, together with economic factors such as interest.

## **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 7 Provisions.

## **Useful lives of property, plant and equipment, investment property and intangible assets**

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for property, plant and equipment, investment property and intangible assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

## **Effective interest rate**

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

## **Allowance for impairment**

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

## **Defined benefit plan and other long-term employee benefits**

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. The estimated liabilities are recorded in accordance with GRAP 25. Additional information is disclosed in notes 4 and 6.

### **1.3. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, rounded to the nearest rand.

### **1.4. GOING CONCERN ASSUMPTION**

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

### **1.5. COMPARATIVES INFORMATION**

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

#### ***1.5.1. Prior year comparatives***

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

## **1.6. OFFSETTING**

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

## **1.7. PROPERTY, PLANT AND EQUIPMENT**

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

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

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

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

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

Directly attributable costs include the following:

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

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

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

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

<u>DETAILS</u>	<u>YEARS</u>	<u>DETAILS</u>	<u>YEARS</u>
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
<b><u>Electricity</u></b>		<b><u>Office Equipment</u></b>	
Supply & Reticulation	20	Computer Hardware	5 - 7
<b><u>Roads</u></b>		Computer Software	3 - 15
Roads	10	Office Machines	3 - 10
Bridges	30	Air Conditioners	5 - 7
<b><u>Sewerage</u></b>		<b><u>Furniture &amp; Fittings</u></b>	
Sewers	20	Chairs	7 - 10
<b><u>Water</u></b>		Tables/Desks	7 - 10
Supply & reticulation	20	Cabinets/Cupboards	7 - 10
Reservoirs & tanks	20	Miscellaneous	7 - 10
Pumps	15	<b><u>Emergency Equipment</u></b>	
		Fire	15
<b><u>Community Assets</u></b>		Ambulances	5
<b><u>Buildings</u></b>		Fire hoses	5
Clinics	30	Emergency Lights	5
Parks	30	<b><u>Plant &amp; Equipment</u></b>	
Community Centres	30	General	7
Fire Stations	30	Telecommunication equipment	5
		Radio	7
<b><u>Recreational Facilities</u></b>		Graders	10
Fire Breaks	20	Generator	7
		<b><u>Vehicles</u></b>	
<b><u>Land and Buildings</u></b>		Fire Engines	20
<b><u>Buildings</u></b>	30	Motor Vehicles	7
Paving	30	Bakkies	7
Fencing	20	Trucks	10 - 15
Fire Stations	30	<b><u>Bins</u></b>	
Land	0	Bins	5-10
<b><u>Leased assets</u></b>			
Office Machines	3 - 10		

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

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

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



The gain or loss from 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. Such difference is recognised in surplus or deficit when the item of property, plant and equipment is derecognised.

### **1.7.1. Impairment of assets**

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

#### **Impairment of cash generating assets**

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

An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognised as an expense in the 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 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 specific to the asset.

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

#### **Impairment of non-cash generating assets**

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

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

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.

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

Irrespective of whether there is any indication of impairment, the municipality 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 should be tested for impairment before the end of the current reporting period.

The present value of the remaining service potential of an asset is determined using the depreciated replacement cost approach: The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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.

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.

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 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 is recognised immediately in surplus or deficit.

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.

## **1.8. INTANGIBLE ASSETS**

The cost or fair value of an item of intangibles is recognised as an intangible asset when it is probable that the future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item of the item can be measured reliably.

An item of intangible assets which qualifies for recognition as an asset is initially be measured at cost.

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

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

Subsequently, intangible assets are stated at cost less accumulated amortisation and any impairment losses.

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

<b>Details</b>	<b>Years</b>
Computer soft ware	3-15 years

Intangible assets are derecognised when the asset is disposed of or when no further economic benefit or service potential expected from the use of the asset.

The gain or loss from derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognised in surplus or deficit.

## **1.9. 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:

<b>Class</b>	<b>Category</b>
Other receivables	Financial asset measured at amortised cost.
Investments	
Call investment deposits	
Bank balances	
Cash	

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:

<b>Class</b>	<b>Category</b>
Other payables	Financial liability measured at amortised cost
Long term liabilities	
Financial lease liabilities	

### **Initial recognition**

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

The municipality recognises financial assets using trade date accounting.

### **Initial measurement of financial assets and financial liabilities**

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, 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 municipality measures all other financial assets and financial liabilities initially at its fair value.

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

### **Subsequent measurement of financial assets and financial liabilities**

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

<b>Class</b>	<b>Category</b>
Other receivables	Financial asset measured at amortised cost.
Investments	
Call investment deposits	
Bank balances	
Cash	

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:

<b>Class</b>	<b>Category</b>
Other payables	Financial liability measured at amortised cost
Long term liabilities	
Financial lease liabilities	

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

### **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 municipality 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, the 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.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

### **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 un-collectability 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.

### **Financial assets measured at amortised cost:**

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 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 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.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

### **Financial assets measured at cost:**

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

## **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:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is 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 recognized 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 municipality 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).

### **1.10. REVENUE RECOGNITION**

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

#### **1.10.1. Revenue from exchange transactions**

##### **1.10.1.1. Rental of facilities:**

Rental of facilities are recognised as revenue when:

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

##### **1.10.1.2. Interest:**

Revenue arising from the use of assets by others of the municipal assets yielding interest are 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 are recognised on a time proportionate basis that takes into account the effective yield on the asset.

##### **1.10.1.3. Other revenue:**

Revenue arising from the selling of tender documents are 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

All other revenue is recognised at fair value as an when they occur.

## **1.10.2. Revenue from non-exchange transactions**

### **1.10.2.1. Government Grants:**

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

Government grants are recognised as revenue when:

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

### **1.10.2.2. Other grants and donations received:**

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, and
- The amount of the revenue can be measured reliably, and
- To the extent that there has been compliance with any restrictions associated with the grant

### **1.10.2.3. Other Revenue:**

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

All other revenue is recognised at fair value as an when they occur.

## **1.11. PROVISIONS**

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



are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

### **1.12. CASH AND CASH EQUIVALENTS**

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

### **1.13. EMPLOYEE BENEFITS**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 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;
- 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 services to the municipality during a reporting period, the municipality recognises 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 municipality recognises 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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality 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 municipality has no realistic alternative but to make the payments.

#### **1.13.1. 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 councillors to the under-mentioned pension funds:

- Joint Municipal pension Fund
- Municipal employees Pension Fund
- Municipal Gratuity Fund

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

### **1.13.2. Defined benefit plans:**

#### **1.13.2.1. *Post employment medical care benefits:***

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

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 municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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 municipality recognises 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 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 municipality 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.

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, which is recognised immediately;
- past service cost, which is recognised immediately;
- 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, the municipality attributes 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, the municipality attributes 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 municipality 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 municipality 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 presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality 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.

### **Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### **1.13.3. Long service awards:**

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.

#### **1.13.4. Accrued leave pay**

The liability is based on the total accrued leave days at year end and it is recognised as it accrue for employees, regardless how the obligation will be settled at the future date.

#### **1.14. BORROWING COSTS**

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

#### **1.15. EVENTS AFTER REPORTING DATE**

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

#### **1.16. LEASES:**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risk and rewards of ownership to the lessee.

##### **1.16.1. Finance leases – lessee**

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to surplus or deficit. Contingent rentals are recognised as expenses in the periods in which they are incurred.

##### **1.16.2. 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 asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

**1.17. INVENTORY:**

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 is disclosed as inventory. Inventory is measured at actual cost.

**1.18. VALUE ADDED TAX:**

The Municipality accounts for Value-Added-Tax on the payment basis

**1.19. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state.

Unauthorised expenditure is accounted for as an expense in the statement of Financial Performance, and where recovered it is subsequently accounted for as revenue in the statement of financial performance.

**1.20. IRREGULAR EXPENDITURE**

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 1988), or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of the Financial Performance, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.21. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain, and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

## **1.22. CONTINGENCIES**

### **1.22.1. CONTINGENT ASSETS**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets are not recognised as assets but are disclosed in note to the financial statements.

### **1.22.2. CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised as liabilities but are disclosed in the notes to the financial statements.

## **1.23. COMMITMENTS**

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date;
- where disclosure is required by a specific standard of GRAP.

## **1.24. RELATED PARTIES**

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

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

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

Transactions with related parties are disclosed as required by the Municipal Finance Management Act (Act . 56 of 2003)

## **1.25. BUDGET INFORMATION**

The comparison of budget and actual amounts presents separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.



**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

**2 LONG-TERM LIABILITIES**

	Balance at 2013-06-30	Received during the period	Redeemed or written off during the period	Balance at 2014-06-30	Less short term portion	Long term portion
	R	R	R	R	R	R
<b>Annuity loans</b>	<b>40 413 776</b>	-	<b>5 880 457</b>	<b>34 533 319</b>	<b>6 629 486</b>	<b>27 903 833</b>
DBSA: 1996@ 6 months JIBAR plus 2%. redeemable at 30/9/2019	20 645 205	-	3 177 727	17 467 478	3 584 672	13 882 806
INCA: 2004 @ 12.28% p.a. redeemable at 30/12/2018	19 768 571	-	2 702 730	17 065 841	3 044 814	14 021 027

Payment conditions were strictly adhered to

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

**3 LONG-TERM LEASE LIABILITIES**

	Balance at 2013-06-30	Received during the period	Redeemed or written off during the period	Balance at 2014-06-30	Less short term portion	Long term portion
	R	R	R	R	R	R
<b>Lease liabilities</b>	<b>401 887</b>	-	<b>372 843</b>	<b>29 044</b>	<b>29 044</b>	-
Ricoh Digital copier/printer PRO1357EX redeemable at 04/0/2014	361 162	-	332 118	29 044	29 044	-
Gestetner MPC3501ARDF redeemable at 02/07/2014	40 725	-	40 725	-	-	-

**Reconciliation of minimum lease payments**

	<b>2014</b>	<b>2013</b>
Not later than one year	29 262	393 882
Later than one year but not later than five years	-	29 261
Later than five years	-	-
	<u>29 262</u>	<u>423 143</u>
Future finance charges on finance leases	218	21 256
Present value of finance lease liabilities	<u>29 044</u>	<u>401 887</u>

**The present value of finance lease liabilities may be analysed as follows:**

No later than one year	29 044	372 843
Later than one year but not later than five years	-	29 044
	<u>29 044</u>	<u>401 887</u>

Payment conditions were strictly adhered to

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

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

**4 LONG TERM EMPLOYEE BENEFITS**

2014

2013

**Post retirement benefits**

Opening Balance	9 815 000	7 231 000
Current service cost	1 690 000	1 250 000
Interest costs	778 000	593 000
Expected return on plan assets	-	-
Actuarial (Gain) / loss	544 320	877 000
Past service costs	-	-
Effect of curtailment /settlement	-	-
Expected employer benefit payments	(143 000)	(135 000)
<b>Closing balance</b>	<b>12 684 320</b>	<b>9 816 000</b>
Minus current portion of liability	(139 740)	(220 072)
<b>Closing long term portion of liability</b>	<b>12 544 580</b>	<b>9 595 928</b>
<b>Projected accrued liability</b>	<b>12 140 000</b>	<b>9 815 000</b>

The post employment medical aid benefit are provided for ex retired employees and their legitimate spouses and is paid monthly. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The provision is an estimate of the liability based on historical staff turnover and life expectancy of the relevant people and is discounted by using the inflation rate at the reporting date. There was substantial additional staff appointed during the year under review, which is the reason for the huge increase from 2013 to 2014

Actuarial valuation done in 2013/14

Actuarial valuation done in 2012/13

**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.

	Changes in assumptions	Liability R'000s	Percentage change	Service cost R'000s	Interest cost R'000s	Total cost R'000s	Percentage
Central assumption used		12 684	0	1 690	778	2 468	
	1% decrease	10 753	-15%	1 342	640	1 982	-20%
Medical inflation	1% increase	15 047	19%	2 158	960	3 118	26%
Withdrawal assumption	50% less	10 305	5%	1 815	817	2 539	7%
Post retirement mortality	"-1year	13 121	3%	1 738	801	2 539	3%

**Key financial assumptions**

	2013
Discount rate	9.29%
Medical inflation (CPI)	8.41%
Net effective discount rate	0.81%

The movement in the post employment medical aid benefit is reconciled as follows: -

Balance at beginning of year	9 595 928	7 127 905
Contributions to post employment medical aid benefit	3 027 851	2 697 880
Transfer to current post employment medical aid benefit	(79 199)	(229 857)
<b>Balance at end of year</b>	<b>12 544 580</b>	<b>9 595 928</b>

**Post retirement benefits projection for 2015**

Opening Balance	12 684 320
Current service cost	1 008 035
Interest costs	1 172 467
Expected return on plan assets	-
Actuarial (Gain) / loss	-
Past service costs	-
Effect of curtailment /settlement	-
Expected employer benefit payments	(139 740)
<b>Closing balance</b>	<b>14 725 082</b>
Minus current portion of liability	(151 495)
<b>Closing long term portion of liability</b>	<b>14 573 587</b>

**Post retirement benefits**

**History of liabilities, assets and experience adjustments**

Liability history	30-Jun-11	30-Jun-12	30-Jun-13	30-Jun-14
Present value of accrued	6 098 000	7 231 000	9 815 000	12 684 000
Fair value of plan asset	-	-	-	-
Surplus/ (Deficit)	<b>(6 098 000)</b>	<b>(7 231 000)</b>	<b>(9 815 000)</b>	<b>(12 684 000)</b>

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

**2014**

**2013**

**Long service awards**

Opening Balance	1 359 756	1 187 266
Current service cost	277 535	208 705
Interest costs	111 472	94 150
Expected return on plan assets	-	-
Actuarial (Gain) / loss	(354 996)	(130 364)
Past service costs	-	-
Effect of curtailment /settlement	-	-
Expected employer benefit vestings	(91 891)	-
<b>Closing balance</b>	<b>1 301 876</b>	<b>1 359 757</b>
Minus current portion of liability	(27 016)	(225 820)
<b>Closing long term portion of liability</b>	<b>1 274 860</b>	<b>1 133 937</b>
<b>Projected long service liability</b>	<b>1 656 872</b>	<b>1 133 937</b>

**2015**

**Long service benefits projection for 2015**

Opening Balance	-	1 301 876
Current service cost	-	200 064
Interest costs	-	107 054
Expected return on plan assets	-	-
Actuarial (Gain) / loss	-	-
Past service costs	-	-
Effect of curtailment /settlement	-	-
Expected employer benefit vesting	-	(27 016)
<b>Closing balance</b>	<b>1 581 978</b>	<b>1 581 978</b>
Minus current portion of liability	-	(53 520)
<b>Closing long term portion of liability</b>	<b>1 528 458</b>	<b>1 528 458</b>

**Post retirement benefits**

**History of liabilities, assets and experience adjustments**

<b>Liability history</b>	<b>30-Jun-11</b>	<b>30-Jun-12</b>	<b>30-Jun-13</b>	<b>30-Jun-14</b>
Present value of accrued	1 093 102	1 187 266	1 359 756	1 301 876
Fair value of plan asset	-	-	-	-
Surplus/ (Deficit)	<b>(1 093 102)</b>	<b>(1 187 266)</b>	<b>(1 359 756)</b>	<b>(1 301 876)</b>

Balance at beginning of year	-	1 133 937	-
Transfer from current	-	198 803	961 446
Contributions to long service awards liability	-	(57 880)	172 491
<b>Balance at end of year</b>	<b>1 274 860</b>	<b>1 274 860</b>	<b>1 133 937</b>

