Dr Kenneth Kaunda District Municipality
Financial statements
for the year ended 30 June 2014
Published 31 August 2014

General Information

Legal form of entity	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act, No.117 of 1998
Mayoral committee	
Executive Mayor	BE Moloi
Councillors	M Zephe (Speaker)
	OM Mogale (Financial Services)
	WM Matinyane (Corporate Services)
	K Ndincede (Health and Social Services)
	NM Koloti (District Economic Development)
	MI Martins (Infrastructure Development)
	MF Dlamini (Public Works and Transport)
	MM Mataboge (Sports, Arts and Culture)
	TK Lehloo (Rural Development Special Projects)
Part - Time Councillors	
	TB Mpukwana
	T Hart
	CJ Coetzer
	IM Groenewald
	JD Froneman
	SJ Lesie
	NM Maseko
	MA Thelejarne
	NG Malete
	D Montoedi
	MM Bontsi
	GJ Muller
	EM Postma
	GA Ramphele
	KS Seakane
	MA Taoleng
	FI Tagaree
	DL Davel
Directly Elected Councillors	
	SB Mokgothu
	SP Terblanche (past away)
	NW Mjekula
	PM Seduku
	KL van Zyl
	NG Adoons
	SPJ Bogatsu
	SS Nkatlo
Chief Finance Officer (CFO)	J Mononella
Accounting Officer	MI Matthews

General Information

Registered office	Civic Centre Patmore Road ORKNEY 2620
Business address	Civic Centre Patmore Road ORKNEY 2620
Postal address	Private Bag X5017 KLERKSDORP 2570
Bankers	ABSA Bank Ltd
Auditors	Auditor General of South Africa Chartered Accountants (S.A.) Registered Auditors
Published	31 August 2014
Jurisdiction	Dr Kenneth Kaunda District Municipality includes the following areas: Ventersdorp Municipality Tlokwe Municipality Matlosana Municipality Maquassi Hills Municipality
Relevant legislation	Municipal Finance Management Act No. 56 of 2003 Division of Revenue Act The Income Tax Act of South Africa Value Added Tax Act of South Africa Municipal Structures Act No. 117 of 1998 Municipal Systems Act No. 32 of 2000 Municipal Planning and Performance Management Regulations Water Services Act No.108 of 1997 Housing Act No. 107 of 1997 Municipal Property Rates Act No.6 of 2004 Electricity Act No. 41 of 1987 Skills Development Levies Act No. 9 of 1999 Employment Equity Act No. 55 of 1998 Unemployment Insurance Act No. 55 of 1966 Basic Conditions of Employment Act No. 75 of 1997 Supply Chain Management Regulations, 2005 SALGA Collective Agreements SALBC Leave Regulations
Grading of Municipal Council	Grade 4: Determination of Upper Limits Grade 10: Bargaining Council

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The reports and statements set out below comprise the financial statements presented to the Provincial Legislature:

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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
IMFO	Institute of Municipal Finance 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)

Published

31 August 2014

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 responsible for reporting on the fair presentation of the financial statements.

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

The accounting officer acknowledges that he 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 loss 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on Government Grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Municipal Manager has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The financial statements set out on pages 6 to 98, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on its behalf by:

MI Matthews
Municipal Manager

28 August 2014

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

The municipality is engaged in service delivery and operates principally in South Africa.

The operating results for the year were satisfactory. The financial position of the municipality is stable.

Net deficit of the municipality was R 12 750 677 (2013: deficit R 42 776 639).

2. Going concern

We draw attention to the fact that at 30 June 2014, the municipality's total assets exceeds its liabilities by R 137 042 263.

The 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.

The municipality is wholly dependent on Government Grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

3. Subsequent events

The council took a resolution on 01 August 2014, per item No. A136/04/2014, that an amount of R30 million will be commited towards the Big Break Legacy Programme.

The R30 million will be expend in equal amounts of R10 million per annum, for the 2014/15, 2015/16 and 2016/17 financial years. The payment of commited amounts are subject to performance reviews on the impact of the program initiatives from the previous financial years.

4. Accounting policies

The financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

GRAP 25, Employee Benefits are effective for reporting periods beginning on or after 01 April 2013. The effectiveness of the new standard of GRAP, resulted in a change in accounting policy, refer to note 3.1.1 to the financial statements.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
MI Matthews	South African

6. Interest in subsidiaries

Dr Kenneth Kaunda District Economic Agency	100% Shareholding	-

Details of the municipality's investment in subsidiaries are set out in note 4.

7. Auditors

Auditor General of South Africa will continue in office for the next financial period.

8. Non compliance with applicable legislation

Instances of non - compliance with laws and regulations and deviations from prescribed regulations have been identified and disclosed in notes 49; 50 and 53 to the financial statements.

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Receivables from non-exchange transactions	9	871 797	36 518
Receivables from exchange transactions	10	743 152	935 652
VAT receivable	11	6 120 105	2 223 472
Cash and cash equivalents	12	149 590 143	177 314 789
		157 325 197	**180 510 431**
Non-Current Assets			
Property, plant and equipment	2	14 199 519	12 298 795
Intangible assets	3	1 290 457	205 296
Investments in assosiates	4	120	120
Investments	5	59 899	5 144 621
Receivables from non-exchange transactions	7	-	-
		15 549 995	**17 648 832**
Non-current assets held for sale		-	94 000
Less: Disposals		-	(94 000)
Net: Non -current assets held for sale		**-**	**-**
Non-Current Assets		15 549 995	17 648 832
Current Assets		157 325 197	180 510 431
Total Assets		**172 875 192**	**198 159 263**
Liabilities			
Current Liabilities			
Finance lease obligation	14	-	118 548
Payables from exchange transactions	18	26 400 624	38 426 010
Payables from non-exchange transactions	19	839	13 486
Unspent conditional grants and receipts	15	4 060 466	4 148 316
Post retirement medical aid benefit	8&16	154 000	135 768
Long services defined benefit plan - Current portion	16&17	209 000	250 616
		30 824 929	**43 092 744**
Non-Current Liabilities			
Post retirement medical aid benefit	8	2 449 000	3 618 032
Long services defined benefit plan	17	2 559 000	1 655 551
		5 008 000	**5 273 583**
Non-Current Liabilities		5 008 000	5 273 583
Current Liabilities		30 824 929	43 092 744
Total Liabilities		**35 832 929**	**48 366 327**
Assets		172 875 192	198 159 263
Liabilities		(35 832 929)	(48 366 327)
Net Assets		**137 042 263**	**149 792 936**
Net Assets			
Accumulated surplus		137 042 263	149 792 936
Total Net Assets		**137 042 263**	**149 792 936**

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Revenue from exchange transactions			
Other income	24	282 223	347 259
Interest received - investment	29	9 950 481	10 751 734
Gains on disposal of assets		-	20 885
Dividends received	29	1 649	1 775
Total revenue from exchange transactions		**10 234 353**	**11 121 653**
Revenue from non-exchange transactions			
Government grants & subsidies	22	158 340 884	159 395 450
Public contributions and donations		46 000	30 310
Gains on actuarial valuations		702 071	297 783
Other income	24	-	76 446
Total revenue from non-exchange transactions		**159 088 955**	**159 799 989**
		10 234 353	11 121 653
		159 088 955	159 799 989
Total revenue	21	**169 323 308**	**170 921 642**
Expenditure			
Personnel	26	(55 157 845)	(49 276 786)
Remuneration of councilors	27	(7 595 989)	(7 347 680)
Depreciation and amortisation	31	(2 443 330)	(2 663 558)
Impairment loss Property, Plant and Equipment	32	(54 110)	(367 795)
Finance costs	33	(921 319)	(1 064 111)
Debt impairment	28	(590 929)	-
Repairs and maintenance		(572 192)	(902 095)
Contracted services		(2 291 390)	(1 853 895)
Grants and subsidies paid	36	(84 379 881)	(119 974 071)
Contributions to Leave Reserve		(929 729)	(602 936)
Loss on disposal of assets	36	-	(21 533)
General Expenses	25	(27 152 549)	(29 633 764)
Total expenditure		**(182 089 263)**	**(213 708 224)**
		-	-
Total revenue		169 323 308	170 921 642
Total expenditure		(182 089 263)	(213 708 224)
Operating deficit		**(12 765 955)**	**(42 786 582)**
Fair value adjustments	30	15 278	9 943
Fair value adjustment		**15 278**	**9 943**
Deficit for the year		**(12 750 677)**	**(42 776 639)**

