

ANNUAL FINANCIAL STATEMENT



NORTH WEST PROVINCE

2007/2008

DR KENNETH KAUNDA DISTRICT MUNICIPALITY

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DR KENNETH KAUNDA DISTRICT MUNICIPALITY

1. GENERAL INFORMATION

Executive Mayor	Councillor B E Moloi (Ms)
Speaker	Councillor W J Nelson (Ms)
Single Whip	Councillor ZS Present

MEMBERS OF MAYORAL COMMITTEE

MMC Financial Services	Councillor Z Moweli (till 14/12/2007)
MMC District Economic Development	Councillor M Lee (Ms)
MMC Corporate Services	Councillor M Ngomane (Ms)
MMC Health and Social Services	Councillor MM Mojahi
MMC Infrastructure Development	Councillor MI Martins
MMC Public Works and Transport	Councillor Z Mathiso
MMC Sports, Arts and Culture	Councillor D Tabane (Ms)
MMC Transversal Issues	Councillor M S Galo

PART – TIME COUNCILLORS

Councillor J L Janse van Rensburg	Councillor TB Mpukwana (from 01/10/2007)
Councillor S S Nkatlo (Ms)	Councillor P Mokoena (from 15/12/2007)
Councillor N Mamabolo (Ms)	Councillor G Maruping (from 15/12/2007 till 11/04/2008)
Councillor M A Feliti	Councillor JD Badenhorst (from 01/01/2008)
Councillor W T Mosiane	
Councillor C M Hattingh (Ms)	
Councillor N P Laubscher	
Councillor S B Mokgothu	
Councillor M Leschinsky	
Councillor M Sebata (Ms)	
Councillor E Ngalo (till 30/09/2007)	
Councillor L van der Westhuizen (Ms)	
Councillor L Dire (Ms)	
Councillor D Montwedi	
Councillor G R Dwayi (Ms)	
Councillor S P Terblanche	
Councillor T Hart	
Councillor R van Jaarsveld	
Councillor K S Moeng	
Councillor S I Dipico	
Councillor N M Koloti (Ms)	
Councillor Y M Qokela (Ms) (till 30/09/2007)	
Councillor E Zwane (Ms)	
Councillor J C Landsberg	
Councillor TG Mosiane	
Councillor M Matete (till 14/12/2007)	
Councillor V L Makoba	
Councillor N B Bezu (Ms)	
Councillor J D W Zwart (till 31/12/2007)	
Councillor Z Moweli (from 11/04/2008)	
Councillor Davel (from 01/10/2007)	

DR KENNETH KAUNDA DISTRICT MUNICIPALITY

GRADING OF MUNICIPAL COUNCIL

Grade 4: Determination of Upper Limits
Grade 10: Bargaining Council

BANKERS

ABSA Bank Ltd
91 O R Tambo Street
KLERKSDORP
2570

AUDITORS

Office of the Auditor-General
Private Bag X1204
POTCHEFSTROOM
2520

REGISTRATION OFFICE

Civic Centre
Patmore Road
ORKNEY
2620

Tel: (018) 473 8000
Fax: (018) 473 2523
E-mail: admin@sdm.org.za

Private Bag X5017
KLERKSDORP
2570

MUNCIPAL MANAGER

Adv. MA DLAVANE
B. Juris, LLB (TURFLOOP)

CERTIFIED AS CORRECT

DATE

CHIEF FINANCIAL OFFICER

M Ratlhogo
MBA (PU VIR CHE)

CERTIFIED AS CORRECT

DATE

DR KENNETH KAUNDA DISTRICT MUNICIPALITY

2. CERTIFICATION BY MUNICIPAL MANAGER

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 4 to 41, in terms of Section 126(1) of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 24 of these Annual Financial Statements are within the upper limits of the framework envisages in Section 219 of the constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, No 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

ADVOCATE MA DLAVANE
MUNICIPAL MANAGER

DATE

DR KENNETH KAUNDA DISTRICT MUNICIPALITY

MUNICIPAL MANAGER'S REPORT

The Dr Kenneth Kaunda District Municipality has taken advantage of the permission by the Minister of Finance to prepare the Generally Accepted Municipal Accounting Practices (GAMAP)/Generally Recognised Accounting Practices (GRAP) Annual Financial Statements from 2006/2007. The gains from early implementation becomes invaluable expertise and knowledge that lead to enhanced production of Annual Financial Statements (AFS) for 2007/2008 and 2008/2009.

The implementation of the 2006/2007 corrective measures especially on the Assets, Liabilities, etc to the Water Services Authorities (WSA's) have contributed to the significant reduction of the reserves. The Property, Plant and Equipment have been reduced by an amount of R375 391 963. Furthermore, the Bophirima District Municipality and the Department of Developmental Local Government and Housing (DDLG&H) have been informed about their assets and liabilities.

The Municipal Manager has established the functioning Audit Committee and the Supply Chain Management Unit. These two units enhance the 2007/2008 cost effectiveness, internal controls, efficiency and effectiveness. The Municipal Council and Executive Mayor provide the necessary resources to achieve the internal efficacy.

The Dr Kenneth Kaunda District Municipality have noted the Municipal Finance Management Act: Municipal Asset Transfer Regulations on Municipal Assets Transfers and related matters as published in Gazette No 31346 and takes effect from 1 September 2008. The municipality will aim to adhere to the key principles as set out, procedures and provide for improved transparency and accountability for the 2008/2009 Annual Financial Statements (AFS).

The municipal council utilizes the limited financial resources to accelerate the service delivery to the communities. These resources are allocated to the Socio-Economic Programmes, Infrastructure Development, Sports, Arts and Culture, the Environmental Health Services including the Disaster Management.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY

3. TREASURER'S REPORT

INTRODUCTION

The Municipal Council annual Financial Statements are prepared to enhance utilization of the financial data by the various users (councilors, management, financial institutions, communities, etc.). The Municipality has provided written motivation to the Provincial Treasury for the presentation of Annual Financial Statements in terms of Generally Accepted Municipal Accounting Practices (GAMAP)/Generally Recognized Accounting Practices (GRAP). The request to present the Annual financial Statements (AFS) in this format although the Honourable Minister of Finance has issued exemption regulation is informed by considerable work that has been performed.

FINANCIAL PERFORMANCE

I. INCOME

The Municipal Council total operating revenue generated for the 2007/2008 financial year amounts to R140 525 529. The bulk of the Municipal incomes come from the RSC Levy Replacement Grant transferred by National Treasury. The transfers represent 81 % of the total operating revenue.

2. EXPENDITURE

The total operating expenditure is R134 163 120. The operational costs increased by 22% when compared with the 2006/2007 operational costs of R109 522 936. These include the grants and subsidies paid.

The main contributors are a total of R5 313 540 for remuneration of Municipal Council members and total of R33 539 916 for the total employee related costs, as well as Grants and Subsidies amount of R65 493 224.

The change from Institute of Municipal Finance Officers presentation of AFS to GAMAP/GRAP has brought the indication and inclusion of the depreciation amount. The depreciation value of R1 523 333 focused on the impairment of vehicles, office equipment and furniture. The bulk infrastructure developments of sanitation and water projects must be transferred to the Water Services Authorities. The transfer of bulk water and sanitation project will affect the provision made in the accumulated surplus. The total general expenses and audit fees amounts of R21 377 492 vary with 2006/2007 amounts of R6 614 724 due to the absorption of the Environmental Health Costs and Emergency Services.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY

3. EXTERNAL LOANS

The Dr Kenneth Kaunda District Municipality has transferred the external long term liabilities of the Development Bank of Southern Africa (DBSA) to the Water Services Authorities (WSA's). The total balance amount of R 57 256 298 was transferred to the WSA's (Matlosana, Tlokwe, Maquassi Hills and Ventersdorp). The split for the municipalities is represented as follows: Matlosana (R31 720 133), Tlokwe (R23 078 395), Maquassi Hills (R1 399 097), and Ventersdorp (R1 058 673). The transfers were effected in terms of the Honourable Minister of Provincial and Local Government authorization.

4. INVESTMENTS

The financial year ended 30 June 2007 had investments of R9 836 069, whereas the financial year ended 30 June 2008 has investments of R14 239 493. The approved investment policy requires that funds not available for operational utilization must be invested with reputable financial institutions. The interest earned on investments is utilized to fund the Municipal Council budgeted programmes.

5. GRANTS

The conditional grants that are received from National and Provincial sectors are treated as creditors until the conditions have been met. The actual expenditure incurred is fully reflected in the income and expenditure statement in terms of International Accounting Standard (IAS) 20.

6. INTERNAL CONTROL

The management has undertaken to ensure that all systems that enhances internal control will be treated with required standards of MFMA, Section 62 (1)(c). The management is fully conversant with the fact that the Accounting Officer (Municipal Manager) and; Budget and Treasury Office (B.T.O) are not only responsible for internal controls, but it's an organizational fact.

The tabled reports from management are designed to:

- Provide reasonable assurance as to the integrity and reliability of the Annual Financial Statements;
- Adequately safeguard, verify and maintain accountability of assets; and
- Prevent, detect and reduce the risk of fraudulent financial reporting, error and other losses.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY

7. GOING CONCERN

The Annual Financial Statements (AFS) have been prepared on the underlying assumption that Municipal Council will remain in business of its operations long enough to meet all contractual obligations and commitments. At the date of submission of the AFS, nothing has come to the attention of Municipal Council and Management that warrant or violate the going concern principle.

8. ACKNOWLEDGEMENT

A special word of thanks to the Municipal Council/Executive Mayor, Municipal Manager, Senior Managers, Budget and Treasury Office (B.T.O) and entire staff of Municipal Council for the timely submission of relevant information that impact on quality compilation of AFS.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

The Annual Financial Statements (AFS) have been prepared in accordance with Standards of Generally Recognized Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- i) General Notice 991 of 2005, dated 7 December 2005 and Issued in Government Gazette No. 28095 of 15 December 2005; and
- ii) General Notice 992 of 2005, dated 15 December 2005 and issued in Government Gazette No. 28095 of 7 December 2005

These standards are summarised as follows:

GRAP 01	Presentation of financial statements
GRAP 02	Cash flow statements
GRAP 03	Accounting policies, changes in accounting estimates and errors
GAMAP 04	Effects of changes in foreign exchange rates
GAMAP 09	Revenue
GAMAP 07	Accounting for investments in associates
GAMAP 08	Financial reporting of interests in joint ventures
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent assets

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

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

These Annual Financial Statements are prepared on the historical cost basis.

