

**Nkangala**



**District Municipality**

**Nkangala District Municipality**

(Registration number DC31)

**Annual Financial Statements  
for the year ended 30 June 2017**

**UNAUDITED**

# Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended 30 June 2017

## General Information

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<b>Legal form of entity</b>	District Municipality DC31	
<b>Nature of business and principal activities</b>	Municipal Services	
<b>Mayoral committee</b>	01 July 2016 - 03 August 2016	03 August 2016 - 30 June 2017
Executive Mayor	Ngwenya TD	Malatjie LM
Speaker	Mahlobogoane RC	Ndinisa SL
Chief Whip	Mduli ZB	Boshomane KJ
Members of the Mayoral Committee	Dikgale LJ	Dikgale LJ
	Dube C	Mahlobogoane RC
	Hlope NE	Mahlangu SH
	Mafume AP	Mthimunye GT
	Masombuka IM	Nkosi MS
	Radebe JF	Masilela TS
Councillors	Bhamjee M	Van Der Berg EH
	Cronje RE	Nkosi NB
	Danisa M	Legong TB
	Du Toit E	Bhamjee M
	Jele EA	Nkosi TL
	Kabini SQ	Ngwenya XS
	Legong TB	Jibanyoni JM
	Legong SM	Makhabane EN
	Mabuza BS	Masina MAS
	Mahlangu JN	Cronje RE
	Maja SR	Weber AMM
	Makhabane EN	Skosana GJ
	Maluleka MT	Ngwenya TD
	Maraba CL	Magagula MS
	Matebe RS	Dladla DS
	Dijana PJ	Malahle TD
	Maseko CP	Fakude MT
	Masilela TS	Zandamela S
	Masina MAS	Mokoena SL
	Mathibela SM	Khumalo LF
	Mkhabela F	Mhlanga MT
	Mlambo LN	Nkoane MR
	Mnguni MTE	Ndlovu R
	Mokhabela JT	Fakude DC
	Mokoena LM	Mahlangu A
	Monareng KN	Malefane P
	Mosena MC	Mboweni LM
	Mothibi BM	Shabangu MM
	Msiza AS	Masemula LC
	Msiza JN	Moseri PP
	Mtsweni RQ	Mnisi ST
	Myakeni BS	Mogola SM
	Ngwenya XS	Zondo LJN
	Niemann HF	Makola LM
	Nkosi NB	Bath DJ
	Nkosi TL	Ntshalintshali LL

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## General Information

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Nkosi MS	Nobela MT
Nkwanyana BA	Shongwe ME
Shabangu SB	Selala HN
Shongwe SE	Lamola BR
Sibanyoni JM	Mokoala VD
Sithole SF	Motanyane TE
Tau JJ	Boshego S
Tshabangu LM	Dyason J
Van Der Berg EH	Skhosana DJ
Venter HJ	Mtsweni NS
Zondi ST	
Webber AMM	

<b>Grading of local authority</b>	High Capacity
<b>Chief Finance Officer (CFO)</b>	A L Stander
<b>Accounting Officer</b>	M M Skosana
<b>Business address</b>	2A Walter Sisulu Street Middelburg 1050 Mpumalanga
<b>Postal address</b>	P.O. Box 437 Middelburg 1050 Mpumalanga
<b>Bankers</b>	ABSA Limited Middelburg
<b>Auditors</b>	Auditor General South Africa
<b>Contact details</b>	Telephone : +27 (13) 249 2000 Fax : +27 (13) 249 2114

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### Abbreviations

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

## **Nkangala District Municipality**

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Annual Financial Statements for the year ended 30 June 2017

### **Accounting Officer's Responsibilities and Approval**

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

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

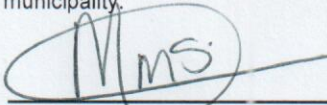
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in the note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I am responsible for the preparation of these annual financial statements, which are set out from pages 12 to 66, in terms of Section 126(1) of the Local Government: Municipal Financial Management Act and which I have signed on behalf of the municipality.



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**M M Skosana**  
**Municipal Manager**

# Nkangala District Municipality

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## Report of the Chief Financial Officer

### 1. INTRODUCTION

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

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

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

The District is a pilot site for the new mSCOA regulations and successfully implemented the mSCOA for the 2016/17 financial year starting from 1 Jul 2015. 2016/17 are the second year of implementation of mSCOA. It has indeed been challenging as the mSCOA chart has been changing with every new version release of the mSCOA by National Treasury. The District has finalised and prepared the annual financial statements on version 5.4 of mSCOA, released 1 December 2015. Items were reclassified in terms of the mSCOA classification regulations in 2015/16.

### 2. REVIEW OF OPERATING RESULTS

The 2016/2017 budget of the Nkangala District Municipality was approved by Council on the 26 April 2016 under item DM 403/04/2016. The roll over budget was approved 25 August 2016 under DM 14/08/2016. An adjustment budget was approved on the 22th of February 2017 under item DM 220/02/2017. Herewith is commentary on the financial results.

#### 2.1 REVENUE

The total revenue of the municipality increased from R381,760 (2015/16) to R387,883 million and indicate a positive outcome over the R368,675 budgeted for the 2016/17 financial year.

Revenue from exchange transactions amounts to R46,525 million, whilst the revenue from non-exchange transactions amounts to R341,358 million of which the major portions is from government grants and subsidies. The municipality is highly dependent on the RSC Replacement Grant that shows a deterioration growth rate year on year.

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

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

#### TRANSFERS AND SUBSIDIES

Transfers and subsidies decreased by 0.17 % from R340,046 million (2015/16) to R339,467 million (2016/17). Transfers and Subsidies include conditional and non-conditional grants, donations or subsidies to the District and amongst others include the RSC Levy Replacement grant, the Equitable Share, Municipal System Improvement Grant, Finance Management Grant, Rural Asset Management Grant and the Expanded Public Works Programme Incentive Grant. 100% of budgeted amount was realised for 2016/17.

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

#### INTEREST, DIVIDENDS AND RENT ON LAND

The District earned interest, which increased by 14.86% from R38,258 (2015/16) to R43,945 million (2016/17). This increase is attributed to the slow implementation of projects to local municipalities under expenditure: transfers and subsidies paid and left more surplus cash for investment and the increase in interest rates on call deposits. 171.8% realised of budgeted amount for 2016/17



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## Report of the Chief Financial Officer

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### **FINES, PENALTIES AND FORFEITS**

Revenue from Fines, Penalties and Forfeits decrease by 33.30% from R2,440 (2015/16) to R1,628 (2016/17). 98.61% of budgeted amount realised for 2016/17.

### **SALE OF GOODS**

Sale of goods decreased by 31.03% from R0.704 (2015/16) to R0,485 million and consists mainly the selling of tender documents. 138.61% realised for 2016/17 due to more selling of goods than anticipated and more cost reflective tariffs.

### **OPERATIONAL REVENUE**

Operational revenue increased by 1343.61% from R0,138 million (2015/16) to R1,995 million (2016/17). 138.61% of budgeted amount realised for 2016/17 due to more operational revenue received than anticipated.

### **RENTAL FROM FIXED ASSETS**

Rental from fixed assets decreased by 2.54% from R0,102 million (2015/16) to R0,100 million (2016/17) and flows from the lease agreement with Department of Public Works for offices at the Districts main office building. 88.90% realised as less facilities was rented out in 2016/17 than anticipated.

### **LICENCES AND PERMITS**

The municipal health services have been transferred to the District and the District is for the first time receiving revenue from the issuing of environmental licences and permits. Revenue from licences and permits has increased with 274.94% from R0,070 million (2015/16) to R0,263 million was realised in the (2016/17) financial year. 263.11% of budgeted amount realised for 2016/17 due to the new function that are rendered by the District.

## **2.2 EXPENDITURE**

The total expenditure increased with 2.06% from R356,708 million (2015/16) to R363,980 million (2016/17) compared to the budgeted operating expenditure of R487,830 million (2016/17). Transfers and subsidies to local municipalities are the main driver of the expenditure of the District

### **TRANSFERS & SUBSIDIES**

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

Actual grants and subsidies paid represent 44.58% (49.72% 2015/16) of the total expenditure and decreased by 8.48% from R177,349 million (2015/16) to R162,301 million (2016/17). The actual transfers and subsidies are 67.12% of the budgeted amount of R241,819 million (2016/17) due to the slow implementation of projects and the projects that were not finalised by 30 June 2017 and transferred to Inventory – Work in progress.

### **EMPLOYEE RELATED COST**

Actual employee related costs increased by 20.52% from R90,060 (2015/16) to R108,540 million (2016/17) due to the drive to appoint staff in all vacancies. Actual employee related costs are 92.45 % of the budgeted employee related cost, which is due to the few vacancies which have not been filled in the year under review.

### **OPERATIONAL COST**

The actual expenditure of operational costs increased by 3.27% from R31,318 million (2015/16) to R32,344 million (2016/17). Actual operational costs are 71.38% of the budgeted operational cost of R45,316 million. Due to non-responsive tenders and operational projects that were not fully completed.

### **CONTRACTED SERVICES**

Contracted services increased by 9.98% from R30,847 million (2015/16) to R33,926 million (2016/17). Actual contracted services are 65.00% of the budgeted operational cost of R52,197 million, due to non-responsive tenders and contracts that were not fully completed by 30 June 2017.



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## Report of the Chief Financial Officer

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### REMUNERATION OF COUNCILLORS

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

Actual councillor allowance costs decreased by 2.29 % from R12,882 million (2015/16) to R12,587 million (2016/17). Actual councillor allowance costs are 87.41% of the budgeted remuneration of councillors, due to the low % increase that realised on the determination of upper limits and the elections that resulted in less council sittings.

### 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 2.42 % from R9,381 million (2015/16) to R9,609 million (2016/17). Actual depreciation/amortisation costs are 93.36% of the budgeted depreciation/amortisation cost of R10,292 million.

### INVENTORY CONSUMED

Actual inventory consumed costs increased by 5.79 % from R3,351 million (2015/16) to R3,546 million (2016/17). Actual inventory consumed costs are 75.88% of the budgeted amount of R4,673 million, due to the less than anticipated inventory consumed.

### INTEREST, DIVIDEND AND RENT ON LAND PAID

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

Actual interest costs decreased by 25.80 % from R1,519 million (2015/16) to R1,127 million (2016/17), the decline is due to the redemption of loans and finance leases. Actual interest costs are 99.92% of the budgeted amount of R1,128 million.

### GAINS AND LOSSES

The District only realised a small gain on the disposal of fixed and intangible assets of R0,028 million (2015/16) compared to the loss of R0,071 million (2016/17) financial year.

### SURPLUS

The municipality realised a surplus of R23,832 million 2016/17 as a result of the cost containment measures that was introduced.

## 3. FINANCIAL POSITION

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

The total assets of the municipality increased by 5.01% from R739,738 million (2015/16) to R776,770 million (2016/17). The contributing factors of this increase can mainly be attributed to declining inventory, increase in cash and cash equivalents, property, plant and equipment and long term investment.

Total liabilities increased by 18.90% from R69,827 million (2015/16) to R83,026 million (2016/17), which is mainly due to the increase in accruals, post-retirement benefits and provisions for long services.

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## Report of the Chief Financial Officer

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### 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 million</b>	<b>R million</b>	<b>Ratio</b>
2015/16	562,654	43,666	12.89:1
2016/17	570,859	58,213	9.81:1

#### 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 million</b>	<b>R million</b>	<b>Ratio</b>
2015/16	494,000	43,666	11.31:1
2016/17	467,764	58,213	8.04:1

#### 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 million</b>	<b>R million</b>	<b>Ratio</b>
2015/16	739,739	69,827	10.59:1
2016/17	776,770	83,026	9.36:1

#### OTHER RATIOS

<b>Ratio</b>	<b>30 Jun 2016</b>	<b>30 Jun 2015</b>
Employee related cost / Total expenditure	29.81	25.25
Actual transfers and subsidies paid / Total expenditure	44.58	49.72
Actual transfers and subsidies paid / Total revenue	41.84	46.45

### 5. CREDIT RATING

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

<b>Security class</b>	<b>Rating scale</b>	<b>Rating</b>	<b>Rating outlook</b>	<b>Review date</b>
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.

<b>Security class</b>	<b>Rating scale</b>	<b>Rating</b>	<b>Rating outlook</b>	<b>Review date</b>
Short term	National A(ZA)	Stable		08/2014

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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.

Security class	Rating scale	Rating	Rating outlook	Review date
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

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## Report of the Chief Financial Officer

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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)

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## Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	103 093 998	68 653 479
Construction contracts and receivables	5	648	648
Value Added Tax receivable	6	11 984 430	28 713 703
Trade and other receivables from exchange transactions	7	118 780	143 786
Cash and cash equivalents	8	455 442 443	465 142 151
Prepayments	9	218 576	-
		<b>570 858 875</b>	<b>562 653 767</b>
<b>Non-Current Assets</b>			
Investments	4	44 846 358	40 862 493
Property, plant and equipment	10	160 064 661	135 639 504
Heritage assets	11	508 772	-
Intangible assets	12	491 101	583 177
		<b>205 910 892</b>	<b>177 085 174</b>
<b>Total Assets</b>		<b>776 769 767</b>	<b>739 738 941</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Borrowings	13	3 312 161	3 402 998
Finance lease liability	14	217 780	267 922
Payables from exchange transactions	15	54 001 630	39 509 476
Consumer deposits	16	10 030	14 270
Defined benefit Obligation	17	235 938	161 460
Provisions and impairments	19	435 664	309 804
		<b>58 213 203</b>	<b>43 665 930</b>
<b>Non-Current Liabilities</b>			
Borrowings	13	4 627 602	7 712 670
Finance lease liability	14	-	217 780
Defined benefit Obligation	17	17 929 200	15 985 180
Provisions and impairments	19	2 255 791	2 245 440
		<b>24 812 593</b>	<b>26 161 070</b>
<b>Total Liabilities</b>		<b>83 025 796</b>	<b>69 827 000</b>
<b>Net Assets</b>		<b>693 743 971</b>	<b>669 911 941</b>
Accumulated surplus		693 743 971	669 911 941

# Nkangala District Municipality

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## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods		485 838	704 420
Rental from fixed assets	20	99 868	102 472
Operational revenue	21	1 994 791	138 181
Interest, dividend and rent on land	22	43 944 808	38 258 396
<b>Total revenue from exchange transactions</b>		<b>46 525 305</b>	<b>39 203 469</b>
<b>Revenue from non-exchange transactions</b>			
Licences or permits		263 114	70 175
Transfers and subsidies	23	339 467 000	340 046 461
Fines, penalties and forfeits		1 627 630	2 440 138
<b>Total revenue from non-exchange transactions</b>		<b>341 357 744</b>	<b>342 556 774</b>
<b>Total revenue</b>	24	<b>387 883 049</b>	<b>381 760 243</b>
<b>Expenditure</b>			
Employee related costs	25	(108 540 483)	(90 059 932)
Remuneration of councillors	26	(12 586 871)	(12 881 629)
Depreciation and amortisation	27	(9 608 535)	(9 381 429)
Interest, dividend and rent on land	28	(1 127 298)	(1 519 218)
Inventory consumed		(3 545 543)	(3 351 379)
Contracted services	29	(33 926 147)	(30 846 808)
Transfers and subsidies	30	(162 301 459)	(177 348 649)
Operational costs	31	(32 344 019)	(31 318 613)
<b>Total expenditure</b>		<b>(363 980 355)</b>	<b>(356 707 657)</b>
<b>Operating surplus</b>		<b>23 902 694</b>	<b>25 052 586</b>
Gains and Losses: Disposal of fixed and intangible assets		(70 666)	27 671
<b>Surplus for the year</b>		<b>23 832 028</b>	<b>25 080 257</b>

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	641 485 702	641 485 702
Correction of error	3 345 981	3 345 981
<b>Balance at 01 July 2015 as restated*</b>	<b>644 831 683</b>	<b>644 831 683</b>
Changes in net assets		
Surplus for the year restated	25 080 255	25 080 255
<b>Restated* Balance at 01 July 2016</b>	<b>669 911 940</b>	<b>669 911 940</b>
Changes in net assets		
Surplus for the year	23 832 028	23 832 028
Total changes	23 832 028	23 832 028
<b>Balance at 30 June 2017</b>	<b>693 743 968</b>	<b>693 743 968</b>