Dr Kenneth Kaunda District Municipality
Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand				Accumulated Surplus / (Deficit)
Opening balance as previously reported				R 192 723 074
Adjustments				
Prior year adjustments (Note 42)	-	-	-	(153 503)
Balance at 01 July 2012 as restated*				**192 569 571**
Changes in net assets				
Surplus (Deficit) for the year Restated (Note 42)				(42 776 635)
Balance at 01 July 2013 Restated				**149 792 936**
Changes in net assets				
Surplus (Deficit) for the year				(12 750 673)
Total changes				
Balance at 30 June 2014				**137 042 263**

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Goverment grants and subsidies		158 253 033	160 806 927
Interest income		9 950 481	10 751 734
Dividends received		1 649	1 775
Other receipts		1 030 294	1 606 825
		169 235 457	173 167 261
Payments			
Employee costs		(54 517 083)	(48 924 927)
Remuneration of councillors		(7 595 989)	(7 347 680)
Suppliers		(40 538 985)	(18 787 258)
Finance costs		(921 318)	(1 064 111)
Other payments		(92 884 837)	(121 164 643)
		(196 458 212)	(197 288 619)
Total receipts		169 235 457	173 167 261
Total payments		(196 458 212)	(197 288 619)
Net cash flows from operating activities	37	**(27 222 755)**	**(24 121 358)**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(4 286 673)	(2 773 454)
Proceeds from sale of property, plant and equipment	2	-	146 391
Purchase of other intangible assets	3	(1 196 670)	(173 008)
(Increase)/Decrease in non - current investments		5 100 000	(5 100 000)
Net cash flows from investing activities		**(383 343)**	**(7 900 071)**
Cash flows from financing activities			
Finance lease payments		(118 548)	(166 725)
Net increase/(decrease) in cash and cash equivalents		**(27 724 646)**	**(32 188 154)**
Cash and cash equivalents at the beginning of the year		177 314 789	209 502 943
Cash and cash equivalents at the end of the year	12	**149 590 143**	**177 314 789**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	540 000	-	**540 000**	282 223	**(257 777)**	Over budget
Interest received - investment	12 600 000	(2 900 000)	**9 700 000**	9 712 898	**12 898**	
Dividends received	-	-	**-**	1 649	**1 649**	
Total revenue from exchange transactions	**13 140 000**	**(2 900 000)**	**10 240 000**	**9 996 770**	**(243 230)**	
Revenue from non-exchange transactions						
Grant revenue						
Government grants & subsidies	158 772 000	-	**158 772 000**	158 248 708	**(523 292)**	Less received than budgeted for
Transfer revenue						
Public contributions and donations	300 000	-	**300 000**	46 000	**(254 000)**	Over budgeted
Total revenue from non-exchange transactions	**159 072 000**	**-**	**159 072 000**	**158 294 708**	**(777 292)**	
Total revenue from exchange transactions	13 140 000	(2 900 000)	**10 240 000**	9 996 770	**(243 230)**	
Total revenue from non-exchange transactions	159 072 000	-	**159 072 000**	158 294 708	**(777 292)**	
Total revenue	**172 212 000**	**(2 900 000)**	**169 312 000**	**168 291 478**	**(1 020 522)**	
Expenditure						
Personnel	(78 747 730)	2 140 000	**(76 607 730)**	(55 446 812)	**21 160 918**	Due to vacancies during first half of the year
Remuneration of councillors	(10 351 313)	-	**(10 351 313)**	(7 595 989)	**2 755 324**	
Depreciation and amortisation	(3 398 566)	-	**(3 398 566)**	(2 443 330)	**955 236**	
Impairment loss/ Reversal of impairments	(54 110)	-	**(54 110)**	(54 110)	**-**	
Finance costs	-	-	**-**	(921 319)	**(921 319)**	Due to discounting of creditors
Repairs and maintenance	(2 093 357)	(410 000)	**(2 503 357)**	(644 070)	**1 859 287**	Over budgeting
Contracted Services	(4 164 810)	(74 000)	**(4 238 810)**	(2 579 230)	**1 659 580**	Over budgeting
Grants and subsidies paid	(147 207 795)	10 152 455	**(137 055 340)**	(99 655 448)	**37 399 892**	
Contributions to leave reserve	-	-	**-**	(929 729)	**(929 729)**	
General Expenses	(42 506 283)	(2 523 112)	**(45 029 395)**	(30 563 384)	**14 466 011**	Over budgeting
Total expenditure	**(288 523 964)**	**9 285 343**	**(279 238 621)**	**(200 833 421)**	**78 405 200**	
Deficit for the year	**(116 311 964)**	**6 385 343**	**(109 926 621)**	**(32 541 943)**	**77 384 678**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(116 311 964)**	**6 385 343**	**(109 926 621)**	**(32 541 943)**	**77 384 678**	
Reconciliation						
Basis Difference						
Movement in trade receivables and payables 201314				15 028 191		
Movement in VAT account 201314				4 017 927		
Movement in unspend conditional grants 201314				92 176		
Movement in employee benefit provisions 201314				991 040		
Accrued interest recognised 201314				237 583		
Other non-cash items				(590 929)		
Fair value adjustments on investment 201314				15 278		
Surplus/(Deficit) per Statement of Financial Performance				**(12 750 677)**		

Capital expenditure	**Approved Budget**	**Adjustments**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**	**Reference**
Total capital expenditure	14 094 250	8 056 754	22 151 004	5 483 325	(16 667 679)	-
Total capital expenditure	14 094 250	8 056 754	22 151 004	5 483 325	(16 667 679)	-

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Investments	146 000 000	(2 530 888)	**143 469 112**	149 590 143	**6 121 031**	
Receivables from non-exchange transactions	1 500 000	-	**1 500 000**	871 797	**(628 203)**	
Receivables from exchange transactions	-	-	**-**	743 152	**743 152**	
VAT receivable	-	-	**-**	6 120 105	**6 120 105**	
	147 500 000	**(2 530 888)**	**144 969 112**	**157 325 197**	**12 356 085**	
Non-Current Assets						
Property, plant and equipment	47 815 876	-	**47 815 876**	14 199 519	**(33 616 357)**	
Intangible assets	794 000	-	**794 000**	1 290 457	**496 457**	
Investments in assosiates	-	-	**-**	120	**120**	
Investments	-	-	**-**	59 899	**59 899**	
	48 609 876	**-**	**48 609 876**	**15 549 995**	**(33 059 881)**	
Non-Current Assets	147 500 000	(2 530 888)	**144 969 112**	157 325 197	**12 356 085**	
Current Assets	48 609 876	-	**48 609 876**	15 549 995	**(33 059 881)**	
Non-current assets held for sale (and) (assets of disposal groups)	-	-	**-**	-	**-**	
Total Assets	**196 109 876**	**(2 530 888)**	**193 578 988**	**172 875 192**	**(20 703 796)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	4 700 000	-	**4 700 000**	26 400 624	**21 700 624**	
Taxes and transfers payable (non-exchange)	-	-	**-**	839	**839**	
Post retirement medical aid benefit	-	-	**-**	154 000	**154 000**	
Unspent conditional grants and receipts	-	-	**-**	4 060 466	**4 060 467**	
Long services defined benefit plan - Current portion	-	-	**-**	209 000	**209 000**	
	4 700 000	**-**	**4 700 000**	**30 824 929**	**26 124 930**	
Non-Current Liabilities						
Post retirement medical aid benefit	-	-	**-**	2 449 000	**2 449 000**	
Long services defined benefit plan	-	-	**-**	2 559 000	**2 559 000**	
	-	**-**	**-**	**5 008 000**	**5 008 000**	
	4 700 000	-	**4 700 000**	30 824 929	**26 124 930**	
	-	-	**-**	5 008 000	**5 008 000**	
	-	-	**-**	-	**-**	
Total Liabilities	**4 700 000**	**-**	**4 700 000**	**35 832 929**	**31 132 930**	
Assets	196 109 876	(2 530 888)	**193 578 988**	172 875 192	**(20 703 796)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Liabilities	(4 700 000)	-	**(4 700 000)**	(35 832 929)	**(31 132 930)**	
Net Assets	**191 409 876**	**(2 530 888)**	**188 878 988**	**137 042 263**	**(51 836 726)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Capital replacement reserve	14 378 250	-	**14 378 250**	9 718 732	**(4 659 518)**	
Government grant reserve	-	-	**-**	984 481	**984 481**	
Accumulated surplus	174 500 738	-	**174 500 738**	126 339 049	**(48 161 689)**	
Total Net Assets	**191 409 876**	**(2 530 888)**	**188 878 988**	**137 042 263**	**(51 836 726)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Government grants and subsidies	161 272 000	-	**161 272 000**	158 253 033	**(3 018 967)**	
Interest income	12 600 000	(2 900 000)	**9 700 000**	9 950 481	**250 481**	
Dividends received	-	-	**-**	1 649	**1 649**	
Other receipts	840 000	-	**840 000**	1 030 294	**190 294**	
	174 712 000	**(2 900 000)**	**171 812 000**	**169 235 457**	**(2 576 543)**	
Payments						
Employee costs	-	-	**-**	(54 517 083)	**(54 517 083)**	
Suppliers	137 739 496	(867 112)	**136 872 384**	(40 538 985)	**96 333 399**	
Remuneration of Councillors	-	-	**-**	(7 595 989)	**(7 595 989)**	
Finance costs	-	-	**-**	(921 318)	**(921 318)**	
Other payments	(147 207 795)	(2 202 455)	**(149 410 250)**	(92 884 837)	**56 525 413**	
	(9 468 299)	**(3 069 567)**	**(12 537 866)**	**(196 458 212)**	**89 824 422**	
Total receipts	174 712 000	(2 900 000)	**171 812 000**	169 235 457	**(2 576 543)**	
Total payments	(9 468 299)	(3 069 567)	**(12 537 866)**	(196 458 212)	**89 824 422**	
Net cash flows from operating activities	**165 243 701**	**(5 969 567)**	**159 274 134**	**(27 222 755)**	**87 247 879**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(14 094 250)	(8 056 754)	**(22 151 004)**	(4 286 673)	**17 864 331**	
Purchase of other intangible assets	-	-	**-**	(1 196 670)	**(1 196 670)**	
Movement in Non - Current investments	-	-	**-**	5 100 000	**5 100 000**	
Net cash flows from investing activities	**(14 094 250)**	**(8 056 754)**	**(22 151 004)**	**(383 343)**	**21 767 661**	
Cash flows from financing activities						
Finance costs	-	-	**-**	(118 548)	**(118 548)**	
Net increase/(decrease) in cash and cash equivalents	151 149 451	(14 026 321)	**137 123 130**	(27 724 646)	**108 896 992**	
Cash and cash equivalents at the beginning of the year	221 000 000	-	**221 000 000**	177 314 789	**(43 685 211)**	
Cash and cash equivalents at the end of the year	**372 149 451**	**(14 026 321)**	**358 123 130**	**149 590 143**	**65 211 781**	
Reconciliation						