2. PRESENTATION CURRENCY

These Annual Financial Statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These Annual Financial Statements have been prepared on a going concern basis.

4. OFFSETTING

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

5. RESERVES**5.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the roll-over projects to the CRR in terms of a Council resolution in ITEM A.49/06/2006. The cash is in the investments that are held by the Municipal Council in various financial institutions. The CRR is reduced and the accumulated surplus is credit by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various provincial ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit). The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful life's of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment finance from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the capitalisation reserve relating to such item is transferred to the accumulated surplus/ (deficit).

5.3 Government Grant Reserve

The amount that has been expended for the acquisition of property, plant and equipment from the conditional government grants is recognized as revenue. The assets are capitalized for the same amount of revenue. At the end of

financial year, a transfer is made from the accumulated surplus equal to the grant utilized to a government grant reserve. (GGR). The GGR will be used to offset the future depreciation relating to the item of property, plant and equipment (PPE) financed by way of the government grant. The annual offset depreciation will be processed until the item of PPE is fully depreciated. The closing balance of PPE is shown on the face of the statement of Financial Position after the closing balance of the accumulated depreciation has been deducted. The closing balance is aggregated with the closing balance of PPE and the net amount is included on the face of Financial Position. The depreciation is included in the determination of the net Surplus/deficit for the year.

6. PROPERTY, PLANT AND EQUIPMENT

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to GAMAP 17:

- Municipalities are not required to review the useful lives of depreciation methods for the items of property, plant and equipment that have been recognized in its annual financial statements.
- Testing for and impairing any items of property, plant and equipment is not required during the exemption period.
- A municipality need not apply this standard to any investment properties or biological assets that are recognized at cost, in addition, a municipality need not apply this standard to any recognized intangible assets in terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to IFRS 5 (AC 142):
- The recognition, measurement and disclosure of assets (and liabilities) meeting the criteria of non-current assets held for sale need not be accounted for in terms of this standard.

The municipality has made use of the transitional arrangement contained in GAMAP 17 wherein infrastructure assets are not recognised for the first 3 years after implementation of the new GAMAP/GRAP standards.

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings. The PPE has been reduced by an amount of R375 391 963 and transferred to Water Services Authority (WSA's)

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

Where impaired land and buildings are revalued, the increase in value of land and buildings are recognized as revenue to the extent that it reverses the impairment loss previously recognized as an expense.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

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

Depreciation is calculated as follows on the different PPE categories of the municipality:

Building		Year
Synagogue Offices		30
Motor Vehicles:	Truck	7
	Bakkies	5
	Motor Vehicles	5-7
Office Furniture:	Computer Hardware	5
	Computer Software	3-5
	Office Machines	3-5
	Air Conditioners	5-7
Furniture and Fittings:	Chairs	7-10
	Tables/Desks	7-10
	Cabinets	7-10
Bins and Containers:	Household Refuse bins	5
	Bulk containers	10

7. INTANGIBLE ASSETS

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to IAS 38 (AC 129):

- Municipalities are only required to apply this standard to expenditure relating to software and website costs.

8. INVESTMENTS

Financial instruments, which include fixed deposits and short term deposits are invested in the registered commercial banks of credit rating A+, and are stated at cost.

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

DR KENNETH KAUNDA DISTRICT MUNICIPALITY

9. LOANS AND RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written-off during the year in which they are identified. Amounts that are receivable within 12 months from reporting date are classified as current.

Loans and receivables are recognised on a transaction date basis and are initially measured at cost.

The impairment of loans and receivables is recognised by adjusting the carrying value through the use of a bad debt provision. Increases or decreases to the bad debt provision are recognised as a charge or credit in the Statement of Financial Performance.

10. LEASES

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to IAS 17 (AC 105):

- Smoothing of operating lease expenses/revenues in the statement of financial performance is not required for the 2006/2007 and 2007/2008 financial years.

10.1 The municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

11. REVENUE RECONITION

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to GAMAP 9:

The initial recognition of revenue at fair value.

11.1 Sale of Goods

Revenue from the sale of goods is recognized when the risk is passed to the consumer.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY

11.2 Levies

The declared RSC Levy debtors are recognized as revenue as well as fully paid levy payers. The 2008/2009 RSC Levy debtors have not been recognised since the Act permitted collection until 30 June 2008.

Interest is recognised on a time proportion basis.

12. PROVISIONS

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

13. 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.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

14. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees and councillors have rendered the employment service or served office entitling them to the contribution.

15. UNAUTHORISED EXPENDITURE

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2008

NET ASSETS AND LIABILITIES	Note	2008 R	2007 R
NET ASSETS		97 890 062	400 631 335
Capital replacement reserve	1	10 406 629	12 077 617
Capitalisation reserve	1	5 046	112 213 878
Government Grant reserve	1		17 583 262
Bursary Reserve	1		30 291
Accumulated Surplus / (Deficit)		87 478 387	258 726 287
Non-current liabilities			57 225 515
Long-term liabilities	2		57 225 515
Current liabilities		27 713 350	27 707 062
Provisions	4	112 000	
Creditors	5	18 711 559	13 851 746
Unspent conditional grants and receipts	6	8 889 791	10 744 723
Bank overdraft			964 538
Current portion of long-term liabilities	2		2 146 055
Total Net Asset and Liabilities		<u>125 603 412</u>	<u>485 563 912</u>
ASSETS			
Non-current assets		14 473 012	395 175 963
Property, plant and equipment	8	5 694 185	381 765 121
Intangible Assets	8	806 125	
Investments	9	7 972 702	13 337 108
Long-term receivables	10		73 734
Current assets		111 130 400	90 387 949
Consumer debtors	11	1 901	2 597
Other debtors	12	686 468	1 541 282
VAT	7	4 015 537	2 268 241
Call investment deposits	9	106 000 000	86 575 829
Bank balances and cash	13	426 494	
Total Assets		<u>125 603 412</u>	<u>485 563 912</u>

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note	Actual 2008	Actual 2007
		R	R
REVENUE			
Rental of facilities and equipment		39 100	39 008
Interest earned - external investments		14 239 493	9 836 069
Interest earned - outstanding debtors		1 074 322	248 194
Penalty (Contracts)		39 000	924
Government grants and subsidies	15	114 333 253	78 502 557
Other income	14	10 784 361	11 020 451
Gains on disposal of property, plant and equipment		16 000	180 053
TOTAL REVENUE		140 525 529	99 827 256
EXPENDITURE			
Employee related costs	16	33 539 916	22 951 197
Remuneration of Councillors	17	5 313 540	5 258 589
Bad debts		2 674 469	1 473 807
Depreciation	10	1 523 333	891 167
Repairs and maintenance		291 229	428 369
Interest paid	18		8 762 088
Contracted services		2 735 511	5 846 076
Grants and subsidies paid	20	65 493 223	57 278 714
General expenses	21	21 377 492	6 614 724
Loss on disposal of property, plant and equipment		20 503	
Contribution to Leave Reserve		1 193 903	18 205
TOTAL EXPENDITURE		134 163 119	109 522 936
SUPRLUS/(DEFICIT) FOR THE YEAR		6 362 410	-9 695 680
Refer to Appendix E(1) for explanation of variances			

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Pre-Gamap Reserves and Funds	Capital Replacement Fund	Capitalisation Reserve	Government Grant Reserve	Bursary Reserve	Accumulated (Deficit)	Total
	R	R	R	R	R	R	R
2007							
Balance at 1 July 2006	15 803 907					71 733 876	87 537 783
Correction of error (Note 32)	-15 803 907	15 803 907	112 920 612	17 583 262	1 200	189 258 958	319 764 032
Restated balance		15 803 907	112 920 612	17 583 262	1 200	277 155 892	423 464 873
Implementation of GAMAP						-1 321 818	-1 321 818
Surplus/(Deficit) for the year						-9 695 680	-9 695 680
Transfer to Bursary Reserve					29 091	-200 000	-170 909
Transfer from Pimms						580 978	580 978
Property, plant and equipment purchased		-3 726 290				3 726 290	
Offsetting of depreciation						5 045	5 045
Assets Disposal			-706 734			24 180	-682 554
Prior Year adjustments						-7 936 692	-7 936 692
Balance at 30 June 2007		12 077 617	112 213 878	17 583 262	30 291	262 338 195	404 243 243
2008							
Correction of error (Note 32)						-3 611 908	-3 611 908
Restated balance		12 077 617	112 213 878	17 583 262	30 291	258 726 287	400 631 335
Change in accounting policy (Note 32)						-474 218	-474 218
Surplus/(Deficit) for the year						6 362 409	6 362 409
Prior Year adjustments						5 274 736	5 274 736
Transfer of Assets to Local Councils			-112 203 786	-17 583 262		-184 074 656	-313 861 704
Transfer to Bursary Reserve					-30 291	30 291	
Property, plant and equipment purchased		-1 670 988				1 670 988	
Transfer to Premier Support Grant						-42 496	-42 496
Offsetting of depreciation			-5 046			5 046	
Assets Disposal							
Balance at 30 June 2008		10 406 629	5 046			87 478 387	97 890 062

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		122 741 264	84 770 839
Cash paid to suppliers and employees		(123 812 000)	(85 258 012)
Cash generated from operations	22	(1 070 736)	(487 173)
Dividends received			
Interest received		15 313 815	10 084 863
Interest paid			(8 762 088)
NET CASH FROM OPERATING ACTIVITIES		14 243 079	835 602
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1 670 988)	(3 726 290)
Proceeds on disposal of property, plant and equipment		94 591	180 053
(Increase)/Decrease in non-current receivables		2 050	25 446
(Increase)/Decrease in non-current investments		5 364 406	(619 200)
(Increase)/Decrease in call investment deposits		(19 424 171)	8 423 571
NET CASH FROM INVESTING ACTIVITIES		(15 634 111)	4 283 580
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)			(1 879 799)
NET CASH FROM FINANCING ACTIVITIES		-	(1 879 799)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1 391 032)	3 239 383
Cash and cash equivalents at the beginning of the year		(964 538)	2 274 845
Cash and cash equivalents at the end of the year	23	426 494	(964 538)

DR K ENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1 RESERVES	2008 R	2007 R
Capital Replacement Reserve	10 406 629	12 077 617
Capitalisation reserve	5 046	112 213 878
Government Grant reserve		17 583 262
Bursary Reserve		30 291
Total Reserves	10 411 675	141 905 048

The Capital Replacement Reserve is fully invested in financial investment instruments. Investment Numbers: 2067494709 R5 000 000 - ABSA Bank & 2059731313 R7 000 000 - ABSA Bank

Note : In terms of GRAP 1 - The Capitalisation Reserve and the Government Grant and Subsidies Reserve have been transferred retrospectively from 30 June 2007 to the Accumulated Surplus. (Refer to Statement of Changes in Net Assets).