Refer to not 41 for the correction of error



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## Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers and Subsidies		339 467 000	336 052 792
Interest, Dividend and Rent on Land		43 944 808	38 258 396
Other Receipts		4 467 001	3 329 959
Movement of VAT Receivable		16 729 273	-
		<u>404 608 082</u>	<u>377 641 147</u>
<b>Payments</b>			
Employee costs		(118 972 645)	(99 285 732)
Suppliers and other payments		(252 349 943)	(197 743 729)
Interest, Dividend and Rent on Land		(1 127 298)	(1 610 056)
Movement of VAT Receivable		-	(9 646 668)
		<u>(372 449 886)</u>	<u>(308 286 185)</u>
<b>Net cash flows from operating activities</b>	32	<b><u>32 158 196</u></b>	<b><u>69 354 962</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(34 294 314)	(29 136 387)
Proceeds from sale of property, plant and equipment	10	282 035	57 691
Proceeds from sale of other intangible assets	12	1	-
Purchases of heritage assets	11	(508 772)	-
Decreases/(Increases) of investments		(3 983 865)	(4 205 457)
		<u>(38 504 915)</u>	<u>(33 284 153)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(3 085 068)	(3 085 068)
Finance lease payments		(267 921)	(244 338)
		<u>(3 352 989)</u>	<u>(3 329 406)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(9 699 708)</b>	<b>32 741 403</b>
Cash and cash equivalents at the beginning of the year		<u>465 142 151</u>	<u>432 400 748</u>
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>455 442 443</u></b>	<b><u>465 142 151</u></b>

# Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sale of goods	350 000	500	<b>350 500</b>	485 838	<b>135 338</b>	
Rental from fixed assets	131 174	(18 837)	<b>112 337</b>	99 868	<b>(12 469)</b>	
Operational revenue	-	1 423 967	<b>1 423 967</b>	1 994 791	<b>570 824</b>	
Interest, dividend and rent on land	17 879 944	7 700 000	<b>25 579 944</b>	43 944 808	<b>18 364 864</b>	
<b>Total revenue from exchange transactions</b>	<b>18 361 118</b>	<b>9 105 630</b>	<b>27 466 748</b>	<b>46 525 305</b>	<b>19 058 557</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Licences or Permits (Non-exchange)	-	100 000	<b>100 000</b>	263 114	<b>163 114</b>	
<b>Transfer revenue</b>						
Transfers and subsidies	339 311 000	147 000	<b>339 458 000</b>	339 467 000	<b>9 000</b>	
Fines, penalties and forfeits	210 000	1 440 500	<b>1 650 500</b>	1 627 630	<b>(22 870)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>339 521 000</b>	<b>1 687 500</b>	<b>341 208 500</b>	<b>341 357 744</b>	<b>149 244</b>	
<b>Total revenue</b>	<b>357 882 118</b>	<b>10 793 130</b>	<b>368 675 248</b>	<b>387 883 049</b>	<b>19 207 801</b>	
<b>Expenditure</b>						
Employee related costs	(120 522 990)	2 943 045	<b>(117 579 945)</b>	(108 540 483)	<b>9 039 462</b>	
Remuneration of councillors	(14 347 909)	(52 675)	<b>(14 400 584)</b>	(12 586 871)	<b>1 813 713</b>	
Inventory consumed	(3 901 500)	(771 045)	<b>(4 672 545)</b>	(3 545 543)	<b>1 127 002</b>	
Depreciation and amortisation	(9 584 723)	(707 438)	<b>(10 292 161)</b>	(9 608 535)	<b>683 626</b>	
Interest Dividends and Rent on Land:	(1 583 418)	455 209	<b>(1 128 209)</b>	(1 127 298)	<b>911</b>	
Operating leases	(1 158 639)	672 949	<b>(485 690)</b>	-	<b>485 690</b>	
Contracted Services	(44 114 428)	(8 031 310)	<b>(52 145 738)</b>	(33 926 147)	<b>18 219 591</b>	
Transfers and Subsidies	(205 917 172)	(35 901 985)	<b>(241 819 157)</b>	(162 301 459)	<b>79 517 698</b>	
Operational costs	(40 775 620)	(4 415 363)	<b>(45 190 983)</b>	(32 344 019)	<b>12 846 964</b>	
<b>Total expenditure</b>	<b>(441 906 399)</b>	<b>(45 808 613)</b>	<b>(487 715 012)</b>	<b>(363 980 355)</b>	<b>123 734 657</b>	
<b>Operating surplus</b>	<b>(84 024 281)</b>	<b>(35 015 483)</b>	<b>(119 039 764)</b>	<b>23 902 694</b>	<b>142 942 458</b>	
Loss on disposal of assets and liabilities	-	(115 800)	<b>(115 800)</b>	(70 666)	<b>45 134</b>	
<b>Surplus before taxation</b>	<b>(84 024 281)</b>	<b>(35 131 283)</b>	<b>(119 155 564)</b>	<b>23 832 028</b>	<b>142 987 592</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(84 024 281)</b>	<b>(35 131 283)</b>	<b>(119 155 564)</b>	<b>23 832 028</b>	<b>142 987 592</b>	

# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

For explanations to the material differences between the budgeted and actual amounts, refer to the Appendices in the Annual Report.

The accounting policies on pages 18 to 40 and the notes on pages 41 to 65 form an integral part of the annual financial statements.

# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

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

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

The trade receivables were individually reviewed for impairment indicators and there was no indication of that impairment was required during the year.

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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 disclosure of these estimates of provisions are included in note - Provisions.

# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for property, plant and equipment and other 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.

#### Defined benefit obligations

The municipality obtains actuarial valuations of its defined benefit plan and other long-term employee benefits. The defined benefit plan and other long-term employee benefits identified are post-retirement health benefit obligations and long-service awards. The estimate liabilities are recorded in accordance with GRAP 25. Additional information is disclosed in Note 17 and 19.

### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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\*.

# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

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

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

Directly attributable costs include the following:

- Cost of site preparation.
- Initial delivery and handling costs.
- Installation costs.
- Professional fees.
- Estimated 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.

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

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

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

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

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

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

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

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

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.

# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	3-15 years



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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.5 Intangible assets (continued)

Intangible assets are derecognised:

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

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

### 1.6 Heritage assets

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

#### Subsequent measurement

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

#### Derecognition

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

### 1.7 Financial instruments

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

#### 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>
Investments	Financial asset measured at amortised cost
Bank	Financial asset measured at fair value
Cash	Financial asset measured at fair value

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

<b>Class</b>	<b>Category</b>
Other Payables	Financial liability measured at amortised cost
Long term Liabilities	Financial liability measured at amortised cost
Finance lease liabilities	Financial liability measured at amortised cost
Retentions	Financial liability measured at amortised cost

#### 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.

# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

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

The municipality measures a financial asset and financial liability 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:

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

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

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the 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, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

The municipality assess 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:

# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

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

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 :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

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

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

#### Financial liabilities

The 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 municipality 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).

# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.8 Leases

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessee

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

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

### 1.9 Inventories

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

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

### 1.10 Construction contracts and receivables

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

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

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

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

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

# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.10 Construction contracts and receivables (continued)

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

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

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

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

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

### 1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

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

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

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

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### 1.11 Impairment of cash-generating assets (continued)

#### Identification

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

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

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

#### Value in use

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 oversized or overcapacity asset. Oversized 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.

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

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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### 1.11 Impairment of cash-generating assets (continued)

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

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

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

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

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

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

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

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

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

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



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### 1.11 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

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

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

Useful life is either:

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

#### Identification

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

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

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

#### Value in use

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

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

### 1.13 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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
- Non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phone) for current employees.

When an employee has rendered services to the municipality during the 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 expenses), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of benefits, the municipality recognises the 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;
- 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.

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### 1.13 Employee benefits (continued)

#### Defined contribution plans

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

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

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

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund

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

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### 1.13 Employee benefits (continued)

#### Defined benefit plans

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

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.

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### 1.13 Employee benefits (continued)

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, 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.

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### 1.13 Employee benefits (continued)

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.

### 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.



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### 1.14 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.

### 1.15 Contingent liabilities

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.

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
- present obligation that arises from past events but is not recognised because:
  - ◆ it is not probably that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - ◆ the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

### 1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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### 1.16 Commitments (continued)

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

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

### 1.17 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Sale of tender documents

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

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

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

#### Rental of facilities

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

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

#### Interest

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

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

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

### 1.18 Revenue from non-exchange transactions

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

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

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

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### 1.18 Revenue from non-exchange transactions (continued)

#### Measurement

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

#### Licences and permits

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

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

#### Fines, penalties and forfeits

Revenue from the issuing of fines is recognised when:

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

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

#### Government grants

Government grants are recognised as revenue when:

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

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

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

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

#### Other grants and donations

Other grants and donations are recognised as revenue when:

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

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

# Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.19 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.

### 1.20 Investment income

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

### 1.21 Borrowing costs

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

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

### 1.22 Comparative figures

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

### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.24 Fruitless and wasteful expenditure

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

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

### 1.25 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 1998), or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

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

### 1.26 Budget information

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

- the approved and final amounts
- the actual amounts on a comparable basis
- 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.

# Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.26 Budget information (continued)

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
- are prepared for the same period.

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

The approved budget covers the fiscal period from 2015/07/01 to 2018/06/30.

### 1.27 Related parties

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

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

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

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

### 1.28 Events after reporting date

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

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

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

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

### 1.29 Value Added Tax

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

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

# Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2017	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2017	The impact of the amendment is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact of the amendment is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The impact of the amendment is not material.
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact of the amendment is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.

### 3. Inventories

Work in progress	103 093 998	68 653 479
<b>Work in Progress</b>		
Balance at the beginning of the year	68 653 479	114 678 664
Current year expenditure	196 741 978	84 533 264
Less: Projects completed and transferred to Local Municipalities	(162 301 459)	(130 558 449)
<b>Balance at the end of the year</b>	<b>103 093 998</b>	<b>68 653 479</b>

No inventories were pledged as security for liabilities in the current financial year.

### 4. Investments

#### At amortised cost

Investec promissory note	44 846 358	40 862 493
The investment was made on 23 September 2015 and the maturity date is 23 September 2020 i.e. after 5 years.		
<b>Non-current assets</b>		
At amortised cost	44 846 358	40 862 493

# Nkangala District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>4. Investments (continued)</b>		
<b>Reconciliation of investments</b>		
Balance at the beginning of the year	40 862 493	36 657 036
Additional investments	-	38 000 000
Interest earned and reinvested	3 983 865	3 423 541
Investments matured and redeemed	-	(37 218 084)
<b>Balance at the end of the year</b>	<b>44 846 358</b>	<b>40 862 493</b>
<b>5. Construction contracts and receivables</b>		
<b>Contracts in progress at statement of financial position date</b>		
Receivables Due	648	648
<b>6. VAT receivable</b>		
VAT	11 984 430	28 713 703
The Municipality accounts for Value Added Tax on the payment basis.		
<b>7. Trade and other receivables from exchange transactions</b>		
<b>Gross balances</b>		
Debtors	118 780	143 786
<b>Net balance</b>		
Debtors	118 780	143 786
<b>Debtors</b>		
Current (0 -30 days)	12 843	77 823
31 - 60 days	-	25 107
61 - 90 days	45 012	4 950
91 - 120 days	60 925	35 906
	<b>118 780</b>	<b>143 786</b>
<b>8.1 Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	10 200	10 200
Bank balances	6 282 186	7 036 052
Short-term deposits	449 150 057	458 095 899
	<b>455 442 443</b>	<b>465 142 151</b>

Refer to note 41 for correction of error on bank balances.

# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

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### 8. Cash and cash equivalents (continued)

#### 8.2 The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
ABSA Bank - Current Account - 1040161836	8 732 231	25 437 353	6 282 186	7 036 052
ABSA Bank - Fixed Deposit - 2075094375	-	5 000 000	-	5 000 000
ABSA Bank - Fixed Deposit - 2075321738	-	10 000 000	-	10 000 000
ABSA Bank - Fixed Deposit - 2075797725	-	5 000 000	-	5 000 000
ABSA Bank - Fixed Deposit - 2075942407	-	13 000 000	-	13 000 000
ABSA Bank- Fixed Deposit - 2075913802	-	15 000 000	-	15 000 000
ABSA Bank- Fixed Deposit - 2076753485	3 345 663	-	3 345 663	-
ABSA Bank- Fixed Deposit - 207644254	5 000 000	-	5 000 000	-
ABSA Bank- Fixed Deposit - 2076506957	10 000 000	-	10 000 000	-
ABSA Bank- Fixed Deposit - 2076732582	18 000 000	-	18 000 000	-
Nedbank Bank - Fixed Deposit - 7881531304/000213	-	11 000 000	-	11 000 000
Nedbank Bank - Fixed Deposit - 7881531304/000217	-	5 000 000	-	5 000 000
Nedbank Bank - Fixed Deposit - 7881531304/000218	-	5 000 000	-	5 000 000
Nedbank Bank - Fixed Deposit - 7881531304/000219	-	10 000 000	-	10 000 000
Nedbank Bank - Fixed Deposit - 7881531304/000220	-	10 000 000	-	10 000 000
Nedbank Bank - Fixed Deposit - 7881531304/000221	-	5 000 000	-	5 000 000
Nedbank Bank - Fixed Deposit -03/7881531304/000239	5 000 000	-	5 000 000	-
Nedbank Bank - Fixed Deposit - 03/7881531304/000248	10 000 000	-	10 000 000	-
Nedbank Bank - Fixed Deposit - 03/7881531304/000188	5 000 000	-	5 000 000	-
Nedbank Bank - Fixed Deposit - 03/7881531304/000246	5 308 502	-	5 308 502	-
Nedbank Bank - Fixed Deposit -03/7881531304/000243	17 000 000	-	17 000 000	-
FNB (RMB) Bank - Term Deposit - PVH55RA062	34 724 265	32 299 106	34 724 265	32 299 106
FNB (RMB) Bank - Term Deposit - 223288/2	-	10 000 000	-	10 000 000
FNB (RMB) Bank - Term Deposit - 235430/0	-	8 000 000	-	8 000 000
FNB (RMB) Bank - Term Deposit - 240687/0	-	5 000 000	-	5 000 000
FNB (RMB) Bank - Term Deposit - 246988/0	-	5 000 000	-	5 000 000
FNB (RMB) Bank - Term Deposit - 244409/0	-	10 000 000	-	10 000 000
FNB (RMB) Bank - Term Deposit - 258591/0	5 000 000	-	5 000 000	-
FNB (RMB) Bank - Term Deposit - 2580878/0	571 814	-	571 814	-
FNB (RMB) Bank - Term Deposit - 25971/0	5 000 000	-	5 000 000	-
FNB (RMB) Bank - Term Deposit - 259795/0	5 000 000	-	5 000 000	-
FNB (RMB) Bank - Term Deposit - 258592/0	10 000 000	-	10 000 000	-
FNB (RMB) Bank - Term Deposit - 257065/0	14 000 000	-	14 000 000	-
Standard Bank - Cash Management	126 249 017	117 520 173	126 249 017	117 520 173
Standard Bank - Notice Deposit - 038433834#080	-	15 000 000	-	15 000 000
Standard Bank - Notice Deposit - 038433834#085	-	5 000 000	-	5 000 000
Standard Bank - Notice Deposit - 038433834#086	-	10 000 000	-	10 000 000
Standard Bank - Notice Deposit - 038433834#087	-	5 000 000	-	5 000 000
Standard Bank - Notice Deposit - 038433834#088	-	10 000 000	-	10 000 000
Standard Bank - Notice Deposit - 038433834#089	-	12 000 000	-	12 000 000
Standard Bank - Notice Deposit - 038433834#081	5 357 176	-	5 357 176	-
Standard Bank - Notice Deposit - 038433834/08	10 000 000	-	10 000 000	-
Standard Bank - Notice Deposit - 038433834/085	10 000 000	-	10 000 000	-
Standard Bank - Notice Deposit - 03843834-090	2 000 000	-	2 000 000	-
Standard Bank - Notice Deposit - 038433834/088	18 000 000	-	18 000 000	-
Sanlam - NDCKON	82 230 967	76 566 106	82 230 967	76 566 106
Investec - Call Deposit - 1400121751	44 846 358	40 109 890	44 846 358	40 109 890
Investec - Fixed Deposit - 1400-121751-452- JB5M2361	1 109 889	-	1 109 889	-
Investec - Fixed Deposit - 1400-121751-452- JB99314891	3 498 571	-	3 498 571	-
Investec - Fixed Deposit - 1400-121751-452- JB9291192	10 000 000	-	10 000 000	-
Investec - Fixed Deposit - 1400-121751-452- JB9436866	4 000 000	-	4 000 000	-
Investec - Fixed Deposit - 1400-121751-452- JB9462822	5 000 000	-	5 000 000	-
Investec - Fixed Deposit - 1400-121751-452- JB	16 000 000	-	16 000 000	-
MM17032096163				



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## Notes to the Annual Financial Statements

Figures in Rand	2017		2016	
<b>8. Cash and cash equivalents (continued)</b>				
Interest accrued	2 754 189	2 600 623	2 754 189	2 600 623
<b>Total</b>	<b>502 728 642</b>	<b>483 533 251</b>	<b>500 278 597</b>	<b>465 131 950</b>

### 8.3 Summary of Call Investments

ABSA	36 345 664	48 000 000
Nedbank	42 308 502	46 000 000
First National Bank	39 571 814	38 000 000
Standard Bank	45 357 177	57 000 000
Sanlam	82 230 967	76 566 106
Investec	39 608 462	40 109 889
Stanlib	126 249 017	117 520 173
FNB Retention	34 724 265	32 299 106
Accrued Interest	2 754 189	2 600 623
<b>Total call investments</b>	<b>449 150 057</b>	<b>458 095 897</b>

### 9. Prepayments

Prepayments	218 576	-
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Prepayments relates to payments made to Vodacom and for CPMD.