Appropriation Statement

Figures in Rand

	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
2014											
Financial Performance											
Investment revenue	12 600 000	(2 900 000)	9 700 000	-		9 700 000	9 952 130		252 130	103 %	79 %
Government grants & public contributions	158 772 000	-	158 772 000	-		158 772 000	158 386 884		(385 116)	100 %	100 %
Other revenue	840 000	-	840 000	-		840 000	282 223		(557 777)	34 %	34 %
Other non-cash transfer revenue	-	-	-	-		-	717 349		717 349	- %	- %
Total revenue (excluding capital transfers and contributions)	**172 212 000**	**(2 900 000)**	**169 312 000**	**-**		**169 312 000**	**169 338 586**		**26 586**	**100 %**	**98 %**
Employee costs	(78 747 730)	2 140 000	(76 607 730)	-	-	(76 607 730)	(55 157 845)	-	21 449 885	72 %	70 %
Remuneration of councillors	(10 351 313)	-	(10 351 313)	-	-	(10 351 313)	(7 595 989)	-	2 755 324	73 %	73 %
Debt impairment	-	-	-			-	(590 929)	-	(590 929)	- %	- %
Depreciation and asset impairment	(3 452 676)	-	(3 452 676)			(3 452 676)	(2 497 440)	-	955 236	72 %	72 %
Finance charges	-	-	-	-	-	-	(921 319)	-	(921 319)	- %	- %
Repairs and maintenance	(2 093 357)	(410 000)	(2 503 357)	-	-	(2 503 357)	(572 192)	-	1 931 165	23 %	27 %
Contracted services	(4 164 810)	(74 000)	(4 238 810)	-	-	(4 238 810)	(2 291 390)	-	1 947 420	54 %	55 %
Grants and subsidies paid	(147 207 795)	10 152 455	(137 055 340)	-	-	(137 055 340)	(84 379 881)	-	52 675 459	62 %	57 %
General expenditure	(42 506 283)	(2 523 112)	(45 029 395)	-	-	(45 029 395)	(27 152 549)	-	17 876 846	60 %	64 %
Contribution to leave reserve	-	-	-	-	-	-	(929 729)	-	(929 729)	- %	- %
Total expenditure	**(288 523 964)**	**9 285 343**	**(279 238 621)**	**-**	**-**	**(279 238 621)**	**(182 089 263)**	**-**	**97 149 358**	**65 %**	**63 %**
Actual amounts as presented in the appropriation statement	**(116 311 964)**	**6 385 343**	**(109 926 621)**	**-**		**(109 926 621)**	**(12 750 677)**		**97 175 944**	**12 %**	**11 %**

Appropriation Statement

Figures in Rand

	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
Reconcialiation: Budget loss according the appropriation account .	**(116 311 964)**	**6 385 343**	**(109 926 621)**	**-**		**(109 926 621)**	**(12 750 677)**		**97 175 944**	**12 %**	**11 %**
Non GRAP transfers: Transfer from (to) accumulated surplus'	116 311 964	(6 385 343)	109 926 621	-		109 926 621	12 750 677		(97 175 944)	(12)%	(11)%
Capital expenditure											
Total capital expenditure	14 094 250	8 056 754	22 151 004	-		22 151 004	4 568 648		(17 582 356)	21 %	32 %

Appropriation Statement

Figures in Rand

	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
Cash flows											
Net cash flows from operating activities	165 243 701	(5 969 567)	159 274 134	-		159 274 134	(27 222 755)		(186 496 889)	(17)%	(16)%
Net cash flows from investing activities	(14 094 250)	(8 056 754)	(22 151 004)	-		(22 151 004)	(383 343)		21 767 661	2 %	3 %
Net cash from financing activities	-	-	-	-		-	(118 548)		(118 548)	- %	- %
Net increase/(decrease) in cash and cash equivalents	**151 149 451**	**(14 026 321)**	**137 123 130**	**-**		**137 123 130**	**(27 724 646)**		**(164 847 776)**	**(20)%**	**(18)%**
Cash and cash equivalents at the beginning of the year	221 000 000	-	221 000 000	-		221 000 000	177 314 789		(43 685 211)	80 %	80 %
Net increase / (decrease) in cash and cash equivalents	151 149 451	(14 026 321)	137 123 130	-	-	137 123 130	(27 724 646)	-	164 847 776	(20)%	(18)%
Cash and cash equivalents at the beginning of the year	221 000 000	-	221 000 000	-	-	221 000 000	177 314 789	-	43 685 211	80 %	80 %
Cash and cash equivalents at year end	**372 149 451**	**(14 026 321)**	**358 123 130**	**-**		**358 123 130**	**149 590 143**		**208 532 987**	**42 %**	**40 %**

Accounting Policies

1.1. Basis of Presentation of Annual Financial Statements

The 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 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.

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

These accounting policies are consistent with the previous period, except for the changes set out in note 3.1.1 Changes in accounting policy.

1.1 Presentation currency

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

1.2 Going concern assumption

These 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.

2.1.1 Critical judgements, estimation and assumptions

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality’s Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

Revenue Recognition

Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 2.4.1 on Financial Assets Classification and on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP104: Financial Instruments.

Usefull life of Property, Plant and Equipment,Intangible assets

Accounting Policies

. Critical judgements, estimation and assumptions (continued)

As described in Accounting Policies 2.2.1 and 2.2.2.1 the municipality depreciates / amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Impairment of financial assets

Accounting Policy 2.4.1 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.
The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Impairment: Write down of Property, Plant and Equipment, and Intangible assets

Accounting Policy 2.2.1 on PPE - Impairment of assets and Accounting Policy 2.2.2.1 on Intangible assets - Subsequent Measurement, Amortisation and Impairment describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing to the lowest of Cost and Net Realisable Values (NRV).
In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets involves significant judgment by management.