2 LONG-TERM LIABILITIES	2008 R	2007 R
Annuity Loans		59 371 570
Less: Current portion transferred to current liabilities		2 146 055
Total External Loans		57 225 515

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

Water Services Authorities - transfer of assets & liabilities

The Government Gazette No. 24228 of 3 January 2003 was promulgated by the Minister responsible for Provincial and Local Government. In this Gazette the municipalities of Tlokwe, Matlosana, Maquassi Hills and Ventersdorp were made Water Services Authorities (WSA). In terms of this Gazette the relevant Category B Municipalities are responsible for the assets and liabilities relating to the bulk water and sanitation services. All relevant external loans and assets are now transferred to the Category B Municipalities.

3 NON-CURRENT PROVISIONS

In terms of the exemptions granted in Gazette No. 30013 dated 29 June 2007 no provision for Post Retirement Benefits in respect of Medical Aid Contributions was made.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
4 CURRENT PROVISIONS		
Performance Bonuses	112 000	
Total Current Provisions	<u>112 000</u>	

Performance bonuses are paid to employees subject to certain conditions. The provision is a calculation of the amount due to the Municipal Manager at the reporting date.

The movement in current provisions are reconciled as follows:-

<u>Performance Bonuses</u>	2008 R	2007 R
Balance at beginning of year		
Contributions	112 000	
Transfer to accumulated surplus		
Payments made		
Balance at end of year	<u>112 000</u>	

	2008 R	2007 R
5 CREDITORS		
Trade creditors	10 556 311	4 698 839
Payments received in advance	1 096 345	4 161 307
Retentions	1 818 657	3 710 368
Staff leave	1 783 889	589 985
Other creditors	2 764 135	
Suspense Accounts	692 222	881 833
Total Creditors	<u>18 711 559</u>	<u>14 042 332</u>
Correction of Error - Accrued creditors (See Note 32)		-190 586
Total Creditors	<u>18 711 559</u>	<u>13 851 746</u>

The following suspense accounts exist on the General Ledger:

SUSPENCE VAT OUTPUT CONTROL LEVIES	647 790
OVER BANKING	1 833
COUNCILLORS ENTERTAINMENT CREDIT CARD	42 600

In terms of the exemptions granted in Gazette No. 30013 dated 29 June 2007 Creditors were accounted for at nominal value and no discounting was done.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS	2008	2007
	R	R
<u>Conditional Grants from other spheres of Government</u> (See note 15)		
MIG Grants	1 087 421	1 149 249
Disaster Management Fund	1 024 803	1 884 476
Gamagopa-Resettlement Grant		150 000
Integrated Municipal Monitoring Grant	34 554	72 915
Emergency Grant	55 601	55 601
DWAF Basic Sanitation	92 765	330 532
Councillor Development Training	8 837	8 837
Local Government Support Grant	1 315 220	1 666 504
Finance Management Grant	2 229 234	2 317 243
LED Learnership(seta)	68 663	-2 800
Paypoint (LED)	77 251	73 953
Clinic Sanitation DWAF	374 905	374 905
Drought Relief 2004		-12 020
Two Roomed Clinics	442 249	442 249
Premiers Support Grant	582 909	
Municipal System Improvement Grant (MSIG)	1 495 379	1 558 716
PMF		133 950
Conditions Grants and Receipts	8 889 791	10 204 310
Correction of Error - Premiers Support Grant (See Note 32)		540 413
Total Conditions Grants and Receipts	8 889 791	10 744 723

See Note 15 for reconciliation of grants from other spheres of Government.

7 VAT	2 008	2 007
	R	R
VAT receivable	4 015 537	2 114 994
Correction of Error - (See Note 32)		153 247
	4 015 537	2 268 241

VAT is payable on the payment basis. Only once payment is received and / or made from debtors VAT is paid over to SARS.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

8 PROPERTY, PLANT AND EQUIPMENT
30 June 2008

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Other Assets				Total Other Assets	Intangible Assets	Total
			Office Equipment	Furniture & Fittings	Motor Vehicles	Computer Equipment			
	R	R	R	R	R	R	R	R	
Carrying values at 1 July 2007	1 255 138	375 313 371	1 033 098	226 727	2 291 264	836 627	4 387 716	808 896	381 765 121
Cost	1 477 011	375 313 371	1 611 248	304 480	2 685 666	2 799 832	7 401 226		384 191 608
Correction of error (note 32)			-184 362			-684 300	-868 662	868 662	
Accumulated depreciation	-221 873		-393 788	-77 753	-394 402	-1 278 905	-2 144 848	-59 766	-2 426 487
- Cost	-221 873		-404 030	-77 753	-394 402	-1 328 429	-2 204 614		-2 426 487
Correction of error (note 32)			10 242			49 524	59 766	-59 766	
Acquisitions	266 058		40 401	449 668		801 001	1 291 070	113 860	1 670 988
Depreciation	-75 028		-394 004	-64 181	-464 676	-408 813	-1 331 675	-116 629	-1 523 333
- based on cost	-75 028		-394 004	-64 181	-464 676	-408 813	-1 331 675	-116 629	-1 523 333
Carrying value of disposals		375 313 371	78 592			20 503	99 094		375 412 465
Cost/evaluation		375 313 371	78 592		40 082	34 804	153 477		375 466 848
Accumulated depreciation					-40 082	-14 301	-54 383		-54 383
Carrying values at 30 June 2008	1 446 168		600 903	612 213	1 826 588	1 208 312	4 248 016	806 126	6 500 310
Cost	1 743 069		1 388 695	754 148	2 645 584	2 881 730	7 670 157	982 522	10 395 747
Accumulated depreciation	-296 901		-787 792	-141 934	-818 997	-1 673 417	-3 422 141	-176 395	3 895 437
- Cost	-296 901		-787 792	-141 934	-818 997	-1 673 417	-3 422 141	-176 395	-3 895 437

The District Municipality did not recognise any Intangible Assets in the previous financial year and in terms of the exemption granted in Gazette No. 30013 The Municipality has only recognised computer software as Intangible Assets in the 2007/08 financial year.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

8 PROPERTY, PLANT AND EQUIPMENT
30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Other Assets				Total Other Assets	Total
			Office Equipment	Furniture & Fittings	Motor Vehicles	Computer Equipment		
	R	R	R	R	R	R	R	
Carrying values at 1 July 2006	1 307 566	375 313 371	518 785	202 111	1 298 926	2 294 851	4 314 673	380 935 610
Cost	1 307 566	375 313 371	518 785	202 111	1 298 926	2 294 851	4 314 673	380 935 610
Acquisitions	169 445		1 315 257	102 369	1 634 238	504 981	3 556 845	3 726 290
Depreciation	-221 873		-404 030	-77 753	-613 582	-1 328 429	-2 423 794	-2 645 667
- based on cost	-221 873		-404 030	-77 753	-613 582	-1 328 429	-2 423 794	-2 645 667
Carrying value of disposals			222 794		28 318		251 112	251 112
Cost/evaluation			222 794		247 498		470 292	470 292
Accumulated depreciation					-219 180		-219 180	-219 180
Carrying values at 30 June 2007	1 255 138	375 313 371	1 207 218	226 727	2 291 264	1 471 403	5 196 612	381 765 121
Cost	1 477 011	375 313 371	1 611 248	304 480	2 685 666	2 799 832	7 401 226	384 191 608
Revaluation								
Accumulated depreciation	-221 873		-404 030	-77 753	-394 402	-1 328 429	-2 204 614	-2 426 487
- Cost	-221 873		-404 030	-77 753	-394 402	-1 328 429	-2 204 614	-2 426 487

Refer to Appendix B for more detail on property, plant and equipment.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
9 INVESTMENTS		
<u>Listed</u>		
<u>Unlisted</u>		
<u>Financial Instruments</u>		
Fixed Deposits	7 972 702	13 337 108
Total Financial Instruments	7 972 702	13 337 108
<u>Call Investment Deposits</u>		
Call Account Deposits	106 000 000	86 576 429
Correction of error (See Note 32)		-600
Total Call Investment Deposits	106 000 000	86 576 429
Total Investments	113 972 702	99 913 537

Fixed Deposits amounting to R12 000 000 have been set aside for the cash-backing of the Capital Replacement Reserve, as set out in note 1.
Surplus cash is invested until used for specific purposes.