### 10. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	810 000	-	810 000	810 000	-	810 000
Buildings	74 145 381	(24 048 478)	50 096 903	74 145 380	(21 585 855)	52 559 525
Machinery and Equipment	17 954 077	(11 157 105)	6 796 972	17 265 693	(9 961 596)	7 304 097
Furniture and Office Equipment	12 637 764	(8 028 796)	4 608 968	11 860 754	(7 853 974)	4 006 780
Transport Assets	42 869 877	(14 954 246)	27 915 631	39 513 958	(11 912 380)	27 601 578
Computer Equipment	9 119 224	(5 956 942)	3 162 282	9 347 931	(5 993 397)	3 354 534
Infrastructure- Roads, Pavements, Bridges and Stormwater	3 348 869	(1 713 923)	1 634 946	3 348 869	(1 432 098)	1 916 771
Construction work in progress	63 604 949	-	63 604 949	36 308 785	-	36 308 785
Leased Assets	787 686	(568 913)	218 773	787 687	(306 248)	481 439
Infrastructure: Electricity	1 957 613	(742 376)	1 215 237	1 957 613	(661 618)	1 295 995
<b>Total</b>	<b>227 235 440</b>	<b>(67 170 779)</b>	<b>160 064 661</b>	<b>195 346 670</b>	<b>(59 707 166)</b>	<b>135 639 504</b>

# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

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2016

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	810 000	-	-	-	-	810 000
Buildings	52 559 525	-	-	-	(2 462 622)	50 096 903
Machinery and Equipment	7 304 097	876 714	(57 060)	-	(1 326 779)	6 796 972
Furniture and Office Equipment	4 006 780	1 021 544	(54 227)	-	(365 129)	4 608 968
Transport Assets	27 601 578	1 519 392	(196 445)	2 818 753	(3 827 647)	27 915 631
Computer Equipment	3 354 534	761 747	(44 969)	-	(909 030)	3 162 282
Infrastructure- Roads, Pavements, Bridges and Stormwater	1 916 771	-	-	-	(281 825)	1 634 946
Construction work in progress	36 308 785	30 114 917	-	(2 818 753)	-	63 604 949
Leased Assets	481 439	-	-	-	(262 666)	218 773
Infrastructure: Electricity	1 295 995	-	-	-	(80 758)	1 215 237
	<b>135 639 504</b>	<b>34 294 314</b>	<b>(352 701)</b>	<b>-</b>	<b>(9 516 456)</b>	<b>160 064 661</b>

# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals - Cost	Transfers	Disposals - Accum. Depn	Correction of error	Depreciation	Total
Land	810 000	-	-	-	-	-	-	810 000
Buildings and Other Structures	46 697 581	-	-	8 324 348	-	-	(2 462 404)	52 559 525
Machinery and Equipment	5 102 310	3 059 606	-	403 014	-	-	(1 260 833)	7 304 097
Furniture and Office Equipment	3 184 656	1 518 239	(35 944)	91 053	14 789	-	(766 013)	4 006 780
Transport Assets	22 128 393	8 470 667	-	-	-	270 911	(3 268 393)	27 601 578
Computer Equipment	3 882 802	490 625	(10 256)	-	1 391	-	(1 010 028)	3 354 534
Infrastructure: Roads, Pavements, Bridges and Stormwater	2 012 003	-	-	186 491	-	-	(281 723)	1 916 771
Construction work in progress	30 716 555	15 641 737	-	(10 000 521)	-	(48 986)	-	36 308 785
Leased assets	743 847	-	-	-	-	-	(262 408)	481 439
Infrastructure: Electricity	381 131	-	-	995 615	-	-	(80 751)	1 295 995
	<b>115 659 278</b>	<b>29 180 874</b>	<b>(46 200)</b>	<b>-</b>	<b>16 180</b>	<b>221 925</b>	<b>(9 392 553)</b>	<b>135 639 504</b>

#### Pledged as security

None of the assets has been pledged as security:

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

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

There was a correction of error (see note: 41)

# Nkangala District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Municipal Jewellery	508 772	-	508 772	-	-	-

#### Reconciliation of heritage assets 2017

	Opening balance	Additions	Total
Municipal Jewellery	-	508 772	508 772

#### Age and/or condition of heritage assets

The heritage assets relates to the Mayoral Chain which was purchased and brought into use in the current financial year.

#### Pledged as security

None of heritage assets were pledged as security:

### 12. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 584 205	(1 093 104)	491 101	1 584 292	(1 001 115)	583 177

#### Reconciliation of intangible assets - 2017

	Opening balance	Disposals	Amortisation	Total
Computer software	583 177	(1)	(92 075)	491 101

#### Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	756 591	(173 414)	583 177

#### Pledged as security

None of the intangible assets were pledged as security:

### 13. Other financial liabilities

#### At amortised cost

Development Bank of South Africa 1996 @ 6 months JIBAR plus 2% redeemable at 30/09/2019	7 939 763	11 115 668
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# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand		2017	2016			
<b>13. Other financial liabilities (continued)</b>						
<b>Non-current liabilities</b>						
At amortised cost		4 627 602	7 712 670			
<b>Current liabilities</b>						
At amortised cost		3 312 161	3 402 998			
<b>Annuity loans - 2017</b>						
	Opening balance	Current year receipts	Redeemed during the year	Closing balance	Short term portion	Long term portion
DBSA: 1996 @ 6months JIBAR plus 2% redeemable at 30/09/2019	11 115 668	-	(3 175 905)	7 939 763	3 312 161	4 627 602
	<b>11 115 668</b>	<b>-</b>	<b>(3 175 905)</b>	<b>7 939 763</b>	<b>3 312 161</b>	<b>4 627 602</b>
<b>Annuity loans - 2016</b>						
	Opening balance	Current year receipts	Redeemed during the year	Closing balance	Short term portion	Long term portion
DBSA: 1996 @ 6months JIBAR plus 2% redeemable at 30/09/2019	14 291 573	-	(3 175 905)	11 115 668	3 402 998	7 712 670
	<b>14 291 573</b>	<b>-</b>	<b>(3 175 905)</b>	<b>11 115 668</b>	<b>3 402 998</b>	<b>7 712 670</b>
<b>14. Finance lease liability</b>						
<b>Minimum lease payments due</b>						
- within one year				226 260	301 680	
- in second to fifth year inclusive				-	226 260	
				226 260	527 940	
less: future finance charges				(8 480)	(42 237)	
<b>Present value of minimum lease payments</b>				<b>217 780</b>	<b>485 703</b>	
<b>Present value of minimum lease payments due</b>						
- within one year				217 780	267 921	
- in second to fifth year inclusive				-	217 780	
				<b>217 780</b>	<b>485 701</b>	
Non-current liabilities				-	217 780	
Current liabilities				217 780	267 921	
				<b>217 780</b>	<b>485 701</b>	

# Nkangala District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>15. Payables from exchange transactions</b>		
Payables and accruals	29 215 535	18 151 970
Retentions	18 047 244	14 732 388
Leave accrual	6 699 983	6 620 822
Unallocated deposits	1 868	4 296
Other creditors	37 000	-
	<b>54 001 630</b>	<b>39 509 476</b>

### 16. Consumer deposits

Rental properties	10 030	14 270
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Consumer deposits relates to the office space rented out by the municipality.

### 17. Defined benefit obligation

#### Projected accrued liability

The post-employment medical aid benefits are provided for retired employees and their legitimate spouses and is paid monthly. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The provision is an estimate of the liability based on historical staff turnover and life expectancy of the relevant people and is discounted by using the inflation rate at the reporting date. The following is a reconciliation of the unfunded accrued liability:

Opening balance	16 146 640	13 798 769
Current service cost	1 577 037	1 085 182
Interest cost	1 510 939	1 261 079
Actuarial gain/ (loss)	(881 214)	121 970
Expected employer benefit payments	(188 264)	(120 360)
<b>Total liability</b>	<b>18 165 138</b>	<b>16 146 640</b>
Current portion of liability	235 938	161 460
Non-current portion of liability	17 929 200	15 985 180
<b>Total post-retirement medical benefit liability</b>	<b>18 165 138</b>	<b>16 146 640</b>

#### 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.

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### 17. Defined benefit obligation (continued)

#### Key financial assumptions

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

Assumption	2017 value p.a.	2016 value p.a.
Discount rate	10%	9.40%
Health care cost inflation rate	8,27%	8.44%
Net effective discount rate	1,60%	0.89%
Salary inflation rate	5,83%	7.94%

#### Sensitivity Analysis

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

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

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

	Changes in assumptions	In-service R'Million	Continuation R'Million		
Central assumptions		14,714	3,451	18,165	
Health care inflation	+1%	15,669	3,638	19,307	6 %
	-1%	13,329	3,208	16,537	-9 %
Discount rate	+1%	12,471	3,120	15,591	-14 %
	-1%	17,582	3,850	21,432	18 %
Post retirement mortality	-1yr	15,080	3,555	18,635	3 %
Average retirement age	-1yr	15,865	3,451	19,316	6 %
Continuation of membership at retirement	-10%	13,286	3,451	16,737	-8 %

The table below summarises the results of the sensitivity analysis on the current service and interest costs for the year ending 30 June 2017:

	Changes in assumptions	Service cost R'000s	Interest cost R'000s		
Central assumptions		1 577	1 511	3 088	
Health care inflation	+1%	1 709	1 628	3 337	8 %
	-1%	1 363	1 356	2 719	-12 %
Discount rate	+1%	1 257	1 426	2 683	-13 %
	-1%	2 006	1 603	3 609	17 %
Post retirement mortality	-1yr	1 619	1 557	3 176	3 %
Average retirement age	-1yr	1 731	1 620	3 351	9 %
Continuation of membership at retirement	-10%	1 426	1 384	2 810	-9 %

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<b>17. Defined benefit obligation (continued)</b>		
<b>Reconciliation of movement in post-employment medical aid benefit and provision long term portion</b>		
Balance at the beginning of the year	15 985 180	13 678 409
Contributions to post employment medical aid benefit	2 179 958	2 347 871
Transfer to current post employment medical aid benefit	(235 938)	(41 100)
<b>Balance at the end of year</b>	<b>17 929 200</b>	<b>15 985 180</b>
<b>Post retirement medical benefits projection for the year</b>		
	<b>Year ending 30 June 2019</b>	<b>Year ending 30 June 2018</b>
Opening balance	19 073 156	16 146 640
Current service cost	1 703 976	1 577 037
Interest cost	1 805 129	1 510 939
Expected employer benefit payments	(235 938)	(161 460)
<b>Total liability</b>	<b>22 346 323</b>	<b>19 073 156</b>
Current liability	235 938	175 084
Non-current liability	22 110 385	18 898 072
<b>Total liability</b>	<b>22 346 323</b>	<b>19 073 156</b>

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

	30-Jun-2017	30-Jun-2016	30-Jun-2015	30-Jun-2014	30-Jun-2013
Present value of accrual	16 146 640	13 798 769	13 798 769	12 684 320	9 815 000

## 18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

### Movement during the year

Balance at the beginning of the year	-	3 993 669
Additions during the year	-	3 000 000
Income recognition during the year	-	(6 993 669)
	-	-

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

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

See note 23 for reconciliation of grants from National/Provincial Government.

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



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## Notes to the Annual Financial Statements

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<b>19. Provision and impairment</b>		
Long service awards		
Opening balance	2 555 244	1 247 286
Current service cost	581 698	278 850
Interest cost	207 336	99 823
Actuarial gain / (loss)	(302 039)	1 000 976
Expected employer benefits payments	(350 784)	(71 691)
<b>Total liability</b>	<b>2 691 455</b>	<b>2 555 244</b>
Current portion of liability	435 664	309 804
Non-current portion of liability	2 255 791	2 245 440
<b>Total long-service benefit liability</b>	<b>2 691 455</b>	<b>2 555 244</b>

### Key financial assumptions

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

Assumption	2017 value p.a.	2016 value p.a.
Discount rate	8,48%	9,40%
Health care cost inflation rate	8,44%	8,44%
Net effective discount rate	2,05%	0,89%
Salary inflation rate	6,30%	7,21%

### Sensitivity Analysis

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

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

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

	Changes in assumptions	Liability R'Million	
Central assumptions		2,691	
General salary inflation	+1%	2,869	1 %
	-1%	2,532	-1 %
Discount rate	+1%	2,526	1 %
	-1%	2,878	-1 %
Average retirement age	-2yrs	2,474	-2 %
	+2yrs	2,957	2 %
Withdrawal rates	-50%	3,424	-50 %

The table on the next page summarises the results of the sensitivity analysis on the current service and interest costs for the year ending 30 June 2017:

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### 19. Provision and impairment (continued)

	Changes in assumptions	Service cost R'000s	Interest cost R'000s		
Central assumptions		582	207	789	
Health care inflation	+1%	630	222	852	8 %
	-1%	539	194	733	-7 %
Discount rate	+1%	542	216	758	-4 %
	-1%	627	197	824	4 %
Average retirement age	-2yrs	535	186	721	-9 %
	+2yrs	633	231	864	10 %
Continuation of membership at retirement	-50%	806	263	1 069	35 %

### Reconciliation of movement in long service awards provision long term portion

Balance at the beginning of the year	2 245 440	1 175 595
Contribution to long service benefit	446 015	1 379 649
Transfer to current long service benefit	(435 664)	(309 804)
<b>Balance at the end of year</b>	<b>2 255 791</b>	<b>2 245 440</b>

Long service award benefits projection for the year

	Year ending 30 June 2019	Year ending 30 June 2018
Opening balance	3 034 474	2 555 244
Current service cost	530 163	581 698
interest cost	210 034	207 336
Expected employer benefit payments	(435 664)	(309 804)
<b>Total liability</b>	<b>3 339 007</b>	<b>3 034 474</b>
Current liability	740 197	504 930
Non-current liability	2 598 810	2 529 544
<b>Total liability</b>	<b>3 339 007</b>	<b>3 034 474</b>

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

	30-Jun-2017	30-Jun-2016	30-Jun-2015	30-Jun-2014	30-Jun-2013
Present value of accrual	2 691 455	2 555 244	1 247 286	1 301 876	1 359 756

### 20. Rental from Fixed Assets

#### Premises

Buildings: Excluding Residential	99 868	102 472
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### 21. Operational Revenue

Administrative Handling Fees	351	138
Commission	19 036	15 559
Insurance Refund	1 749 182	38 646
Sundry Income	226 222	23 348
Staff Recoveries	-	60 490
	<b>1 994 791</b>	<b>138 181</b>

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<b>22. Interest, Dividend and Rent on Land</b>		
<b>Interest revenue</b>		
Current and Non-current Assets: Short Term Investments and Call Accounts	43 295 196	37 662 869
Current and Non-current Assets: Bank Accounts	625 816	572 622
Interest received on VAT	23 796	22 905
	<b>43 944 808</b>	<b>38 258 396</b>
<b>23. Transfers and subsidies</b>		
<b>Operating grants</b>		
Equitable share	333 667 000	326 223 000
Municipal Systems Improvement Grant	-	930 000
Financial Management Grant	1 250 000	1 250 000
Local Government Water and Related Service SETA	-	359 792
Expanded Public Works Programme Integrated Grant for Municipalities	2 318 000	2 280 000
Mpumalanga: Other Grants	-	6 993 669
Private Institutions	156 000	-
	<b>337 391 000</b>	<b>338 036 461</b>
<b>Capital grants</b>		
Rural Road Asset Management Systems Grant	2 076 000	2 010 000
	<b>339 467 000</b>	<b>340 046 461</b>
<b>Conditional and Unconditional Grants</b>		
Included in above are the following transfers and subsidies received:		
Conditional grants received	5 644 000	6 470 000
Provincial Treasury grant	-	6 993 669
Unconditional grants received	333 667 000	326 582 792
	<b>339 311 000</b>	<b>340 046 461</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Municipal Systems Improvement Grant</b>		
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-
Conditions still to be met - remain liabilities (see note 18).		
<b>Rural Road Asset Management Systems Grant</b>		
Current-year receipts	2 076 000	2 010 000
Conditions met - transferred to revenue	(2 076 000)	(2 010 000)
	-	-
Conditions still to be met - remain liabilities (see note 18).		