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 16 - Provisions.

Defined benefit plan liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19.

Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities. Additional information is disclosed in Note 8.

Effective interest rate

The municipality used the prime interest rate plus 1% to discount future cash flows.

Allowance for doubtful debts

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

2.1 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.

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.

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

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

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

Item	**Average useful life**
Buildings	30 Years
Furniture and fixtures	7-10 Years
Motor vehicles	4-7 Years
Office equipment	3-7 Years
IT equipment	3-5 Years

2.1 Property, plant and equipment (continued)

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.

2.2 Intangible assets

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

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.

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.

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

Computer software	3 years

2.2 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 is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

2.4.1 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

2.4.1. Financial instruments (continued)

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

2.4.1. Financial instruments (continued)

Classification

Financial assets
A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.
Financial assets measured at fair value are financial assets that meet either of the following conditions:
(a) derivatives;
(b) combined instruments that are designated at fair value
(c) instruments held for trading.
(d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
(e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.
The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits - Call	Financial asset measured at amortised cost
Bank Balances and Cash	Financial asset measured at amortised cost
Long-term Receivables	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
VAT Receivables	Financial asset measured at amortised cost
Long-term Investment Deposits - Non - Current	Financial asset measured at amortised cost
Investments in listed shares	Financial asset measured at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of six 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, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

Financial liabilities
A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.
There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured at:
(i) Financial liabilities measured ar fair value or
(ii) Financial liabilities measured at amortised cost
(iii) Financial liabilities measured at cost
The entity has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Finance lease obligations	Financial liability measured at amortised cost
Operating lease obligations	Financial liability measured at amortised cost
Unspent Conditional Grants	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Post retirement medical aid benefits	Financial liability measured at amortised cost
Long Service Awards	Financial liability measured at amortised cost

Accounting Policies

2.4.1. Financial instruments (continued)

Bank overdraft	Financial liability measured at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)
Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.
The Municipality has the following types of residual interests as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

Financial assets
Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.
Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs.

Financial liabilities measured at fair value
Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost
Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.
Prepayments are carried at cost less any accumulated impairment losses.

2.4.1. Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

Financial asset at amortised cost are subsequently, are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.
Financial Assets measured at fair value are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.
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, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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 of financial assets

Accounting Policies

2.4.1. Financial instruments (continued)

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets measured at amortised cost:

Accounts receivables encompassess long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current. Financial assets measured at cost.
A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.
Government accounts are not provided for as such accounts are regarded as receivable.
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of 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 shall not be reversed.

Derecognition

Financial assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability. Derecognises financial assets using trade date accounting.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.
The municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

2.4.1. Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

2.5.1 Leases

Lease Classification: 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.

Accounting Policies

2.5.1. Leases (continued)

The Municipality as lessee

Finance leases: Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. 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.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality’s incremental borrowing rate.

Operating leases- lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability .

2.5.2.1 Non-current assets held for sale

Initial measurement: Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Subsequent measurement: Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.
The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

2.5.2.1.1 Impairment of non-cash-generating assets

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

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

Accounting Policies

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

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.

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the non - cash-generating unit to which the asset belongs is determined.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss..”

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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.

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

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.

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.

2.6.1 Employee benefits

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

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

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

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

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

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

Accounting Policies

2.6.1. Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

2.6.1. Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

2.6.1. Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

The entity determine 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 financial statements do not differ materially from the amounts that would be determined at the reporting date.

Accounting Policies

2.6.1. Employee benefits (continued)

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

Accounting Policies

2.6.1. Employee benefits (continued)

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) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is 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.

2.7.1 Provisions, Contingent liabilities and Assets

Provisions are recognised when:

- the municipality has a present or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation
The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision.
Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Accounting Policies

2.7.1. Provisions, Contingent liabilities and Assets (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

2.8.1 Revenue from exchange transactions

General

Revenue, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been met:
- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividends

The substance of the relevant agreement, where applicable. Dividends received on Sanlam shares

Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:
- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

2.8.2.1 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

Accounting Policies

2.8.2.1. Revenue from non-exchange transactions (continued)

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Public conrtibutions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferror has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions existServices in-kind are not recognised.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferror has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

2.9.1 Investment income

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

Accounting Policies

2.10.1 Comparative information

Current year comparatives
Budgeted amounts have, in accordance with GRAP 1, been provided to these financial statements and forms part of the Annual Financial Statements.

Prior year comparatives
When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

Budget information
The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

2.11.1 Unauthorised expenditure

Unauthorised 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 (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

2.11.2 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

2.11.3 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), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

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

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

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

Accounting Policies

2.11.3. Irregular expenditure (continued)

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

2.12.1 Use of Estimates

The preparation of financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Accounting Policies

2.14.1 Accumulated surplus

Included in the accumulated surplus are the following reserves:

Capital replacement reserve (CRR)

In order to finance the future provision of infrastructure and other items of property, plant and equipment from internal sources amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a Council resolution. The cash allocated to the CRR can only be utilised to finance items of property, plant and equipment. The following provisions are set for the creation and utilisation of the CRR:

"• The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
• Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance.
• The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
• The CRR is reduced and the accumulated surplus/(deficit) credited with corresponding amounts when the funds are utilised.
• The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects.
• The Council determines the annual contribution to the CRR.
• If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

2.15.1 Budget information

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

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

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

The approved budget covers the fiscal period from 2013-07-01 to 2014-06-30.

Deviations between budget and actual amounts are regarded as material differences when a 20% deviation exists.

The Statement of Financial Performance and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

Accounting Policies

2.16.1 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 are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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.

2.17.1 Value Added Tax

The Municipality is registered with SARS for VAT on the payment basis , in accordance with the Section 15(2)(a) of the Value- Added Tax Act no 89 of 1991.

2.18.1 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:
- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancelable or only cancelable at significant cost contracts should relate to something other than the business of the municipality

Figures in Rand	2014	2013

3.1.1. Changes in accounting policy, estimates and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 42 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

GRAP 25: Employee Benefits

During the year, the municipality changed its accounting policy with respect to the treatment of Employee benefits, from IAS19, Employee Benefits, to conform with the benchmark treatment in GRAP 25, Employee Benefits.

The aggregate effect of the changes in accounting policy on the financial statements for the year ended 30 June 2013 is as follows:

Statement of financial position

	2014	2013
Post Retirement Medical Aid Benefits (Non - current and current portion)		
Previously stated	2 603 000	3 753 800
Balance after Adjustment	2 603 000	3 753 800
	-	-
Long Service Awards (Non - current and current portion)		
Previously stated	2 768 000	1 906 167
Balance after Adjustment	2 768 000	1 906 167
	-	-
Staff leave - Accrued (Current liabilities)		
Previously stated	6 206 689	5 276 960
Balance after Adjustment	6 206 689	5 276 960
	-	-

Statement of Financial Performance

	2014	2013
Contributions to Leave Reserve		
Previously stated	(929 729)	(602 936)
Expenditure after Adjustment	(929 729)	(602 936)
	-	-
Gains on Actuarial Valuation		
Previously stated	702 071	297 783
Expenditure after Adjustment	702 071	297 783
	-	-

Figures in Rand	2014	2013

3.1.1 Changes in accounting policy, estimates and errors (continued)

Personnel, Remuneration of Councilors.		
Previously stated	62 753 834	56 503 948
Expenditure after Adjustment	62 753 834	(56 624 466)
	-	**120 518**

3.1.2. New standards and interpretations

3.2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the mentioned standard that are effective for the current financial year and that are relevant to its operations. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	Minimal impact

3.2.1 Standards and interpretations issued, but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2014	Minimum impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Not applicable
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Not applicable
• GRAP 107: Mergers	01 April 2014	Not applicable
• GRAP 20: Related parties	01 April 2014	Disclosure impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2014	Not applicable
• GRAP 108: Statutory Receivables	01 April 2014	Minimum impact

The ASB Directive 4 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in he standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and errors.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. Property, plant and equipment