	2008 R	2007 R
10 LONG -TERM RECEIVABLES		
Study Loans	71 684	73 734
Total Long -Term Recievables	71 684	73 734
Less: Provision for Bad Debt	71 684	
Total Long -Term Recievables	71 684	73 734

Study Loans

Study Loans were given to the children of employees on ad hoc basis before the existance of the M.F.M.A
Adequate provision for the write off of bad debt was made.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

11 ACCOUNTS RECEIVABLE (CONSUMER DEBTORS)	Gross Balances	Provision for Bad Debts	Net Balances
As at 30 June 2008			
Service debtors	1 901		1 901
Regional Service Levies	5 430 633	5 430 633	
Total	5 432 534	5 430 633	1 901
As at 30 June 2007			
Service debtors	2 597		2 597
Regional Service Levies	7 538 614	7 538 614	
Total	7 541 211	7 538 614	2 597
As at 30 June 2006			
Service debtors	2 600		2 600
Regional Service Levies	7 545 756	7 235 645	310 111
Total	7 548 356	7 235 645	312 711
Regional Services Levies and Debtors : Ageing	2007/2008	2006/2007	2005/2006
Current (0 – 30 days)	1 901	2 597	2 600
31 - 60 Days			
61 - 90 Days			359 257
91 - 120 Days			274 336
121 - 365 Days			247 575
+ 365 Days	5 430 633	7 538 614	6 664 588
Total	5 430 633	7 541 211	7 548 356
Summary of Debtors by Customer Classification		Industrial/ Commercial	National and Provincial Government
30th June 2008			
Current (0 – 30 days)		1 901	
31 - 60 Days			
61 - 90 Days			
91 - 120 Days			
121 - 365 Days			
+ 365 Days		5 430 633	
Sub-total		5 432 534	
Less: Provision for bad debts		-5 430 633	
Total debtors by customer classification		1 901	
Summary of Debtors by Customer Classification		Industrial/ Commercial	National and Provincial Government
30th June 2007			
Current		2 597	
31 - 60 Days		209 174	37 860
61 - 90 Days		167 331	24 783
91 - 120 Days		133 714	31 739
121 - 365 Days		5 164 212	1 769 801
+ 365 Days			
Sub-total		5 677 028	1 864 183
Less: Provision for bad debts		-5 674 431	-1 864 183
Total debtors by customer classification		2 597	

Debtors were disclosed at nominal value net of provision for bad debts and no discounting in terms of the exemptions granted in Gazette No. 30013 dated 29 June 2007 was done.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

12 OTHER DEBTORS	2008 R	2007 R
Suspense Accounts	124 059	972 346
Other Debtors	5 189 123	1 739 775
Total Other Debtors	5 313 182	2 712 121
Less: provision for bad debt	-4 626 714	-1 170 838
Total Other Debtors	686 468	1 541 283

An amount of R812 645 (Kanana Access Roads) was written off against the provision for bad debts. This represents 3,6% of the total operating income for the year. An amount of R442 244 (Central District Municipality) was written off against the provision for bad debts.

<u>Reconciliation of bad debt provision</u>	2008 R	2007 R
Balance beginning of year	1 170 838	
Contributions to provision	4 710 765	1 170 838
Bad debts written off against provision	1 254 889	
Balance at end of year	4 626 714	1 170 838

An amount of R812 645 (Kanana Access Roads) was written off against the provision for bad debts.
An amount of R442 244 (Central District Municipality) was written off against the provision for bad debts.

The following suspense accounts exist on the General Ledger:

INPUT VAT OPERATING - 100%	91 177
SALARY SUSPENSE CONTROL ACC	21 086
BANK ERROR	3 403
RECEIPT REVERSAL	7 752
CASHBOOK STALE ACCOUNT	640

DR KENNETH KAUNDA DISTRICT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
13 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts:		
Current Account (Primary Bank Account)		
ABSA Klerksdorp Account no 950 000 627		
Cash book balance at beginning of year – (overdrawn)	<u>-3 629 041</u>	<u>-651 653</u>
Cash book balance at end of year - (overdrawn)	<u>-1 821 832</u>	<u>-3 629 041</u>
Bank statement balance at beginning of year - (overdrawn)	<u>5 088 296</u>	<u>3 209 006</u>
Bank statement balance at end of year - (overdrawn)	<u>7 719 994</u>	<u>5 088 296</u>
Current Account (Local Government Support Grant)		
ABSA Klerksdorp Account no 405 643 8304		
Cash book balance at beginning of year – (overdrawn)	<u>2 120 940</u>	<u>2 923 348</u>
Cash book balance at end of year - (overdrawn)	<u>1 662 267</u>	<u>2 120 940</u>
Bank statement balance at beginning of year - (overdrawn)	<u>2 120 940</u>	<u>2 923 348</u>
Bank statement balance at end of year - (overdrawn)	<u>1 662 267</u>	<u>2 120 940</u>
Current Account (Premier's Support Grant)		
ABSA Klerksdorp Account no 950 000 244		
Cash book balance at beginning of year – (overdrawn)	<u>540 413</u>	<u>511 098</u>
Cash book balance at end of year - (overdrawn)	<u>582 909</u>	<u>540 413</u>
Bank statement balance at beginning of year - (overdrawn)	<u>540 413</u>	<u>511 098</u>
Bank statement balance at end of year - (overdrawn)	<u>582 909</u>	<u>540 413</u>
Petty Cash		
Balance at end of year	<u>3 150</u>	<u>3 150</u>
BANK, CASH AND OVERDRAFT BALANCES	426 494	-964 538

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

14 OTHER INCOME	2008	2007
	R	R
Other income	10 784 361	11 020 451
Total Other Income	10 784 361	11 020 451
15 GOVERNMENT GRANTS AND SUBSIDIES	2008	2007
	R	R
Equitable share	8 238 000	4 562 095
RSC Levies Replacement Grant	99 026 459	67 485 000
Conditions met - transferred to revenue	7 068 794	
Government Grant and Subsidies	114 333 253	72 047 095
Correction of error (See Note 32)		6 455 463
Total Government Grant and Subsidies	114 333 253	78 502 558
15.1 Equitable Share	2008	2007
	R	R
The Grant is unconditional and is utilised to fund operational and capital	8 238 000	4 562 095
	8 238 000	4 562 095
15.2 RSC Levy Replacement Grant	2008	2007
	R	R
The grant has replaced the RSC Levies that were collected by Districts and Metropolitan Municipalities. These municipalities receives the grant until National Treasury produce the tax instrument that meets conditions of a "fair" tax. The Grant is utilised to fund the operational and capital programmes.	99 026 459	67 485 000
	99 026 459	67 485 000
15.3 Municipal Infrastructure Grant	2008	2007
	R	R
Balance unspent at the beginning of the year	1 149 249	2 095 690
Conditions met - transferred to revenue	61 827	946 442
Conditions still to be met - transferred to liabilities	1 087 422	1 149 248
15.4 Disaster Management Grant	2008	2007
	R	R
Balance unspent at the beginning of the year	1 884 476	364 676
Current year receipts	1 000 000	1 725 000
Conditions met - transferred to revenue	1 859 673	205 200
Conditions still to be met - transferred to liabilities	1 024 803	1 884 476
15.5 DWAF Basic Sanitation	2008	2007
	R	R
Balance unspent at the beginning of the year	330 532	1 250 037
Conditions met - transferred to revenue	237 767	919 506
Conditions still to be met - transferred to liabilities	92 765	330 531
15.6 Local Government Support Grant	2008	2007
	R	R
Balance unspent at the beginning of the year	1 666 504	2 576 301
Current year receipt	138 670	153 481

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Conditions met - transferred to revenue	489 954	1 063 278
Conditions still to be met - transferred to liabilities	<u>1 315 220</u>	<u>1 666 504</u>
15.7 Financial Management Grant	2008	2007
	R	R
Balance unspent at the beginning of the year	2 317 242	3 050 523
Current year receipt	500 000	1 000 000
Conditions met - transferred to revenue	588 008	1 733 280
Conditions still to be met - transferred to liabilities	<u>2 229 234</u>	<u>2 317 243</u>
15.8 LED Learnership SETA	2008	2007
	R	R
Balance unspent at the beginning of the year	-2 800	89 700
Current year receipt	71 463	85 467
Conditions met - transferred to revenue		177 967
Conditions still to be met - transferred to debtors	<u>68 663</u>	<u>-2 800</u>
15.9 Paypoints Social Services	2008	2007
	R	R
Balance unspent at the beginning of the year	73 953	216 879
Current year receipt	114 288	
Conditions met - transferred to revenue	110 990	142 926
Conditions still to be met - transferred to liabilities	<u>77 251</u>	<u>73 953</u>
15.10 DWAF Clinic Sanitation	2008	2007
	R	R
Balance unspent at the beginning of the year	374 905	384 648
Conditions met - transferred to revenue		9 743
Conditions still to be met - transferred to liabilities	<u>374 905</u>	<u>374 905</u>
15.11 Drought Relief	2008	2007
	R	R
Balance unspent at the beginning of the year	-12 021	-498 036
Current year receipt	46 948	
Conditions met - transferred to revenue	34 927	510 057
Conditions still to be met - transferred to debtors		<u>-12 021</u>
15.12 Two-Roomed Clinic	2008	2007
	R	R
Balance unspent at the beginning of the year	442 249	365 999
Current year receipt		150 000
Conditions met - transferred to revenue		73 750
Conditions still to be met - transferred to liabilities	<u>442 249</u>	<u>442 249</u>
15.13 Municipal Systems Improvement Grant (MSIG)	2008	2007
	R	R
Balance unspent at the beginning of the year	1 558 716	1 105 403
Current year receipt	1 000 000	1 034 292