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<b>23. Transfers and subsidies (continued)</b>		
<b>Financial Management Grant</b>		
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
	-	-
Conditions still to be met - remain liabilities (see note 18).		
<b>Local Government Water and Related Service SETA</b>		
Current-year receipts	-	359 792
Conditions met - transferred to revenue	-	(359 792)
	-	-
Conditions still to be met - remain liabilities (see note 18).		
<b>Expanded Public Works Programme Integrated Grant for Municipalities</b>		
Current-year receipts	2 318 000	2 280 000
Conditions met - transferred to revenue	(2 318 000)	(2 280 000)
	-	-
Conditions still to be met - remain liabilities (see note 18).		
<b>Mpumalanga: Other Grants</b>		
Balance unspent at beginning of year	-	3 993 669
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	-	(6 993 669)
	-	-
Conditions still to be met - remain liabilities (see note 18).		
<b>24. Revenue</b>		
Sale of goods	485 838	704 420
Rental of facilities and equipment	99 868	102 472
Licences or Permits	263 114	70 175
Operational revenue	1 994 791	138 181
Interest received	43 944 808	38 258 396
Transfers and subsidies	339 467 000	340 046 461
Fines, penalties and forfeits	1 627 630	2 440 138
	<b>387 883 049</b>	<b>381 760 243</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Sale of goods	485 838	704 420
Rental of facilities and equipment	99 868	102 472
Operational revenue	1 994 791	138 181
Interest received	43 944 808	38 258 396
	<b>46 525 305</b>	<b>39 203 469</b>

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<b>24. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Transfers and subsidies	339 467 000	340 046 461
Fines, Penalties and Forfeits	1 627 630	2 440 138
Licenses and permits	263 114	70 175
	<b>341 357 744</b>	<b>342 556 774</b>
<b>25. Employee related costs</b>		
Basic Salary and Wages	72 032 287	58 326 341
Social Contributions: Pension	10 608 477	8 357 225
Social Contributions: Medical	5 706 731	4 610 793
Social Contributions: Bargaining Council	19 813	16 264
Social Contributions: Group Life Insurance	590 986	467 887
Social Contributions: Unemployment Insurance	390 187	335 293
Allowance: Accommodation Travel and Incidental	-	22 821
Allowance: Overtime	2 981 612	2 680 445
Allowance: Leave Pay	2 384 948	3 027 538
Allowance: Travel or Motor Vehicle	8 989 357	6 426 917
Allowance: Cellular and Telephone	1 324 448	1 234 037
Allowance: Acting and Post Related Allowances	381 591	343 404
Allowance: Housing Benefits and Incidental: Housing Benefits	436 287	331 188
Allowance: Service Related Benefits: Long Service Award	486 997	1 389 376
Post-retirement Benefit: Medical	2 206 762	2 490 403
	<b>108 540 483</b>	<b>90 059 932</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	1 367 943	1 227 402
Performance Bonuses	134 400	84 000
Contributions to UIF, Medical and Pension Funds	292 857	303 328
Cellphone allowance	39 600	39 600
Car allowance	136 209	120 000
Leave pay	106 848	100 800
	<b>2 077 857</b>	<b>1 875 130</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	968 601	878 597
Car Allowance	136 840	122 500
Performance Bonuses	110 499	154 932
Contributions to UIF, Medical and Pension Funds	192 631	205 147
Cellphone allowance	27 600	27 600
Leave pay	171 100	58 933
Acting allowance	7 158	7 016
	<b>1 614 429</b>	<b>1 454 725</b>

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### 25. Employee related costs (continued)

#### Remuneration of Manager: Corporate Services

Annual Remuneration	961 309	822 797
Car Allowance	111 547	121 687
Contributions to UIF, Medical and Pension Funds	67 663	81 321
Acting allowance	2 488	2 586
Cellphone allowance	25 300	27 600
Leave pay	199 046	49 642
	<b>1 367 353</b>	<b>1 105 633</b>

#### Remuneration of Manager: Technical Services

Annual Remuneration	918 316	425 914
Car Allowance	136 209	172 858
Contributions to UIF, Medical and Pension Funds	102 404	96 285
Acting allowances	4 976	-
Cellphone allowances	27 600	24 468
Leave pay	218 951	-
	<b>1 408 456</b>	<b>719 525</b>

#### Remuneration of Manager: Social Services

Annual Remuneration	325 246	765 295
Car Allowance	73 620	110 000
Performance Bonuses	51 710	20 463
Contributions to UIF, Medical and Pension Funds	74 249	110 949
Acting allowance	-	15 794
Cellphone allowance	12 034	26 800
Leave pay	112 454	49 642
	<b>649 313</b>	<b>1 098 943</b>

The position of Manager : Social Services has been vacant since August 2016, and an acting manager was appointed until the end of February. The new manager was appointed on 6 March 2017.

### 26. Remuneration of councillors

Councillors	8 284 262	8 104 701
Councillors' pension contribution	934 980	1 201 316
Councillors' medical and other contributions	3 367 629	3 575 612
	<b>12 586 871</b>	<b>12 881 629</b>

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### 26. Remuneration of councillors (continued)

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

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

#### Remuneration of the Executive Mayor

Annual Remuneration	654 586	588 257
Car Allowance	166 298	230 478
Cellphone Allowance	32 213	24 468
Contributions to UIF, Medical and Pension Funds	111 805	100 626
	<u>964 902</u>	<u>943 829</u>

#### Remuneration of the speaker

Annual Remuneration	456 252	398 866
Car Allowance	176 037	156 796
Cellphone Allowance	30 757	21 246
Contributions to UIF, Medical and Pension Funds	72 462	73 983
	<u>735 508</u>	<u>650 891</u>

#### Remuneration of the Chief Whip

Annual Remuneration	444 538	441 192
Car Allowance	169 274	172 858
Cellphone Allowance	26 439	24 468
Contributions to UIF, Medical and Pension Funds	63 283	75 470
	<u>703 534</u>	<u>713 988</u>

#### Remuneration of the Mayoral Committee Members

Annual Remuneration	2 638 268	2 559 474
Car Allowance	1 004 128	1 037 150
Cellphone Allowance	157 611	146 808
Contributions to UIF, Medical and Pension Funds	405 901	540 442
	<u>4 205 908</u>	<u>4 283 874</u>

#### Remuneration of other Councillors

Annual Remuneration	3 924 321	3 886 435
Car Allowance	1 243 956	1 436 307
Cellphone Allowances	344 568	389 910
Contributions to UIF, Medical and Pension Funds	464 174	576 394
	<u>5 977 019</u>	<u>6 289 046</u>

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<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	9 516 460	9 208 014
Intangible assets	92 075	173 415
	<b>9 608 535</b>	<b>9 381 429</b>
<b>28. Interest, Dividend and Rent on Land</b>		
Interest Paid: Borrowings: Annuity Loans	1 093 539	1 461 877
Interest Paid: Finance Leases	33 759	57 341
	<b>1 127 298</b>	<b>1 519 218</b>
<b>29. Contracted services</b>		
<b>Consultants and Professional Services</b>		
Business and Advisory	9 604 234	11 070 555
Laboratory Services	2 341 122	1 799 483
Legal Cost	1 408 903	1 391 086
<b>Contractors</b>		
Stage and Crew	274 624	-
Audio-visual Services	755 524	33 800
Catering Services	2 413 589	414 737
Employee Wellness	418 453	277 280
Event Promoters	35 000	-
Fire Protection	664 593	92 868
Gardening Services	639 605	477 108
Graphic Designers	121 747	94 230
Maintenance of Buildings and Facilities	2 778 908	5 683 827
Maintenance of Equipment	1 562 218	1 035 222
Maintenance of Unspecified Assets	502 865	2 380
Plants Flowers and Other Decorations	64 640	38 500
Safeguard and Security	2 841 843	1 500 529
Transportation	1 176 731	19 000
<b>Outsourced services</b>		
Administrative and Support Staff	1 295 684	1 955 822
Business and Advisory	3 434 022	3 297 341
Cleaning Services	1 591 842	1 663 040
	<b>33 926 147</b>	<b>30 846 808</b>
<b>30. Transfers and subsidies paid</b>		
<b>Operational</b>		
Community and Social Services	2 949 196	2 934 422
Environmental Protection	503 520	1 375
Finance and Admin	8 058 488	14 095 776
Planning and Development	26 655 276	27 920 028
Road Transport	1 927 925	1 741 285
Water	1 264 275	97 314
	<b>41 358 680</b>	<b>46 790 200</b>



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<b>30. Transfers and subsidies paid (continued)</b>		
<b>Capital</b>		
Community and Social Services	7 796 016	430 356
Finance and Admin	1 248 178	500 000
Planning and Development	10 017 274	18 147 594
Public Safety	7 245 924	12 010 851
Road Transport	39 308 096	44 077 407
Sport and Recreation	3 068 676	3 029 823
Waste Water Management	17 379 813	11 735 142
Water	34 878 802	40 627 276
	<b>120 942 779</b>	<b>130 558 449</b>
	<b>162 301 459</b>	<b>177 348 649</b>
<b>Transfers and subsidies paid classified by region</b>		
General	20 942 868	18 821 953
Dr JS Moroka	20 830 346	36 618 542
Emakhazeni	36 838 865	21 564 289
Emalaheni	3 551 217	23 932 900
Steve Tshwete	43 604 223	38 222 779
Thembisile Hani	22 892 002	21 523 435
Victor Khanye	13 641 937	16 664 751
	<b>162 301 458</b>	<b>177 348 649</b>
<b>31. Operational Costs</b>		
Achievement and awards	99 750	-
Advertising Publicity and Marketing	1 847 380	2 499 623
Bank Charges Facility and Card Fees	108 038	109 289
Catering Municipal Activities	2 580 716	4 943 638
Communication	4 424 189	3 105 717
Courier and Delivery Services	6 469	1 361
External Computer Service	5 689 701	2 193 153
Insurance Underwriting	761 587	486 205
Learnerships and Internships	635 483	606 267
Motor vehicle licences	65 767	49 121
Municipal Services	2 778 949	2 549 186
Personnel Agency Fees (Personnel Recruitment Costs)	-	386 761
Printing, Publications and Books	1 329 745	1 498 598
Professional Bodies Membership and Subscription	209 709	308 974
Registration Fees	1 693 484	1 443 351
Skills Development Fund Levy	954 666	792 097
Toll Gate Fees	142 896	86 242
Transport Provided as Part of Departmental Activities	545 540	2 733 305
Travel Agency Fees	234 120	149 220
Travel and Subsistence	5 822 394	5 836 216
Uniform and Protective Clothing	869 349	73 575
Wet Fuel	952 933	889 139
Workmen's Compensation Fund	591 154	577 575
	<b>32 344 019</b>	<b>31 318 613</b>

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<b>32. Cash generated from operations</b>		
Surplus	23 832 028	25 080 255
<b>Adjustments for:</b>		
Depreciation and amortisation	9 608 535	9 381 429
Loss/(Gain) on sale of assets and liabilities	70 666	(27 671)
Movements in employee benefits obligation	2 018 498	2 347 871
Movements in provisions	136 211	1 307 958
Less: Prior year accrued interest	(317 938)	(408 767)
Add: Current year accrued interest	227 102	317 938
Correction of error	-	(46 128)
<b>Changes in working capital:</b>		
Inventories	(34 440 519)	46 025 185
Trade and other receivables from exchange transactions	25 006	(133 375)
Prepayments	(218 576)	-
Construction contracts and receivables	-	4 000
Payables from exchange transactions	14 492 150	(905 112)
Value Added Tax receivable	16 729 273	(9 600 858)
Unspent conditional grants and receipts	-	(3 993 669)
Consumer deposits	(4 240)	3 950
	<b>32 158 196</b>	<b>69 353 006</b>
<b>33. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Contracted and authorised by the Accounting Officer</b>		
• Property, plant and equipment	4 144 908	21 944 991
<b>Total capital commitments</b>	4 144 908	21 944 991
Contracted and authorised by the Accounting Officer.		
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Victor Khanye	17 384 577	3 885 142
• Dr JS Moroka	5 983 143	9 542 648
• Emalahleni	43 701 460	10 020 374
• Steve Tshwete	2 588 193	5 909 103
• Emakhazeni	16 042 062	15 789 609
• Thembisile hani	28 345 991	13 323 806
• Nkangala	9 180 441	6 929 071
	<b>123 225 867</b>	<b>65 399 753</b>
<b>Total operational commitments</b>	123 225 867	65 399 753
Contracted and authorised by the Accounting Officer.		
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	4 144 908	21 944 991
Authorised operational expenditure	123 225 867	65 399 753
	<b>127 370 775</b>	<b>87 344 744</b>

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

# Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>34. Contingencies</b>		
J Ntuli	1 550 000	1 550 000
TC Makola	1 609 739	1 609 739
Pipe Jack Gauteng	1 898 455	1 898 455
North West Development Corporation	-	75 248
Diamond Ntuli	45 000	45 000
Magiya Women Development	1 887 705	-
	<b>6 990 899</b>	<b>5 178 442</b>

### North West Development Corporation vs NDM.

The matter was settled by NDM with a settlement amount of R40 000.

### TC Makola vs NDM & 7others

A claim for unfair dismissal and unfair suspension was issued by Mr Makola for a total amount of R1 609 739.

### Magiya Women Development vs NDM

A counterclaim for contractual damages and/or undue enrichment from NDM on allegations that there is no valid contract between Magiya and NDM, thus NDM unduly benefited from the works rendered by Magiya Women Development for an amount of R1 887 705.13.

### Pipe Jack Gauteng (Pty)Ltd vs NDM

Plaintiff instituted action in the North Gauteng High Court, inter alia claiming payment of R1 898 454.51 plus interest and costs from the client for the work done for the municipality.

### J Ntuli vs NDM

Plaintiff instituted action in the North Gauteng High Court, claiming payment of R1 550 000 from 3 defendants, namely Nkangala District Municipality, Thembisile Hani Local Municipality and Buzaphi Construction (Pty)Ltd for damages pertaining to injuries allegedly sustained when she fell into a trench dug.

### Diamond Ntuli vs NDM

Applicant is seeking reinstatement as a councilor and the amount of R45 000 will be payable.

### Contingent assets

#### NDM vs Magiya Womens Developers

NDM is claiming contractual damages from Magiya in an amount in a sum of R726 650.