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	4 651 500	(1 437 311)	3 214 189	4 651 500	(1 276 102)	3 375 398
Furniture and fittings	4 152 150	(2 826 632)	1 325 518	3 821 148	(2 124 316)	1 696 832
Motor vehicles	8 764 935	(3 052 523)	5 712 412	6 626 782	(2 305 686)	4 321 096
Office equipment	2 716 285	(1 938 474)	777 811	2 358 447	(1 532 057)	826 390
Computer Equipment	2 184 502	(1 324 006)	860 496	1 541 665	(1 109 403)	432 262
Community	19 814	(9 834)	9 980	10 926	(9 820)	1 106
Other property, plant and equipment	1 657 196	(636 583)	1 020 613	849 257	(482 046)	367 211
Land	1 278 500	-	1 278 500	1 278 500	-	1 278 500
Total	**25 424 882**	**(11 225 363)**	**14 199 519**	**21 138 225**	**(8 839 430)**	**12 298 795**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Work in progress**	**Impairment loss**	**Depreciation**	**Total**
Land	1 278 500	-	-	-	-	1 278 500
Buildings	3 375 398	-	-	-	(161 209)	3 214 189
Furniture and fixtures	1 696 832	331 003	-	(16 900)	(685 417)	1 325 518
Motor vehicles	4 321 096	1 223 476	914 677	-	(746 837)	5 712 412
Office equipment	826 390	357 838	-	(27 689)	(378 728)	777 811
Computer Equipment	432 262	642 837	-	(9 521)	(205 082)	860 496
Community	1 106	8 888	-	-	(14)	9 980
Other property, plant and equipment	367 211	807 939	-	-	(154 537)	1 020 613
	12 298 795	**3 371 981**	**914 677**	**(54 110)**	**(2 331 824)**	**14 199 519**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Disposals / write - offs**	**Depreciation**	**Impairment loss**	**Total**
Land	1 278 500	-	-	-	-	1 278 500
Buildings	3 524 500	-	-	(149 102)	-	3 375 398
Furniture and fixtures	1 976 833	406 381	(511)	(685 871)	-	1 696 832
Motor vehicles	3 689 325	1 612 060	(33 314)	(579 180)	(367 795)	4 321 096
Office equipment	940 674	464 325	(1 988)	(576 621)	-	826 390
Computer equipment	513 879	279 716	(10 643)	(350 690)	-	432 262
Community Assets	2 068	-	-	(962)	-	1 106
Other property, plant and equipment	511 121	10 974	(6 583)	(148 301)	-	367 211
	12 436 900	**2 773 456**	**(53 039)**	**(2 490 727)**	**(367 795)**	**12 298 795**

Pledged as security

No assets were pledged as security for liabilities of the municipality.

Figures in Rand	2014	2013

2. Property, plant and equipment (continued)

Impairment losses on property, plant & equipment exist predominantly due to property, plant and equipment with fair values lower than carrying value as at 30 June 2014.

The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair values less cost to sell.

The municipality's land and buildings are accounted for according to the cost model and therefore no fair value has been determined.

Items of Property, Plant and Equipment have been re-classified during the year, re-classification have been done retrospectively in terms of the requirements of GRAP 3. Refer to note 43

Assets subject to finance lease (Net carrying amount)

	2014	2013
Samsung DSC PABX System	-	84 498
	-	**84 498**

Other information

Details of properties

Building: Jan van Riebeeck Road, Klerksdorp (T121939/2002)

	2014	2013
- Cost / Valuation:	4 651 500	4 651 500
- Accumulated depreciation	(1 437 311)	(1 276 102)
Total carrying value at year end	**3 214 189**	**3 375 398**

Reconciliation of Work-in-Progress 2014

	Included within Motor Vehicles	Total
Additions	914 677	914 677
Total Work - in - Progress	**914 677**	**914 677**

Included in Motor Vehicles is an amount of R914 677, Work - In - Progress, which was paid for the construction of a Fire Fighting Truck for the municipality. It is expected to be completed in 2014/15, in which it will be recognised and measured in terms of the requirements of GRAP 17, *Property, Plant and Equipment*.

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.

The municipality's obligation under finance leases are secured by the lessor's title to the lease assets.

3. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 840 387	(1 549 930)	1 290 457	1 643 720	(1 438 424)	205 296
Total	**2 840 387**	**(1 549 930)**	**1 290 457**	**1 643 720**	**(1 438 424)**	**205 296**

Figures in Rand	2014	2013

3. Intangible assets (continued)

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	205 296	1 196 667	(111 506)	1 290 457
	205 296	**1 196 667**	**(111 506)**	**1 290 457**

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	205 120	173 008	(172 832)	205 296
	205 120	**173 008**	**(172 832)**	**205 296**

Pledged as security

No intangible assets were pledged as security for any liabilities of the municipality.

Figures in Rand	2014	2013

4. Investments in associates at cost

Name of company	Held by	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
Dr Kenneth Kaunda Economic Agency	Dr Kenneth Kaunda District Municipality	100,00 %	100,00 %	120	120

The municipality has a 100% holding in the Dr Kenneth Kaunda District Municipality Economic Agency.

The fair value is determined by the office of PriceWaterhouseCoopers 10 Ryk street, Welkom and amounted to (R 1 232 701) (2013 restated: (R 657 820)) . The value of the investment is considered to be R120.00 (cost price of the investment) as the entity does not have a share capital which can be valued in an open market.

5. Investments

	2014	2013
Designated at fair value		
Listed shares Sanlam shares, 970 shares with a share price of R61.75 (2013: R46.00)	59 899	44 621
Listed shares are investments in shares of public companies with no specific maturity dates or interest rates.		
At amortised cost		
Fixed long term deposits Fixed deposits are investments with a maturity period longer than 12 months and earn interest at a rate of 5,42% per annum.	-	5 100 000
Management of the municipality is of opinion that the carrying value of investments recorded at amortised cost approximate their fair values.		
The fair value of investments was determined after considering the standard terms and conditions of agreements entered in between the municipality and financial institutions.		
Financial assets at fair value	59 899	44 621
Financial assets at amortised cost	-	5 100 000
Total: Financial assets	**59 899**	**5 144 621**
Non-current assets		
Designated at fair value	59 899	44 621
Investments at amortised cost	-	5 100 000
	59 899	**5 144 621**
Non-current assets	59 899	5 144 621
Current assets	-	-

Financial assets at cost

Nominal value of financial assets at cost

	2014	2013
Dr Kenneth Kaunda Economic Agency 100% Shareholding in the agency - at cost.	120	120
Total nominal value of financial assets at cost	**120**	**120**

Notes to the Financial Statements

Figures in Rand	2014	2013

6. Long- term Receivables

Study loans	-	500
Study loans approved to children of employees before implementation of MFMA.		
Total Long -Term Receivables	-	500
Less:Impairment of Long -Term Receivables	-	(500)
Total Long- Term Receivables	**-**	**-**

Long-term receivables impaired

As of 30 June 2014, no loans and receivables were impaired and provided for.

The amount of the provision was - as of 30 June 2014 (2013: (500).

The ageing of these loans is as follows:

Over 6 months	-	500

The carrying amount of loans to and from shareholders are denominated in the following currencies:

Rand	-	500

Reconciliation of provision for impairment of long-term receivables

Opening balance	(500)	(3 500)
Unused amounts reversed	500	3 000
	-	**(500)**

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

No long-term receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of long-term receivables recorded at amortised cost in the annual financial statements approximate their fair values.

Notes to the Financial Statements

Figures in Rand	2014	2013

7. Receivables from non-exchange transactions

Deposits: Eskom	1 007 913	954 463
Less: Provision for impairment	(1 007 913)	(954 463)
Total receivables from non-exchange transactions	**-**	**-**

Deposits are in respect of cash deposits made to Eskom for the supply of electricity on behalf of local municipalities.

The management of the municipality is of the opinion that the carrying value of Receivables from non-exchange transactions approximate their fair values.

No trade and receivables from non-exchange transactions have been pledged as security.

Refer to (note 43) Re - Classification: Non - exchange receivables have been disclosed and part of exchange receivables and the nature of the deposits is long term and therefore the re - classification from current to non - current assets.

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	954 463	909 012
Movement in impairment	53 450	45 451
	1 007 913	**954 463**
Total Current Liabilities	**-**	**-**

Figures in Rand	2014	2013

8. Employee benefit obligations

Post retirement medical aid benefit liability

Post-Employment Health Care Benefit Liability	2 603 000	3 753 800
Total: Post-Employment Health Care Benefit Liability	**2 603 000**	**3 753 800**
Less: Transfer to current provisions	(154 000)	(135 768)
Net Post-Employment Health Care Benefit Liability	**2 449 000**	**3 618 032**

Post retirement medical aid plan

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2014 by ZAQ Consultants and Actuaries, a member of the Actuarial Society of South Africa.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Member category		
In-service (employee) members	1	2
Continuation (retiree and widow) members	5	4
	6	**6**

The unfunded liability in respect of past service has been estimated to be as follows:

Member category		
In-service members	499 000	1 148 091
Continuation members	2 104 000	2 605 709
	2 603 000	**3 753 800**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes
- Bonitas;
- Hosmed;
- LA Health;
- Key Health;
- Samwumed; and
- Fed Health.