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Conditions met - transferred to revenue	1 063 337	580 979
Conditions still to be met - transferred to liabilities	<u>1 495 379</u>	<u>1 558 716</u>
15.14 Integrated Municipal Monitoring Information Systems (IMMIS)	2008 R	2007 R
Balance unspent at the beginning of the year	72 915	72 915
Conditions met - transferred to revenue	38 361	
Conditions still to be met - transferred to liabilities	<u>34 554</u>	<u>72 915</u>
15.15 Mogopa Resettlement Grant	2008 R	2007 R
Balance unspent at the beginning of the year	150 000	92 336
Current year receipt		150 000
Conditions met - transferred to revenue	150 000	92 336
Conditions still to be met - transferred to liabilities		<u>150 000</u>
15.16 Emergency Services	2008 R	2007 R
Balance unspent at the beginning of the year	55 601	55 601
Conditions still to be met - transferred to liabilities	<u>55 601</u>	<u>55 601</u>
15.17 Councillor Development Training (DBSA)	2008 R	2007 R
Balance unspent at the beginning of the year	8 837	8 837
Conditions still to be met - transferred to liabilities	<u>8 837</u>	<u>8 837</u>
15.18 Municipal Performance Management Systems	2008 R	2007 R
Balance unspent at the beginning of the year	133 950	
Current year receipt		133 950
Conditions met - transferred to revenue	133 950	
Conditions still to be met - transferred to liabilities		<u>133 950</u>
15.19 Premier's Support Grant	2008 R	2007 R
Balance unspent at the beginning of the year	540 413	511 098
Current year receipt	42 496	29 315
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	<u>582 909</u>	<u>540 413</u>
15.20 Health Subsidy	2008 R	2007 R
Balance unspent at the beginning of the year		
Current year receipt	2 300 000	
Conditions met - transferred to revenue	2 300 000	
Conditions still to be met - transferred to liabilities		
Total Unspent Conditional Grants- See Note 6	<u>8 889 792</u>	<u>10 744 721</u>

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

16 EMPLOYEE RELATED COSTS	2008 R	2007 R
Employee related costs - Salaries and Wages	25 791 213	10 846 898
Employee related costs - Contributions for UIF, pensions and medical aids	3 926 148	1 866 426
Travel, motor car, accommodation, subsistence and other allowances	3 124 397	1 833 759
Housing benefits and allowances	233 420	97 073
Overtime payments	137 674	149 269
Performance bonus	327 064	126 403
Payments on behalf of Environmental Health Services		8 031 369
Total Employee Related Costs	33 539 916	22 951 197

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

<i>Remuneration of the Municipal Manager</i>	2008 R	2007 R
Annual Remuneration	597 040	490 484
Performance Bonuses		50 000
Car Allowance	182 400	187 095
Contributions to UIF, Medical and Pension Funds	72 000	24 109
Total	851 440	751 688

<i>Remuneration of the Chief Finance Officer</i>	2008 R	2007 R
Annual Remuneration	520 817	406 223
Performance Bonuses	60 088	
Car Allowance	108 000	125 172
Contributions to UIF, Medical and Pension Funds	38 830	123 889
Total	727 735	655 284

<i>Remuneration of Manager Corporate Services</i>	2008 R	2007 R
Annual Remuneration	500 262	387 395
Performance Bonuses	60 088	
Car Allowance	125 146	144 000
Medical and pension funds	42 239	123 889
Total	727 735	655 284

<i>Remuneration of Manager Technical Services</i>	2008 R	2007 R
Annual Remuneration	377 974	387 395
Performance Bonuses	60 088	
Car Allowance	162 000	144 000
Medical and pension funds	127 673	123 889
Total	727 735	655 284

<i>Remuneration of Manager Local Economic Development</i>	2008 R	2007 R
Annual Remuneration	513 072	264 086
Performance Bonuses	34 800	
Car Allowance	84 000	84 000
Medical and pension funds		5 914

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Total	631 872	354 000
<i>Remuneration of Manager Public Safety</i>		
	2008	2007
	R	R
Annual Remuneration	485 145	
Car Allowance	100 220	
	<u>585 365</u>	
<i>Remuneration of Manager Environmental Health</i>		
	2008	2007
	R	R
Annual Remuneration	478 000	
Car Allowance	72 000	
	<u>550 000</u>	
17 REMUNERATION OF COUNCILLORS	2008	2007
	R	R
Executive Mayor	495 142	420 208
Single Whip	378 302	273 005
Speaker	402 563	337 270
Mayoral Committee Members	2 310 960	1 791 136
Councillors	1 231 562	1 974 328
Councillors' pension contribution	495 011	462 642
Total Councillors' Remuneration	<u>5 313 540</u>	<u>5 258 589</u>

In-kind Benefits

The Executive Mayor, Single Whip, Speaker and Mayoral Committee are secretarial support at municipal council cost. The Members of Mayoral share the secretarial cost provided by municipal council. The Executive Mayor has use of a municipal council vehicle for official duties.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
18 INTEREST PAID		
Long-term liabilities		8 762 088
Total Interest on External Borrowings		8 762 088

19 BULK PURCHASES

In view of the fact that the District Municipality does not render consumer services, no bulk purchases are made

	2008 R	2007 R
20 GRANTS AND SUBSIDIES PAID		
20.1 City of Matlosana		
Jouberton/Alabama Disaster		1 000 000
Community and Social Services		994 651
Mayoral Roads	704 189	2 532 301
Road Maintenance		1 736 235
Buckle and Phuduhudu Roads Developments	153 048	4 059 605
Solid Waste Handling		7 265 147
CCTV Cameras	7 809 402	8 127 020
Environment Youth Services (Cleaning Campaign)	3 000 000	3 000 000
2010 World Cup Legacy	2 000 000	2 000 000
Special project desk	643 252	
Wesvaal Agricultural projects	585 000	
10ML Reservoir hartebeesfontein/Tigane	4 826 152	
Solid Waste Handling	5 471 192	
Total	25 192 234	30 714 959

	2008 R	2007 R
20.2 City Council of Tlokwe		
Big Street, Sarafina Road development		2 412 287
Branding	500 000	
Lukhele Road Paving		301 409
Mayoral projects	5 000 000	
Rysmierbult Clinic	566 770	
Special project desk	197 576	
Waste Recovery and Buy Back Centre		500 000
Growth and Development strategies	260 000	
Drikus Malan Bridge	386 723	
Total	6 911 068	3 213 696

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
20.3 Merafong City Local Municipality		
Emergency services	8 322 305	
Growth and Development strategies	65 000	
Cleaning Campaign	5 745 730	5 000 000
Telephone and Additional Services	24 757	
Paupers funeral	6 401	
Special project desk	52 999	
Total	14 217 191	5 000 000
20.4 Ventersdorp Local Municipality		
Administration Charges	5 655	
Cemeteries Development	1 425 713	
Electricity Upgrade	1 750 000	
Fencing Rural Cemeteries	97 858	
Formalization of rural settlement	582 214	
Growth and Development strategies	65 000	
High Mast Lights	584 351	
Mayoral projects	1 000 000	
Refilwe Agricultural Support Centre		511 045
Rural Areas Water Network	170 091	
Telephone and Additional Services	2 005	
Special project desk	38 590	
Total	5 721 477	511 045
Maquassi Hills Local Municipality		
Electricity Upgrade	512 117	
Growth and Development strategies	130 000	
Solid Waste Facility		2 000 000
Special project desk	98 211	
Water Management and Loss Control		1 054 660
Lebaleng Storm Water	581 694	
Waste Water Treatment Plant (WwTP)		598 320
Development of Cemeteries	800 019	450 016
Water Management Awareness Campaign	161 876	87 547
Total	2 283 918	4 190 543

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

20.5 Southern District Municipality	2008 R	2007 R
New roads		300 000
Growth and Development Strategy		1 217 728
Merit bursary community	479 288	
Merit bursary employees	124 916	
Wesvaal Agriculture Council		500 000
Outward Youth Bound		1 000 000
Special Project Desk		523 663
Disaster Management Planning	311 404	
Special Discretionary on Merit	700 807	
Promotion and Marketing DED	191 085	
SODA	1 000 000	
District Expo	45 400	
SMME Workshop/Summit	39 597	
Traditional Food/Cultural festival	195 516	
Tourism Products Training	16 549	
Identify/Preservation of Tourism Site	992 751	
Tourism Information Centre	30 000	
2010 Development Plan	608 141	
Local/International Games	479 172	
Agricultural Summit/Strategy	534 735	
Food Production Household Levels	100 455	
Woman/Youth Agri Skills Development	65 318	
Business development Centre	3 694	
Disaster Management Awareness	140 828	
Disaster Management Relief	35 889	
Disaster Management Advisory Forum	13 750	
Emergency Funding Major Incident	9 669	
SAFA Vodacom	1 100 000	
Southern Development Agency		797 540
Communication Unit	590 450	598 537
Sport, Arts and Culture	539 057	190 401
Promotion and Marketing	19 943	1 057 073
Strategic Planning		192 395
Grants & Subsidies conditional grants	2 472 617	
Integrated Development Plan (IDP)	217 266	321 091
Executive Mayor's Fund		494 580
Uninterrupted power supply	109 039	
Total	11 167 335	7 193 008
Grants and Subsidies	65 493 224	50 823 251
Correction of error (see note32)		6 455 463
Total Grants and Subsidies Paid	65 493 224	57 278 714

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

21 GENERAL EXPENSES	2008 R	2007 R
Total	21 377 492	6 614 724
Included in general expenses is the following		
Entertainment expenses	492 106	215 202
Insurance	217 428	294 872
Legal fees	107 837	578 857
Office rentals	601 060	641 181
Telephone	531 830	473 742
Subsistence and traveling	672 497	228 600
22 CASH GENERATED BY OPERATIONS	2008 R	2007 R
Surplus for the year	6 362 409	-9 695 680
<u>Adjustment for:-</u>		
Depreciation	1 523 333	2 613 287
Gain on disposal of property, plant and equipment	-16 000	-180 053
Contribution to provisions – current	112 000	
Contribution to bad debt provision	2 674 469	1 473 807
Investment income	-15 313 815	-10 084 863
Interest paid		8 762 088
Changes due to Grap implementation		-2 919 670
Operating surplus before working capital changes:	-4 657 604	-10 031 084
(Increase)/decrease in debtors	2 108 677	12 248 042
(Increase)/decrease in other debtors	-3 273 987	-149 321
(Decrease)/increase in conditional grants and receipts	-1 854 932	-2 597 976
Increase/(Decrease) in creditors	4 859 814	-598 341
Increase/(Decrease) in VAT	1 747 296	641 507
Cash generated by/(utilised in) operations	-1 070 736	-487 173
23 CASH AND CASH EQUIVALENTS	2008 R	2007 R
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
Bank balances and cash	426 494	3 150
Bank overdraft		1 508 101
Cash and cash equivalents	426 494	-1 504 951
Correction of error (See Note 32)		540 413
Total Government Grant and Subsidies	426 494	-964 538
24 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION	2008 R	2007 R
Long-term liabilities (see Note 2)		59 371 570
Used to finance property, plant and equipment – at cost		69 287 324
Sub- total		-9 915 754
Cash set aside for the repayment of long-term liabilities		9 915 754
Cash invested for repayment of long-term liabilities		-9 915 754