**Valuation method**

The liability calculated as the present value of expected future retirement benefit. The projected unit credit method was used

	<b>Changes in</b>	<b>Liability R's '000</b>	<b>Percentage change</b>	<b>Service cost R's</b>	<b>Interest cost R's</b>	<b>Total cost R's '000</b>	<b>Percentage</b>
Central assumption used		1 302		277 535	111 472	389 007	
	1% decrease	1 205	-8%	249 024	96 056	345 080	-11%
	1% increase	1 409	9%	310 165	114 132	424 297	9%
Retirement age	2 years decrease	1 145	-10%	250 082	93 917	343 999	-12%
	2 years increase	1 501	12%	303 170	117 535	420 705	8%
Withdrawal assumption	50% less	1 670	33%	441 635	104 571	546 206	40%

**Key financial assumptions**

	<b>2013</b>
Discount rate	8.31%
General inflation (CPI)	5.69%
Salary increase rate	7.34%
Net effective discount rate	0.90%

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

**5 RETENTIONS**

Opening balance	24 205 988	25 370 163
Receipts during the year	20 144 600	14 728 464
Payments made during the year	<u>(17 847 201)</u>	<u>(15 892 639)</u>
<b>Total retention</b>	<b><u>26 503 387</u></b>	<b><u>24 205 988</u></b>

Retention of 5% - 10% are usually withheld from the payments for project implementation to cover liability defects from service providers

**6 CURRENT PORTION EMPLOYEE BENEFITS**

	2014	2013
<b><u>Long service awards</u></b>		
Balance at beginning of year	225 820	1 187 265
Transfer to long term portion	(198 804)	(961 445)
Contributions to long service awards liability	-	-
<b>Balance at end of year</b>	<b><u>27 016</u></b>	<b><u>225 820</u></b>

**Post employment medical aid benefit**

Balance at beginning of year	392 563	103 095
Transfer from non-current	402 348	402 348
Expenditure incurred	<u>(252 823)</u>	<u>(112 880)</u>
<b>Balance at end of year</b>	<b><u>139 740</u></b>	<b><u>392 563</u></b>
<b>Total current portion of employee benefits</b>	<b><u>166 756</u></b>	<b><u>618 383</u></b>

**7 PROVISIONS**

	2014	2013
Performance bonus	-	7 512 370
<b>Total provisions</b>	<b><u>-</u></b>	<b><u>7 512 370</u></b>

Performance bonuses are provided for in arrear for 2008/9, 2009/10, 2010/11, 2011/12 and 2012/13 and accrued on the basis that conditions had been met. There is no indication that performance bonuses will not be paid. There is no certainty when and which amount in terms of performance bonuses will be paid.

The movement in current provisions are reconciled as follows: -

**Performance bonus**

Balance at beginning of year	7 512 370	5 330 848
Contributions to (Withdrawal from) provision	(7 301 661)	2 181 523
Expenditure incurred	<u>(210 709)</u>	<u>-</u>
<b>Balance at end of year</b>	<b><u>-</u></b>	<b><u>7 512 370</u></b>

**8 PAYABLES**

Trade payables	27 742 327	21 863 642
Fleet card at ABSA Bank	104 453	73 711
Rental deposit	8 920	30 578
Leave accrual	3 987 666	3 772 100
Other payables	<u>589 497</u>	<u>450</u>
	<b><u>32 432 864</u></b>	<b><u>25 740 482</u></b>

NKANGALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

9 UNSPENT CONDITIONAL GRANTS AND SUBSIDIES

2014

2013

*Other conditional subsidies*

1 000 000

-

PROV TREASURY - Data cleansing

1 000 000

**Total conditional grants and subsidies**

**1 000 000**

-

10 PROPERTY, PLANT AND EQUIPMENT

30-Jun-14

	Land and buildings	Infrastructure	Community	Other	Leased assets	Total
Reconciliation of carrying values	R	R	R	R	R	R
<b>Carrying values at 1 July 2013</b>	<b>54 878 147</b>	<b>2 405 325</b>	<b>0</b>	<b>33 573 622</b>	<b>369 627</b>	<b>91 226 721</b>
Land at cost	300 000	-	-	-	-	300 000
Buildings/ Assets at cost	66 513 180	3 475 872	0	59 251 828	1 032 194	130 273 074
Capital under construction	2 899 008	-	-	-	-	2 899 008
Transfer in/ (Transfer out) - Cost				-1 114 717		-1 114 717
<b>Cost at 1 July 2013</b>	<b>69 712 188</b>	<b>3 475 872</b>	<b>0</b>	<b>58 137 111</b>	<b>1 032 194</b>	<b>132 357 365</b>
Transfer in/ (Transfer out) - Accumulated depreciation				216 749		216 749
Accumulated depreciation before transfer	-14 834 041	-1 070 547	-	-24 780 237	-662 568	-41 347 393
<b>Accumulated depreciation after transfer</b>	<b>-14 834 041</b>	<b>-1 070 547</b>	<b>-</b>	<b>-24 563 488</b>	<b>-662 568</b>	<b>-41 130 644</b>
<b>Carrying values at 1 July 2013 after transfer</b>	<b>54 878 147</b>	<b>2 405 325</b>	<b>0</b>	<b>33 573 622</b>	<b>369 627</b>	<b>91 226 721</b>
Acquisitions		-		7 311 349		7 311 349
Capital under construction	14 911 163					14 911 163
Disposals cost	-	-		-11 765 236.71	-111 996	-11 877 233
Disposals depr	-	-		4 836 922	111 893	4 948 815
Depreciation	-2 209 653	-281 837		-5 042 328.35	-342 737	-7 876 556
<b>Carrying values at 30 June 2014</b>	<b>67 579 656</b>	<b>2 123 489</b>	<b>0</b>	<b>28 914 328</b>	<b>26 788</b>	<b>98 644 262</b>
Land at cost	300 000	0	0	-	0	300 000
Buildings/ Assets at cost	66 513 180	3 475 872	0	53 683 223	920 200	124 592 475
Capital under construction	17 810 171	0	0	0	0	17 810 171
Accumulated depreciation	-17 043 694	-1 352 383	-	-24 768 895	-893 412	-44 058 384

The District Municipality has non-core assets that have been depreciated to a value of R1 with gross carrying value of R2,369,439.

The District Municipality has non-core assets that are held for disposal with carrying value of R148,878.

No item of property, plant and equipment has been pledged as security

A register containing the information required by section 62 of the Municipal Finance Management Act is available for inspection at the registered offices of the municipality

NKANGALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

30-Jun-13

	Land and buildings	Infrastructure	Community	Other	Leased assets	Total
Reconciliation of carrying values	R	R	R	R	R	R
<b>Carrying values at 1 July 2012</b>	<b>54 134 523</b>	<b>2 560 093</b>	<b>0</b>	<b>28 426 783</b>	<b>982 988</b>	<b>90 527 041</b>
Land at cost	300 000					300 000
Buildings/ Assets at cost	61 957 210	3 475 872	-	52 397 965	3 471 477	121 302 525
Capital under construction	4 492 706					4 492 706
<b>Cost at 1 July 2012</b>	<b>66 749 916</b>	<b>3 475 872</b>	<b>-</b>	<b>52 397 965</b>	<b>3 471 477</b>	<b>126 113 710</b>
Accumulated depreciation before transfer	-12 615 393	-774 014	-	-19 708 773	-2 488 489	-35 586 669
<b>Accumulated depreciation after transfer</b>	<b>-12 615 393</b>	<b>-774 014</b>	<b>-</b>	<b>-19 708 773</b>	<b>-2 488 489</b>	<b>-35 586 669</b>
Acquisitions	-			6 853 862		6 853 862
Capital under construction	2 962 273					2 962 273
Depreciation	-2 218 648	-296 533	-	-5 071 464	-613 362	-8 200 007
Disposals - Cost					-2 439 283	-2 439 283
Disposals - Acc Dep					2 439 283	2 439 283
<b>Carrying values at 30 June 2013</b>	<b>54 878 147</b>	<b>2 405 325</b>	<b>0</b>	<b>34 471 591</b>	<b>369 627</b>	<b>92 124 690</b>
Land at cost	300 000	0	0	0	0	300 000
Buildings/ Assets at cost	66 513 180	3 475 872	0	59 251 828	1 032 194	130 273 075
Capital under construction	2 899 008	0	0	0	0	2 899 008
Accumulated depreciation	-14 834 041	-1 070 547	-	-24 780 237	-662 568	-41 347 393

The District Municipality has non-core assets that have been depreciated to a value of R1 with gross carrying value of R2,579,912.  
No item of property, plant and equipment has been pledged as security

11 INTANGIBLES

	2014	2013
Reconciliation of carrying values	R	R
<b>Cost at beginning of year</b>		
Computer software at cost	469 575	262 211
Re-allocation from PPE - Computer software at cost	1 114 717	
<b>Cost values after transfer</b>	<b>1 584 292</b>	<b>262 211</b>
Transfer in/ (Transfer out) - Accumulated amortisation	(216 749)	-
Accumulated amortisation	(115 923)	(95 756)
<b>Accumulated amortisation after transfer</b>	<b>(332 672)</b>	<b>(95 756)</b>
<b>Carrying value at beginning of year after transfer</b>	<b>1 251 620</b>	<b>166 455</b>
Acquisitions	-	207 364
Amortisation	(400 503)	(20 168)
<b>Carrying values at the end of the financial year</b>	<b>851 117</b>	<b>353 651</b>
Computer software at cost	1 584 292	469 575
Accumulated amortisation	(733 175)	(115 923)

No item of intangibles has been pledged as security

**NKANGALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>12 INVESTMENTS</b>		
<b>Balance at the beginning of the financial year</b>	<b>31 085 334</b>	<b>38 854 626</b>
Invested and / or accrued interest	2 671 091	2 459 731
Withdrawn	-	(10 229 023)
<b>Balance at the end of the financial year</b>	<b><u>33 756 425</u></b>	<b><u>31 085 334</u></b>
<b>Financial Instruments</b>		
Long term investments (Promisary note - Investec) - at cost maturing June 2013	-	-
Long term investments (Promisary note - Investec) - at cost maturing July 2015	<u>33 756 425</u>	<u>31 085 334</u>
	<b>33 756 425</b>	<b>31 085 334</b>
Interest rate	8.59%	8.59%
	<b>2014</b>	<b>2013</b>
	<b>2014</b>	<b>2013</b>
Promisary note - Investec		
Long term investments (Promisary note - Investec) - at cost maturing June 2013	R 0	R 0
Long term investments (Promisary note - Investec) - at cost maturing July 2015	R 33 756 425	R 31 085 334
<b>Total</b>	<b><u>R 33 756 425</u></b>	<b><u>R 31 085 334</u></b>
	<b>R 37 218 084</b>	<b>R 37 218 084</b>
	<b>R 37 218 084</b>	<b>R 37 218 084</b>
Refer to annexure G for more information		
Nkangala District Municipality manages its credit risk in its borrowing and investing activities by dealing with A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with the approved cash and investment policy of Council		
	<b>2014</b>	<b>2013</b>
<b>Guaranteed value</b>		
The guaranteed value of the investments amounts to at maturity date.	<u>R 37 218 084</u>	<u>R 37 218 084</u>
	<b>R 37 218 084</b>	<b>R 37 218 084</b>
<b>13 VAT</b>	<b>2014</b>	<b>2013</b>
VAT (payable)/ receivable	<u>23 554 659</u>	<u>22 273 504</u>
	<b>23 554 659</b>	<b>22 273 504</b>
VAT is accounted for on the payment basis. VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		
<b>14 INVENTORY</b>	<b>2014</b>	<b>2013</b>
Projects - Work in progress	165 757 124	186 682 047
<b>Total inventory</b>	<u>165 757 124</u>	<u>186 682 047</u>
	<b>165 757 124</b>	<b>186 682 047</b>
<b>14.1 Work in progress</b>		
Balance at the beginning of the year	186 682 047	234 295 896
Expenditure during the year	229 017 161	179 930 647
Less completed and transferred to local municipalities as per note 26	249 942 084	227 544 496
<b>Balance at the end of the year</b>	<u>165 757 124</u>	<u>186 682 047</u>
	<b>165 757 124</b>	<b>186 682 047</b>

NKANGALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

15 OTHER RECEIVABLES

	Gross Balances	Allowance for debt impairment	Net Balance
<b>As at 30 JUNE 2014</b>	R	R	R
Other	42 306	-	42 306
<b>Total</b>	<b>42 306</b>	<b>-</b>	<b>42 306</b>
<b>As at 30 June 2013</b>	R	R	R
Other	112 414	(12 512)	99 902
<b>Total</b>	<b>112 414</b>	<b>(12 512)</b>	<b>99 902</b>
	<b>2014</b>		<b>2013</b>
	R		R
<b>Other : Ageing</b>			
Current (0 – 30 days)	33 030		66 931
31 - 60 Days	9 276		6 392
61 - 90 Days	-		6 392
91 - 120 Days	-		8 378
+ 120 Days	-		24 320
Allowance for debt impairment	(0)		(12 512)
<b>Total</b>	<b>42 306</b>		<b>99 902</b>
	<b>2014</b>		<b>2013</b>
	R		R
<b>Reconciliation of the allowance for debt impairment</b>			
Balance at beginning of the year	12 512		17 710
Contributions to allowance for debt impairment			
Bad debts written off against allowance for debt impairment	(11 780)		(5 198)
Reversal of allowance for debt impairment	(732)		
Balance at end of year	<b>0</b>		<b>12 512</b>
<b>Total other receivables</b>	<b>42 306</b>		<b>99 902</b>

No further provision for bad debt had been made as the only sundry debtor is the department of public works

**Other receivables pledged as security**

None of the other receivables were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

**Credit quality of receivables from exchange transactions**

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

**Receivables from exchange transactions past due but not impaired**

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 9,276 (2013: R 21,162) were past due but not impaired.