The future service cost for the ensuing year is established to be R 27 000 whereas the interest-cost for the next year is estimated to be R 227 000

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate %	8,94	7,83
Health Care Cost Inflation Rate %	8,05	7,03
Consumer Price Index (CPI)	7,05	5,53
Net Effective Discount Rate %	0,82	0,76
Continuation of membership at retirement	90%	90%

Notes to the Financial Statements

Figures in Rand	2014	2013

8. Employee benefit obligations (continued)

Proportion assumed married at retirement	90%	90%
Average retirement age	63	63
Mortaliy during employment	SA 85-90	SA 85-90

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	3 753 800	3 431 049
Current service cost	59 741	81 252
Interest cost	288 873	253 537
Benefits paid	(137 792)	(104 448)
Actuarial loss/(gain) on the obligation	(1 361 622)	92 410
Balance at end of year	**2 603 000**	**3 753 800**

The total liability has decreased by 31% (or R 1,151 million) since the last valuation. The main reasons for this movement are set out below.

In-service members The average in-service member liability has decreased by 57% over the year due to the following factors:

An increase in the average age which means members are closer to retirement (less discounting) and less likely to leave before retirement; an decrease in the average future employer contribution; and a increase in the net discount rate.

These impacts have been offset by a decrease in the average past service.

The total in-service member liability has decreased by 57% due to the above, partially offset by a decrease of 50% in the number of members .

Continuation members
The average continuation member liability has decreased by 20% due to a decrease in the average monthly subsidy, partially offset by an increase in the average age and an increase in the membership by 25%.

The table below indicates the effect of a 1% per year change in the medical aid inflation assumption. The effect is as follows:

Increase of 1%		
Effect on the liability	50 000	47 100
	50 000	**47 100**
Decrease of 1%		
Effect on the liability	(65 000)	(39 700)
	(65 000)	**(39 700)**

Multi-Employer Pension Scheme Arrangements

The personnel of the Dr Kenneth Kaunda District Municipality are members of the funds as set out below.The relevant law requires every fund to do an actuarial valuation at least every three years.Sufficient information is not available to make more detailed disclosures.

Municipal Councilors Pension fund. The Municipal Councilors Pension Fund operates as a defined contribution scheme. The scheme is subject to an actuarial valuation every three years. The latest statutory valuation was performed as at 30 June 2009, and the latest interim valuation was performed as at 30 June 2012, and was reported to be in a sound financial position. The interim valuation performed as at 30 June 2012 revealed that the fund had assets to the amount of R 1, 172,149,961 (30 June 2011: R2,015,742,959) with a total of of 6909 members (30 June 2011: 6356 members. The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future.

8. Employee benefit obligations (continued)

Municipal Gratuity Fund. The defined contribution scheme is a multi-employer plan and the contribution rate payable is 7,5 %, by the members and 22 % by Council.
The last actuarial valuation on this fund was performed for the year ended 30 June 2013 revealed that the fund had assets of R 14,565,277,000 and in a sound financial state as at 30 June 2013.

Municipal Employees Pension Fund. The contribution rate payable is 7,5 % by the members an on average 21,8% by Council. The last Actuarial valuation on this fund was performed in February 2011 certified that the fund is in a sound financial state. The total assets amounts to R 7,544,211,000 (28 February 2008 : R5,715,557,000) and liabilities to R6,991,439,000 (28 February 2008 : R4,900,548,000) with a total of 17,110 members (28 February 2008 :14,610.

SAMWU Provident Fund. The contribution rate payable is 7,5 % by the members and a minimum of 18 % by Council.
The last actuarial valuation on this fund was performed for the year ended 30 June 2008 certified that the fund is in a sound financial state. There are 25,993 members and the total assets amount to R 2,455,947,000.

National Fund for Municipal workers. The above mentioned fund is a defined contribution Fund and according to Regulation 2 of the Pension Funds Act no 24 of 1956 exempt from the provisions of sections 9A and 16 of the Act. The contribution rate paid by the members is 9 % and by the council is 22 %. The latest voluntary valuation was done on 30 June 2011 (30 June 2008). As at 30 June 2011 the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs. The NFMW Retirement Fund does not have any reserve accounts or surpluses which could be allocated to members Fund. The net assets available for benefits amounts to R 4,316,586,594 as at 30 June 2011 (June 2010: R 4,144,125,897.

Defined Contribution (DC) Multi-Employers Pension scheme

It is the policy of the municipality to provide retirement benefits to all its employees, GRAP 25 paragraph .55 requires disclosure of the amount recognised as an expense in the current financial year.

The municipality is under no obligation to cover any unfunded benefits.
The total contributions to such schemes.

		2014	2013
Municipal Councillors Pension Fund	- No of members: 12 (2013:12)	503 658	476 645
Municipal Gratuiity Fund	- No of members: 57(2013:57)	2 964 464	2 774 613
National Fund for Mun Workers	- No of members: 42 (2013:42)	921 322	818 290
SAMWU Provident Fund	- No of members: 2 (2013: 2)	141 821	131 740
The amount recognised as an expense for defined contribution plans is		4 531 265	4 201 288

Figures in Rand	2014	2013

8. Employee benefit obligations (continued)

Defined Contribution (DB) Multi-Employers Pension scheme

Paragraph 31 of GRAP 25 corresponds to paragraph 34 and 148(d) of IAS 19 (2011) outline disclosure of a plan which is a Multi-Employer Funds and is a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account full DB accounting disclosure. The reason why sufficient information is not available to enable the municipality to account for the plan as a defined benefit plan is that the scheme assets are held as one portfolio and not notionally allocated to each particpating employer, The scheme 's financial statements is not constructed seperately for each particpating employer and contribution rates do not vary by participating employer.

Municipal Employees Pension Fund - No of members: 23 (2013:23)	1 205 469	1 191 403
The amount recognised as an expense for defined contribution plans is	**1 205 469**	**1 191 403**

The most recently actuarial available valuation was done at 28/02/2011. The funding level of the fund is at 107,92%
The basis key assumptions are as follow: Gross discount rate 9,15%; Salary inflation 10,5%; Net post-ret discount rate 7,4%; Net post-ret discount rate 3,8%. The current surplus is relatively small and is not expected to have any impact on the required employer discount rate.
The total in-service membership of the MEPF was 10,201 as at 28/02/2011.

The current employer contribution rate is fixed according to the Rules of the MEPF and is not sufficient to cover the required future service cost. The Valuator recommends that the Board of Trustees review the Rules in this respect. The Board proposes that the surplus be used to fund the shortfall in future service contributions. The Valuator further recommends that explicit provision be made in the Rules allowing such action.

Notes to the Financial Statements

Figures in Rand	2014	2013

9. Receivables from non-exchange transactions

Prepayments	791 794	-
Deposits	-	-
Sundry debtors	372 825	395 743
Payments on behalf of local councils - DBSA	438 094	-
Control Accounts	80 003	13 600
Less: Provision for bad debt	(810 919)	(372 825)
	871 797	**36 518**

The municipality did not pledge any of its receivables as security for borrowing purposes.he management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratio's of the municipality's Receivables.

Receivables from non-exchange transactions pledged as security

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Restatements- Other receivables from non-exchange transactions

Restatements have been made to to sundry debtors due to an amount of escalation on lease of buildings to an amount of R22 919 not paid in 2012/2013 financial year.Refer to (note 42) .

Receivables from non-exchange transactions past due but not impaired

All receivables from non-exchange transactions which are more than 4 month past due are impaired at 30 June 2014.

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

61 - 90 days past due	**Classes of financial assets**		
Sundry debtors-	At Amortised Cost	791 794	-
Receivables past due but not impaired		791 794	-

The carrying amount of trade and other receivables are denominated in the following currencies:

Rand	871 797	36 518

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(372 825)	(1 460 623)
Provision for impairment	(491 544)	-
Amounts written off as uncollectible	-	34 774
Unused amounts reversed	-	98 561
Transfer impairment to non-current receivables	53 450	954 463
	(810 919)	**(372 825)**

The effect of discounting on Receivables from Non - Exchange Transactions are deemed to be immaterial for the year 2013/14 and 2012/13.