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

25 MOVEMENTS IN FUNDS AND RESERVES
CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP/GRAP

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

	2008	2007
	R	R
25.1 Statutory Funds		
Balance previously reported: -		
Capital Development Fund		15 803 907
Bursary Fund		1 200
Total		15 805 107
	2008	2007
	R	R
Implementation of GAMAPGRAP		
Transferred to the Capital Replacement Reserve		15 803 907
Transferred to Bursary Reserves		1 200
Total		15 805 107
25.2 Loans Redeemed and Other Capital Receipts		
Balance previously reported	2008	2007
Implementation of GAMAP/GRAP	R	R
Grants and subsidies		17 583 262
Loans redeemed and advances repaid		7 561 738
Contributions from operating income		181 697 220
		206 842 220
Transferred to Government Grant Reserve		17 583 262
Transferred to Accumulated Surplus/(Deficit) (see 25.4 below)		189 258 958
Total		206 842 220
25.3 Provisions and Reserves	2008	2007
Balance previously reported	R	R
		112 920 612
Total		112 920 612
Implementation of GAMAP/GRAP		
Transfer to capitalization Reserve		112 920 612
Transferred to Accumulated Surplus/(Deficit) (see 25.4 below)		112 920 612
		112 920 612
25.4 Accumulated Surplus/(Deficit)	2008	2007
Implementation of GAMAP/GRAP	R	R
Adjustments to Assets		-301 386
Transferred from Loans Redeemed and Other Capital Receipts (see 25.2 above)		189 258 958
Backlog depreciation		-1 020 432
Total		187 937 140

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

26 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2008 R	2007 R
26.1 Contributions to organized local government		
Council subscriptions	84 673	66 355
Amount paid - current year	-84 972	-66 355
Balance unpaid (included in creditors)	-----	-----
Correction of Error of comparative figures 2006/7 shown as R84,673 now corrected to R66,355		
26.2 Audit fees	2008 R	2007 R
Current year audit fee	1 153 802	742 762
Amount paid - current year	-1 139 748	-819 139
Amount paid - previous years		-76 377
Balance unpaid (included in creditors)	14 054	-----
26.3 PAYE and UIF	2008 R	2007 R
Current year payroll deductions	4 519 609	2 940 593
Amount paid - current year	-4 519 609	-2 940 593
Amount paid - previous years		
Balance unpaid (included in creditors)	-----	-----
Correction of Error of comparative figures 2006/7 shown as R5,161,29 now corrected to R2,940,593		
26.4 Pension and Medical Aid Deductions	2008 R	2007 R
Opening balance		
Current year payroll deductions and Council Contributions	5 426 220	3 579 058
Amount paid - current year	-5 426 220	-3 579 058
Amount paid - previous years		
Balance unpaid (included in creditors)	-----	-----
Correction of Error of comparative figures 2006/7 shown as R1,743,832 now corrected to R3,579,058		

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

27 CAPITAL COMMITMENTS	2008	2007
	R	R
Commitments in respect of capital expenditure:	19 960 000	2 470 294
- Approved and contracted for		
<i>Infrastructure</i>	18 100 000	
<i>Community</i>	1 860 000	2 470 294
- Approved but not yet contracted for		
<i>Infrastructure</i>	6 050 000	
	6 050 000	
Total	26 010 000	2 470 294
 This expenditure will be financed from:		
- Own resources	21 810 000	2 470 294
- Contributions Local Councils	4 200 000	
	<u>26 010 000</u>	<u>2 470 294</u>

28 CONTINGENT LIABILITIES

29 Water Services Authorities - transfer of assets & liabilities

The Government Gazette No. 24228 of 3 January 2003 was promulgated by the Minister responsible for Provincial and Local Government. In this Gazette the municipalities of Tlokwe, Matlosana, Maquassi Hills and Ventersdorp were made Water Services Authorities (WSA). In terms of this Gazette the relevant Category B Municipalities are responsible for the assets and liabilities relating to the bulk water and sanitation services. All relevant external loans and assets are now transferred to the Category B Municipalities.

Since the MEC of Local Government in the North West Province has not yet made a determination regarding these transfers as required by section 7 of the aforementioned proclamation, although several times requested in writing by the Dr Kenneth Kaunda District Municipality, as well as the fact that the municipality continuously receives negative audit opinion of which the bulk relates to assets and liabilities that have not been transferred, the council of the mentioned municipality has resolved on 31 January 2008 per ITEM A.01/01/2008 that: "the Municipal Council authorizes the Executive Mayor and Municipal Manager to engage the Department on the determination that is long overdue for transfers as assets, liabilities, rights, obligations, rewards, etc."

The four municipalities have to reflect the external loans in their financial records and have to transfer the capital charges paid on the loans by the district municipality as indicated.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		Value of External Loan	Carrying value of PPE
		R	R
Jouberton Sewerage Upgrade	DBSA Loan No 9743	1 953 539	3 191 331
Kanana Water Pump Station	DBSA Loan No 9740	919 535	1 677 895
Khuma Upgrade Main water supply	DBSA Loan No. 9741	951 122	1 735 532
Tigane Sewerage Scheme	DBSA Loan No. 9746	2 063 339	3 194 345
Jouberton Upgrade Sewerage Scheme	DBSA Loan No 10556	10 338 841	13 360 746
Leeudoringstad Sewerage Upgrade	DBSA Loan No 10263	1 399 097	1 994 122
Ventersdorp Water Reservoir	DBSA Loan No.10559	1 058 673	1 392 000
Orkney 20 ML Res & Pump Station	DBSA Loan No 10913	4 877 398	5 780 000
Potchefstroom Main Sewer	DBSA Loan No 10908	644 842	751 473
Orkney Sewerage Pump Station	DBSA Loan No 10912	6 337 218	7 477 000
Potchefstroom 10ML Reservoir	DBSA Loan No 10909	4 939 340	5 457 695
Potchefstroom Waste Water Treatment	DBSA Loan No 13708	17 494 213	18 364 118
Klerksdorp Water Pump Mains	DBSA Loan No 10906	4 279 141	4 911 067
Total External Loans and Assets transferred to WSA		57 256 297	69 287 325

Debtors were created for Tlokwe, Ventersdorp and Maquassi Hills. In the event that the three Water Services Authorities fail to honour the repayments on the external loans, due to their existing financial constraints, the Dr Kenneth Kaunda District Municipality will have to settle the debt.

No debtor was created for Matlosana. This municipality has settled all their debt at the district municipality and the loan agreements, developed in the name of Matlosana has already been signed.

Refer to Appendix A and A1 for detail

30 Transfer of liabilities to Bophirima District Municipality

2008
R

2007
R

Following the altered jurisdiction area of the Dr Kenneth Kaunda District Municipality, in terms of Provincial Notice 322 of 2000 (Provincial Gazette 5574 dated 29 September 2000) liabilities were transferred to the Bophirima District Municipality and removed from the accounting records of the Dr Kenneth Kaunda District Municipality. The current amount due to the Development Bank of Southern Africa amounts to R33,760,193 as on 30 June 2008

Since the MEC of Local Government in the North West Province has not yet made a determination regarding these transfers as required by section 7 of the aforementioned proclamation, although several times requested in writing by the Dr Kenneth Kaunda District Municipality, as well as the fact that the municipality continuously receives negative audit opinion of which the bulk relates to assets and liabilities that have not been transferred, the council of the mentioned municipality has resolved on 31 January 2008 per ITEM A.01/01/2008 that: "the Municipal Council authorizes the Executive Mayor and Municipal Manager to engage the Department on the determination that is long overdue for transfers as assets, liabilities, rights, obligations, rewards, etc."

DR KENNETH KAUNDA DISTRICT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

31 RETIREMENT BENEFIT INFORMATION

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- 35 Municipal Employees Gratification Fund
- 35 Municipal Employees Pension fund
- 35 National Fund for Municipal Workers
- 35 SAMWU National Provident Fund
- 36 Councillors Pension Fund
- 36 Local Government Pension Fund

32 CORRECTION OF ERROR

During the year the following adjustments were made to transactions whereby amounts were erroneously stated in previous financial periods: The comparative amounts have been restated as follows:

Corrections affecting the Statement of Changes in Net Assets: Accum.