### 35. Risk management

#### Financial risk management

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

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

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## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 35. Risk management (continued)

#### Liquidity risk

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

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

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	3 312 161	3 085 068	1 542 534	-
Derivative financial instruments	217 780	-	-	-
At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	3 402 998	3 085 068	4 627 602	-
Derivative financial instruments	267 922	217 780	-	-

#### Credit risk

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

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the 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	2017	2016
Trade and other receivables from exchange transactions	337 356	143 786
Investments	44 846 358	40 862 493
Cash and cash equivalents	455 442 442	465 142 151
Construction contracts and receivables	648	648

#### Market risk

##### Interest rate risk

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

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

# Nkangala District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 36. Going concern

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

### 37. Fruitless and wasteful expenditure

Opening balance	14 387	1 544
Current year expenditure	-	12 843
Amount recovered	(14 387)	-
	<u>-</u>	<u>14 387</u>

During the 2014/15 financial year accommodation was booked for two advocates to represent NDM at a CCMA case in Southern Sun - The Ridge Hotel. The advocates did not show up and the hotel charged a no show fee of R1,544 for the rooms not taken up. The matter will be referred to Council Committee for investigation.

During the 2015/16 financial year, an advert was erroneously placed in the newspapers seeking for public comments on the draft unaudited annual report. The municipality paid an amount of R12,843 and the matter was referred to Council Committee for investigation and Council resolved that the amount be recovered.

The total amount was recovered in the current financial period.

### 38. Irregular expenditure

Opening balance	-	14 735 720
Add: Irregular Expenditure - current year	187 613	-
Add: Irregular Expenditure - prior year	-	1 880 087
Less: Amounts recovered	-	(144 157)
Less: Amounts written off by Council	-	(16 408 331)
Less: Amount transferred to debtors ( to be recovered)	-	(63 319)
	<u>187 613</u>	<u>-</u>

Refer to the annexure for additional disclosure on irregular expenditure.

### 39. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	1 462 045	1 202 611
Amount paid - current year	(1 462 045)	(1 202 611)
	<u>-</u>	<u>-</u>

#### Audit fees

Current year subscription / fee	3 746 108	3 524 165
Amount paid - current year	(3 746 108)	(3 524 165)
	<u>-</u>	<u>-</u>

#### PAYE and UIF

Current year subscription / fee	21 459 855	16 164 855
Amount paid - current year	(21 459 855)	(16 164 855)
	<u>-</u>	<u>-</u>

# Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

2017

2016

### 39. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and Medical Aid Deductions

Current year subscription / fee	27 356 443	19 251 399
Amount paid - current year	(27 356 443)	(19 251 399)
	<u>-</u>	<u>-</u>

### 40. Deviation from supply chain management regulations

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

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

### 41. Prior period errors

VAT transaction were not captured in the prior years and interest was not recognised..

Accruals were erroneously captured against bank.

Advertising costs were erroneously capitalised under Work in Progress in the prior year.

Transports assets were erroneously not included/included in prior year.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Increase in VAT Receivables	-	3 285 368
Increase in Property plant and Equipment	-	221 926
Increase Payables from exchange transactions	-	(2 794 140)
Increase in Bank	-	2 794 140
Increase Opening Accumulated Surplus or Deficit	-	(3 345 982)
	<u>-</u>	<u>161 312</u>

#### Statement of Financial Performance

Decrease in Depreciation expense	-	(184 535)
Increase in Operational costs	-	46 128
Interest, dividend and rent on land	-	(22 905)
	<u>-</u>	<u>(161 312)</u>

**Nkangala District Municipality**  
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**DEVIATION REPORTS 2016 - 2017 FINANCIAL YEAR**

NO.	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	DATE OF DECISION	REASONS FOR DEVIATION	
						DEPARTMENT	AM: SCM
1	RISK MANAGEMENT TRAINING FOR MR MP BALOYI	RISK MANAGEMENT UNIT	THE INSTITUTE OF RISK MANAGEMENT SOUTH AFRICA	R 7 980.00	01-Jul-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
2	PLANNING AFRICA 2016 CONFERENCE CONDUCTED BY SAPI IN COLLABORATION WITH THE GAUTENG PROVINCE	DPU	SOUTH AFRICAN PLANNING INSTITUTE (SAPI)	R 14 315.78	05-Jul-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
3	TRAINING ON RECORDS MANAGEMENT FOR MR TA SEGOANE	CORPORATE SERVICES	THE DOCUMENT WAREHOUSE	R 16 500.00	05-Jul-16	FROM THE 3 REQUESTED SERVICE PROVIDER. DOCUMENT WAREHOUSE OFFERED AN IMPROVED FULLY ACCREDITED COURSE AND IT IS ONGOING COMPARED TO THE OTHER SERVICE PROVIDERS	IMPRACTICAL TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS
4	PAYMENT OF AN ANNUAL LICENSE FEE FOR GIS SOFTWARE	DPU	ESRI SOUTH AFRICA	R 31 019.00	18-Aug-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
5	SKILLS GAP TRAINING FOR MM SKOSANA	MM's office	UNIVERSITY OF NORTH WEST	R 53 830.00	10-Aug-16	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
6	ACCOMODATION FOR ICT TRAINING	ICT	BYTES PEOPLE SOLUTIONS	R 14 621.93	11-Aug-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
7	REQUEST TO RENEW SUBSCRIPTION FOR NEWSPAPERS	Corporate Services	CTP MIDDELBURG / MIDDELBURG OBSERVER	R 1 149.43	17-Oct-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
8	REGISTRATION FEE FOR GOVETECH 2016 CONFERENCE	ICT	SITA GOVETECH	R 36 000.00	18-Oct-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
9	Procurement of chairs, VIP toilets and tables	Public Participation	MKHOZI TENTS	R 10 725.00	02-Nov-16	Appointment of Mkhozi tent for the outreach meeting held in Emalahleni Im on the 15 October 2016 was caused by the little chairs available at the community hall and the leaking public toilets which might have caused a	Appointment of Mkhozi tent for the outreach meeting held in Emalahleni Im on the 15 October 2016 was caused by the little chairs available at the community hall and the leaking public toilets which might have caused a
10	Procurement of 500 chairs and 2 tents	Public Participation	Sandamasele construction co-operative limited	R 19 000.00	02-Nov-16	Appointment of Sandamasele construction co-operative was caused by the unavailability of the entire secondary school hall as initially arranged with Sphiwe secondary school. The caretaker only opened 2 classes of the hall instead of the 4 classes that constitute the hall. therefore urgent measures were taken to save the outreach meeting	Appointment of Sandamasele construction co-operative was caused by the unavailability of the entire secondary school hall as initially arranged with Sphiwe secondary school. The caretaker only opened 2 classes of the hall instead of the 4 classes that constitute the hall. therefore urgent measures were taken to save the outreach meeting
11	The Lexis Nexis database for legal, financial & legislative content	Corporate	Lexis Nexis	R 56 209.99	03-Nov-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
13	Three years repair and maintenance service level agreement for mobile elevators	Technical	Otis (Pty) Ltd	R 34 045.15	18-Nov-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER

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## Supplementary Information

14	Three years repair and maintenance service level agreement for backup generator and uninterrupted power supply	Technical	Power development services (Pty) Ltd	57771.78	18-Nov-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
15	Three years repair and maintenance service level agreement for AUDIO VISUALS REPAIR AND MAINTENANCE	Technical	Shellard Media Audio Visual Projects (Pty) Ltd	R 2 500.00	18-Nov-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
16	Interpretation services for IDP/PMS forum	DPU	Deaf federation of SA	R 4 902.00	18-Nov-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
17	Training for facility management	Corporate	Academy for facility management	R 36 750.00	23-Nov-16	THE ONLY INSITUTE THAT OFFERS FACILITY MANAGEMENT FOR 5 MONTHS	THE ONLY INSITUTE THAT OFFERS FACILITY MANAGEMENT FOR 5 MONTHS
18	Renwal and subscriptions of newspaper	Corporate	Independend Newspapers (Pty) Ltd	R 32 350.50	24-Nov-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
19	Renwal and subscriptions of newspaper	Corporate	Times Media	R 14 968.97	24-Nov-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
20	Renwal and subscriptions of newspaper	Corporate	CPT Middelburg / Middelburg Observer	R 383.14	24-Nov-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
21	Strip and Quote for Hazmat unit - FKT 354 MP	Social Services	BIDVEST MCCARTHY VW	R 27 370.60	30-Nov-16	VW is the manufacture of the vehcile & single provider of the repairs and maintenance of the unit	VW is the manufacture of the vehcile & single provider of the repairs and maintenance of the unit
22	Procurement of gazetting	Legal Unit	Government Printing Works	R 67 000.00	08-Dec-16	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
23	SKILLS GAP TRAINING FOR TRUDIE VAN NIEKERK	Corporate Services	UNISA	R 4 320.00	18-Jan-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
8	SKILLS GAP TRAINING FOR MP RAMOHLALE	Corporate Services	TSHWANE UNIVERSITY OF TECHNOLOGY	R 14 060.00	25-Jan-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
25	REPAIRS AND MAINTENANCE ON STRIP AND QUOTE	Mayor's Office	MCCARTHY KUNENE	R 44 546.47	17-Jan-17	CAR SERVICE FOR THE MAYOR'S VEHICLE	CAR SERVICE FOR THE MAYOR'S VEHICLE
26	SAIEH Conference	Social Services	South African Institute Of Environmental Health	R 8 500.00	20-Jan-17	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
27	SKILLS GAP TRAINING FOR MM SKOSANA	Corporate Services	UNIVERSITY OF NORTH WEST	R 91 040.00	25-Jan-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
29	Public Sector Manager Magazine	Corporate Services	TOP MEDIA & COMMUNICATIONS	R 79 800.00	25-Jan-17	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
30	SKILLS GAP TRAINING FOR MAHLANGU LM	Corporate Services	TSHWANE UNIVERSITY OF TECHNOLOGY	R 7 017.54	25-Jan-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
32	SKILLS GAP TRAINING FOR MAKHUBU BS	Corporate Services	TSHWANE UNIVERSITY OF TECHNOLOGY	R 16 210.00	10-Feb-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW
33	SKILLS GAP TRAINING FOR NHLAPO MJ	Corporate Services	UNISA	R 4 380.00	10-Feb-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
34	SKILLS GAP TRAINING FOR Nkosi HB	Corporate Services	UNISA	R 2 880.00	10-Feb-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
35	SKILLS GAP TRAINING FOR MABUDUSHA ML / SAMTRAC	Corporate Services	NOSA	R 24 530.01	10-Feb-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
36	Interpretation services for IDP/PMS forum	DPU	Deaf federation of SA	R 4 000.00	16-Feb-17	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
37	CIGFARO	Municipal Manager's Office	IMFO	R 12 848.00	17-Feb-17	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
38	Risk champion training	Risk Office	The Institute of Risk Management South Africa	R 59 200.00	24-Feb-17	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER



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**Supplementary Information**

40	SIPDM Training	Finance	CESA	R 3 600.00	24-Feb-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
41	Interpretation services for IDP/PMS forum	DPU	Deaf federation of SA	R 9 348.00	29-Mar-17	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
42	SKILLS GAP TRAINING FOR MASEKO ME	Corporate Services	UNISA	R 10 160.00	16-Mar-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
43	REPAIR AND MAINTENANCE (STRIP & QUOTE) ON IVECO VEHICLES HJY 489 MP & HSH 980 MP	SOCIAL SERVICES	IVECO - BB TRUCK PRETORIA	R 9 152.39	20-Apr-17	REPAIR & MAINTENANCE - ON STRIP AND QUOTE	REPAIR & MAINTENANCE - ON STRIP AND QUOTE
44	FIRE ARM TRAINING FOR Mr SB NGOMANE & Mr C MABENA	CORPORATE SERVICES	MAGNUM SHOOTING ACADEMY	R 13 000.00	18-Apr-17	THE ONLY SERVICE PROVIDER ON CSD	THE ONLY SERVICE PROVIDER ON CSD
45	SIPDM Training	Finance	CESA	R 2 052.00	17-Apr-17	SOLE PROVIDER	SOLE PROVIDER
46	The Spatial Planning and Land Use Management Act (SPLUMA)	Corporate	Lexis Nexis	R 3 725.52	26-Apr-17	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
47	HANDWRITING EXPECT: FORENSIC EXAMINATION AND COMPARISON	Legal Unit	PRO SCRIPTO DOCUMENT EXAMINATION CC	R 39 533.20	26-Apr-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
48	TRANSPORT FOR THE EMERGENCY OPEN DAY	Social Services	UKUZIZAMELA TRADING & PROJECT SCC	R 149 630.00	20-Apr-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
49	TRAINING FOR MR. A TWALA & MR. KMASEMOLA	IA	THE INSTITUTE OF INTERNAL AUDITORS SA	R 8 449.20	19-May-17	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
50	SKILLS GAP TRAINING FOR Ms. MATHIBE MK & Ms. NV (RECORDS MANAGEMENT)	Corporate Service	UNISA	R 57 860.00	25-May-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
51	REPAIRS ON LANDCRUISER FTB 903 MP. REPAIR OF FENDER, BLENDING AND LINER CHIPS FOR HGZ 877 MP	SOCIAL SERVICES	RSTG (PTY) LTD	R 23 646.00	25-May-17	REPAIRS AND MAINTENANCE - ON STRIP & QUOTE	REPAIRS AND MAINTENANCE - ON STRIP & QUOTE
52	SKILLS GAP TRAINING FOR Ms. HB NKOSI (DEGREE IN HRM)	Corporate Service	UNISA	R 499.00	06-Jun-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
53	SKILLS GAP TRAINING FOR Mr. KE NDABEZITHA (MASTER OF DEVELOPMENT & MANAGEMENT)	Corporate Service	NORTH WEST UNIVERSITY	R 14 255.00	06-Jun-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
54	SERVICE FOR VEHICLE FPW 315 MP	Social Services	MCCARTHY KUNENE	R 7 218.80	01-Jun-17	REPAIRS AND MAINTENANCE - ON STRIP AND QUOTE	REPAIRS AND MAINTENANCE - ON STRIP AND QUOTE
55	RENEWAL OF A SUBSCRIPTION OF JHS GLOBAL INSIGHT REGIONAL EXPLORER	DPU	IHS INFORMATION & INSIGHT	R 182 400.00	05-Jun-17	SERVICES AVAILABLE FROM SINGLE PROVIDER	SERVICES AVAILABLE FROM SINGLE PROVIDER
56	LEGAL SERVICES	LEGAL UNIT	ALLARDYCE & PARTNER	R 60 149.23	12-Jun-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
57	SKILLS GAP TRAINING FOR Ms. AM NGWENYA ( DIPLOMA IN PUBLIC MANAGEMENT)	CORPORATE SERVICES	REGENESYS	R 79 500.00	08-Jun-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
58	STRIP AND QUOTE FOR FIRE STATION FLEET REPAIRS & MAINTENANCE	Social Services	ROB'S NISSAN	R 59 324.00	13-Jun-17	REPAIRS AND MAINTENANCE - ON STRIP AND QUOTE	REPAIRS AND MAINTENANCE - ON STRIP AND QUOTE
59	2 X NAULTIZ X2 HANDHELD DEVICES IMPLEMENTATION & TRAINING OF AVS INCLUDING ONCE OFF PERPETUAL DEVICE SOFTWARE LICENCE FEE FOR 2 DEVICES	FINANCE	MUNSOFT	R 70 680.00	13-Jun-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES

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60	SPORTS PLANNING INDABA AND WORKSHOP	Social Services	TARANISCO ADVISORY	R 3 000.00	21-Jun-17	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES	IMPRACTICAL OR IMPOSSIBLE TO FOLLOW OFFICIAL PROCUREMENT PROCESSES
61	REPAIR ON LAPTOP	ICT	MUSTEK LIMITED	R 3 167.04	20-Jun-17	REPAIRS AND MAINTENANCE - ON STRIP AND QUOTE	REPAIRS AND MAINTENANCE - ON STRIP AND QUOTE
62	REPAIRS ON VEHICLE FKG 068 MP	Social Services	ISUZU BRONKHORSTSPRUIT	R 13 360.05	27-Jun-17	REPAIRS AND MAINTENANCE - ON STRIP AND QUOTE	REPAIRS AND MAINTENANCE - ON STRIP AND QUOTE
63	STRIP AND QUOTE FOR FIRE STATION FLEET REPAIRS & MAINTENANCE	Social Services	MARCE PROJECTS	R 199 984.99	30-Jun-17	REPAIRS AND MAINTENANCE - ON STRIP AND QUOTE	REPAIRS AND MAINTENANCE - ON STRIP AND QUOTE
64				R 1 936 419.71			
66							

# Nkangala District Municipality

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## Supplementary Information

2016 / 2017 REGISTER OF UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE														
NKANGALA DISTRICT MUNICIPALITY														
NO	Date of discovery	Date reported to the Accounting Officer	Service Provider	Amount	Description of incident	Person liable (Official or Political office bearer)	Type of prohibited expenditure	Status					General comments	
								UI	DP	CC	TR	P		WO
<b>2016/17 Opening Balance (Audited)</b>				R	-									
<b>Additions for current year</b>				R	246 863.00									
1	2017-03-31	2017-03-31	Makedama	R	29 500.00	SCM Unit	Irregular expenditure	√						Management agrees with the Finding by Auditor General. Matter was referred to MPAC committee for investigation.
2	2017-03-31	2017-03-31	Leserepe	R	29 750.00	SCM Unit	Irregular expenditure	√						Management agrees with the Finding by Auditor General. Matter was referred to MPAC committee for investigation.
3	2017-03-31	2017-03-31	Emkhanyweni	R	18 000.00	SCM Unit	Irregular expenditure	√						Management detected the finding. The matter was referred to MPAC committee for investigation.
4	2017-03-31	2017-03-31	Striving Mind	R	29 500.00	SCM Unit	Irregular expenditure	√						Management detected the finding. The matter was referred to MPAC committee for investigation.
5	2017-03-31	2017-03-31	Netcom Trading CC	R	12 540.00	SCM Unit	Irregular expenditure	√						Management detected the finding. The matter was referred to MPAC committee for investigation.
6	2017-03-31	2017-03-31	Shalakh Trading	R	60 000.00	SCM Unit		√						Management did not agree with the finding. Matter is referred to MPAC committee for investigation.
7	2017-03-31	2017-03-31	Basadzi Personnel	R	37 848.00	SCM Unit		√						Management did not agree with the finding. Matter is referred to MPAC committee for investigation.
8	2017-03-31	2017-03-31	Mkhozzi Tents	R	10 725.00	Public Participation		√						Referred to MPAC committee for investigation.