**The ageing of amounts past due but not impaired is as follows:**

	2014	2013
1 month past due	9 276	6 392
2 months past due	-	6 392
3 months past due	-	8 378

**Receivables from exchange transactions impaired**

As of 30 June 2014, receivables from exchange transactions of R 0 (2012: R 12,512) were impaired

The ageing of these receivables is as follows:

	2014	2013
Over 3 months	-	24 320



**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

<b>16 CALL INVESTMENT DEPOSITS</b>	<b>2014</b>	<b>2013</b>
<b>Balance at the beginning of the financial year</b>	<b>457 510 506</b>	<b>437 065 084</b>
Invested	285 541 617	337 721 204
Accrued interest	2 144 129	2 360 118
Withdrawn	<u>(349 626 009)</u>	<u>(319 635 900)</u>
<b>Balance at the end of the financial year</b>	<b><u>395 570 244</u></b>	<b><u>457 510 506</u></b>
ABSA	35 013 141	58 011 065
Nedbank	28 000 000	42 012 877
FNB	63 539 169	69 207 519
Standard Bank	143 580 868	151 380 031
Sanlam	72 100 889	68 452 835
Investec	51 192 048	66 086 060
Accrued interest	<u>2 144 129</u>	<u>2 360 118</u>
<b>Total</b>	<b><u>395 570 244</u></b>	<b><u>457 510 506</u></b>
Average rate of return	<u>5.80%</u>	<u>5.22%</u>
Council's valuation of investments	<u>395 570 244</u>	<u>457 510 506</u>

The amounts disclosed agree to the statement of the relevant institutions

Nkangala District Municipality manages its credit risk in its borrowing and investing activities by dealing with A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with the approved cash and investment policy of Council

See annexure G for more detail on investments

**17 BANK AND CASH BALANCES**

The Municipality has the following bank accounts: -

**Current account (Primary bank account)**

Primary - ABSA Bank Limited: Account number 1040161836

Petty cash link to primary - ABSA Bank Limited: Account number 4079336773

Cash book balance at beginning of year (including Petty cash balance of R5200.00)

Cash book balance at end of year (including petty cash balance of R10200.00)

Bank statement balance at beginning of year (including petty cash balance of R1966)

Bank statement balance at end of period (including petty cash balance of R0)

Council's valuation of bank and cash balances

**18 INTEREST EARNED ON EXTERNAL INVESTMENTS**

Interest on investments

Interest on current account

Interest on retention investment

	8 541 721	10 983 124
	<u>6 212 592</u>	<u>8 541 721</u>
	20 125 171	17 514 965
	<u>14 503 373</u>	<u>20 125 171</u>
	<u>14 503 373</u>	<u>20 125 171</u>
	26 519 636	27 886 714
	423 298	418 509
	1 487 664	1 350 477
	<u>28 430 598</u>	<u>29 655 700</u>

Interest is earned on investments and current account. Money not needed for immediate operational cashflow is invested with various institutions as indicated in note 12 and 16

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

**19 GOVERNMENT GRANTS AND OTHER SUBSIDIES**

Equitable share	19.1	19 749 000	19 030 000
RSC Levy replacement grant	19.2	289 101 000	280 681 000
Municipal systems improvement grant	19.3	890 000	1 000 000
Rural Asset Management Roads Grant	19.4	1 602 000	-
Finance management grant	19.5	1 250 000	1 250 000
Expanded public work programme incentive grant	19.6	1 000 000	1 214 000
<b>Total government grant and subsidies</b>		<b><u>313 592 000</u></b>	<b><u>303 175 000</u></b>

**19.1 Equitable share**

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

**19.2 RSC Levy replacement grant**

**2014**

**2013**

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

**19.3 Municipal systems improvement grant**

**2014**

**2013**

Balance unspent at beginning of year	-	-
Current year receipts	890 000	1 000 000
Conditions met - transferred to revenue	<u>(890 000)</u>	<u>(1 000 000)</u>
Conditions still to be met - transferred to liabilities (see note 9)	<u>-</u>	<u>-</u>

**Department:**

Planning and Development  
 The municipal systems improvement grant under the vote of the Department of Cooperative Government and Traditional Affairs focuses on stabilising municipal and governance systems, planning and implementation management support centres, reviewing integrated development plans and implementing the Municipal

**Purpose of Grant:**

Systems Act (2000).

All conditions of the grant has been met and the grant was never withheld

**19.4 Rural Asset Management Roads Grant**

Balance unspent at beginning of year	-	-
Current year receipts	1 602 000	-
Conditions met - transferred to revenue	<u>(1 602 000)</u>	<u>-</u>
Conditions still to be met - transferred to liabilities (see note 9)	<u>-</u>	<u>-</u>

**Department:**

Planning and Development

**Purpose of Grant:**

This grant is to counter fund the integrated transport plan for the District.

All conditions of the grant has been met and the grant was never withheld

**19.5 Finance management grant**

Balance unspent at beginning of year	-	-
Current year receipts	(1 250 000)	1 250 000
Conditions met - transferred to revenue	<u>1 250 000</u>	<u>(1 250 000)</u>
Conditions still to be met - transferred to liabilities (see note 9)	<u>-</u>	<u>-</u>

**Department:**

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

**Purpose of Grant:**

Finance Management Act (MFMA)

All conditions of the grant has been met and the grant was never withheld

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

<b>19.6 Expanded public works programme intensive grant</b>	<b>2014</b>	<b>2013</b>
Balance unspent at beginning of year	-	-
Current year receipts	(1 000 000)	1 214 000
Conditions met - transferred to revenue	1 000 000	(1 214 000)
Conditions still to be met - transferred to liabilities (see note 9)	<u>-</u>	<u>-</u>

**Department:** Planning & Development  
**Purpose of Grant:** The Grant is intended to:  
- Assist in EPWP

All conditions of the grant has been met.

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

**19.7 Provincial Treasury**

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>1 000 000</u>	<u>-</u>

**Department:** Financial Services  
**Purpose of Grant:** This grant was allocated to the District to fund data cleansing projects for Thembisile Hani and Dr JS Moroka Local Municipalities.  
All conditions of the grant has not been met yet and the grant was never withheld

**20 OTHER REVENUE**

<b>Revenue from non-exchange transactions</b>		
Sundry income	8 885 577	1 162 920
Discount received	104 065	1 427 149
Refund from local government SETA	161 359	1 380 851
<b>Total revenue from non-exchange transactions</b>	<u>9 151 002</u>	<u>3 970 920</u>
<b>Revenue from exchange transactions</b>		
Application for tender documents	518 995	617 488
<b>Revenue from exchange transactions</b>	<u>518 995</u>	<u>617 488</u>
<b>Total other income</b>	<u>9 669 996</u>	<u>4 588 408</u>

**21 EMPLOYEE RELATED COSTS**

	<b>2014</b>	<b>2013</b>
Employee related costs - Salaries and wages	41 415 506	36 335 802
Employee related costs - Contributions for UIF, pensions and medical aids	12 483 355	10 304 774
Contribution to post- retirement benefit	3 027 851	2 697 880
Travel, motor car, other allowances	3 567 438	3 469 194
Housing benefits and allowances	87 478	81 482
Overtime payments	1 390 634	2 008 393
Contribution to provision for performance bonus	-	2 181 523
Long-service awards/ Leave encashment	2 308 262	2 674 378
<b>Total employee related costs</b>	<u>64 280 524</u>	<u>59 753 425</u>

The was a significant increase in staff appointments from 2013 to 2014 financial year  
There were no advances to employees.

**Remuneration of the Municipal Manager: TC Makola (Until 31 Jan 2013)**

Annual remuneration	-	1 095 241
Performance bonuses	210 709	-
Car allowance	-	128 333
Contributions to UIF, medical and pension funds	-	56 764
<b>Total</b>	<u>210 709</u>	<u>1 280 339</u>

**Remuneration of the Municipal Manager: MM Skosana 1 Feb 2014 to 30 Jun 2014 date**

Annual remuneration	443 196	-
Performance bonuses	-	-
Car allowance	50 000	-
Contributions to UIF, medical and pension funds	106 643	-
<b>Total</b>	<u>599 839</u>	<u>-</u>

**Remuneration of the Chief Finance Officer: AL Stander (1 July 2013 - 30 June 2014)**

Annual remuneration	658 729	665 554
Car allowance	120 000	120 000
Contributions to UIF, medical and pension funds	173 893	162 845
<b>Total</b>	<u>952 622</u>	<u>948 399</u>

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

**Remuneration of individual executive directors**

	<u>Manager Technical Services AG Zimbwa</u> 1 July 2013 to 31 January 2014	<u>Manager Corporate Services Z Micneka</u> 1 July 2013 to 31 January 2014	<u>Manager Social Services EM Tshabalala</u> 1 July 2013 to 30 June 2014
	R	R	R
<b>30-Jun-14</b>			
Annual remuneration	551 503	600 958	690 788
Acting allowance	352 154		1 863
Car allowance	63 000	63 000	180 000
Contributions to UIF, medical and pension funds	10 626	7 723	94 125
<b>Total</b>	<b>977 284</b>	<b>671 681</b>	<b>966 775</b>
<b>30-Jun-13</b>			
Annual remuneration	879 563	841 819	647 423
Acting allowance	629 542		
Car allowance	108 000	108 000	180 000
Contributions to UIF, medical and pension funds	17 739	11 014	88 608
<b>Total</b>	<b>1 634 845</b>	<b>960 833</b>	<b>916 031</b>
<b>22 REMUNERATION OF COUNCILLORS</b>			
		<b>2014</b>	<b>2013</b>
Councillors Allowances		10 228 132	9 651 020
Councillors' pension contribution		1 107 032	1 033 895
Councillors' medical contribution and other contributions		262 983	199 983
<b>Total councillors' remuneration</b>		<b>11 598 147</b>	<b>10 884 898</b>
<b>Executive Mayor -Clr. SK Mashilo</b>			
		<b>2014</b>	<b>2013</b>
Annual remuneration		489 188	499 336
Cell /mobile data allowance		22 820	23 472
Car allowance		192 221	196 282
Contributions to medical and pension funds		85 363	89 512
<b>Total</b>		<b>789 592</b>	<b>808 602</b>
<b>Speaker -Clr. Nkwanyana B A</b>			
		<b>2014</b>	<b>2013</b>
Annual remuneration		418 376	400 417
Cell /mobile data allowance		24 468	23 472
Car allowance		164 879	157 026
Contributions to medical and pension funds		74 195	70 662
<b>Total</b>		<b>681 918</b>	<b>651 577</b>
<b>Council Whip - Clr. T Letlaka</b>			
		<b>2014</b>	<b>2013</b>
Annual remuneration		376 388	359 043
Cell /mobile data allowance		24 468	23 472
Car allowance		154 572	147 212
Contributions to medical and pension funds		85 398	82 594
<b>Total</b>		<b>640 826</b>	<b>612 321</b>
<b>Executive Mayoral Committee members (x6)</b>			
		<b>2014</b>	<b>2013</b>
Annual remuneration		2 244 207	2 164 841
Cell /mobile data allowance		146 319	140 832
Car allowance		906 536	883 272
Contributions to medical and pension funds		505 862	484 975
<b>Total</b>		<b>3 802 924</b>	<b>3 673 920</b>
<b>Other Councillors</b>			
		<b>2014</b>	<b>2013</b>
Annual remuneration		3 437 613	3 167 110
Cell /mobile data allowance		1 313 159	1 209 297
Car allowance		389 449	255 936
Contributions to medical and pension funds		542 666	506 136
<b>Total</b>		<b>5 682 887</b>	<b>5 138 479</b>
<b>In-kind benefits</b>			
The Executive Mayor, Council Whip, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.			
The Executive Mayor has use of a Council owned vehicle for official duties.			
<b>23 DEPRECIATION/AMORTISATION</b>			
Depreciation on property, plant and equipment		7 876 556	8 200 005
Amortisation on intangibles		400 503	20 168
<b>Total depreciation / amortisation</b>		<b>8 277 058</b>	<b>8 220 173</b>
<b>24 REPAIRS AND MAINTENANCE</b>			
Repair and maintenance on property, plant and equipment		3 196 257	3 251 135
Repairs and maintenance on intangibles		898 165	918 336
<b>Total depreciation / amortisation</b>		<b>4 094 422</b>	<b>4 169 471</b>
<b>25 INTEREST PAID</b>			
Long-term liabilities		4 534 888	5 224 007
Finance leases		21 039	71 192
Other interest paid		1 279	-
<b>Total interest on external borrowings</b>		<b>4 557 206</b>	<b>5 295 199</b>

**NKANGALA DISTRICT MUNICIPLITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

**26 GRANTS AND SUBSIDIES PAID**

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

**Grants paid to local municipalities out of own revenue**

General (Cross boundry projects that can not be allocated to a specific local municipality)	12 395 402	30 490 184
DelmasVictor Khanye	12 957 765	13 432 534
Dr JS Moroka	27 592 369	16 417 166
Emalahleni	72 140 765	45 769 636
Steve Tshwete	39 843 477	24 897 222
Emakhazeni	25 346 963	36 839 507
Thembisile Hani	59 665 342	59 698 246
<b>Total grants and subsidies out of own revenue</b>	<b><u>249 942 084</u></b>	<b><u>227 544 496</u></b>

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

**27 GENERAL EXPENSES**

	<b>2014</b>	<b>2013</b>
Advertisements	366 356	372 367
Audit fees	2 946 563	1 834 977
Bank charges	89 751	91 959
Books and magazines	35 622	40 305
Cleaning & gardening	1 185 790	498 750
Consultant fees	1 271 048	939 839
Deputation costs-congresses	129 896	114 769
Entertainment costs	1 261 437	1 697 921
Expenditure iro Thembisile roads function	20 651 197	30 559 883
Fuel	818 276	646 644
Sundry expenses	18 250 025	673 463
Capacity building	4 861 799	-
Disaster management	539 003	1 162 354
Public participation	3 800 772	-
Town planning	2 852 863	1 269 845
Youth and gender programmes	1 960 285	2 647 046
Insurance	206 904	229 717
Legal fees	1 060 683	1 677 866
Less debited elsewhere	(21 713 690)	(22 055 525)
Materials and supplies	299 120	244 557
Membership fees	1 773 102	1 730 344
Municipal account	1 875 510	1 513 130
Office accomodation / rental	10 550 305	7 960 873
Planning	5 532 398	3 622 467
Printing and stationery	1 771 459	1 343 679
Publicity	138 090	424 832
Security fees	1 341 765	569 999
Telecommunication	1 929 311	1 677 419
Tourism	1 810 035	2 593 310
Township establishment	2 104 648	1 171 555
Training	877 163	2 198 812
Travel and accomodation	4 901 061	4 281 166
	<b><u>75 478 543</u></b>	<b><u>51 734 424</u></b>

**NKANGALA DISTRICT MUNICIPLITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

<b>28 CASH GENERATED BY OPERATIONS</b>	<b>2014</b>	<b>2013</b>
Surplus/(deficit) for the year	(73 317 178)	(30 045 699)
Adjustment for:-		
Depreciation	8 277 058	8 220 174
(Gain)/ loss on disposal of property, plant and equipment	6 928 418	-
Contribution to provisions/employee benefits - non-current	3 262 067	2 468 023
Contribution to provisions/employee benefits – current	(7 963 998)	2 470 991
Donated asset to municipality	-	(6 428)
Interest paid	4 557 206	5 295 199
Investment income	(28 430 772)	(29 655 700)
<b>Operating surplus before working capital changes:</b>	<b>(86 687 198)</b>	<b>(41 253 440)</b>
(Increase) /Decrease in inventories	20 924 923	47 613 848
(Increase)/decrease in receivables	57 596	39 252
Increase / (Decrease) in payables	9 989 781	(1 014 349)
(Increase) / Decrease in VAT	(1 281 155)	(3 251 674)
<b>Cash generated by/(utilised in) operations</b>	<b>(56 996 053)</b>	<b>2 133 637</b>

<b>29 CASH AND CASH EQUIVALENTS</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating		
Bank balances and cash	6 212 592	8 541 721
Call investment deposits	395 570 244	457 510 506
<b>Total cash and cash equivalents</b>	<b>401 782 836</b>	<b>466 052 227</b>

<b>30 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term liabilities (see Note 2)	34 533 319	40 413 776
Used to finance property, plant and equipment – at cost	34 533 319	40 413 776
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	6 658 530	8 060 000
<b>Cash invested for repayment of long-term liabilities (see note 16)</b>	<b>6 658 530</b>	<b>8 060 000</b>

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

**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

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

**31.1 Unauthorised expenditure**

Unauthorised expenditure awaiting authorization

2014

2013

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

**31.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure

Opening balance	67 590	-
Fruitless and wasteful expenditure current year	1 027	67 590
Condoned or written off by Council	(68 617)	-
To be recovered – contingent asset (see note 35)	-	-
Fruitless and wasteful expenditure awaiting condonement	-	67 590