Levies 2006/07	12 240 897
Levies 2007/08	3 955 141
Total levies	16 195 438

Investment Incorrect Balance 2005/2006	-600
Net effect on surplus/deficit for the year 2005/6	-600

Investments

Balance previously reported for 2005/2006	95 000 600
Correction	-600
Restated balance	95 000 000

Transactions affecting Government Grants and Subsidies - Received and paid - Revenue and expenditure was understated in 2006/07 - conditions met not recognised

Corrections affecting Government Grants and Subsidies, Statement of Financial Performance

Conditions met - recognition as revenue - MIG Grant	-946 442
Conditions met - recognition as revenue - Mogopa Grant	-92 336
Conditions met - recognition as revenue - MSIG Grant	-580 978
Conditions met - recognition as revenue - Two roomed clinic Grant	-73 750
Conditions met - recognition as revenue - Disaster Management Grant	-205 200
Conditions met - recognition as revenue - IMMIS Grant	-919 506
Conditions met - recognition as revenue - Local Government Support Grant	-1 063 278
Conditions met - recognition as revenue - Finance Management Grant	-1 733 280
Conditions met - recognition as revenue - LED Learnership SETA Grant	-177 967
Conditions met - recognition as revenue - Paypoints Social Services Grant	-142 926
Conditions met - recognition as revenue - DWAF Clinic Sanitation Grant	-9 743
Conditions met - recognition as revenue - Drought Relief Grant	-510 056
Restated balance	-6 455 462

DR KENNETH KAUNDA DISTRICT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Transactions affecting Grants and subsidies received - 2006/07 financial year	
Balance as per 2006/07 AFS	
Corrections affecting Grants and Subsidies expenditure, Statement of Financial Performance	6 455 462
Restated balance	<u>6 455 462</u>
Net Effect on Accumulated Surplus	<u><u> </u></u>

Transactions affecting Investments - opening balance for 2005/6 was captured in-correctly.	
Opening Balance - 2005/2006 financial year	95 000 600
Corrections affecting the Investments, Statement of Financial Position	-600
Restated Balance 1 July 2006	<u>95 000 000</u>

Transactions affecting Creditors-creditors were incorrectly provided for 06/07 financial year	
Balance per AFS: 06/07 :	-2 540 151
Corrections affecting the Statement of Changes in Net Assets: Accum. Surplus:	343 834
VAT correction affecting Statement of Financial Position:	-153 247
Restated Balance for Creditors Accrued : 06/07	<u>-2 349 564</u>

Transactions affecting VAT receivable 06/07 financial year	
VAT receivable - Balance AFS 06/07	2 114 994
Transaction affecting VAT Receivable, Statement of Financial Position	153 247
Restated balance	<u>2 268 241</u>

Transactions affecting Non-Current Assets - Property, Plant and Equipment	
<u>Corrections affecting the Statement of Changes in Net Assets: Accum. Surplus:</u>	
Depreciation	32 380
Depreciation calculated incorrectly in 2006/7 financial year.	<u> </u>

Transactions affecting bank balances. (The bank balance was understated with balance on Premiers Support Account	
Corrections affecting the Bank Balance, Statement of Financial Position	540 413
Corrections affecting creditors, Statement of Financial Position	-540 413
Net Effect on Accumulated Surplus	<u><u> </u></u>

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

33 EXEMPTIONS GRANTED IN GAZETTE NO. 30013 DATED 29 JUNE 2007

Dr Kenneth Kaunda District Municipality is making full use of the exemptions granted. Deviations from the exemptions were agreed with National Treasury.

Due to taking advantage of the exemptions granted the 2006/07 comparatives may not be consistent with the accounting policies applied and the information presented and disclosed in the 2007/08 year.

The Dr Kenneth Kaunda District Municipality prepared a detailed implementation plan to facilitate full compliance with the accounting standards. In terms of Gazette No. 30013 dated 29 June 2007 the detailed implementation plan was submitted to National Treasury by 31 October 2007 and the revised one before 31 March 2008

To achieve full compliance with the accounting standards the information in the Annual Financial Statements will need to be adjusted to make provision for:

PPE : Review of useful life of items of PPE recognized in the annual financial statements Review of depreciation method applied to PPE recognized in the annual financial statements Impairment of non-cash-generating assets Impairment of cash-generating assets	GRAP 17
Inventories: The entire standard to the extent that it relates to water stock that was not purchased by the municipality	GAMAP 12
Investment Property: The entire standard to the extent that the property is accounted for in terms of GAMAP 17 Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognized the investment property in terms of the standard	IAS 40/AC 135
Segmental Reporting : Entire standard	IAS 14 AC 115
Revenue : Initial measurement of fair value discounting all future receipts using an imputed rate of interest.	GAMAP 9
Financial Instruments : Recognition and measurement - Initially measuring financial assets and financial liabilities at fair value.	IAS 39/AC 133
Non-current assets held for sale and discontinued operations	IFRS 5/AC142
Financial Instruments : Disclosures - Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998. Annual periods beginning on or after 1 January 2007. Supersedes IAS 30 and the disclosure requirements of IAS 32	IFRS 7/AC 144
Financial Instruments : Operating segments - Entire standard. Superseded by IFRS 8 (effective in 2009)	IFRS 8/AC 145
Leases : Recognising operating lease payments/receipts on straight line basis	IAS 17/AC105
Accounting for Government Grants and disclosure of Government Assistance	IAS 20
Accounting policies, Changes in accounting estimates and errors	GRAP 3
Employee Benefits : Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information.	IAS 19/AC116
Construction Contracts : Entire Standard	IAS 11
Business Combinations : Entire Standard	IFRS 3
Intangible assets, equipment and website costs	IAS 38/AC129

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

34 EVENTS AFTER THE REPORTING DATE	2008 R	2007 R
No event effecting 2007/2008 Financial Year were reported or brought to the attention of the management.		
35 OPERATING LEASES COMMITMENTS	2008 R	2007 R
Smoothed operating lease commitments		
<u>Due in the next 12 months</u>		
Copiers	419 037	457 131
PABX		41 998
	419 037	499 129
<u>Due in the following 4 years</u>		
<u>Due after 4 years</u>		
PABX	80 419	13 403
	80 419	13 403
Total	499 456	512 532

36 COMPARISSON WITH THE BUDGET
The comparisson of the municipality's actual financial performance with the budgeted is reflected in Annexure E1 and E2

37 DIVIDENDS RECEIVED

The municipality has the following SANLAM Shares:

Share Certificate No.U0063368811
Number of Shares as at 30 June 2008
Dividends received: 1 July 2007 till 30 June 2008
Number of Shares as at 30 June 2008

Dividend to the amount of R449.19 was declared on 07/06/2008 but not received

38 UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE	2008 R	2007 R
Unauthorized expenditure		
Detail of unauthorized expenditure awaiting condonement		
Provisions for bad debt	2 674 469	
Depreciation	1 113 390	
Bank Charges	51 644	
Office Rentals	7 245	
Telephone	45 117	
Contributions to leave provisions	1 193 903	
Total unauthorized expenditure awaiting condonement	5 085 768	

39 INVESTMENT IN ASSOCIATE

There was no investments in associate during this financial year

40 RELATED PARTY TRANSACTIONS

There was no related party transactions during this financial year

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
APPENDIX A - SCHEDULE OF EXTERNAL LOANS

External Loans	Loan Number	Redeemable	Balance at 30/6/07	Received during the period	Redeemed written off during the period	Balance at 30/6/08	Carrying Value of Property, Plant & Equip
Long-term Loans			R	R	R	R	R
Jouberton Sewerage Upgrade	9743	2015/03/31	2 138 289.46	210 060.19	394 811.13	1 953 538.52	3 191 330.96
Kanana Water Pump station	9740	2014/03/31	1 026 667.66	100 414.06	207 546.28	919 535.44	1 677 895.08
Khuma Upgrade Main water Supply	9741	2014/03/31	1 061 934.50	103 863.38	214 675.67	951 122.21	1 735 532.11
Tigane Sewerage Scheme	9746	2015/09/30	2 240 520.35	220 497.62	397 679.38	2 063 338.59	3 194 345.12
Jouberton/Klerksdorp Upg Sewerage Plant	10556	2018/03/31	10 763 327.27	1 604 805.03	2 029 291.40	10 338 840.90	13 360 746.00
Leeudoringstad Sewerage Upgrade	10263	2016/09/30	1 499 368.03	147 998.25	248 269.73	1 399 096.55	1 994 122.49
Ventersdorp Water Reservoir	10559	2017/09/30	1 115 813.58	132 690.32	189 830.43	1 058 673.47	1 392 000.00
Orkney 20 mil Res & Pump Station	10913	2019/09/30	5 026 254.11	763 701.55	912 557.98	4 877 397.68	5 780 000.00
Potchefstroom Main Sewer	10908	2019/09/30	664 522.77	100 969.27	120 649.60	644 842.44	751 473.49
Orkney Sewerage works Pump Station	10912	2019/09/30	6 530 627.94	992 279.83	1 185 689.48	6 337 218.29	7 477 000.00
Potchefstroom 10 mil Reservoir	10909	2020/09/30	5 063 240.80	780 375.35	904 276.51	4 939 339.64	5 457 695.49
Potchefstroom Waste Water Treatment	13708	2022/03/31	17 831 265.09	2 751 896.27	3 088 948.40	17 494 212.96	18 364 117.88
Klerksdorp Waterpump Mains	10906	2019/09/30	4 409 738.51	670 026.58	800 624.46	4 279 140.63	4 911 066.57
Total long-term loans			59 371 570.07	8 579 577.70	10 694 850.45	57 256 297.32	69 287 325
TOTAL EXTERNAL LOANS			59 371 570.07	8 579 577.70	10 694 850.45	57 256 297.32	69 287 325

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
APPENDIX A1 - SCHEDULE OF EXTERNAL LOANS TRANSFERRED TO WSA

External Loans	Loan Number	Redeemable	Original value of loan	Balance at 30/6/08	Balance transferred to WSA 30/6/08	Carrying Value of Property, Plant & Equip	Accrued Interest 30/6/08
			R	R	R	R	R
Long-term Loans							
Jouberton Sewerage Upgrade	9743	2015/03/31	3 191 330.96	1 953 538.52	1 953 538.52	3 191 330.96	48 704.66
Kanana Water Pump station	9740	2014/03/31	1 677 895.08	919 535.44	919 535.44	1 677 895.08	22 925.41
Khuma Upgrade Main water Supply	9741	2014/03/31	1 735 532.11	951 122.21	951 122.21	1 735 532.11	23 712.90
Tigane Sewerage Scheme	9746	2015/09/30	3 194 345.12	2 063 338.59	2 063 338.59	3 194 345.12	51 442.15
Jouberton/Klerksdorp Upg Sewerage Plant	10556	2018/03/31	13 360 746.00	10 338 840.90	10 338 840.90	13 360 746.00	386 644.32
Leeudoringstad Sewerage Upgrade	10263	2016/09/30	1 994 122.49	1 399 096.55	1 399 096.55	1 994 122.49	34 881.58
Ventersdorp Water Reservoir	10559	2017/09/30	1 392 000.00	1 058 673.47	1 058 673.47	1 392 000.00	31 673.19
Orkney 20 ML Res & Pump Station	10913	2019/09/30	5 780 000.00	4 877 397.68	4 877 397.68	5 780 000.00	185 441.34
Potchefstroom Main Sewer	10908	2019/09/30	751 473.49	644 842.44	644 842.44	751 473.49	24 517.25
Orkney Sewerage Works Pump Station	10912	2019/09/30	7 477 000.00	6 337 218.29	6 337 218.29	7 477 000.00	240 944.52
Potchefstroom 10 ML Reservoir	10909	2020/09/30	5 457 695.49	4 939 339.64	4 939 339.64	5 457 695.49	190 259.31
Potchefstroom Waste Water Treatment	13708	2022/03/31	18 364 117.88	17 494 212.96	17 494 212.96	18 364 117.88	673 862.70
Klerksdorp Waterpump Mains	10906	2019/09/30	4 911 066.57	4 279 140.63	4 279 140.63	4 911 066.57	162 695.26
Total long term loans transferred			69 287 325.19	57 256 297.32	57 256 297.32	69 287 325.19	2 077 705