Notes to the Financial Statements

Figures in Rand	2014	2013

10. Receivables from exchange transactions

	2014	2013
Sundry debtors	125 000	24 000
Accruals - Interest on call deposits	743 152	927 285
Accrued income - Insurance claims	-	7 476
Accrued dividends - Sanlam shares	-	2 007
Less: Provision for bad debt	(125 000)	(25 116)
	743 152	**935 652**

No receivables from exchange transactions were pledge as security.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratio's of the municipality's receivables.

Credit quality of receivables from exchange transactions

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

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are past due are not considered to be impaired.
At 30 June 2014, R743152 (2013: R935652) were past due but not impaired.

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

		2014	2013
31 - 60 days past due	**Classes of financial assets**		
Proceeds on loss of assets-	At amortised cost	-	7 476
Interest-Call investment deposits-	At amortised cost	743 152	927 285
61 - 90 days past due	**Classes of financial assets**		
Listed shares-	Fair value	-	891
120 days and older past due	**Classes of Financial assets**		
Receivables past due but not impaired		743 152	935 652

Receivables from exchange transactions impaired

As of 30 June 2014, other receivables from exchange transactions R 125000 (2013:R 25116) were past due and impaired.

The ageing of these loans is as follows:

	2014	2013
1 - 120 days	-	24 000
4 months - 1 year	101 000	-
Over 1 year	24 000	1 116
	125 000	25 116

The carrying amount of other receivables from non-exchange transactions are denominated in the following currencies:

	2014	2013
Rand	743 152	935 652

Reconciliation of provision for impairment of receivables from exchange transactions

Notes to the Financial Statements

Figures in Rand	2014	2013

10. Receivables from exchange transactions (continued)

Opening balance	(25 116)	(277 020)
Provision for impairment	(99 884)	(25 116)
Amounts written off as uncollectible	-	277 020
	(125 000)	**(25 116)**

11. VAT receivable

VAT	6 120 105	2 223 472

The municipality is registered on the Payment Basis for VAT and management is of the opinion that the VAT Receivable at year end, reflects the fair value of the amount to be received from SARS.

Refer to note 42 on Prior Period Errors. Retrospective restatement was made on the VAT receivable balance as at 30 June 2013, due to a correction to Input VAT, from contracted services, amounting to R154 921.

Notes to the Financial Statements

Figures in Rand	2014	2013

12. Cash and cash equivalents

Cash on hand	4 600	5 600
Bank balances	3 637 254	16 645 081
Call investment deposits	145 948 289	160 664 108
Cash and cash equivalents	**149 590 143**	**177 314 789**

Call investment deposits

Call investment deposits is invested with the following banks :

At Amortised Cost		
Call Investment Deposits: ABSA Bank	30 000 000	30 000 000
Call deposits invested in ABSA Bank for a period of 1 to 3 months.		
Call Investment Deposits: - ABSA Asset Management	5 948 289	5 664 108
Call deposits invested in ABSA Bank Asset Managers for a period of 1 to 3 months.		
Call Investment Deposits: First National Bank	30 000 000	30 000 000
Call deposits invested in FNB for a period of 1 to 3 months.		
Call Investment Deposits: Nedbank	35 000 000	40 000 000
Call deposits invested in Nedbank for a period of 1 to 3 months.		
Call Investment Deposits: Standard Bank	45 000 000	55 000 000
Call deposits invested in Standard Bank for a period of 1 to 3 months.		
	145 948 289	**160 664 108**

Cash and cash equivalents pledged as collateral

No restrictions have been imposed on the municipality in terms of the utilization of its cash and cash equivalents

According to GRAP 104 the value of call investment deposits, bank balances and cash was determined at amortised cost after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.Bank balances, cash and cash equivalents were valued at fair value.

No discounting are performed due to that call investment deposits, bank balances and cash on hand are shown at amortised value.

The municipality had the following bank accounts

12. Cash and cash equivalents (continued)

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
Current Account (Primary Bank Account ABSA Klerksdorp Account no 950 000 627)	2 883 550	16 345 953	11 263 167	407 003	13 453 638	6 009 855
Current Account (Local Government Support Grant) ABSA Klerksdorp Account no 405 643 8304	1 926 726	1 890 391	1 858 001	1 926 726	1 890 391	1 858 001
Current Account (Premiers Support Grant) ABSA Klerksdorp Account no 950 000 244	-	-	2 377	-	-	2 377
Current Account (Disaster Risk Management grant) ABSA Pretoria Account no 40 7293 0455)	1 303 525	1 301 052	435	1 303 525	1 301 052	435
Current Account (Fire Support Grant) ABSA Pretoria Account no 40 7293 0340	-	-	23 677	-	-	23 677
Current Account (Geysdorp plaaslike gebiedsmomitee) ABSA Klerksdorp Account no 9 5014 6036	-	-	186 646	-	-	186 646
Total	**6 113 801**	**19 537 396**	**13 334 303**	**3 637 254**	**16 645 081**	**8 080 991**

13. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2014

	Capital replacement reserve	Government grant reserve	Accumulated Surplus	Total
	-	-	-	-
Opening balance	(1 873 332)	(24 068)	(147 895 536)	(149 792 936)
(Surplus) / Deficit for the year	-	-	12 750 674	12 750 674
Property, plant and equipment purchases	4 498 850	(984 475)	(3 514 375)	-
Offsetting of depreciation	-	18 937	(18 937)	-
Write - Offs / Transfers	-	5 125	(5 125)	-
Transfer from accumulated surplus	(12 344 250)	-	12 344 250	-
	(9 718 732)	**(984 481)**	**(126 339 049)**	**(137 042 262)**

Ring-fenced internal funds and reserves within accumulated surplus - 2013

	Capital replacement reserve	Government grant reserve	Accumulated surplus	Total
Opening balance	(4 599 800)	(8 046)	(187 961 725)	(192 569 571)
(Surplus) / Deficit for the year	-	-	42 776 635	42 776 635
Offsetting of depreciation	-	6 583	(6 583)	-
Property, plant and equipment purchases	2 726 468	(22 605)	(2 703 863)	-
	(1 873 332)	**(24 068)**	**(147 895 536)**	**(149 792 936)**

Accumulated surplus have been restated due to corrections of errors. Refer to note 42 for details of the restatements.

Notes to the Financial Statements

Figures in Rand	2014	2013

14. Finance lease obligation

Minimum lease payments due		
- within one year	-	124 125
	-	124 125
Less: Future Finance Charges	-	(5 577)
Present value of minimum lease payments	**-**	**118 548**
Present value of minimum lease payments due		
- within one year	-	118 548
Current liabilities	-	118 548
	-	**118 548**

Finance lease liabilities relating to the lease of a Samsung 7200,7400 and 7070 PABX System:

Interest rates are 13.95% at the contract date. All leases escalate at 15% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

Market risk

Rand	-	118 548

The management of the municipality is of the opinion the carrying value of finance leases recorded at amortised cost in the annual financial statements approximate their fair values.

The fair value of long term liabilites was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financial institutions.

Notes to the Financial Statements

Figures in Rand	2014	2013

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Disaster Management Fund	1 013 924	1 301 052
Expanded Public Works Program Grant	818 050	114 775
Finance Management Grant	854 802	913 637
LED Learnership (Seta)	-	157 001
Local Government Support Grant	1 373 690	1 336 346
Municipal Systems Improvement Grant	-	325 505
	4 060 466	**4 148 316**

Movement during the year

Balance at the beginning of the year	4 148 316	2 736 839
Additions during the year	4 126 031	4 717 926
Income recognition during the year	(2 859 965)	(2 957 449)
Transfer back to National Treasury	(1 353 916)	(349 000)
	4 060 466	**4 148 316**

The municipality complied with the conditions attached to the grants received to the extend of revenue recognised. Unspent portions of conditional grants are cash backed.

See note 22 for reconciliation of grants from National / Provincial Government.

16. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Post - employment Health Care Benefits	135 768	153 590	(135 358)	154 000
Long - service Awards	250 616	224 563	(266 179)	209 000
	386 384	**378 153**	**(401 537)**	**363 000**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Post - employment Health Care Benefits	104 448	135 768	(104 448)	135 768
Long - service Awards	72 195	250 616	(72 195)	250 616
	176 643	**386 384**	**(176 643)**	**386 384**

Post - Employment Health Care Benefits - The outflow is periodic as and when employees retired from service.