Incident	Disciplinary steps/criminal proceedings
<i>On 19 September 2012 a service provider called The Energy Room was paid R47,880 for the Executive Mayor to appear on SABC 3 Morning live show. The R47,880 include the cost for plane tickets and accommodation. When the manager in the Mayor office wanted to collect the plane tickets the service provider was nowhere to be found. the case was reported to the South African Police and the case number is 560/9/2012.</i>	<i>The case was reported to the South African Police and the case number is 560/9/2012. Council condoned amount as it is not recoverable</i>
<i>In January 2013 payments to third parties for salary deductions were paid one day late due to a system error and interest was charged of R1,354.</i>	<i>The matter was investigated. Council subsequently condoned the expenditure</i>
<i>In April 2013 the payment to the Development Bank of South Africa was paid late and an amount of R18,357 was charged as additional interest.</i>	<i>The matter was investigated. Council subsequently condoned the expenditure</i>
<i>Accommodation was booked for a Councilor to attend the post graduate programme in Development and Management of Local Government at WITS, the training was postponed without informing the Councilor timeously to the amount of R1027</i>	<i>The matter was investigated. Council subsequently condoned the expenditure</i>

**31.3 Irregular expenditure**

2014

2013

Opening balance	56 000	12 800 904
Irregular expenditure current year	2 769 539	34 000
Correction		(105 000)
Condoned or written off by Council	(2 825 539)	(12 673 904)
Irregular expenditure awaiting condonement	-	56 000

Incident	Disciplinary steps/criminal proceedings
<i>In January 2012 a payment was made to Magezekusni Trading, who was in service of the state to the amount of R22,000</i>	<i>The matter was investigated. Council subsequently condoned the expenditure</i>
<i>Services were aquired from a service provider for R22,800 and one of the directors is a councilor at the municipality</i>	<i>The matter was investigated. Council subsequently condoned the expenditure</i>
<i>Goods were aquired from a service provider for R11,200, only two quotations were obtained</i>	<i>The matter was investigated. Council subsequently condoned the expenditure</i>
<i>Two contracts were awarded to Tsepo Legodi Trading for project 4911/14 and 5911/14, one of the directors is in service of the state and did not declare his status. Total payment made to Tshupo Trading amounts to R454,020</i>	<i>The matter was investigated.</i>
<i>Two contracts were awarded to Key Spirit Trading for project 5905/13 and 1905/13, one of the directors is in service of the state and did not declare his status. Payments to Key Spirit amounts to R1,686,147 and R629,372 for the two contracts</i>	<i>The matter was investigated.</i>
<i>Two contracts were awarded to Kwinana Equifin Incorporated for project 5911/14 and 2912/14, one of the directors is in service of the state and did not declare his status. No payments has been made to Kwinana Equifin Incorporate thus far</i>	<i>The matter was investigated.</i>

NKANGALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

32 COMMITMENTS	2014	2013
<b>32.1 Contracted and approved projects to be completed</b>		
Regional		-
General (Cross boundary projects that can not be allocated to a specific local municipality)	10 196 041	55 211 043
Victor Khanye	8 486 012	20 467 985
Dr J S Moroka	15 120 050	44 482 702
Emalahleni	18 843 921	79 386 081
Steve Tshwete	10 276 864	27 803 079
Emakhazeni	14 157 904	19 792 945
Thembisile Hani	11 628 043	44 234 854
Other	-	-
	<b>88 708 835</b>	<b>291 378 688</b>
<b>Commitments for Capital assets</b>		
Dr JS Moroka Fire Station	26 217 024	4 271 396
Thembisile Hani Fire Station	4 179 151	-
	<b>30 396 175</b>	<b>4 271 396</b>
<b>Total commitments</b>	<b>119 105 010</b>	<b>295 650 084</b>

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

**33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**33.1 Contributions to organized local government**

Opening balance	-	-
Council subscriptions	1 773 102	1 651 613
Amount paid - current year	(1 773 102)	(1 651 613)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**33.2 Audit fees**

Opening balance	-	-
Current year audit fee	2 946 563	1 834 977
Amount paid - current year	(2 946 563)	(1 834 977)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**33.3 VAT**

	2014	2013
<b>Balance unpaid (included in creditors)</b>	<b>23 554 659</b>	<b>22 273 504</b>

**33.4 PAYE and UIF**

	2014	2013
Opening balance	-	-
Current year payroll deductions	12 645 765	11 277 254
Amount paid - current year	(12 645 765)	(11 277 254)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**33.5 Pension and medical aid deductions**

Opening balance	-	-
Current year payroll deductions and Council Contributions	15 787 269	13 187 113
Amount paid - current year	(15 787 269)	(13 187 113)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**33.6 Compliance with chapter 11 of the Municipal Finance Management Act**

Council's Supply Chain Policy was adopted in October 2005 (DM208/09/2005) with effective date 1 January 2006. The Supply Chain Unit was established December 2006. The policy was reviewed and adopted by Council on the 29 May 2013. Minor deviations from the supply chain regulations occurred during the reporting period and a list thereof is attached as annexure H.



**NKANGALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

	R 2014	R 2013
<b>34 CONTINGENT LIABILITY</b>		
<b>34.1 Litigation against the municipality</b>		
Except for the guarantees held in lieu of retention disclosed in note 5, the only other contingent liabilities the municipality have	<b>6 101 796</b>	<b>4 524 298</b>
North West Development Corporation	75 248	75 248
Thecon Projects CC	900 000	900 000
Turfmaster	207 067	207 067
Bakone Power CC	734 240	734 240
SSI Engineering & Environment Consultants PTY Ltd	-	37 744
TC Makola	2 000 000	2 000 000
Plan & Associates	-	570 000
Khanda Seating (PTY) Ltd	286 787	-
Pipe Jack Gauteng	1 898 455	-
<b>34.2 Performance Bonusse not paid to personnel since 2008/2009</b>		
Performance Bonusse were not paid to personnel since 2008/2009, It is not certain that it will be paid as assessments have not been finalised yet.	6 561 827	
<b>34.3 Wage curve</b>		
The Bargaining Council and SALGA entered into an agreement for the task grades of municipalities and their personnel. Nkangala District Municipality was down grade to a level 3 and has appealed against the grading. The appeal process have not been finalised yet. the task grade evaluation of personnel have not yet been done. It is however impossible to valueate the possible contigent liability.		
<b>34.4 Possible renovations on the building</b>		
The municipal building shows hairline structural cracks due to mine blasting activities in the area. An investigation indicates that an amount of R5,784,557 will be needed for the remedial work to the building.	7 615 243	5 784 557
	<b>13 717 039</b>	<b>10 308 855</b>
<b>35 CONTINGENT ASSETS</b>		
Except for guaranteed value disclosed in note 13 Council don't have any contingent assets		
<b>36 RELATED PARTIES</b>		
Other than the related parties indicated in note 22 and 23 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. The municipality entered into an agreements with service providers, who made declarations that close family members are in service of the state. The municipality considers the transaction to be at an arms lenght and in the ordinary course of business.	5 720 366	78 250
<b>37 EVENTS AFTER THE REPORTING DATE</b>		
The municipality doesn't have any events to report after the reporting date		
<b>38 FINANCIAL INSTRUMENTS DISCLOSURE</b>		
<b>Categories of financial instruments</b>		
<b>2014</b>		
<b>Financial assets</b>		
	<b>At amortised cost</b>	<b>Total</b>
Long term investments	33 756 425	33 756 425
Other receivables from exchange transactions	42 306	42 306
Call investment deposits	395 570 244	395 570 244
Bank balances and cash	6 212 592	6 212 592
	<b>435 581 567</b>	<b>435 581 567</b>
<b>Financial liabilities</b>		
	<b>At amortised cost</b>	<b>Total</b>
Payables from exchange transactions	32 432 864	32 432 864
Long term liabilities	34 533 319	34 533 319
Finance lease liabilities	29 044	29 044
	<b>66 995 227</b>	<b>66 995 227</b>
<b>2013</b>		
<b>Financial assets</b>		
	<b>At amortised cost</b>	<b>Total</b>
Long term investments	31 085 334	31 085 334
Other receivables from exchange transactions	99 902	99 902
Call investment deposits	457 510 506	457 510 506
Bank balances and cash	8 541 721	8 541 721
	<b>497 237 463</b>	<b>497 237 463</b>
<b>Financial liabilities</b>		
	<b>At amortised cost</b>	<b>Total</b>
Payables from exchange transactions	25 740 481	25 740 481
Long term liabilities	40 413 776	40 413 776
Finance lease liabilities	401 887	401 887
	<b>66 556 144</b>	<b>66 556 144</b>

**NKANGALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

**39 RISK MANAGEMENT**

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

The municipality's risk management policies are established to identify 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 if performed annually and monitored regularly to reflect 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 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 30 June 2014**

	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
Payables from exchange transactions	32 432 864	-	-	-
Long term liabilities	6 629 486	6 511 104	19 850 195	1 542 534
Finance lease liabilities	29 044	-	-	-
	<b>39 091 394</b>	<b>6 511 104</b>	<b>19 850 195</b>	<b>1 542 534</b>

**At 30 June 2013**

	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
Payables from exchange transactions	25 740 481	-	-	-
Long term liabilities	5 787 798	6 129 882	20 897 938	7 005 895
Finance lease liabilities	372 843	29 044	-	-
	<b>31 901 122</b>	<b>6 158 926</b>	<b>20 897 938</b>	<b>7 005 895</b>

**Credit risk**

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

Receivables comprise mostly of government departments, who rents offices from the municipality, as a 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 Council

Nkangala District Municipality manages its credit risk in its borrowing and investing activities by dealing with A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with the approved cash and investment policy of Council

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

Financial instrument	2014	2013
Receivables from exchange transactions	42 306	99 902
Call investment deposits	395 570 244	457 510 506
Bank balances and cash	6 212 592	8 541 721
Long term investments	33 756 425	31 085 334
	<b>435 581 567</b>	<b>497 237 463</b>

**Market risk**

**Interest rate risk**

Nkangala District Municipality is exposed to interest rate risk on one of its long term borrowing, namely the Development Bank of South Africa loan conditions set on 6 months JIBAR +2%. There is no risk on the long term borrowing with INCA as it is at a fixed rate.

Nkangala District Municipality has a long term investment in the form of a promissory note with Investec, which poses no interest rate risk as the value is guaranteed at the end of the maturity of the investment.

Nkangala District invests its surplus funds not immediately required for operating activities in short term deposits with the A+ financial institutions in terms of the approved cash and investment policy at the best interest rate at the day of the investment.

Refer to note 2, 3, 12 and 16

**40 GOING CONCERN**

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. The 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.

**41 COMPARISON WITH THE BUDGET**

The budget is compiled on an accrual basis for the same period as the annual financial year - 1 July 2013 to 30 June 2014

The comparison of the municipality's actual financial performance with that budgeted is set out in the Appropriation Statement

## **42 New standards and interpretations**

### **42.1 Standards and interpretations effective and adopted in the current year**

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

#### **IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue**

This interpretation of the Standards of GRAP now addresses the manner in which the municipality applies the probability test on initial recognition of both:

- (a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions; and
- (b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This interpretation supersedes the interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

#### **GRAP 1 (as revised 2012): Presentation of Financial Statements**

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors**

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 7 (as revised 2012): Investments in Associates**

Amendments were made to definitions. A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 9 (as revised 2012): Revenue from Exchange Transactions**

Amendments were made to the scope and definitions.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

**GRAP 12 (as revised 2012): Inventories**

Amendments were made to measurement after recognition.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

**GRAP 13 (as revised 2012): Leases**

Amendments were made to disclosures.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

**GRAP 16 (as revised 2012): Investment Property**

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

**GRAP 17 (as revised 2012): Property, Plant and Equipment**

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

**GRAP 27 (as revised 2012): Agriculture (replaces GRAP 101)**

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

**GRAP 31 (as revised 2012): Intangible Assets (replaces GRAP 102)**

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

Changes made comprise three areas that can be summarised as follows:

- consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31;
- the deletion of guidance and examples from interpretations issued by the International Accounting Standards Board (IASB) previously included in GRAP 102; and
- changes to ensure consistency between the Standards of GRAP, or to clarify existing principles.

All amendments are to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

#### **IGRAP 16: Intangible Assets - Website Costs**

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has early adopted the interpretation for the first time in the 2013 annual financial statements.

The impact of the interpretation is not material

#### **42.2 Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

##### **GRAP 5 (revised 2013): Borrowing Costs**

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

##### **GRAP 100 (revised 2013): Discontinued Operations**

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.

Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 32: Service Concession Arrangements: Grantor**

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 108: Statutory Receivables**

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

- Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time.

The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements

### **42.3 Standards and interpretations not yet effective or relevant**

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

#### **GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

No effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

**APPENDIX A**  
**NKANGALA DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

<b>EXTERNAL LOANS</b>		<b>Loan Redeemable Number</b>	<b>Balance at 2013-06-30</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 2014-06-30</b>	<b>Less short term portion</b>	<b>Long term portion</b>	<b>Carrying Value of Property, Plant &amp; Equip</b>	<b>Other Costs in accordance with the MFMA</b>
<b>LONG-TERM LOANS</b>			R	R	R	R			R	R
DBSA: 1996@ 6 months JIBAR plus 2%.	1	30/09/2019	20 645 205	-	3 177 727	17 467 478	3 584 672	13 882 806	-	-
INCA: 2004 @ 12.28% p.a.	2	30/12/2018	19 768 571		2 702 730	17 065 841	3 044 814	14 021 027	35 000 000	-
<b>Total long-term loans</b>			<b>40 413 776</b>	<b>-</b>	<b>5 880 457</b>	<b>34 533 319</b>	<b>6 629 486</b>	<b>27 903 833</b>	<b>35 000 000</b>	<b>-</b>
<b>FINANCE LEASE LIABILITIES</b>		<b>Lease Redeemable Number</b>	<b>Balance at 2013-06-30</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 2014-06-30</b>	<b>Less short term portion</b>	<b>Long term portion</b>	<b>Carrying Value of Property, Plant &amp; Equip</b>	<b>Other Costs in accordance with the MFMA</b>
<b>LONG-TERM LOANS</b>			R	R	R	R			R	R
RICOH DIGITAL COPIER/PRINTER PRO1357	13	04/08/2014	361 162		332 118	29 044	29 044	-	26 785	-
GESTETNER MPC3501ARDF	14	02/07/2014	40 725		40 725	-	-	-	-	-
<b>Total long-term finance leases</b>			<b>401 887</b>	<b>-</b>	<b>372 843</b>	<b>29 044</b>	<b>29 044</b>	<b>-</b>	<b>26 785</b>	<b>-</b>
<b>TOTAL EXTERNAL LOANS</b>			<b>40 815 663</b>	<b>-</b>	<b>6 253 300</b>	<b>34 562 363</b>	<b>6 658 530</b>	<b>27 903 833</b>	<b>36 984 033</b>	<b>-</b>



APPENDIX B  
NKANGALA DISTRICT MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
30 JUNE 2014