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
APPENDIX B - ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

Category	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings	R	R	R	R	R	R	R	R	R
Land									
Buildings	1 477 011	266 058		1 743 069	221 873	75 028		296 901	1 446 168
	1 477 011	266 058		1 743 069	221 873	75 028		296 901	1 446 168
Infrastructure									
Sewerage Mains & Purif	245 834 345		245 834 345						
Water Mains and Purification	72 329 101		72 329 101						
Reservoirs – Water	40 445 880		40 445 880						
Water meters	598 481		598 481						
Water Mains	16 105 564		16 105 564						
	375 313 371		375 313 371						
Total carried forward	376 790 382	266 058	375 313 371	1 743 069	221 873	75 028		296 901	1 446 168

* Includes correction of error referred to in Note 32.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
APPENDIX B - ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Total brought forward	376 790 382	266 058	375 313 371	1 743 069	221 873	75 028		296 901	1 446 168
Other Assets									
Office Equipment	1 426 886	40 401	78 592	1 388 695	393 788	394 004		787 792	600 903
Furniture & Fittings	304 480	449 668		754 148	77 753	64 182		141 935	612 213
Motor vehicles	2 685 666		40 082	2 645 584	394 402	464 676	40 082	818 996	1 826 588
Computer equipment	2 115 532	801 001	34 804	2 881 729	1 278 905	408 813	14 301	1 673 418	1 208 312
	6 532 564	1 291 070	153 477	7 670 156	2 144 848	1 331 676	54 383	3 422 141	4 248 016
Total Property Plant & Equipment	383 322 946	1 557 128	375 466 848	9 413 225	2 366 721	1 406 704	54 383	3 719 042	5 694 183
Intangible Assets	868 662	113 860		982 522	59 766	116 628		176 395	806 126
TOTAL	384 191 608	1 670 988	375 466 848	10 395 747	2 426 487	1 523 332	54 383	3 895 437	6 500 310

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
APPENDIX C - SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost				Accumulated Depreciation				Carrying
	Opening	Additions	Disposals	Closing	Opening	Additions	Disposals	Closing	Value
	Balance			Balance	Balance			Balance	
	R	R	R	R	R	R	R	R	R
Executive & Council	476 138	308 577		784 716	102 424	161 953		264 377	520 339
District Economic Development		94 978		94 978	0	8 770		8 770	86 208
Corporate Services	23 787	98 396		122 184	2 877	15 336		18 213	103 971
Financial Services	538 716	67 566		606 282	538 716	8 725		547 441	58 841
Planning & Development	376 704 603	183 313	-375 391 963	1 495 953	268 074	438 574		706 648	789 306
Municipal Manager	6 213 012	197 428	-74 885	6 335 554	1 493 687	823 580	-54 383	2 262 884	4 072 670
Environmental Health Services		253 630		253 630		5 144		5 144	248 487
Public Safety	235 351	467 099		702 450	20 709	61 253		81 962	620 488
TOTAL	384 191 608	1 670 988	-375 466 848	10 395 747	2 426 487	1 523 333	-54 383	3 895 437	6 500 310

DR K ENNETH KAUNDA DISTRICT MUNICIPALITY
APPENDIX D - SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

2006/2007 Actual Income	2006/2007 Actual Expenditure	2006/2007 Surplus/ (Deficit)		2007/2008 Actual Income	2007/2008 Actual Expenditure	2007/2008 Surplus/ (Deficit)
R	R	R		R	R	R
	15 813 379	-15 813 379	Executive & Council		11 976 724	-11 976 724
180 053	33 852 714	-33 672 661	Municipal Manager		20 842 657	-20 842 657
	6 228 862	-6 228 862	Corporate Services		7 020 018	-7 020 018
105 432 038	15 552 502	89 879 536	Financial services	138 209 529	26 148 117	112 061 412
	31 652 397	-31 652 397	Planning & Development	16 000	36 393 850	-36 377 850
			District Economic Development		9 398 546	-9 398 546
			Environmental Health Services	2 300 000	12 423 207	-10 123 207
			Public Safety		9 960 000	-9 960 000
105 612 091	103 099 854	2 512 237	Total	140 525 529	134 163 120	6 362 409
		-12 207 917	Correction of Error (See Note 32)			
		-9 695 680	Surplus/Deficit for the year			6 362 409

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
APPENDIX E(1) - ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

COMPONENT	2008 Actual	2008 Budget	2008 Variance	2008 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Regional Services Levies - turnover		5 914 053	-5 914 053	-100	Abolishment of RSC Levy. Actual transfered to Acc surplus
Regional Services Levies - remuneration		2 268 023	-2 268 023	-100	Abolishment of RSC Levy. Actual transferred to Acc surplus
Rental of facilities and equipment	39 100	34 320	4 780	14	Increased rental during financial year
Interest earned - external investments	14 239 493	4 330 000	9 909 493	229	Higher investment rates during 2008 year
Interest earned - outstanding debtors	1 074 322	50 000	1 024 322	2 049	More interest on debt collected
Penalty (Contracts)	39 000		39 000	100	Vote for fines not budgeted for 2007/2008 financial year
Government grants and subsidies	114 333 253	116 589 000	-2 255 747	-2	Disaster Management influence decrease
Other income	10 784 361	13 600	10 770 761	797	Due to payments received from local councils - DBSA loans
Gains on disposal of property, plant and equipment	16 000		16 000	100	Vehicles sold during the year
Transfer from funds		16 665 074	-16 665 074	-100	No allocations to Income from reserves
Total Revenue	140 525 529	145 864 070	-5 338 541		
EXPENDITURE					
Employee related costs	33 539 916	34 302 495	762 579	2	MISS Manager post not filled
Remuneration of councillors	5 313 540	6 068 779	755 239	12	Provided for a 90% increase which was 7.5%
Bad debt	2 674 469		-2 674 469	-100	Provisions made for adequate bad debt provision
Depreciation	1 523 333	409 943	-1 113 390	-272	Backlog depreciation accounted for
Repairs and maintenance	291 229	586 353	295 124	50	No mayor repairs as per previous financial year
Contracted Services	2 735 511	4 556 216	1 820 705	40	Savings
Grants and subsidies paid	65 493 224	78 625 673	13 132 449	17	The influence of roll-over projects
General expenses - other	21 377 492	14 676 081	-6 701 411	-46	Expenditure more than budgeted for
Loss on disposal of property, plant and equipment	20 503	31 530	11 027	35	
Contribution to Leave Reserve	1 193 903		-1 193 903	-100	Not budgeted for but to bring in line with actual leave days
Total Expenditure	134 163 120	139 257 070	5 093 950		
NET SURPLUS/(DEFICIT) FOR THE YEAR	6 362 409	6 607 000	-10 432 491		

Negative budget variance is shown in brackets

DR K ENNETH KAUNDA DISTRICT MUNICIPALITY
APPENDIX E(2) - ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

	2007/2008 Actual	2007/2008 Total Additions	2007/2008 Budget	2007/2008 Variance	2007/2008 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	%	
Land and buildings						
Land			3 000 000	3 000 000	100	Not proceed with the buying of land
Buildings	266 058	266 058	500 000	233 942	47	Renovations Disater Management Centre
Other assets						
Office Equipment	40 401	40 401	599 000	558 599	93	Replacement of Office equipment
Furniture & Fittings	449 668	449 668	523 000	73 332	14	Increase in staff
Computer equipment	801 001	801 001	260 000	-541 001	-208	Funds of Office Equipment use to buy computers
Power Generating			1 500 000	1 500 000	100	Generator not bought in 2007/8
Health Equipment (Pest Control)			75 000	75 000	100	Funds not used
Intangible Assets	113 860	113 860	150 000	36 140	24	Expenditure less than budgeted for
TOTAL	1 670 988	1 670 988	6 607 000	4 936 012	75	

Negative budget variance is shown in brackets

DR KENNETH KAUNDA DISTRICT MUNICIPALITY
APPENDIX F - DISCLOSURE OF GRANTS AND SUBSIDIES RECEIVED IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

Description	Name of organ of state or municipal entity	Quarterly receipts					Quarterly expenditure				
		Sep	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total
		R	R	R	R	R	R	R	R	R	R
Equitable Share	DPLG	2 746 000	2 746 000	2 746 000		8 238 000	2 746 000	2 746 000	2 746 000		8 238 000
Finance Management Grant	NT	500 000				500 000	142 403	339 010	31 550	600 046	1 113 009
Municipal Systems Improvement Grant	DPLG	500 000	500 000			1 000 000	1 000 000				1 000 000
RSC Levies Replacement Grant	NT	33 008 820	23 570 115	41 947 524	500 000	99 026 459	33 008 820	23 570 115	41 947 525	500 000	99 026 460
MIG Grants	DPLG								61 827		61 827
Disaster Management	Provincial Grant	1 000 000				1 000 000	469 919	464 918	464 918	464 918	1 864 673
Health Subsidy	Provincial Grant	2 300 000				2 300 000				2 300 000	2 300 000
		40 054 820	26 816 115	44 693 524	500 000	112 064 459	37 367 142	27 120 043	45 251 820	3 864 964	113 603 969

The grants were spent as follows: (excluding Equitable Share)

All conditional grants were spent for allocated purposes as per Division of Revenue Act (Bill)