# Nkangala District Municipality

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## Supplementary Information

9	2017-03-31	2017-03-31	Sandamesele Construction Co-operative	R	19 000.00	Unavailability of the entire secondary school hall as initially arranged with Sphiwe secondary school. The caretaker only opened 2 classes of the hall instead of the 4 classes that constitute the hall. Therefore urgent measures were taken to save the outreach meeting	Public Participation			V								Referred to MPAC committee for investigation.
10	<b>Closing balance as at 30 June 2017</b>				R	246 863.00												
	<b>Amounts reported to Council for investigation</b>				R	246 863.00												
	<b>Amounts written off by Council as irrecoverable</b>				R	-59 250.00												
	<b>Final disclosure amount in AFS</b>				R	187 613.00												

**Abbreviations**

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

**Nkangala District Municipality  
Appendix A**

**Analysis of property, plant, equipment and intangible assets as at 30 June 2017**  
**Cost** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>										
Land (Separate for AFS purposes)	810 000	-	-	-	810 000	-	-	-	-	810 000
Buildings (Separate for AFS purposes)	74 145 381	-	-	-	74 145 381	(21 585 855)	-	(2 462 622)	(24 048 477)	50 096 904
Construction work in progress	36 308 785	30 114 917	(2 818 753)	-	63 604 949	-	-	-	-	63 604 949
	<b>111 264 166</b>	<b>30 114 917</b>	<b>(2 818 753)</b>	<b>-</b>	<b>138 560 330</b>	<b>(21 585 855)</b>	<b>-</b>	<b>(2 462 622)</b>	<b>(24 048 477)</b>	<b>114 511 853</b>
<b>Infrastructure</b>										
Roads, Pavements & Bridges	3 348 869	-	-	-	3 348 869	(1 432 098)	-	(281 826)	(1 713 924)	1 634 945
Infrastructure Electricity	1 957 612	-	-	-	1 957 612	(661 619)	-	(80 758)	(742 377)	1 215 235
	<b>5 306 481</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 306 481</b>	<b>(2 093 717)</b>	<b>-</b>	<b>(362 584)</b>	<b>(2 456 301)</b>	<b>2 850 180</b>
<b>Heritage assets</b>										
Jewellery	-	508 772	-	-	508 772	-	-	-	-	508 772
	<b>-</b>	<b>508 772</b>	<b>-</b>	<b>-</b>	<b>508 772</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>508 772</b>
<b>Other assets</b>										
Transport assets	39 513 959	4 338 145	(982 228)	-	42 869 876	(11 912 263)	785 782	(3 827 764)	(14 954 245)	27 915 631
Machinery and equipment	17 265 691	876 714	(188 328)	-	17 954 077	(9 961 596)	131 268	(1 326 778)	(11 157 106)	6 796 971
Computer Equipment	9 347 930	761 747	(990 455)	-	9 119 222	(5 993 397)	945 487	(909 032)	(5 956 942)	3 162 280
Furniture and office equipment	11 860 754	1 021 544	(244 535)	-	12 637 763	(7 853 976)	190 307	(365 129)	(8 028 798)	4 608 965
Leased assets	787 687	-	-	-	787 687	(306 247)	-	(262 666)	(568 913)	218 774
	<b>78 776 021</b>	<b>6 998 150</b>	<b>(2 405 546)</b>	<b>-</b>	<b>83 368 625</b>	<b>(36 027 479)</b>	<b>2 052 844</b>	<b>(6 691 369)</b>	<b>(40 666 004)</b>	<b>42 702 621</b>
<b>Total property plant and equipment</b>										
Land and buildings	111 264 166	30 114 917	(2 818 753)	-	138 560 330	(21 585 855)	-	(2 462 622)	(24 048 477)	114 511 853
Infrastructure	5 306 481	-	-	-	5 306 481	(2 093 717)	-	(362 584)	(2 456 301)	2 850 180
Heritage assets	-	508 772	-	-	508 772	-	-	-	-	508 772
Other assets	78 776 021	6 998 150	(2 405 546)	-	83 368 625	(36 027 479)	2 052 844	(6 691 369)	(40 666 004)	42 702 621
	<b>195 346 668</b>	<b>37 621 839</b>	<b>(5 224 299)</b>	<b>-</b>	<b>227 744 208</b>	<b>(59 707 051)</b>	<b>2 052 844</b>	<b>(9 516 575)</b>	<b>(67 170 782)</b>	<b>160 573 426</b>
<b>Intangible assets</b>										
Computer software	1 584 292	-	(87)	-	1 584 205	(1 001 115)	86	(92 074)	(1 093 103)	491 102
	<b>1 584 292</b>	<b>-</b>	<b>(87)</b>	<b>-</b>	<b>1 584 205</b>	<b>(1 001 115)</b>	<b>86</b>	<b>(92 074)</b>	<b>(1 093 103)</b>	<b>491 102</b>
<b>Total</b>										
Land and buildings	111 264 166	30 114 917	(2 818 753)	-	138 560 330	(21 585 855)	-	(2 462 622)	(24 048 477)	114 511 853
Infrastructure	5 306 481	-	-	-	5 306 481	(2 093 717)	-	(362 584)	(2 456 301)	2 850 180
Heritage assets	-	508 772	-	-	508 772	-	-	-	-	508 772
Other assets	78 776 021	6 998 150	(2 405 546)	-	83 368 625	(36 027 479)	2 052 844	(6 691 369)	(40 666 004)	42 702 621
Intangible assets	1 584 292	-	(87)	-	1 584 205	(1 001 115)	86	(92 074)	(1 093 103)	491 102
	<b>196 930 960</b>	<b>37 621 839</b>	<b>(5 224 386)</b>	<b>-</b>	<b>229 328 413</b>	<b>(60 708 166)</b>	<b>2 052 930</b>	<b>(9 608 649)</b>	<b>(68 263 885)</b>	<b>161 064 528</b>

# Nkangala District Municipality

## Appendix A

June 2017

### Analysis of property, plant, equipment and intangible assets as at 30 June 2016

**Cost** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>										
Land (Separate for AFS purposes)	810 000	-	-	-	<b>810 000</b>	-	-	-	-	810 000
Buildings and other structures (Separate for AFS purposes)	65 821 033	-	-	8 324 348	<b>74 145 381</b>	(19 123 452)	-	(2 462 403)	<b>(21 585 855)</b>	52 559 526
	<b>30 712 055</b>	<b>15 597 272</b>	-	<b>(10 000 521)</b>	<b>36 308 806</b>	-	-	-	-	36 308 806
	<b>97 343 088</b>	<b>15 597 272</b>	-	<b>(1 676 173)</b>	<b>111 264 187</b>	<b>(19 123 452)</b>	-	<b>(2 462 403)</b>	<b>(21 585 855)</b>	<b>89 678 332</b>
<b>Infrastructure</b>										
Roads, Pavements & Bridges	3 162 378	-	-	186 491	<b>3 348 869</b>	(1 150 375)	-	(281 723)	<b>(1 432 098)</b>	1 916 771
Transmission and Recticulation	961 998	-	-	995 615	<b>1 957 613</b>	(580 867)	-	(80 751)	<b>(661 618)</b>	1 295 995
	<b>4 124 376</b>	-	-	<b>1 182 106</b>	<b>5 306 482</b>	<b>(1 731 242)</b>	-	<b>(362 474)</b>	<b>(2 093 716)</b>	<b>3 212 766</b>
<b>Other assets</b>										
Transport assets	31 043 292	8 470 667	-	-	<b>39 513 959</b>	(8 828 522)	-	(3 083 857)	<b>(11 912 379)</b>	27 601 580
Machinery and equipment	13 803 073	3 059 606	-	403 014	<b>17 265 693</b>	(8 700 763)	-	(1 260 833)	<b>(9 961 596)</b>	7 304 097
Computer equipment	8 867 562	490 625	(10 256)	-	<b>9 347 931</b>	(4 984 760)	1 391	(1 010 028)	<b>(5 993 397)</b>	3 354 534
Furniture and office equipment	10 287 407	1 518 239	(35 944)	91 053	<b>11 860 755</b>	(7 102 751)	14 789	(766 013)	<b>(7 853 975)</b>	4 006 780
Leased assets	787 687	-	-	-	<b>787 687</b>	-	(43 480)	(262 408)	<b>(305 888)</b>	481 799
	<b>64 789 021</b>	<b>13 539 137</b>	<b>(46 200)</b>	<b>494 067</b>	<b>78 776 025</b>	<b>(29 616 796)</b>	<b>(27 300)</b>	<b>(6 383 139)</b>	<b>(36 027 235)</b>	<b>42 748 790</b>
<b>Total property plant and equipment</b>										
Land and buildings	97 343 088	15 597 272	-	(1 676 173)	<b>111 264 187</b>	(19 123 452)	-	(2 462 403)	<b>(21 585 855)</b>	89 678 332
Infrastructure	4 124 376	-	-	1 182 106	<b>5 306 482</b>	(1 731 242)	-	(362 474)	<b>(2 093 716)</b>	3 212 766
Other assets	64 789 021	13 539 137	(46 200)	494 067	<b>78 776 025</b>	(29 616 796)	(27 300)	(6 383 139)	<b>(36 027 235)</b>	42 748 790
	<b>166 256 485</b>	<b>29 136 409</b>	<b>(46 200)</b>	<b>-</b>	<b>195 346 694</b>	<b>(50 471 490)</b>	<b>(27 300)</b>	<b>(9 208 016)</b>	<b>(59 706 806)</b>	<b>135 639 888</b>
<b>Intangible assets</b>										
Computer software	1 584 292	-	-	-	<b>1 584 292</b>	(827 701)	-	(173 414)	<b>(1 001 115)</b>	583 177
	<b>1 584 292</b>	-	-	-	<b>1 584 292</b>	<b>(827 701)</b>	-	<b>(173 414)</b>	<b>(1 001 115)</b>	<b>583 177</b>
<b>Total</b>										
Land and buildings	97 343 088	15 597 272	-	(1 676 173)	<b>111 264 187</b>	(19 123 452)	-	(2 462 403)	<b>(21 585 855)</b>	89 678 332
Infrastructure	4 124 376	-	-	1 182 106	<b>5 306 482</b>	(1 731 242)	-	(362 474)	<b>(2 093 716)</b>	3 212 766
Other assets	64 789 021	13 539 137	(46 200)	494 067	<b>78 776 025</b>	(29 616 796)	(27 300)	(6 383 139)	<b>(36 027 235)</b>	42 748 790
Intangible assets	1 584 292	-	-	-	<b>1 584 292</b>	(827 701)	-	(173 414)	<b>(1 001 115)</b>	583 177
	<b>167 840 777</b>	<b>29 136 409</b>	<b>(46 200)</b>	<b>-</b>	<b>196 930 986</b>	<b>(51 299 191)</b>	<b>(27 300)</b>	<b>(9 381 430)</b>	<b>(60 707 921)</b>	<b>136 223 065</b>

# Nkangala District Municipality

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## Supplementary Information

Annexure 2

Interpretation of results

### Nkangala District Municipality

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	DATA INPUTS		
					AND RESULTS	AND RESULTS		
					2017	2016		
					" 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%		9%	8%	
					Total Operating Expenditure	363 980 355	356 707 651	
					Taxation Expense	-	-	
					34 803 086	29 131 887		
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%		9%	7%	
					PPE, Investment Property and Intangible Impairment	9 608 535	9 381 429	
					PPE at carrying value	160 064 660	135 641 146	
					Investment at carrying value	-	-	
					491 101	583 177		
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%		3%	5%	
					Total Repairs and Maintenance Expenditure	4 843 990	6 721 430	
					PPE at carrying value	160 064 660	135 641 146	
					-	-		

# Nkangala District Municipality

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## Supplementary Information

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%		110%	-30%
					Gross Debtors closing balance	118 780	143 786
					Gross Debtors opening balance	143 786	10 411
					Billed Revenue	238 376	102 471
2	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off/Provision for Bad debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		#DIV/0!	#DIV/0!
					Consumer Debtors Bad debts written off		
					Consumer Debtors Current bad debt Provision		
3	Net Debtors Days	((Gross Debtors - Bad debt Provision) / Actual Billed Revenue) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 days		162 days	112 days
					Gross debtors	118 780	143 786
					Bad debts Provision	-	-
					Billed Revenue	238 376	102 471
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		15 Month	16 Month
					Cash and cash equivalents	455 442 443	465 142 151
					Unspent Conditional Grants	-	-
					Overdraft	-	-
					Short Term Investments	-	-
Total Annual Operational Expenditure	363 980 355	356 707 651					
2	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		9.81	12.89
					Current Assets	570 858 875	562 653 767
					Current Liabilities	58 213 201	43 665 931
D. Liability Management							
1	Capital Cost/Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost/Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-Year Reports and AR	6% - 8%		1%	1%
					Interest Paid	1 127 298	1 519 219
					Redemption	3 352 989	3 329 406
					Total Operating Expenditure	363 980 355	356 707 651
					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%		22%	19%
					Total Debt	83 025 794	69 827 001
					Total Operating Revenue	387 883 049	381 787 914
					Operational Conditional Grants	5 644 000	6 470 000



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## Supplementary Information

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%		72%	76%
					Cash and cash Equivalents	455 442 443	465 142 151
					Bank Overdraft	-	-
					Short Term Investment	-	-
					Long Term Investment	44 846 358	40 862 493
					Unspent Grants	-	-
					Net Assets	693 743 971	669 911 941
					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%		9%	9%
					Total Operating Revenue	387 883 049	381 787 914
					Depreciation - Revalued Portion (Only populate if depreciation line item in the Statement of Financial)	9 608 535	9 381 429
					Total Operating Expenditure	363 980 355	356 707 651
Taxation Expense	-	-					
2	Net Surplus /Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure/Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	0% - 15%		#DIV/0!	#DIV/0!
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!
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!
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 Waste Water Revenue	
						Total Sanitation and Waste Water Expenditure	

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Annual Financial Statements for the year ended 30 June 2017