	Cost					Accumulated Depreciation					Carrying Value		
	Opening Balance	Opening Balance Adjustments	Restated Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Opening Balance Adjustments	Opening Balance	Additions		Disposals	Closing Balance
<b>Infrastructure assets</b>	<b>3 475 872</b>	-	<b>3 475 872</b>	-	-	<b>3 475 872</b>	<b>1 070 547</b>	-	<b>1 070 547</b>	<b>281 837</b>	-	<b>1 352 383</b>	<b>2 123 489</b>
Electricity	961 998	-	961 998	-	-	961 998	518 859	-	518 859	31 004	-	549 863	412 135
Roads	2 513 874	-	2 513 874	-	-	2 513 874	551 687	-	551 687	250 833	-	802 520	1 711 354
Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire station	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	<b>50 239 877</b>	<b>-1 114 717</b>	<b>49 125 160</b>	<b>2 548 397</b>	<b>10 937 233</b>	<b>40 736 324</b>	<b>23 761 933</b>	<b>-216 749</b>	<b>23 545 188</b>	<b>4 470 516</b>	<b>4 625 004</b>	<b>23 390 698</b>	<b>17 345 626</b>
- Accounting and office machines	17 540 994	-1 114 717	16 426 276	205 882	446 895	16 185 264	10 061 635	-216 749	9 844 886	1 578 142	409 516	11 013 511	5 171 752
- Plant and equipment	10 938 546	-	10 938 546	-	9 516 319	1 422 227	3 556 720	-	3 556 720	812 577	3 601 034	768 262	653 965
- Security measures	1 876 223	-	1 876 223	-	-	1 876 223	885 390	-	885 390	132 989	-	1 018 379	857 844
- Furniture and appliances	10 482 068	-	10 482 068	88 095	468 533	10 101 629	5 925 151	-	5 925 151	1 032 855	382 298	6 575 708	3 525 920
- Bins	-	-	-	-	-	-	-	-	-	-	-	-	-
- Vehicles	8 005 200	-	8 005 200	693 120	505 234	8 193 086	2 991 428	-	2 991 428	770 839	231 908	3 530 359	4 662 727
- Emergency equipment	1 396 846	-	1 396 846	1 561 300	251	2 957 895	341 613	-	341 613	143 113	248	484 479	2 473 417
<b>Land and Buildings</b>	<b>69 712 188</b>	-	<b>69 712 188</b>	<b>14 911 163</b>	-	<b>84 623 351</b>	<b>14 834 043</b>	-	<b>14 834 040</b>	<b>2 209 653</b>	-	<b>17 043 692</b>	<b>67 579 659</b>
- Land	300 000	-	300 000	-	-	300 000	-	-	-	-	-	-	300 000
- Buildings	58 198 723	-	58 198 723	-	-	58 198 723	14 210 459	-	14 210 456	1 952 942	-	16 163 397	42 035 327
- Fire station	8 314 457	-	8 314 457	-	-	8 314 457	623 584	-	623 584	256 712	-	880 296	7 434 161
- Capital under construction	2 899 008	-	2 899 008	14 911 163	-	17 810 171	-	-	-	-	-	-	17 810 171
<b>Specialised vehicles</b>	<b>10 044 143</b>	-	<b>10 044 143</b>	<b>4 762 952</b>	<b>940 000</b>	<b>13 867 096</b>	<b>1 680 869</b>	-	<b>1 680 869</b>	<b>914 550</b>	<b>323 811</b>	<b>2 271 609</b>	<b>11 595 487</b>
- Bakkies	4 508 422	-	4 508 422	1 539 685	-	6 048 107	553 966	-	553 966	507 795	-	1 061 760	4 986 347
- Fire-engines	4 995 576	-	4 995 576	-	940 000	4 055 576	972 576	-	972 576	237 281	323 811	886 047	3 169 529
- Vehicles	540 145	-	540 145	3 223 268	-	3 763 413	154 327	-	154 327	169 474	-	323 801	3 439 611
<b>Intangibles</b>	<b>469 575</b>	<b>1 114 717</b>	<b>1 584 292</b>	-	-	<b>1 584 292</b>	<b>115 923</b>	<b>216 749</b>	<b>332 672</b>	<b>400 503</b>	-	<b>733 175</b>	<b>851 117</b>
- Computer software	469 575	1 114 717	1 584 292	-	-	1 584 292	115 923	216 749	332 672	400 503	-	733 175	851 117
<b>Total</b>	<b>133 941 656</b>	<b>-</b>	<b>133 941 656</b>	<b>22 222 512</b>	<b>11 877 232.62</b>	<b>144 286 935</b>	<b>41 463 315</b>	<b>-</b>	<b>41 463 316</b>	<b>8 277 058</b>	<b>4 948 815</b>	<b>44 791 557</b>	<b>99 495 378</b>

**APPENDIX C**  
**NKANGALA DISTRICT MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT 30 JUNE 2014**

VOTE DESCRIPTION	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Work in Progress	Disposals	Closing Balance	Opening Balance	Additions	Transfers in/ (Transfers out)	Disposals	Closing Balance	
Executive & Council	79 640 890	249 233		(636 860)	79 253 263	28 314 115	3 870 593		(552 549)	31 632 158	47 621 104
Budget & Treasury Office	2 203 614	-		(143 311)	2 060 303	1 462 566	142 772		(142 146)	1 463 192	597 111
Corporate Services	2 064 762	44 744		(86 304)	2 023 202	1 148 702	152 386		(77 523)	1 223 565	799 637
Planning & Development	2 150 990	-		(87 992)	2 062 998	1 134 011	167 574		(71 469)	1 230 116	832 882
Community & Social Services	2 603 144	-		(579 766)	2 023 379	1 360 977	179 509		(293 551)	1 246 934	776 445
Environmental Protection		-			-					-	-
Public Safety	34 935 255	7 017 372	14 911 163		56 863 790	4 946 774	3 048 820			7 995 593	48 868 196
Road Transport	10 343 000	-		(10 343 000)	-	3 096 171	715 405		(3 811 576)	-	-
Other		-									
	<b>133 941 656</b>	<b>7 311 349</b>	<b>14 911 163</b>	<b>(11 877 233)</b>	<b>144 286 935</b>	<b>41 463 315</b>	<b>8 277 058</b>	<b>-</b>	<b>(4 948 815)</b>	<b>44 791 559</b>	<b>99 495 376</b>

**APPENDIX D**

**NKANGALA DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2014**

<b>2013</b>	<b>2013</b>	<b>2013</b>		<b>2014</b>	<b>2014</b>	<b>2014</b>
<b>Actual</b>	<b>Actual</b>	<b>Surplus/</b>		<b>Actual</b>	<b>Actual</b>	<b>Surplus/</b>
<b>Income</b>	<b>Expenditure</b>	<b>(Deficit)</b>		<b>Income</b>	<b>Expenditure</b>	<b>(Deficit)</b>
R	R	R		R	R	R
-	43 364 896	(43 364 896)	Executive & Council	1 263	50 773 460	(50 772 196)
336 556 388	15 188 513	321 367 876	Budget & Treasury Office	350 947 959	17 025 302	333 922 657
-	16 160 426	(16 160 426)	Corporate Services	-	30 563 594	(30 563 594)
1 000 000	234 610 162	(233 610 162)	Planning & Development	890 000	257 277 725	(256 387 725)
-	10 583 672	(10 583 672)	Community & Social Services	-	6 699 833	(6 699 833)
	586 869	(586 869)	Environmental Protection		2 802 227	(2 802 227)
	14 706 949	(14 706 949)	Public Safety		30 347 274	(30 347 274)
	31 287 056	(31 287 056)	Road Transport		27 898 025	(27 898 025)
	1 113 545	(1 113 545)	Other		1 768 960	(1 768 960)
<b>337 556 388</b>	<b>367 602 087</b>	<b>(30 045 699)</b>	<b>Sub Total</b>	<b>351 839 222</b>	<b>425 156 400</b>	<b>(73 317 178)</b>
-	-	-	Less Inter-department charges	-	-	-
<b>337 556 388</b>	<b>367 602 087</b>	<b>(30 045 699)</b>	<b>Total</b>	<b>351 839 222</b>	<b>425 156 400</b>	<b>(73 317 178)</b>

**APPENDIX E1  
NKANGALA DISTRICT MUNICIPALITY: DISCLOSURES OF CONDITIONAL GRANTS IN TERMS OF SECTION 123 OF MFMA, 56 OF  
2003 AS AT 30 JUNE 2014**

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure				
		Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
		MSIG	National Gov		890 000				638 051		890 000
FMG	National Gov		1 250 000				445 120	383 782	375 225	285 561	205 432
EPWP INCENTIVE G	National Gov		400 000	300 000	300 000			398 150	326 685	112 376	162 789
RURAL ASSET MANAGEMENT GRANT	National Gov		1 602 000								1 602 000
			4 142 000	300 000	300 000	-	1 083 171	781 932	1 591 910	397 937	1 970 221

**APPENDIX E2  
NKANGALA DISTRICT MUNICIPALITY: DISCLOSURES OF CONDITIONAL GRANTS IN TERMS OF SECTION 123 OF MFMA, 56 OF  
2003 AS AT 30 JUNE 2014**

Name of Grants	Name of organ of state or municipal entity	Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Jun-13	Sep-13	Dec-13	Mar-14	Jun-14			
		MSIG	National Gov	-	-	-			
FMG	National Gov	-	-	-	-	-	NA	Yes	NA
EPWP INCENTIVE G	National Gov						NA	Yes	NA
RURAL ASSET MANAGEMENT GRANT	National Gov								

**APPENDIX F (1)**  
**NKANGALA DISTRICT MUNICIPALITY: SCHEDULE OF INVESTMENTS AS AT 30 JUNE 2014**

<b>Bank</b>	<b>Call</b>	<b>30 Days</b>	<b>60 Days</b>	<b>90+ Days</b>	<b>Long Term</b>	<b>Total</b>
ABSA	10 013 140	20 000 000	5 000 000	-		35 013 140
Nedbank		20 000 000	8 000 000	-		28 000 000
FNB	5 029 418	20 000 000	10 000 000	28 509 751		63 539 169
Standard Bank	108 580 867	25 000 000	10 000 000	-		143 580 867
Sanlam	72 100 889					72 100 889
Investec	1 192 048	25 000 000	20 000 000	5 000 000		51 192 048
Investec LT	-	-	-	-	33 756 425	33 756 425
Accrued interest	2 144 129					2 144 129
ABSA						-
<b>Total</b>	<b>199 060 491</b>	<b>110 000 000</b>	<b>53 000 000</b>	<b>33 509 751</b>	<b>33 756 425</b>	<b>429 326 667</b>

**APPENDIX F (2)**  
**NKANGALA DISTRICT MUNICIPALITY: SCHEDULE OF INVESTMENTS AS AT**

<b>Bank</b>	<b>Opening Balance</b>	<b>Investments made</b>	<b>Withdrawn</b>	<b>Total</b>
ABSA	58 011 065	60 013 141	83 011 066	35 013 140
Nedbank	42 012 877	45 000 000	59 012 877	28 000 000
FNB	69 207 519	51 487 537	57 155 887	63 539 169
Standard Bank	151 380 031	60 200 836	68 000 000	143 580 867
Sanlam	68 452 835	3 648 054	-	72 100 889
Investec	66 086 060	65 192 048	80 086 060	51 192 048
Investec LT	31 085 334	2 671 091	-	33 756 425
Accrued interest	2 360 118	2 144 130	2 360 119	2 144 129
ABSA	-			-
<b>Total</b>	<b>488 595 839</b>	<b>290 356 837</b>	<b>349 626 009</b>	<b>429 326 667</b>

**APPENDICES TO THE FINANCIAL STATEMENTS  
ANNEXURE G**

DEVIATION REPORTS											
NO.	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	REASONS FOR DEVIATION	DATE OF DECISION	PAYMENT				
1	ACCOMODATION FOR THE EXECUTIVE MAYOR AND HIS DRIVER	CORPORATE SERVICES	PROTEA HOTEL(MIDRAND)	R 4 403.25	PROTEA WAS NEARER TO THE VENUE OF THE INTERGOVERNMENTAL MEETING	16-Aug-13	Aug-12				
								20/08/2012	EF60044-0007	PROTEA HOTEL MIDRAND	4403.25
2	CATERING FOR THE MEC OF HUMAN SETTLEMENT	CORPORATE SERVICES	KAMAROSSI	R 1 600.00	URGENT REQUEST	16-Aug-13	Sep-12	06/09/2012	EF60631-0001	KAMAROSSI 14CC	1600.00
3	REPAIRS OF CYLINDERS MASKS & BACK PLATES	SOCIAL SERVICES	FIRE & EMERGENCY SERVICES	R 29 651.40	STRIP & QUOTE ARRANGEMENT	30-Aug-13	Dec-12	05/12/2012	EF63657-0006	FIRE AND EMERGENCY VEHICLES	29651.40
4	REPAIRS OF A NISSAN FIRE ENGINE	SOCIAL SERVICES	FIRE RAIDERS	R 29 207.86	STRIP & QUOTE ARRANGEMENT	30-Aug-13	Sep-12	25/09/2012	EF61056-0027	FIRE RAIDERS (PTY) LTD	29207.88
5	INSTALLING NEW SAFE LOCKS	CORPORATE SERVICES	KRABO LOCKSMITH	R 634.99	URGENT REQUEST	18-Sep-13	01-Oct	08/10/2013	EF61488-0014	KRABO LOCKSMITH	634.99
6	EMERGENCY ALARM AND ACCESS CONTROL SYSTEM	CORPORATE SERVICES	DENGARD SYSTEMS	R 26 698.00	INITIAL INSTALLER OF THE ALARM AND ACCES CONTROL SYSTEM FOR NDM		Nov-13	19/11/2013	'EF069608	DENGARD SYSTEMS CC	-23420.00
7	REPAIRS	SOCIAL SERVICES	HAMILTON HYDRAULIC SERVICES	R 7 325.07	STRIP AND REPAIR QUOTATION	02-Jul-13	Sep-13	16/09/2013	'EF069511	HAMILTON HYDRAULICS	-18619.05
8	REPAIRS	SOCIAL SERVICES	HAMILTON HYDRAULIC SERVICES	R 11 293.98	STRIP AND REPAIR QUOTATION	02-Jul-13					
9	ACCOMODATION	DPU	PROTEA HOTEL EDWARD	R 8 685.38	THE CONFERENCE IS TAKING PLACE AT THE SAME VENUE AND THE CONFIRMATION WAS RECEIVED LATE FROM FLIGHT SPECIALS AND HAVARD WAS THE SERVICE PROVIDER WHO WAS OFFERING THE TRAINING	02-Jul-13	Jul-13	04/07/2013	'EF069395	PROTEA HOTEL EDWARD	-8685.38
	FLIGHT		FLIGHTS SPECIALS	R 6 186.00			Jul-13	04/07/2013	'EF069396	FLIGHT SPECIAL (MIDDELBUR	-6186.00
	TRAINING REGISTRATION		HARVARD TRAINING INSTITUTE	R 15 957.00			Jul-13	17/07/2013	'EF069416	HARVARD TRAINING INSTITUT	-15957.00
10	ADVERTISEMENT FOR THE STATE OF THE DISTRICT ON THE RADIO	PUBLICLIASION	GREATER MIDDELBURG FM EMALAHLENI FM	R 12 510.00 R 5 096.00		04-Jul-13	Aug-13	22/08/2013	'EF069462	GREATER MIDDELBURG FM	-12510.00
							Aug-13	22/08/2013	'EF069462	EMALAHLENI FM	-5096.00
11	BASIC AMBULANCE TRAINING	SOCIAL SERVICES	AMBUMED T/A CRITICAL CARE	R 182 600.00	QUOTATIONS WERE ADVERTISED ON THE WEBSITE THREE TIMES WITHOUT ANY SUCCESS	29-Jul-13	Aug-13	05/08/2013	'EF069440	AMBUMED CC	-182600.00
12	CATERING	CORPORATE SERVICES	NGWENYANKOMO CATERING	R 3 000.00	LATE APPROVAL OF THE MEETING	29-Jul-13	Aug-13	05/08/2013	'EF069439	NGWENYANKOMO CATERING & P	-3000.00
13	ADVERTISEMENT	LED	OCEAN ROCK	R 12 870.60	ADVERTISEMENT OF TOURISM PRODUCTS IN THE ENCOUNTER AFRICA MAGAZINE AS PER RESOLUTION DM/243/06/2013	31-Jul-13	Sep-13	06/09/2013	'EF069491	OCEAN ROCK MEDIA CC	-12870.60
14	STATIONERY	PUBLICLIASION	DIGITAL AND VIDEO SERVICES	R 110 808.00	URGENT REQUEST	07-Aug-13	Aug-13	29/08/2013	'EF069475	DIGITAL VIDEO SERVICES (P	-110808.00
15	REPAIRS	SOCIAL SERVICES	FAW MIDDELBURG	R 33 915.30	STRIP AND REPAIR QUOTATION	23-Aug-13	Sep-13	04/09/2013	'EF069484	TRUCK CENTRE MIDDELBURG P	-33915.30
16	PURCHASING PAYSLEIPS	FINANCE	SAGE VIP	R 2 452.00	SOLE SUPPLIER REGISTERED ON NDM'S DATABASE	27-Aug-13	Aug-13	30/08/2013	'EF069476	SAGE VIP	-2795.28
17	ONSITE SUPPORT	IT	BVI NETWORK SECURITY	R 11 349.84	REGISTERED SERVICE PROVIDER CURRENTLY DOING THE NDM'S MACFEE LICENSING	27-Aug-13	Sep-13	11/09/2013	'EF069497	BVI NETWORKS SECURITY (PT	-11349.84
18	MUNSOFT WORKSHOP 14 - 16 OCTOBER 2013	FINANCE	MUNSOFT	R 40 584.00	SOLE SUPPLIER	11-Sep-13	Sep-13	25/09/2013	'EF069515	MUNSOFT (PTY) LTD	-40584.00