## Supplementary Information

B. Distribution Losses							
1	Electricity Distribution Losses (Percentage)	(Number of Electricity Units Purchased and/or Generated - Number of units sold) / Number of Electricity Units Purchased and/or generated) × 100	Annual Report, Audit Report and Notes to Annual Financial Statements	7% - 10%	Number of units purchased and/or generated Number of units sold	#DIV/0! -	#DIV/0! -
2	Water Distribution Losses (Percentage)	(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified × 100	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%	Number of kilolitres purchased and/or purified Number of kilolitres sold	#DIV/0! -	#DIV/0! -
C. Revenue Management							
1	Growth in Number of Active Consumer Accounts	(Period under review's number of Active Debtor Accounts - previous period's number of Active Debtor Accounts) / previous number of Active Debtor Accounts × 100	Debtors System	None	Number of Active Debtors Accounts (Previous) Number of Active Debtors Accounts (Current)	#DIV/0! -	#DIV/0! -
2	Revenue Growth (%)	(Period under review's Total Revenue - previous period's Total Revenue) / previous period's Total Revenue × 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= CPI	CPI Total Revenue (Previous) Total Revenue (Current)	2% 381 787 914 387 883 049	4% 366 771 920 381 787 914
3	Revenue Growth (%) - Excluding capital grants	(Period under review's Total Revenue Excluding capital grants - previous period's Total Revenue excluding capital grants) / previous period's Total Revenue excluding capital grants × 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	= CPI	CPI Total Revenue Excl. Capital (Previous) Total Revenue Excl. Capital (Current)	2% 379 777 914 385 807 049	4% 364 821 920 379 777 914

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## Supplementary Information

D. Expenditure Management							
1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-Year reports and AR	30 days		40 days	24 days
					Trade Creditors	29 215 535	18 181 968
					Contracted Services	28 982 157	24 125 378
					Repairs and Maintenance	4 843 990	6 721 430
					General expenses	197 992 963	212 021 497
					Bulk Purchases	-	-
Capital Credit Purchases (Capital Credit Purchases refers to additions of Investment Property)	34 803 086	29 131 887					
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%		0%	0%
					Irregular, Fruitless and Wasteful and Unauthorised Expenditure	187 613	-
					Total Operating Expenditure	363 980 355	356 707 651
					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%		33%	29%
					Employee/personnel related cost	108 540 483	90 059 832
					Councillors Remuneration	12 586 871	12 881 631
					Total Operating Expenditure	363 980 355	356 707 651
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%		9%	9%
					Contracted Services	33 926 147	30 846 808
					Total Operating Expenditure	363 980 355	356 707 651
					Taxation Expense	-	-

# Nkangala District Municipality

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## Supplementary Information

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	34 803 086	29 131 887
					Borrowings	-	6
					Total Capital Expenditure	34 803 086	29 131 887
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	34 803 086	29 131 887
					Total Capital Expenditure	34 803 086	29 131 887
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		13%	12%
					Total Revenue	387 883 049	381 787 914
					Government grant and subsidies	337 235 000	338 036 461
					Public contributions and Donations	156 000	-
					Capital Grants	2 076 000	2 010 000
3. BUDGET IMPLEMENTATION							
1	Capital Expenditure Budget Implementation Indicator	Actual capital Expenditure / Budget Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, In-Year reports and AR	95% - 100%		88%	52%
					Actual Capital Expenditure	34 803 086	29 131 887
					Budget Capital Expenditure	39 339 066	56 488 191
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%		75%	83%
					Actual Operating Expenditure	363 980 355	356 707 651
					Budget Operating Expenditure	487 715 013	428 101 936
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%	105%
					Actual Operating Revenue	387 883 049	381 787 914
					Budget Operating Revenue	368 678 248	362 303 408
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	-	-

Nkangala District Municipality  
Unaudited Appendix C1  
Budgeted Financial Performance (revenue and expenditure by standard classification)  
for the year ended 30 June 2017

	2016/2017											2015/2016			
	Original Budget	Budget Adjustments (i.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.o. s31 of the MFMA)	Virement (i.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
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Standard</b>															
Governance and administration	355 564 118	10 692 630	366 256 748	-	-	366 256 748	385 301 495	-	(19 044 747)	105.20	108.36				381 695 576
Executive and council	21 000	(7 900)	13 100	-	-	13 100	9 912	-	3 188	75.67	47.20				4 868
Budget and treasury office	355 543 118	10 700 530	366 243 648	-	-	366 243 648	385 291 583	-	(19 047 935)	105.20	108.37				381 690 709
Corporate services	-	-	-	-	-	-	-	-	-	-	-				-
<b>Community and public safety</b>	-	-	-	-	-	-	9 605	-	(9 605)	-	-				1 440
Community and social services	-	-	-	-	-	-	-	-	-	-	-				-
Sport and recreation	-	-	-	-	-	-	-	-	-	-	-				-
Public safety	-	-	-	-	-	-	-	-	-	-	-				1 440
Housing	-	-	-	-	-	-	-	-	-	-	-				-
Health	-	-	-	-	-	-	9 605	-	(9 605)	-	-				-
<b>Economic and environmental services</b>	2 318 000	100 500	2 418 500	-	-	2 418 500	2 571 950	-	(153 450)	106.34	110.96				90 994
Planning and development	2 318 000	500	2 318 500	-	-	2 318 500	2 318 441	-	59	100.00	100.02				20 819
Road transport	-	-	-	-	-	-	-	-	-	-	-				-
Environmental protection	-	100 000	100 000	-	-	100 000	253 509	-	(153 509)	0.03	-				70 175
<b>Trading services</b>	-	-	-	-	-	-	-	-	-	-	-				-
Electricity	-	-	-	-	-	-	-	-	-	-	-				-
Water	-	-	-	-	-	-	-	-	-	-	-				-
Waste water management	-	-	-	-	-	-	-	-	-	-	-				-
Waste management	-	-	-	-	-	-	-	-	-	-	-				-
Other	-	-	-	-	-	-	-	-	-	-	-				-
<b>Total Revenue - Standard</b>	<b>357 882 118</b>	<b>10 793 130</b>	<b>368 675 248</b>			<b>368 675 248</b>	<b>387 883 051</b>		<b>(19 207 802)</b>	<b>105.21</b>	<b>108.38</b>				<b>381 788 011</b>
<b>Expenditure - Standard</b>															
Governance and administration	(147 359 886)	(6 337 770)	(153 697 657)	-	-	(153 697 657)	(124 151 291)	-	(29 546 365)	80.78	84.25				(125 838 931)
Executive and council	(51 793 716)	(390 300)	(52 184 016)	-	-	(52 184 016)	(40 346 691)	-	(11 837 325)	77.32	77.90				(37 714 683)
Budget and treasury office	(32 981 747)	(3 478 683)	(36 460 429)	-	-	(36 460 429)	(31 385 181)	-	(5 075 249)	86.08	95.16				(88 124 248)
Corporate services	(62 584 423)	(2 468 788)	(65 053 211)	-	-	(65 053 211)	(52 419 419)	-	(12 633 792)	80.58	83.76				-
<b>Community and public safety</b>	<b>(70 996 236)</b>	<b>(9 251 672)</b>	<b>(80 247 907)</b>			<b>(80 247 907)</b>	<b>(71 538 915)</b>		<b>(8 708 992)</b>	<b>89.15</b>	<b>100.76</b>				<b>(55 500 775)</b>
Community and social services	(18 634 590)	(6 635 454)	(25 270 044)	-	10 000	(25 260 044)	(21 307 778)	-	(3 952 265)	84.35	114.35				(20 010 786)
Sport and recreation	-	-	-	-	-	-	-	-	-	-	-				-
Public safety	(31 030 207)	(1 675 949)	(32 706 156)	-	(10 000)	(32 716 156)	(28 819 616)	-	(3 896 540)	88.09	92.88				(25 447 390)
Housing	-	-	-	-	-	-	-	-	-	-	-				-
Health	(21 331 439)	(940 269)	(22 271 708)	-	-	(22 271 708)	(21 411 521)	-	(860 187)	96.14	100.38				(10 042 599)
<b>Economic and environmental services</b>	<b>(220 366 279)</b>	<b>(29 225 896)</b>	<b>(249 592 174)</b>			<b>(249 592 174)</b>	<b>(166 836 669)</b>		<b>(82 755 505)</b>	<b>66.84</b>	<b>75.71</b>				<b>(165 318 979)</b>
Planning and development	(217 855 043)	(29 779 157)	(247 634 200)	-	-	(247 634 200)	(165 295 298)	-	(82 338 902)	66.75	75.87				(163 918 509)
Road transport	-	-	-	-	-	-	-	-	-	-	-				-
Environmental protection	(2 511 236)	553 261	(1 957 975)	-	-	(1 957 975)	(1 541 372)	-	(416 603)	78.72	61.38				(1 400 470)
<b>Trading services</b>	<b>-</b>	<b>-</b>	<b>-</b>			<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>				<b>-</b>
Electricity	-	-	-	-	-	-	-	-	-	-	-				-
Water	-	-	-	-	-	-	-	-	-	-	-				-
Waste water management	-	-	-	-	-	-	-	-	-	-	-				-
Waste management	-	-	-	-	-	-	-	-	-	-	-				-
Other	(3 184 000)	(1 109 075)	(4 293 075)	-	-	(4 293 075)	(1 524 143)	-	(2 768 931)	35.50	47.87				(10 049 231)
<b>Total Expenditure - Standard</b>	<b>(441 906 400)</b>	<b>(45 924 412)</b>	<b>(487 830 813)</b>			<b>(487 830 813)</b>	<b>(364 051 019)</b>		<b>(123 779 794)</b>	<b>74.63</b>	<b>82.38</b>				<b>(356 707 916)</b>
<b>Surplus/(Deficit) for the year</b>	<b>(84 024 282)</b>	<b>(35 131 282)</b>	<b>(119 155 564)</b>			<b>(119 155 564)</b>	<b>23 832 032</b>		<b>(142 987 596)</b>	<b>(20.00)</b>	<b>(28.36)</b>				<b>25 080 094</b>

\* The 2015/2016 figures had been restated due to prior period errors - refer note 41

Nkangala District Municipality

Unaudited Appendix C2

Budgeted Financial Performance (revenue and expenditure by municipal vote)

for the year ended 30 June 2017

	2016/2017											2015/2016
	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	Restated Audited Outcome
	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands			Rands
<b>Revenue by Vote</b>												
Vote 1 - Council General and Executive	21 000	(7 900)	13 100		-	13 100	9 912		3 188	75.67	47.20	2 451
Vote 2 - Municipal Manager Town Secretary and	-	-	-		-	-	-		-	-	-	2 416
Vote 3 - Finance	355 543 118	10 700 530	366 243 648		-	366 243 648	385 291 583		(19 047 935)	105.20	108.37	381 687 616
Vote 4 - Social Services	-	100 000	100 000		-	100 000	263 114		(163 114)	263.11	-	71 616
Vote 5 - Local Economic Development	2 318 000	-	2 318 000		-	2 318 000	2 318 000		-	100.00	100.00	18 484
Vote 6 - Development and Planning	-	500	500		-	500	441		59	88.20	-	2 335
Vote 7 - Technical Services	-	-	-		-	-	-		-	-	-	-
Vote 8 - Corporate services	-	-	-		-	-	-		-	-	-	3 093
<b>Total Revenue by Vote</b>	<b>357 882 118</b>	<b>10 793 130</b>	<b>368 675 248</b>	<b>-</b>	<b>-</b>	<b>368 675 248</b>	<b>387 883 051</b>		<b>(19 207 802)</b>	<b>105.21</b>	<b>108.38</b>	<b>381 788 011</b>
<b>Expenditure by Vote to be appropriated</b>												
Vote 1 - Council General and Executive	(34 509 570)	(728 939)	(35 238 509)		35 000	(35 203 509)	(30 345 164)		(4 858 344)	86.20	87.93	(34 398 525)
Vote 2 - Municipal Manager Town Secretary and	(30 284 942)	(2 464 312)	(32 749 254)		424 150	(32 325 104)	(20 880 994)		(11 444 110)	64.60	68.95	(21 417 400)
Vote 3 - Finance	(30 371 278)	(3 355 013)	(33 726 290)		-	(33 726 290)	(29 179 749)		(4 546 541)	86.52	96.08	(35 538 147)
Vote 4 - Social Services	(73 207 472)	(8 698 410)	(81 905 882)		36 790	(81 869 092)	(72 743 497)		(9 125 595)	88.85	99.37	(56 456 107)
Vote 5 - Local Economic Development	(33 126 947)	(7 141 405)	(40 268 352)		(55 836)	(40 324 188)	(23 923 867)		(16 400 321)	59.33	72.22	(29 400 431)
Vote 6 - Development and Planning	(27 518 601)	(1 500 536)	(29 019 137)		22 046	(28 997 092)	(24 299 143)		(4 697 949)	83.80	88.30	(24 394 358)
Vote 7 - Technical Services	(168 155 337)	(24 456 336)	(192 611 672)		17 500	(192 594 172)	(129 487 948)		(63 106 225)	67.23	77.00	(131 832 191)
Vote 8 - Corporate services	(44 732 254)	2 420 539	(42 311 716)		(479 650)	(42 791 366)	(33 190 656)		(9 600 710)	77.56	74.20	(23 270 759)
<b>Total Expenditure by Vote</b>	<b>(441 906 400)</b>	<b>(45 924 412)</b>	<b>(487 830 813)</b>	<b>-</b>	<b>-</b>	<b>(487 830 813)</b>	<b>(364 051 019)</b>		<b>(123 779 794)</b>	<b>74.63</b>	<b>82.38</b>	<b>(356 707 916)</b>
<b>Surplus/(Deficit) for the year</b>	<b>(84 024 282)</b>	<b>(35 131 282)</b>	<b>(119 155 564)</b>	<b>-</b>	<b>-</b>	<b>(119 155 564)</b>	<b>23 832 032</b>		<b>(142 987 596)</b>	<b>(20.00)</b>	<b>(28.36)</b>	<b>25 080 094</b>

\* The 2015/2016 figures had been restated due to prior period errors - refer note 41

Nkangala District Municipality  
 Unaudited Appendix C3  
 Budgeted Financial Performance (revenue and expenditure)  
 for the year ended 30 June 2017

	2016/2017											2015/2016			
	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
	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands			Rands	Rands	Rands	Rands
<b>Revenue By Source</b>															
Rental of facilities and equipment	131 174	(18 837)	112 337		-	112 337	99 868		12 469	88.90	76.13				102 472
Interest earned - external investments	17 879 944	7 700 000	25 579 944		-	25 579 944	43 944 809		(18 364 865)	171.79	245.78				38 258 396
Dividends received	-	-	-		-	-	-		-	-	-				-
Fines	210 000	1 440 500	1 650 500		-	1 650 500	1 627 630		22 870	98.61	775.06				2 440 138
Licences and permits	-	100 000	100 000		-	100 000	263 114		(163 114)	263.11	-				70 175
Transfers recognised - operational	337 235 000	147 000	337 382 000		-	337 382 000	337 391 000		(9 000)	100.00	100.05				338 036 461
Other revenue	350 000	1 424 467	1 774 467		-	1 774 467	2 480 629		(706 162)	139.80	708.75				842 600
Gains on disposal of PPE	-	-	-		-	-	-		-	-	-				27 671
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>355 806 118</b>	<b>10 793 130</b>	<b>366 599 248</b>	<b>-</b>	<b>-</b>	<b>366 599 248</b>	<b>385 807 051</b>	<b>-</b>	<b>(19 163 524)</b>	<b>105.24</b>	<b>108.43</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>379 777 914</b>
<b>Expenditure By Type</b>															
Employee related costs	(120 522 990)	850 145	(119 672 845)		2 092 900	(117 579 945)	(108 540 487)		(9 039 458)	92.31	90.06				(90 059 931)
Remuneration of councillors	(14 347 909)	(752 675)	(15 100 584)		700 000	(14 400 584)	(12 586 871)		(1 813 714)	87.41	87.73				(12 881 629)
Debt impairment	-	-	-		-	-	-		-	-	-				-
Depreciation & asset impairment	(9 584 723)	(374 328)	(9 959 051)		(333 110)	(10 292 161)	(9 608 533)		(683 628)	93.36	100.25				(9 381 429)
Finance charges	(1 583 418)	683 209	(900 209)		(228 000)	(1 128 209)	(1 127 296)		(913)	99.92	71.19				(1 519 219)
Other materials	(3 901 500)	(368 377)	(4 269 877)		(402 668)	(4 672 545)	(3 545 543)		(1 127 002)	75.88	90.88				(3 351 379)
Contracted services	(44 114 428)	(8 977 382)	(53 091 810)		946 072	(52 145 738)	(33 926 146)		(18 219 592)	65.06	76.90				(30 846 808)
Transfers and grants	(205 917 172)	(34 818 754)	(240 735 926)		(1 083 232)	(241 819 157)	(162 301 459)		(79 517 698)	67.12	78.82				(177 348 648)
Other expenditure	(41 934 259)	(2 166 251)	(44 100 510)		(1 576 162)	(45 676 673)	(32 344 017)		(13 332 656)	70.81	77.13				(31 318 613)
Loss on disposal of PPE	-	-	-		(115 800)	(115 800)	(70 666)		(45 134)	61.02	-				-
<b>Total Expenditure</b>	<b>(441 906 400)</b>	<b>(45 924 412)</b>	<b>(487 830 813)</b>	<b>-</b>	<b>-</b>	<b>(487 830 813)</b>	<b>(364 051 019)</b>	<b>-</b>	<b>(123 779 794)</b>	<b>74.63</b>	<b>82.38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(356 707 656)</b>
<b>Surplus/(Deficit)</b>	<b>(86 100 282)</b>	<b>(35 131 282)</b>	<b>(121 231 564)</b>	<b>-</b>	<b>-</b>	<b>(121 231 564)</b>	<b>21 756 032</b>	<b>-</b>	<b>(142 943 318)</b>	<b>179.87</b>	<b>190.81</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23 070 257</b>
Transfers recognised - capital	2 076 000	-	2 076 000		-	2 076 000	2 076 000		-	-	-				2 010 000
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(84 024 282)</b>	<b>(35 131 282)</b>	<b>(119 155 564)</b>	<b>-</b>	<b>-</b>	<b>(119 155 564)</b>	<b>23 832 032</b>	<b>-</b>	<b>(142 943 318)</b>	<b>179.87</b>	<b>190.81</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25 080 257</b>
Taxation															
<b>Surplus/(Deficit) after taxation</b>	<b>(84 024 282)</b>	<b>(35 131 282)</b>	<b>(119 155 564)</b>	<b>-</b>	<b>-</b>	<b>(119 155 564)</b>	<b>23 832 032</b>	<b>-</b>	<b>(142 987 596)</b>	<b>179.89</b>	<b>190.84</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25 080 257</b>
Attributable to minorities															
<b>Surplus/(Deficit) attributable to municipality</b>	<b>(84 024 282)</b>	<b>(35 131 282)</b>	<b>(119 155 564)</b>	<b>-</b>	<b>-</b>	<b>(119 155 564)</b>	<b>23 832 032</b>	<b>-</b>	<b>(142 987 596)</b>	<b>179.89</b>	<b>190.84</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25 080 257</b>
Share of surplus/ (deficit) of associate															
<b>Surplus/(Deficit) for the year</b>	<b>(84 024 282)</b>	<b>(35 131 282)</b>	<b>(119 155 564)</b>	<b>-</b>	<b>-</b>	<b>(119 155 564)</b>	<b>23 832 032</b>	<b>-</b>	<b>(142 987 596)</b>	<b>179.89</b>	<b>190.84</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25 080 257</b>

\* The 2015/2016 figures had been restated due to prior period errors - refer note 41

Nkangala District Municipality  
Unaudited Appendix C4  
Budgeted Capital Expenditure (by vote, standard classification and funding)  
for the year ended 30 June 2017

	2016/2017										2015/2016				
	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
	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands			Rands	Rands	Rands	Rands
<b>Capital expenditure - Vote</b>															
<b>Single-year expenditure</b>															
Vote 1 - Council General and Executive	150 000	360 000	510 000			510 000	508 772		1 228	99.76	339.18				1 498 358
Vote 2 - Municipal Manager Town Secretary and	-	-	-			-	-		-	-	-				60 274
Vote 3 - Finance	400 000	(35 000)	365 000			365 000	27 302 533		(26 937 533)	7 480.15	6 825.63				63 977
Vote 4 - Social Services	750 000	18 613 894	19 363 894			19 363 894	3 770 362		15 593 532	0.00	502.71				26 246 221
Vote 5 - Local Economic Development	20 000	-	20 000			20 000	4 500		15 500	22.50	22.50				52 755
Vote 6 - Development and Planning	50 000	(50 000)	-			-	-		-	-	-				111 492
Vote 7 - Technical Services	1 500 000	347 730	1 847 730		(1 072 540)	775 190	737 125		38 065	95.09	49.14				89 464
Vote 8 - Corporate services	5 180 000	12 052 442	17 232 442		1 072 540	18 304 982	2 479 795		15 825 187	0.00	47.87				1 013 845
<b>Capital single-year expenditure sub-total</b>	<b>8 050 000</b>	<b>31 289 066</b>	<b>39 339 066</b>	<b>-</b>	<b>-</b>	<b>39 339 066</b>	<b>34 803 086</b>	<b>-</b>	<b>4 535 981</b>	<b>88.47</b>	<b>432.34</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29 136 387</b>
<b>Total Capital Expenditure - Vote</b>	<b>8 050 000</b>	<b>31 289 066</b>	<b>39 339 066</b>	<b>-</b>	<b>-</b>	<b>39 339 066</b>	<b>34 803 086</b>	<b>-</b>	<b>4 535 981</b>	<b>88.47</b>	<b>432.34</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29 136 387</b>
<b>Capital Expenditure - Standard</b>															
<b>Governance and administration</b>	<b>7 230 000</b>	<b>12 725 172</b>	<b>19 955 172</b>	<b>-</b>	<b>-</b>	<b>19 955 172</b>	<b>31 028 224</b>	<b>-</b>	<b>(11 073 052)</b>	<b>155.49</b>	<b>429.16</b>				<b>1 622 610</b>
Executive and council	150 000	360 000	510 000			510 000	508 772		1 228	99.76	339.18				1 498 358
Budget and treasury office	400 000	(35 000)	365 000			365 000	27 302 533		(26 937 533)	7 480.15	6 825.63				63 977
Corporate services	6 680 000	12 400 172	19 080 172			19 080 172	3 216 920		15 863 253	16.86	48.16				60 274
<b>Community and public safety</b>	<b>750 000</b>	<b>18 613 894</b>	<b>19 363 894</b>	<b>-</b>	<b>-</b>	<b>19 363 894</b>	<b>3 770 362</b>	<b>-</b>	<b>15 593 532</b>	<b>19.47</b>	<b>502.71</b>				<b>26 388 440</b>
Community and social services	-	-	-			-	-		-	-	-				26 246 221
Sport and recreation	-	-	-			-	-		-	-	-				-
Public safety	-	18 277 406	18 277 406			18 277 406	2 942 862		15 334 544	16.10	-				52 755
Housing	-	-	-			-	-		-	-	-				-
Health	750 000	336 488	1 086 488			1 086 488	827 500		258 988	0.01	110.33				89 464
<b>Economic and environmental services</b>	<b>70 000</b>	<b>(50 000)</b>	<b>20 000</b>	<b>-</b>	<b>-</b>	<b>20 000</b>	<b>4 500</b>	<b>-</b>	<b>15 500</b>	<b>22.50</b>	<b>6.43</b>				<b>111 492</b>
Planning and development	70 000	(50 000)	20 000			20 000	4 500		15 500	22.50	6.43				111 492
Road transport	-	-	-			-	-		-	-	-				-
Environmental protection	-	-	-			-	-		-	-	-				-
<b>Trading services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>				<b>-</b>
Electricity	-	-	-			-	-		-	-	-				-
Water	-	-	-			-	-		-	-	-				-
Waste water management	-	-	-			-	-		-	-	-				-
Waste management	-	-	-			-	-		-	-	-				-
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>				<b>1 013 845</b>
<b>Total Capital Expenditure - Standard</b>	<b>8 050 000</b>	<b>31 289 066</b>	<b>39 339 066</b>	<b>-</b>	<b>-</b>	<b>39 339 066</b>	<b>34 803 086</b>	<b>-</b>	<b>4 535 981</b>	<b>88.47</b>	<b>432.34</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29 136 387</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	8 050 000	31 289 066	39 339 066	-	-	39 339 066	34 803 086	-	4 535 981	88.47	432.34				29 136 387
<b>Total Capital Funding</b>	<b>8 050 000</b>	<b>31 289 066</b>	<b>39 339 066</b>	<b>-</b>	<b>-</b>	<b>39 339 066</b>	<b>34 803 086</b>	<b>-</b>	<b>4 535 981</b>	<b>88.47</b>	<b>432.34</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29 136 387</b>

\* The 2015/2016 figures had been restated due to prior period errors - refer note 41



Nkangala District Municipality  
 Unaudited Appendix C5  
 Budgeted Cashflows  
 for the year ended 30 June 2017

	2016/2017								2015/2016
	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
	Rands	Rands	Rands	Rands	Rands	Rands			Rands
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and other	691 174	3 093 130	3 784 304	3 784 304	25 038 862	21 254 558	661.65%	3622.66%	3 329 959
Government - operating	337 235 000	-	337 235 000	337 235 000	337 391 000	156 000	100.05%	100.05%	334 042 789
Government - capital	2 076 000	-	2 076 000	2 076 000	2 076 000	-	100.00%	100.00%	2 010 000
Interest	17 879 944	7 700 000	25 579 944	25 579 944	43 944 808	18 364 864	171.79%	245.78%	38 258 396
Dividends									
<b>Payments</b>									
Suppliers and employees	(145 432 548)	5 452 263	(149 671 343)	(149 671 343)	(212 863 784)	(63 192 441)	142.22%	146.37%	(129 327 481)
Finance charges	(1 583 418)	683 209	(900 209)	(900 209)	(1 127 298)	(227 089)	125.23%	71.19%	(1 610 054)
Transfers and Grants	(205 917 172)	5 319 826	(240 343 926)	(240 343 926)	(162 301 459)	78 042 466	67.53%	78.82%	(177 348 648)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>4 948 981</b>	<b>22 248 429</b>	<b>(22 240 229)</b>	<b>(22 240 229)</b>	<b>32 158 129</b>	<b>54 398 358</b>	<b>-144.59%</b>	<b>649.79%</b>	<b>69 354 961</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE					282 036	282 036	0.00%	0.00%	57 691
Decrease (Increase) in non-current debtors									
Decrease (increase) other non-current receivables									
Decrease (increase) in non-current investments	(1 800 000)		(1 800 000)	(1 800 000)	(3 983 865)	(2 183 865)	221.33%	221.33%	(4 205 457)
<b>Payments</b>									
Capital assets	(8 050 000)	(8 054 890)	(39 339 066)	(39 339 066)	(34 803 086)	4 535 981	88.47%	432.34%	(29 136 387)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(9 850 000)</b>	<b>(8 054 890)</b>	<b>(41 139 066)</b>	<b>(41 139 066)</b>	<b>(38 504 915)</b>	<b>2 634 152</b>	<b>93.60%</b>	<b>390.91%</b>	<b>(33 284 153)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Short term loans									
Borrowing long term/refinancing		(2 988 240)	(2 988 240)	(2 988 240)		2 988 240	0.00%	0.00%	
Increase (decrease) in consumer deposits									
<b>Payments</b>									
Repayment of borrowing	(1 702 996)	-	(1 702 996)	(1 702 996)	(3 352 989)	(1 649 993)	196.89%	196.89%	(3 329 406)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(1 702 996)</b>	<b>(2 988 240)</b>	<b>(4 691 236)</b>	<b>(4 691 236)</b>	<b>(3 352 989)</b>	<b>1 338 247</b>	<b>71.47%</b>	<b>196.89%</b>	<b>(3 329 406)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(6 604 015)</b>	<b>11 205 299</b>	<b>(68 070 531)</b>	<b>(68 070 531)</b>	<b>(9 699 775)</b>				<b>32 741 402</b>
Cash/cash equivalents at the year begin:	432 379 507	-	432 379 507	432 379 507	465 142 150				432 400 748
Cash/cash equivalents at the year end:	425 775 492	11 205 299	364 308 976	364 308 976	455 442 375				465 142 150

\* The 2015/2016 figures had been restated due to prior period errors - refer note 41

Nkangala District Municipality  
 Unaudited Appendix C6  
 Appropriation Statement  
 for the year ended 30 June 2017

	2016/2017										
	Original Budget	Budget Adjustments	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands	Rands		
<b>Revenue By Source</b>											
Investment Revenue	17 879 944	7 700 000	25 579 944	-	-	25 579 944	43 944 809		(18 364 865)	171.79%	245.78%
Transfers recognised - operational	337 235 000	147 000	337 382 000	-	-	337 382 000	337 391 000		(9 000)	100.00%	100.05%
Other Own Revenue	691 174	2 946 130	3 637 304	-	-	3 637 304	4 471 242		(833 937)	122.93%	646.91%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>355 806 118</b>	<b>10 793 130</b>	<b>366 599 248</b>	<b>-</b>	<b>-</b>	<b>366 599 248</b>	<b>385 807 051</b>	<b>-</b>	<b>(19 207 802)</b>	<b>105.24%</b>	<b>108.43%</b>
<b>Expenditure By Type</b>											
Employee related costs	(120 522 990)	850 145	(119 672 845)	-	2 092 900	(117 579 945)	(108 540 487)		(9 039 458)	92.31%	90.06%
Remuneration of councillors	(14 347 909)	(752 675)	(15 100 584)	-	700 000	(14 400 584)	(12 586 871)		(1 813 714)	87.41%	87.73%
Debt impairment	-	-	-	-	-	-	-		-	0.00%	0.00%
Depreciation & asset impairment	(9 584 723)	(374 328)	(9 959 051)	-	(333 110)	(10 292 161)	(9 608 533)		(683 628)	93.36%	100.25%
Finance charges	(1 583 418)	683 209	(900 209)	-	(228 000)	(1 128 209)	(1 127 296)		(913)	99.92%	71.19%
Transfers and grants	(205 917 172)	(34 818 754)	(240 735 926)	-	(1 083 232)	(241 819 157)	(162 301 459)		(79 517 698)	67.12%	78.82%
Other expenditure	(89 950 188)	(11 512 010)	(101 462 197)	-	(1 148 558)	(102 610 756)	(69 886 372)		(32 724 384)	68.11%	77.69%
<b>Total Expenditure</b>	<b>(441 906 400)</b>	<b>(45 924 412)</b>	<b>(487 830 813)</b>	<b>-</b>	<b>-</b>	<b>(487 830 813)</b>	<b>(364 051 019)</b>	<b>-</b>	<b>(123 779 794)</b>	<b>74.63%</b>	<b>82.38%</b>
<b>Surplus/(Deficit)</b>	<b>(86 100 282)</b>	<b>(35 131 282)</b>	<b>(121 231 564)</b>	<b>-</b>	<b>-</b>	<b>(121 231 564)</b>	<b>21 756 032</b>	<b>-</b>	<b>(142 987 596)</b>	<b>-17.95%</b>	<b>-25.27%</b>
Transfers recognised	2 076 000	-	2 076 000	-	-	2 076 000	2 076 000		-	100.00%	100.00%
<b>Surplus/(Deficit) after capital transfers and contributions</b>	<b>(84 024 282)</b>	<b>(35 131 282)</b>	<b>(119 155 564)</b>	<b>-</b>	<b>-</b>	<b>(119 155 564)</b>	<b>23 832 032</b>	<b>-</b>	<b>(142 987 596)</b>	<b>-20.00%</b>	<b>-28.36%</b>
<b>Surplus/(Deficit) for the year</b>	<b>(84 024 282)</b>	<b>(35 131 282)</b>	<b>(119 155 564)</b>	<b>-</b>	<b>-</b>	<b>(119 155 564)</b>	<b>23 832 032</b>	<b>-</b>	<b>(142 987 596)</b>	<b>-20.00%</b>	<b>-28.36%</b>
<b>Capital expenditure funds and sources</b>											
Total capital expenditure	8 050 000	31 289 066	39 339 066	-	-	39 339 066	34 803 086	-	4 535 981	88.47%	432.34%

\* The 2015/2016 figures had been restated due to prior period errors - refer note 41