**APPENDICES TO THE FINANCIAL STATEMENTS**

19	PLACEMENT AND MARKETING ON RADIO STATIONS	PUBLIC LIASION	THOBELA FM	R 21 546.00	THE RADIO STATIONS WILL COVER THE WHOLE NDM LOCAL MUNICIPALITIES	18-Sep-13	NO REQUISITION DONE; LAST ORDER WAS R16364.70 15/07/2013						
			MOTSWEDING FM	R 25 650.00			NO REQUISITION DONE / RECORDS AVAILABLE UP TO 2011/02/08						
			EMALAHLENI FM	R 22 800.00			NO REQUISITION DONE FOR THIS AMOUNT						
			GREATER MIDDELBURG FM	R 18 082.00			NO REQUISITION DONE FOR THIS AMOUNT						
20	AIR QUALITY MANAGEMENT GOCERNANCE LEKGOTLA 2013	SOCIAL SERVICES	NACA - NATIONAL ASSOCIATION FOR CLEAN AIR	R 5 150.01	SOLE SUPPLIER	18-Sep-13	Sep-13	30/09/2013	'EF069526	NATIONAL ASSOCIATION CLEA	-5150.01		
21	CATERING FOR SECTION 79 MEETING	CORPORATE SERVICES	THETHA TRADERS 34	R 2 125.00	URGENT MEETING	17-Oct-13	Oct-13	28/10/2013	'EF069571	THETHA TRADERS 34	-2125.00		
22	TOWING OF COUNCIL	CORPORATE SERVICES	INGONYAMA INDUSTRIAL	R 4 800.00	ONLY SERVICE PROVIDER REGISTERED ON NDM DATABASE THAT CAN ASSIST URGENTLY	18-Oct-13	May-14	30/05/2014	'EF069853	INGONYAMA INDUSTRIAL SERV	-5472.00		
23	TRAINING ON THE SDBIP	CORPORATE SERVICES	IMFO	R 140 700.00	PROGRAMME SPECIFICALLY DEVELOPED BY IMFO.	11-Nov-13	Nov-13	15/11/2013	'EF069607	INSTITUTE OF MUNICIPAL FI	-140700.00		
24	ANNUAL SERVICE OF THE GENERATOR AND UPS	TECHNICAL SERVICES	POWER DEVELOPMENT SERVICES	R 19 300.00	AN URGENT ANNUAL SERVICING OF THE GENERATOR AND UPS	11-Nov-13	Jan-14	20/01/2014	'EF069682	POWER DEVELOPMENT SERVICE	-29298.00		
25	REPLACEMENT OF GENERATOR BATTERIES	TECHNICAL SERVICES	POWER DEVELOPMENT SERVICES	R 6 400.00	REGISTERED SERVICE PROVIDER IN THE NDM DATABASE THAT CAN URGENTLY ASSIST IN THIS SPECIALISED WORK	11-Nov-13	Jan-14	20/01/2014	'EF069682	POWER DEVELOPMENT SERVICE	-29298.00		
26	PLACEMENT AND MARKETING ON RADIO STATIONS	PUBLIC LIASION	EMALAHLENI FM	R 22 500.00		12-Nov-13	Jan-14	14/01/2014	'EF069657	EMALAHLENI FM	-22500.00		
27			GREATER MIDDELBURG FM	R 5 540.00			Dec-13	12/12/2013	'EF069639-0011	GREATER MIDDELBURG FM	5540.00		
28			MOUTSE COMMUNITY RADIO STATION	R 20 350.00			Jan-14	06/01/2014	'EF069655	MOUTSE COMMUNITY RADIO	-20350.00		
29	PROGRAMME DIRECTOR FOR THE EVENT OF THE LAUNCHING OF THE NDM NEWSLETTER	PUBLIC LIASION	BRAND'S A LOT	R 10 000.00		12-Nov-13	Jan-14	17/01/2014	'EF069671	BRAND'S-A-LOT INFORTAINME	-10000.00		
30	CPMD TRAINING	CORPORATE SERVICES	UNIVERSITY OF PRETORIA	R 951 750.00		12-Nov-13	Jan-14	08/01/2014	'069678	UNIVERSITY OF PRETORIA	-951750.00		
31	INTERNAL ENGAGEMENT AUDITORS	INTERNAL AUDIT	THE INSTITUTE OF ONTERNAL AUDITORS SOUTH AFRICA	R 4 900.00	CPMD TRAINING TRAINING	13-Nov-13	Nov-13	21/11/2013	'EF069611	THE INSTITUTE INTER AUDIT	-4900.00		
32	MEMBERSHIP RENEWAL			R 1 375.98			Nov-13	26/11/2013	'EF069614	THE INSTITUTE INTER AUDIT	-1375.98		
33	TRANSPORTERS OF VOTERS	PUBLIC PARTICIPATION	SUPPLIERS		URGENT REQUEST AFTER LATE APPROVAL	11-Nov-13							
			AMOUNT										
			STEVE TSHWETE LM				GANTOKO TRADING ENTERPR	R 28 000.00	Feb-14	19/02/2014	'EF069727	GANTOKO TRADING	-28000.00
			DR JS MOROKA				SELAHLE TOURS	R 29 500.00	Nov-13	29/11/2013	'EF069621	SELAHLE PROJECT CONTRACTO	-29500.00
			EMAKHAZENI LM				NSIZWAOWEN	R 29 000.00	Nov-13	29/11/2013	'EF069621	NSIZWAOWEN PTY (LTD)	-29000.00
			THEMBISILE HANI LM				SITJEBANGANI	R 29 000.00	Nov-13	29/11/2013	'EF069621	SITJHEBANGANI TRANSPORT &	-29000.00
			EMALAHLENI LM				JIBHLIKA	R 29 300.00	Nov-13	29/11/2013	'EF069621	JIBLIKA CONSTRUCTION AND	-29300.00
			EMALAHLENI LM				BON VIEW	R 14 500.00	Dec-13	04/12/2013	'EF069632	BON VIEW TRADING 14	-14500.00
34	UPS FAN AND BATTERY REPLACEMENT	TECHNICAL SERVICES	POWER DEVELOPMENT SERVICES	R 76 500.00	URGENT REQUEST	06-Dec-13	May-14	27/05/2014	'EF069850	POWER DEVELOPMENT SERVICE	-87210.00		
35	SECURITY SYSTEM FAULTS INSPECTION AND REPAIRS	TECHNICAL SERVICES	DENGARD SYSTEMS	R 7 047.00	STRIP & QUOTE ARRANGEMENT	06-Dec-13	Jan-14	14/01/2014	'EF069657	DENGARD SYSTEMS CC	-7047.00		
36	MAINTENANCE & REPAIRS FOR THE EXECUTIVE MAYOR'S VEHICLE	MAYORS OFFICE	MCCARTHY KUNENE	16 512.30	ONLY SERVICE PROVIDER REGISTERED ON NDM DATABASE THAT CAN RENDER SUCH SERVICES	17-Dec-13	Jan-14	08/01/2014	'EF069656	MCCARTHY KUNENE	-16512.31		
37	PLACEMENT AND MARKETING ON RADIO STATIONS	PUBLIC LIASION	MOUTSE COMMUNITY RADIO STATION	30 000.00	RADIO STATION AIRTIME PROCURED BASED ON THE LANGUAGE AND THE	28-Jan-14	Feb-14	26/02/2014	'EF069734	MOUTSE COMMUNITY RADIO	-30000.00		
			EMALAHLENI FM	22 500.00			Jan-14	14/01/2014	'EF069657	EMALAHLENI FM	-22500.00		
38	BAA TRAINING ACCOMODATION	SOCIAL SERVICES	THE CORAL TREE HOUSE	137 500.00	GUEST HOUSES NEARBY WERE FULLY BOOKED AND CORAL TREE HOUSE WAS THE ONLY ONE AVAILABLE AND REGISTERD ON THE NDM DATABASE SYSTEM	01-Aug-13	Aug-13	05/08/2013	'EF069439	THE CORAL TREE GUEST HOUS	-137500.00		
39	PLACEMENT AND MARKETING ON RADIO STATIONS	PUBLIC LIASION	EMALAHLENI FM	22 500.00		13-Nov-13	Jan-14	14/01/2014	'EF069657	EMALAHLENI FM	-22500.00		
			MOUTSE COMMUNITY RADIO STATION	5 540.00			NO REQUISITION DONE						
			GREATER MIDDELBURG FM	20 350.00			NO REQUISITION DONE						

**APPENDICES TO THE FINANCIAL STATEMENTS**

40	MUNSOFT WORKSHOP 25 - 26 MARCH 2014	FINANCE	MUNSOFT	9 120.00	SOLE SUPPLIER	18-Feb-14	Feb-14	20/02/2014	'EF069729	MUNSOFT (PTY) LTD	-9120.00
41	INTERPRETER	DPU	DEAFSA	4 758.36	THE ONLY AGENCY REGISTERED ON NDM DATABASE FOR THIS SPECIALISED SERVICE	21-Feb-14	May-14	21/05/2014	'EF069845	DEAFSA	-4758.36
42	MAINTENANCE & REPAIRS FOR THE EXECUTIVE MAYOR'S VEHICLE	MAYORS OFFICE	MCCARTHY KUNENE	4 076.90	ONLY SERVICE PROVIDER REGISTERED ON NDM DATABASE THAT CAN RENDER SUCH SERVICES	19-Feb-14	Feb-14	26/02/2014	'EF069734	MCCARTHY KUNENE	-4647.65
43	FIXED ASSETS REGISTER	FINANCE	TAT I-CHAIN TECHNOLOGIES	204 253.00	COMPANY ALREADY HAS ALL THE DATA OF THE LOCAL MUNICIPALITY	05-Mar-14	NOT YET PAID; ORDER NO:017295				
44	ACCOMODATION AND CONFERENCE FACILITIES	DPU	SAINT GEORGE HOTEL	167 420.00	DUE TO THE URGENCY OF THE IT WAS IMPRACTICAL TO FOLLOW ALL THE SCM PROCEDURES	07-Mar-14	Mar-14	12/03/2014	'EF069751	SAINT GEORGE HOTEL	-167420.00
45	SUPPLY, DELIVERY AND INSTALLATION OF WHEELCHAIR PLATFORM LIFT	CORPORATE SERVICES	HANDS ON LIFT	165 552.00	A DIRECT SUPPLIER FOR PLATFORM LIFTS	11-Mar-14	NO REQUISITION DONE				
46	ACCESS CARD SYSTEM	CORPORATE SERVICES	DENGARD SYSTEMS	17 752.00	INITIAL INSTALLER OF THE ALARM AND ACCES CONTROL SYSTEM FOR NDM	11-Mar-14	Mar-14	24/03/2014	'EF069768	DENGARD SYSTEMS CC	-17027.50
47	LOCAL GOVERNMENT LIBRARY BOOKS	CORPORATE SERVICES	LEXISNEXIS	11 757.96	IT IS THE ONLY SUPPLIER OF THE BOOKS	26-Mar-14	Apr-14	29/04/2014	'EF069816	LEXISNEXIS (PTY) LTD	-11757.96
48	RENEWAL OF NEWSPAPER SUBSCRIPTION	FINANCE	INDEPENDENT NEWSPAPER (THE STAR)	23 887.50	ONLY REGISTERED SERVICE PROVIDER THAT DEALS WITH THE DISTRIBUTION OF THE STAR NEWSPAPER	01-Apr-14	NOT YET PAID; ORDER NO:017477				23887.5
49	COMPETENCY TEST	CORPORATE SERVICES	CENTURION ACADEMY	1 000.00	THEY ARE THE ONLY PROVIDER OF NEWSPAPERS REGISTERED ON THE NDM DATABASE THAT CAN RENDER SUCH SERVICES	27-Mar-14	Jun-14	17/06/2014	'EF069881	CENTURION ACADEMY	-1000.00
50	FLOOR STAND SPACE	LED	WITCH WIZARD CREATIVE T/A PURE GIFT	54 967.50	ONLY OFFICIAL ORGANISER OF THE ANNUAL TOURISM INDABA 2014	15-Apr-14	Apr-14	25/04/2014	'EF069815-0011	PURE GRIT PROJECT & EXHIBITION	-62662.95
51	INTERPRETOR	FINANCE	DEAFSA	4 758.36	THE ONLY AGENCY REGISTERED ON NDM DATABASE FOR THIS SPECIALISED SERVICE	15-Apr-14	May-14	21/05/2014	'EF069845	DEAFSA	-4758.36
52	ADVERTISEMENT	LED	OCEAN ROCK MEDIA	25 741.20	ADVERTISEMENT OF TOURISM PRODUCTS IN THE ENCOUNTER AFRICA MAGAZINE AS PER RESOLUTION DM/243/06/2013	25-Apr-14	May-14	13/05/2014	'EF069824	OCEAN ROCK MEDIA CC	-25741.20
53	PAUPER BURIAL	SOCIAL SERVICES	MARTIN'S EMALAHLENI	10 565.00	ONLY UNDERTAKER REGISTERED ON DATABASE	25-Apr-14	May-14	13/05/2014	'EF069824	MARTIN'S FUNERALS EMAL AHL	-10565.00
54	TRAINING	LED	MILLASA	19 470.00	THE COMPANY IS ORGINANISING THE VERY SAME EVENT	05-May-14	May-14	19/05/2014	'EF069832	MILLA TRADING CC	-22195.80
55	ACCOMODATION	MUNICIPAL MANAGER'S OFFICE	EMNOTWENI SUN	1 810.75	THE HOTEL HAS THE REQUIRED PARALEGIC ROOMS	23-Jun-14	Jun-14	25/06/2014	'EF069891	EMNOTWENI SUN	-1810.75
56	UPGRADING OF LIBRARY SYSTEM	ICT	LIBWIN	39 800.04	THE SERVICE PROVIDER ARE THE OWNER OF THE SYSTEM	25-Jun-14	NOT YET PAID; ORDER NO017762				
57	PROCUREMENT OF A CELLPHONE	SOCIAL SERVICES	GAME STORES	649.00	ONLY SERVICE PROVIDER REGISTERED ON THE NDM DATABASE THAT CAN RENDER THE REQUIRED SERVICE	26-Jun-14	Jun-14	02/07/2014	'069785	GAME STORES	-649.00



## APPENDIX H

## BUDGET INFORMATION TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Description	Original Budget	Budget Adjustment	Virement	Final Budget	Actual outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual outcome as % of Original Budget
				(1+2+3)			(5-4)	(5/4*100)	(5/1*100)
	1	2	3	4	5	6	7	8	9
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Rental of facilities and equipment	100 000	78 620	-	78 620	86 454	-	7 834	109.96	86.45
Investment Revenue	18 065 000	18 560 000	-	18 560 000	28 430 772	-	9 870 772	153.18	157.38
Transfer recognised	313 592 000	314 652 000	-	314 652 000	313 652 000	-	(1 000 000)	99.68	100.02
Other own revenue	1 866 091	2 351 484	-	2 351 484	9 669 996	-	7 318 512	411.23	518.20
<b>Total Revenue</b>	<b>333 623 091</b>	<b>335 642 104</b>	<b>-</b>	<b>335 642 104</b>	<b>351 839 222</b>	<b>-</b>	<b>16 197 118</b>	<b>104.83</b>	<b>105.46</b>
Employee cost	121 100 937	102 184 443	(1 509 660)	100 674 783	64 280 524	-	(36 394 259)	63.85	53.08
Remuneration to councillors	14 578 955	11 675 284	150 000	11 825 284	11 598 147	-	(227 137)	98.08	79.55
Debt impairment	20 000	20 000	-	20 000	-	-	(20 000)	-	-
Depreciation and asset impairment	6 860 704	10 166 825	177 682	10 344 507	8 277 058	-	(2 067 449)	80.01	120.64
Finance Charges	5 778 000	5 778 000	-	5 778 000	4 557 206	-	(1 220 794)	78.87	78.87
Transfer & Grants	439 454 018	316 768 275	(145 519)	316 622 756	249 942 084	-	(66 680 672)	78.94	56.88
Other expenditure	145 677 918	153 074 280	(5 626 203)	147 448 077	79 572 965	-	(67 875 112)	53.97	54.62
Loss on disposal of PPE	-	-	6 953 700	6 953 700	6 928 416	-	(25 284)	99.64	#DIV/0!
<b>Total Expenditure</b>	<b>733 470 532</b>	<b>599 667 107</b>	<b>0</b>	<b>599 667 107</b>	<b>425 156 400</b>	<b>-</b>	<b>(174 510 707)</b>	<b>70.90</b>	<b>57.97</b>
Surplus / (Defecit)	(399 847 441)	(264 025 003)	(0)	(264 025 003)	(73 317 178)	-	190 707 826	27.77	18.34
<b>Capital Expenditure &amp; Funds sources</b>									
Capital Expenditure									
Transfers									
Public contributions & Donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	56 338 215	43 233 718	-	43 233 718	22 222 512	-	(21 011 206)	51.40	39.44
<b>Total sources of capital expenditure</b>	<b>56 338 215</b>	<b>43 233 718</b>	<b>-</b>	<b>43 233 718</b>	<b>22 222 512</b>	<b>-</b>	<b>(21 011 206)</b>	<b>51.40</b>	<b>39.44</b>
<b>Cash flows</b>									
Cash/ cash equivalents at the beginning of the year	466 151 840	466 151 840		466 151 840	466 052 227		(99 614)		99.98
Nett cash flow from operating	(275 796 580)	79 508 476		(196 288 104)	(33 122 487)	-	163 165 617	16.87	12.01
Nett cash flow from investing	(66 365 015)	29 373 360		(36 991 655)	(24 893 602)	-	12 098 053	67.30	37.51
Nett cash flow from financing	(5 060 000)	-		(5 060 000)	(6 253 300)	-	(1 193 300)	123.58	123.58
Nett cash outflow	(347 221 595)	108 881 836		(238 339 759)	(64 269 390)	-	174 070 369	26.97	18.51
<b>Cash/ cash equivalents at the year end</b>	<b>118 930 245</b>	<b>575 033 676</b>	<b>-</b>	<b>227 812 081</b>	<b>401 782 837</b>	<b>-</b>	<b>173 970 756</b>	<b>176.37</b>	<b>337.83</b>

Unaudited schedule: 1

Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2013/2014											2012/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Revenue - Standard</b>															
<i>Governance and administration</i>	332 733	2 019	334 752	-		334 752	350 949		(16 197)	104.84	105.47				336 556
Executive and council	-	1	1	-		1	1		(0)	126.32	-				-
Budget and treasury office	332 733	2 018	334 751	-		334 751	350 948		(16 197)	104.84	105.47				336 556
Corporate services	-	-	-	-		-	-		-	-	-				-
<i>Community and public safety</i>	-	-	-	-		-	-		-	-	-				-
Community and social services	-	-	-	-		-	-		-	-	-				-
Sport and recreation	-	-	-	-		-	-		-	-	-				-
Public safety	-	-	-	-		-	-		-	-	-				-
Housing	-	-	-	-		-	-		-	-	-				-
Health	-	-	-	-		-	-		-	-	-				-
<i>Economic and environmental services</i>	890	-	890	-		890	890		-	100.00	100.00				1 000
Planning and development	890	-	890	-		890	890		-	100.00	100.00				1 000
Road transport	-	-	-	-		-	-		-	-	-				-
Environmental protection	-	-	-	-		-	-		-	-	-				-
<i>Trading services</i>	-	-	-	-		-	-		-	-	-				-
Electricity	-	-	-	-		-	-		-	-	-				-
Water	-	-	-	-		-	-		-	-	-				-
Waste water management	-	-	-	-		-	-		-	-	-				-
Waste management	-	-	-	-		-	-		-	-	-				-
<i>Other</i>	-	-	-	-		-	-		-	-	-				-
<b>Total Revenue - Standard</b>	333 623	2 019	335 642	-	-	335 642	351 839		(16 197)	104.83	105.46				337 556
<b>Expenditure - Standard</b>															
<i>Governance and administration</i>	162 829	(24 265)	138 563	-	0	138 563	98 362		40 201	70.99	60.41				74 714
Executive and council	73 731	(3 481)	70 250	-	(30)	70 220	50 773		19 446	72.31	68.86				43 365
Budget and treasury office	37 398	(6 726)	30 672	-	30	30 702	17 025		13 677	55.45	45.53				15 189
Corporate services	51 700	(14 058)	37 641	-	0	37 641	30 564		7 078	81.20	59.12				16 160
<i>Community and public safety</i>	47 138	5 565	52 703	-	0	52 703	37 047		15 656	70.29	78.59				25 291
Community and social services	13 639	203	13 842	-	(0)	13 842	6 700		7 142	48.40	49.12				10 584
Sport and recreation	-	-	-	-		-	-		-	-	-				-
Public safety	33 499	5 362	38 860	-	0	38 860	30 347		8 513	78.09	90.59				14 707
Housing	-	-	-	-		-	-		-	-	-				-
Health	-	-	-	-		-	-		-	-	-				-
<i>Economic and environmental services</i>	507 993	(109 846)	398 147	-	0	398 147	287 976		110 169	72.33	56.69				266 484
Planning and development	446 677	(114 810)	331 868	-	(556)	331 312	257 278		74 034	77.65	57.60				234 610
Road transport	33 574	18 764	52 339	-	556	52 894	27 898		24 996	52.74	83.09				31 287
Environmental protection	27 741	(13 800)	13 941	-	0	13 941	2 802		11 139	20.10	10.10				587
<i>Trading services</i>	-	-	-	-		-	-		-	-	-				-
Electricity	-	-	-	-		-	-		-	-	-				-
Water	-	-	-	-		-	-		-	-	-				-
Waste water management	-	-	-	-		-	-		-	-	-				-
Waste management	-	-	-	-		-	-		-	-	-				-
<i>Other</i>	15 511	(5 257)	10 254	-		10 254	1 769		8 485	17.25	11.40				1 114
<b>Total Expenditure - Standard</b>	733 471	(133 803)	599 667	-	0	599 667	425 156		174 511	70.90	57.97				367 602
<b>Surplus/(Deficit) for the year</b>	(399 847)	135 822	(264 025)		0	(264 025)	(73 317)		(190 708)	27.77	18.34				(30 046)

Unaudited schedule: 1

Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2013/2014											2012/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Revenue by Vote</b>															
Vote 1 - EXECUTIVE & COUNCIL	-	1	1	-		1	1		(0)	126.32	-				-
Vote 2 - ADMINISTRATION	-	-	-	-		-	-		-	-	-				-
Vote 3 - FINANCE - BUDGET & TREASURY OFFICE	332 733	2 018	334 751	-		334 751	350 948		(16 197)	104.84	105.47				336 556
Vote 4 - COMMUNITY & SOCIAL SERVICES	-	-	-	-		-	-		-	-	-				-
Vote 5 - Technical Services and PMU	-	-	-	-		-	-		-	-	-				-
Vote 6 - LED AGENCY	-	-	-	-		-	-		-	-	-				-
Vote 7 - DPU AND IDP	890	-	890	-		890	890		-	100.00	100.00				1 000
Vote 8 - PLANNING & DEVELOPMENT CONTRIBUTIONS TO LOCAL MUNI'S	-	-	-	-		-	-		-	-	-				-
<b>Total Revenue by Vote</b>	<b>333 623</b>	<b>2 019</b>	<b>335 642</b>	<b>-</b>		<b>335 642</b>	<b>351 839</b>		<b>(16 197)</b>	<b>104.83</b>	<b>105.46</b>				<b>337 556</b>
<b>Expenditure by Vote to be appropriated</b>															
Vote 1 - EXECUTIVE & COUNCIL	181 698	(41 906)	139 792	-	(1 001)	138 791	86 183		52 608	62.10	47.43				42 522
Vote 2 - ADMINISTRATION	30 816	(4 122)	26 695	-	0	26 695	18 001		8 693	67.43	58.42				15 626
Vote 3 - FINANCE - BUDGET & TREASURY OFFICE	39 815	(6 748)	33 067	-	0	33 067	18 655		14 412	56.41	46.85				16 565
Vote 4 - COMMUNITY & SOCIAL SERVICES	72 190	(6 757)	65 434	-	(13)	65 421	39 367		26 054	60.17	54.53				25 877
Vote 5 - Technical Services and PMU	35 686	27 732	63 417	-	556	63 973	27 375		36 598	42.79	76.71				52 503
Vote 6 - LED AGENCY	-	-	-	-	-	-	-		-	#DIV/0!	#DIV/0!				10 504
Vote 7 - DPU AND IDP	42 317	(18 435)	23 882	-	(18)	23 864	21 817		2 046	91.43	51.56				6 949
Vote 8 - PLANNING & DEVELOPMENT CONTRIBUTIONS TO LOCAL MUNI'S	330 948	(83 567)	247 381	-	476	247 857	213 758		34 099	86.24	64.59				197 054
<b>Total Expenditure by Vote</b>	<b>733 471</b>	<b>(133 803)</b>	<b>599 667</b>	<b>-</b>	<b>0</b>	<b>599 667</b>	<b>425 156</b>		<b>174 511</b>	<b>70.90</b>	<b>57.97</b>				<b>367 602</b>
<b>Surplus/(Deficit) for the year</b>	<b>(399 847)</b>	<b>135 822</b>	<b>(264 025)</b>	<b>-</b>	<b>(0)</b>	<b>(264 025)</b>	<b>(73 317)</b>		<b>(190 708)</b>	<b>27.77</b>	<b>18.34</b>				<b>(30 046)</b>

Unaudited schedule: 1

Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2013/2014											2012/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Revenue By Source</b>															
Property rates															
Property rates - penalties & collection charges															
Service charges - electricity revenue															
Service charges - water revenue															
Service charges - sanitation revenue															
Service charges - refuse revenue															
Service charges - other															
Rental of facilities and equipment	100	(21)	79	-		79	86		8	109.96	-				130
Interest earned - external investments	18 060	500	18 560	-		18 560	28 431		9 871	153.18	157.42				29 656
Interest earned - outstanding debtors	5	(5)	-	-		-	0		0	#DIV/0!	3.48				1
Dividends received	-	-	-	-		-	-		-	-	-				-
Fines	-	-	-	-		-	-		-	-	-				-
Licences and permits	-	-	-	-		-	-		-	-	-				-
Agency services	-	-	-	-		-	-		-	-	-				-
Transfers recognised - operational	313 592	1 060	314 652	-		314 652	313 652		(1 000)	99.68	100.02				303 175
Other revenue	1 866	485	2 351	-		2 351	9 670		7 319	411.23	518.20				4 588
Gains on disposal of PPE	-	-	-	-		-	-		-	-	-				-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>333 623</b>	<b>2 019</b>	<b>335 642</b>	<b>-</b>		<b>335 642</b>	<b>351 839</b>		<b>16 197</b>	<b>104.83</b>	<b>105.46</b>				<b>337 550</b>
<b>Expenditure By Type</b>															
Employee related costs	121 101	(18 916)	102 184	-	(1 510)	100 675	64 281		(36 394)	63.85	53.08				59 490
Remuneration of councillors	14 579	(2 904)	11 675	-	150	11 825	11 598		(227)	98.08	79.55				11 148
Debt impairment	20	-	20	-	-	20	-		(20)	-	-				0
Depreciation & asset impairment	6 861	3 306	10 167	-	178	10 345	8 277		(2 067)	80.01	120.64				8 220
Finance charges	5 778	-	5 778	-	-	5 778	4 557		(1 221)	78.87	78.87				5 295
Bulk purchases	-	-	-	-	-	-	-		-	-	-				-
Other materials	709	185	895	-	0	895	299		(596)	33.42	42.16				245
Contracted services	10 899	(137)	10 762	-	(791)	9 971	4 405		(5 565)	44.18	40.42				4 212
Transfers and grants	439 454	(122 686)	316 768	-	(146)	316 623	249 942		(66 681)	78.94	56.88				227 544
Other expenditure	134 069	7 348	141 417	-	(4 835)	136 582	74 869		(61 714)	54.82	55.84				51 448
Loss on disposal of PPE	-	-	-	-	6 954	6 954	6 928		(25)	-	-				-
<b>Total Expenditure</b>	<b>733 471</b>	<b>(133 803)</b>	<b>599 667</b>	<b>-</b>	<b>0</b>	<b>599 667</b>	<b>425 156</b>	<b>-</b>	<b>(174 511)</b>	<b>70.90</b>	<b>57.97</b>				<b>367 602</b>
<b>Surplus/(Deficit)</b>	<b>(399 847)</b>	<b>135 822</b>	<b>(264 025)</b>	<b>-</b>	<b>(0)</b>	<b>(264 025)</b>	<b>(73 317)</b>		<b>190 708</b>	<b>27.77</b>	<b>18.34</b>				<b>(30 052)</b>
Transfers recognised - capital															
Contributions recognised - capital	-	-	-	-	-	-	-		-	-	-				6
Contributed assets															
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(399 847)</b>	<b>135 822</b>	<b>(264 025)</b>	<b>-</b>	<b>(0)</b>	<b>(264 025)</b>	<b>(73 317)</b>		<b>190 708</b>	<b>27.77</b>	<b>18.34</b>				<b>(30 046)</b>
Taxation															
<b>Surplus/(Deficit) after taxation</b>	<b>(399 847)</b>	<b>135 822</b>	<b>(264 025)</b>	<b>-</b>	<b>(0)</b>	<b>(264 025)</b>	<b>(73 317)</b>		<b>190 708</b>	<b>27.77</b>	<b>18.34</b>				<b>(30 046)</b>
Attributable to minorities															
<b>Surplus/(Deficit) attributable to municipality</b>	<b>(399 847)</b>	<b>135 822</b>	<b>(264 025)</b>	<b>-</b>	<b>(0)</b>	<b>(264 025)</b>	<b>(73 317)</b>	<b>-</b>	<b>190 708</b>	<b>27.77</b>	<b>18.34</b>				<b>(30 046)</b>
Share of surplus/ (deficit) of associate															
<b>Surplus/(Deficit) for the year</b>	<b>(399 847)</b>	<b>135 822</b>	<b>(264 025)</b>	<b>-</b>	<b>(0)</b>	<b>(264 025)</b>	<b>(73 317)</b>	<b>-</b>	<b>190 708</b>	<b>27.77</b>	<b>18.34</b>				<b>(30 046)</b>

Unaudited schedule: 1

Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description  R thousand	2013/2014											2012/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Capital expenditure - Vote</b>															
<b>Multi-year expenditure</b>															
Vote 1 - EXECUTIVE & COUNCIL	2 590	(65)	2 525	-	-	2 525	210		2 315	91.67	8.12				1 281
Vote 2 - ADMINISTRATION	2 730	-	2 730	-	-	2 730	45		2 685	98.36	1.64				215
Vote 3 - FINANCE - BUDGET & TREASURY OFF	236	-	236	-	-	236	39		197	83.48	16.52				25
Vote 4 - COMMUNITY & SOCIAL SERVICES	23 653	14 090	37 743	-	-	37 743	21 929		15 814	41.90	92.71				6 504
Vote 5 - Technical Services and PMU	15 095	(15 095)	-	-	-	-	-		-	#DIV/0!	-				1 581
Vote 6 - LED AGENCY	-	-	-	-	-	-	-		-	#DIV/0!	#DIV/0!				101
Vote 7 - DPU AND IDP	12 034	(12 034)	-	-	-	-	-		-	#DIV/0!	-				318
Vote 8 - PLANNING & DEVELOPMENT CONTRIB	-	-	-	-	-	-	-		-	#DIV/0!	#DIV/0!				-
Example 9 - Vote9															
Example 10 - Vote10															
Example 11 - Vote11															
Example 12 - Vote12															
Example 13 - Vote13															
Example 14 - Vote14															
Example 15 - Vote15															
<b>Capital multi-year expenditure sub-total</b>	<b>56 338</b>	<b>(13 104)</b>	<b>43 234</b>	<b>-</b>	<b>-</b>	<b>43 234</b>	<b>22 223</b>	<b>-</b>	<b>21 011</b>	<b>48.60</b>	<b>39.44</b>				<b>10 023</b>
<b>Total Capital Expenditure - Vote</b>	<b>56 338</b>	<b>(13 104)</b>	<b>43 234</b>	<b>-</b>	<b>-</b>	<b>43 234</b>	<b>22 223</b>		<b>21 011</b>	<b>48.60</b>	<b>39.44</b>				
<b>Capital Expenditure - Standard</b>															
<i>Governance and administration</i>	5 536	(76)	5 461	-	-	5 461	294		5 167	94.62	5.31				1 520
Executive and council	2 794	(76)	2 719	-	-	2 719	249		2 470	90.83	8.92				1 281
Budget and treasury office	12	-	12	-	-	12	-		12	100.00	-				25
Corporate services	2 730	-	2 730	-	-	2 730	45		2 685	98.36	1.64				215
<i>Community and public safety</i>	35 267	1 756	37 023	-	-	37 023	21 929		15 094	40.77	62.18				6 504
Community and social services	400	(300)	100	-	-	100	-		100	100.00	-				54
Sport and recreation	-	-	-	-	-	-	-		-	-	-				-
Public safety	34 867	2 056	36 923	-	-	36 923	21 929		14 994	40.61	62.89				6 450
Housing	-	-	-	-	-	-	-		-	-	-				-
Health	-	-	-	-	-	-	-		-	-	-				-
<i>Economic and environmental services</i>	15 535	(14 785)	750	-	-	750	-		750	100.00	-				2 000
Planning and development	20	10	30	-	-	30	-		30	100.00	-				419
Road transport	15 095	(15 095)	-	-	-	-	-		-	#DIV/0!	-				1 581
Environmental protection	420	300	720	-	-	720	-		720	-	-				-
<i>Trading services</i>	-	-	-	-	-	-	-		-	-	-				-
Electricity	-	-	-	-	-	-	-		-	-	-				-
Water	-	-	-	-	-	-	-		-	-	-				-
Waste water management	-	-	-	-	-	-	-		-	-	-				-
Waste management	-	-	-	-	-	-	-		-	-	-				-
<i>Other</i>	-	-	-	-	-	-	-		-	-	-				-
<b>Total Capital Expenditure - Standard</b>	<b>56 338</b>	<b>(13 104)</b>	<b>43 234</b>	<b>-</b>	<b>-</b>	<b>43 234</b>	<b>22 223</b>		<b>21 011</b>	<b>51.40</b>	<b>39.44</b>				<b>10 023</b>
<b>Funded by:</b>															
National Government															
Provincial Government															
District Municipality															
Other transfers and grants															
Transfers recognised - capital	-	-	-	-	-	-	-		-	-	-				-
Public contributions & donations															
Borrowing															
Internally generated funds	56 338	(13 104)	43 234	-	-	43 234	22 223		21 011	51.40	39.44				10 017
<b>Total Capital Funding</b>	<b>56 338</b>	<b>(13 104)</b>	<b>43 234</b>	<b>-</b>	<b>-</b>	<b>43 234</b>	<b>22 223</b>	<b>-</b>	<b>21 011</b>	<b>51.40</b>	<b>39.44</b>				<b>10 023</b>

Unaudited schedule: 1

Reconciliation of Table A7 Budgeted Cash Flows

Description	2013/2014								2012/2013
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
R thousand	1	2	3	6	7	9	10	11	12
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and other	1 966	464	2 430	2 430	10 475	8 045	431.05	532.78	30 228
Government - operating	313 592	1 060	314 652	314 652	314 592	(60)	99.98	100.32	303 175
Government - capital	-	-	-	-	-	-	-	-	-
Interest	18 065	495	18 560	18 560	28 431	9 871	153.18	157.38	27 196
Dividends	-	-	-	-	-	-	-	-	-
<b>Payments</b>									
Suppliers and employees	(281 358)	60 847	(220 511)	(220 511)	(132 121)	88 390	59.92	46.96	(103 725)
Finance charges	(5 778)	-	(5 778)	(5 778)	(4 557)	1 221	78.87	78.87	(5 295)
Transfers and Grants	(439 454)	116 686	(322 768)	(322 768)	(249 942)	72 826	77.44	56.88	(227 544)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>(392 967)</b>	<b>179 551</b>	<b>(213 415)</b>	<b>(213 415)</b>	<b>(33 122)</b>	<b>180 293</b>	<b>15.52</b>	<b>8.43</b>	<b>24 034</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-
Decrease (Increase) other non-current receivables	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	5 933	-	1 837	1 837	(2 671)	(4 508)	-	-	10 229
<b>Payments</b>									
Capital assets	(56 338)	13 104	(43 234)	(43 234)	(22 223)	21 011	51.40	39.44	(10 017)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(50 405)</b>	<b>9 008</b>	<b>(41 397)</b>	<b>(41 397)</b>	<b>(24 894)</b>	<b>16 504</b>	<b>60.13</b>	<b>49.39</b>	<b>212</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Short term loans	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-
<b>Payments</b>									
Repayment of borrowing	(4 874)	-	(4 874)	(4 874)	(6 253)	(1 379)	128.29	128.29	(6 242)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(4 874)</b>	<b>-</b>	<b>(4 874)</b>	<b>(4 874)</b>	<b>(6 253)</b>	<b>(1 379)</b>	<b>128.29</b>	<b>128.29</b>	<b>(6 242)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(448 246)</b>	<b>188 560</b>	<b>(259 687)</b>	<b>(259 687)</b>	<b>(64 269)</b>	<b>195 417</b>	<b>24.75</b>	<b>14.34</b>	<b>18 004</b>
Cash/cash equivalents at the year begin:	515 672	466 152	466 052	466 052	466 052	(0)	100.00	90.38	448 048
Cash/cash equivalents at the year end:	67 425	654 712	206 365	206 365	401 783	195 417	194.69	595.89	466 052

# Nkangala District Municipality

Interpretation of results

The green indicate that the results is within the norm

The red indicate that the result is not within the acceptable norms and corrective action plans should be prepared

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	DATA INPUTS AND RESULTS		
					2014	2013		
					" R 000 "	" R 000 "		
<b>1. FINANCIAL POSITION</b>								
<b>A. Asset Management/Utilisation</b>								
1	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating expenditure + Capital expenditure) x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year reports, IDP and AR	10% - 20%		5%	3%	
					Total Operating Expenditure	425 156	367 602	
					Taxation Expense	-	-	
					Total Capital Expenditure	22 223	10 024	
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	Statement of Financial Position, Notes to the AFS and AR	0%		8%	9%	
					PPE, Investment Property and Intangible Impairment	8 277	8 220	
					PPE at carrying value	98 644	92 125	
					Investment at carrying value	-	-	
					Intangible Assets at carrying value	851	354	
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	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-Year Reports	8%		4%	5%	
					Total Repairs and Maintenance Expenditure	4 094	4 169	
					PPE at carrying value	98 644	92 125	
					Investment Property at Carrying value	-	-	

**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 , In-Year Reports, IDP and AR	95%		140%	164%	
					Gross Debtors closing balance	18	65	
					Gross Debtors opening balance	65	153	
					Bad debts written Off	13	5	
					Billed Revenue	86	130	
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%		100%	28%	
					Consumer Debtors Bad debts written off	13	5	
					Consumer Debtors Current bad debt Provision	13	18	
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		75 days	183 days	
					Gross debtors	18	65	
					Bad debts Provision	-	-	
					Billed Revenue	86	130	

**C. Liquidity Management**

1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / 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		11 Month	15 Month	
					Cash and cash equivalents	401 783	466 052	
					Unspent Conditional Grants	1 000	1 000	
					Overdraft	-	-	
					Short Term Investments	-	-	
					Total Annual Operational Expenditure	425 156	367 602	
2	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		8.85	10.41	
					Current Assets	591 137	675 108	
					Current Liabilities	66 762	64 830	

**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 00	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-Year Reports and AR	6% - 8%		3%	3%	
					Interest Paid	4 557	5 295	
					Redemption	6 253	6 242	
					Total Operating Expenditure	425 156	367 602	
					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%		14%	16%	
					Total Debt	48 549	51 991	
					Total Operating Revenue	351 839	337 556	
					Operational Conditional Grants	4 742	4 742	



**E. Sustainability**

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%		71%	72%	
					Cash and cash Equivalents	401 783	466 052	
					Bank Overdraft	-	-	
					Short Term Investment	-	-	
					Long Term Investment	33 756	31 085	
					Unspent Grants	1 000	-	
					Net Assets	615 904	689 221	
					Share Premium	-	-	
					Share Capital	-	-	
					Revaluation Reserve	-	-	
Fair Value Adjustment Reserve	-	-						
Accumulated Surplus	-	-						

**2. FINANCIAL PERFORMANCE**

**A. Efficiency**

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%		-18%	-6%	
					Total Operating Revenue	351 839	337 556	
					Depreciation - Revalued Portion <i>(Only populate if depreciation line item in the Statement of Financial</i>	8 277	8 220	
					Total Operating Expenditure	425 156	367 602	
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%		#DIV/0!	#DIV/0!	
					Total Electricity Revenue			
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%		#DIV/0!	#DIV/0!	
					Total Water Revenue			
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%		#DIV/0!	#DIV/0!	
					Total Refuse Revenue			
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%		#DIV/0!	#DIV/0!	
					Total Sanitation and Water Waste Revenue			

**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) x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	7% - 10%		#DIV/0!	#DIV/0!	
					Number of units purchased and/or generated	-	-	
					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 x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%		#DIV/0!	#DIV/0!	
					Number of kilolitres purchased and/or purified	-	-	
					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 x 100	Debtors System	None		-67%	-40%	
					Number of Active Debtors Accounts (Previous)	3	5	
					Number of Active Debtors Accounts (Current)	1	3	
2	Revenue Growth (%)	(Period under review's Total Revenue - previous period's Total Revenue) / previous period's Total Revenue ) x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= CPI		4%	2%	
					CPI	7%	7%	
					Total Revenue (Previous)	337 556	330 153	
					Total Revenue (Current)	351 839	337 556	
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 ) x 100	Statement of Financial Performance, Notes to AFS , Budget, IDP, In-Year reports and AR	= CPI		4%	2%	
					CPI	7%	107%	
					Total Revenue Exl.Capital (Previous)	337 556	330 153	
					Total Revenue Exl.Capital (Current)	351 839	337 556	

D. Expenditure Management

						29 days	27 days	
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				
					Trade Creditors	27 856	21 988	
					Contracted Services	4 405	4 212	
					Repairs and Maintenance	4 094	4 169	
					General expenses	325 421	279 278	
					Bulk Purchases	-	-	
					Capital Credit Purchases (Capital Credit Purchases refers to additions of Investment Property)	22 223	10 024	
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%	0%	
					Irregular, Fruitless and Wasteful and Unauthorised Expenditure	2 771	102	
					Total Operating Expenditure	425 156	367 602	
					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%		18%	19%	
					Employee/personnel related cost	64 281	59 753	
					Councillors Remuneration	11 598	10 885	
					Total Operating Expenditure	425 156	367 602	
					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%		1%	1%	
					Contracted Services	4 405	4 212	
					Total Operating Expenditure	425 156	367 602	
					Taxation Expense	-	-	

**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	22 223	10 018	
					Borrowings	-	6	
					Total Capital Expenditure	22 223	10 024	
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	22 223	10 024	
					Total Capital Expenditure	22 223	10 024	
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		11%	10%	
					Total Revenue	351 839	337 556	
					Government grant and subsidies	313 592	303 175	
					Public contributions and Donations	60	6	
					Capital Grants	-	-	

**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%		51%	27%	
					Actual Capital Expenditure	22 223	10 024	
					Budget Capital Expenditure	43 234	36 992	
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%		71%	69%	
					Actual Operating Expenditure	425 156	367 602	
					Budget Operating Expenditure	599 667	529 213	
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%		105%	104%	
					Actual Operating Revenue	351 839	337 556	
					Budget Operating Revenue	335 642	324 963	
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	-	-	