Long Service Awards - The outflow is linked to when employees are due for long service awards.

Figures in Rand	2014	2013

17. Long services defined benefit plan

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual.

The provision represents a litimation of the awards to which employees in the service of the municipality at 30 June 2014 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at assets at 30 June 2014 by ZAQ Consultants and Actuaries, a member of the Actuarial Society of South Africa.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

Per the Accounting Standards Board (ASB) Directive 4, the Municipality account for this liability under the Statement of Generally Recognised Accounting Practice 25 (GRAP25).

The sensitivity analysis indicate that, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 8% higher than the results show.

The salaries used in the valuation include an assumed increase on 1 July 2013 of 6.84% negotiated by SALGA which was budgeted for by the municipality. The next salary increase was assumed to take place in July 2014.

Provision for Long Service Awards	2 768 000	1 906 167
Total Provision for Long Service Awards	**2 768 000**	**1 906 167**
Less: Transfer to Current Liabilities	(209 000)	(250 616)
Net Long Service Awards liability	**2 559 000**	**1 655 551**

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate %	7,9	7,49
General Salary inflation (long-term) %	7,3	6,82
Consumer Price Index (CPI)	6,3	5,82
Net Effective Discount Rate %	0,5	0,62
Average Retirement Age	6	63
Mortality during employment	SA 85-90	SA 85-90

The movement in the long service awards obligation over the year is as follows:

Balance at beginning of year	1 906 167	1 877 061
Current service cost	332 528	273 899
Interest cost	133 499	125 185
Benefits paid	(266 179)	(72 195)
Actuarial (gain)/loss on the obligation	661 985	(297 783)
Balance at end of year	**2 768 000**	**1 906 167**

Figures in Rand	2014	2013

18. Payables from exchange transactions

Accounts payables	14 961 344	28 888 801
Other Creditors	719 459	509 208
Retention Creditors	3 723 864	3 240 900
Other Creditors: Accruals-Compensation Commissioner	789 268	510 141
Staff leave	6 206 689	5 276 960
	26 400 624	**38 426 010**

Refer to note 42, Prior Period Error: Retrospective restatement was done to the Payables from Exchange Transaction balance, as at 30 June 2013, the restatement relates to additional trade and other payables identified, subsequent to the financial year end.

Fair value of trade and other payables

Trade payables	14 961 344	28 888 801
Other creditors	5 232 591	4 260 249
Staff leave payables	6 206 689	5 276 960
	26 400 624	**38 426 010**

Financial liabilities are measured at amortised cost using the effective interest trate method. A net present value calculation of accounts payable and credit purchases was performed.

The effect of discounting on trade payables is immaterial and balances due, not adjusted. The effect of discounting with regards to trade payables amounted to R82 653 (2012/13: R 157 172).

The average credit period on purchases is 30 days from receipt of invoice as determined by the MFMA. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the muinicipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame.

The carrying amount of trade and other payables from exchange transactions are denominated in the following currencies:

Rand	26 400 624	38 426 010

19. Payables from non-exchange transactions

Control accounts	839	13 486

Refer to note 42. Prior Period Error: Retrospective restatement was done to the Payables from Non - Exchange Transaction balances, as at 30 June 2013, the restatement relates to additional trade and other payables identified, subsequent to the financial year end.

The carrying amount of payables from non-exchange transactions are denominated in the following currencies:

Rand	839	13 486

20. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	743 152	-	743 152
Other receivables from non-exchange transactions	-	871 797	-	871 797
Cash and cash equivalents	-	149 590 143	-	149 590 143
VAT Receivable	-	6 120 105	-	6 120 105
Listed Investment	59 899	-	-	59 899
Investment in associates	-	-	120	120
	59 899	**157 325 197**	**120**	**157 385 216**

Financial liabilities

	At amortised cost	Total
Unspend conditional grants and receipts	4 060 466	4 060 466
Trade and other payables from exchange transactions	26 400 624	26 400 624
Trade and other payables (non-exchange)	839	839
Post Retirement Medical Aid Benefit	2 603 000	2 603 000
Long Service Defined Benefit Plan	2 768 000	2 768 000
	35 832 929	**35 832 929**

2013

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	935 652	-	935 652
Other receivables from non-exchange transactions	-	36 518	-	36 518
Cash and cash equivalents	-	177 314 789	-	177 314 789
Fixed Investments	-	5 100 000	-	5 100 000
Investment in subsidary	-	-	120	120
Listed Investments	44 621	-	-	44 621
VAT receivable	-	2 223 472	-	2 223 472
	44 621	**185 610 431**	**120**	**185 655 172**

Financial liabilities

	At amortised cost	Total
Finance lease obligations	118 548	118 548
Unspent conditional grants and receipts	4 148 316	4 148 316
Trade and other payables from exchange transactions	38 426 010	38 426 010
Taxes and other payable (non-exchange)	13 486	13 486
Post Retirement Medical Aid Benefits	3 753 800	3 753 800
Long Service Defined Benefit Plans	1 906 167	1 906 167
	48 366 327	**48 366 327**

. **Financial instruments disclosure (continued)**

Non- current portion of post retirement medical aid benefits and long service awards retropectively classified as financial liabilities in the financial instrument disclosure note.

21. Revenue

	2014	2013
Other income	282 223	423 705
Interest received - investment	9 950 481	10 751 734
Dividends received	1 649	1 775
Government grants & subsidies	158 340 884	159 395 450
Public contributions and donations	46 000	30 310
Gains on actuarial valuations	702 071	297 783
Gains on disposal of assets	-	20 885
	169 323 308	**170 921 642**

Fair value adjustment disclosed seperately in the Statement of Performance for the 2012/2013 financial year to the amount of R9 943 and not as Other income.

The amount included in revenue arising from exchanges of goods or services are as follows:

	2014	2013
Other income	282 223	347 259
Gains on disposal of assets	-	20 885
Interest received - investment	9 950 481	10 751 734
Dividends received	1 649	1 775
	10 234 353	**11 121 653**

Fair value adjustment disclosed seperately in the Statement of Performance for the 2012/2013 financial year to the amount of R9 943 and not as Other income.

The amount included in revenue arising from non-exchange transactions is as follows:
Transfer revenue

	2014	2013
Government grants & subsidies	158 340 884	159 395 450
Public contributions and donations	46 000	30 310
Gains on actuarial valuations	702 071	297 783
Other income	-	76 446
	159 088 955	**159 799 989**

Figures in Rand	2014	2013

22. Government grants and subsidies

Equitable share	17 537 000	22 511 000
RSC Levy Replacement Grant	137 943 916	133 927 000
Conditional grants and subsidies received	2 859 968	2 957 450
	158 340 884	**159 395 450**

Equitable Share

Current year receipts	17 537 000	22 511 000
	17 537 000	**22 511 000**

The grant is unconditional and is utilised to fund operational and capital programs of the municipality.

RSC Levy Replacement Grant

Current year receipts	137 943 916	133 927 000
	137 943 916	**133 927 000**

The grant has replaced the RSC Levies that were collected by District and Metropolitan Municipalities in prior years. 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 programs of the municipality.

Disaster Management Grant

Balance unspent at beginning of year	1 301 052	600 435
Current-year receipts	925 000	1 223 685
Interest earned	2 549	617
Conditions met - transferred to revenue	(1 214 677)	(523 685)
Conditions still to be met- transferred to liabilities	**1 013 924**	**1 301 052**

Conditions still to be met - remain liabilities (see note 15)

Local Government Support Grant

Balance unspent at beginning of year	1 336 346	1 303 956
Current-year receipts	37 343	33 262
Conditions met - transferred to revenue	-	(872)
Conditions still to be met- transferred to liabilities	**1 373 689**	**1 336 346**

Conditions still to be met - remain liabilities (see note 15)

Finance Management Grant

Balance unspent at beginning of year	913 639	709 589
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(395 198)	(696 950)
Transfer back to National Treasury	(913 637)	(349 000)
Conditions still to be met- transferred to liabilities	**854 804**	**913 639**

Conditions still to be met - remain liabilities (see note 15)

Notes to the Financial Statements

Figures in Rand	2014	2013

22. Government grants and subsidies (continued)

LED Learnership Seta

Balance unspent at beginning of year	157 001	86 859
Current-year receipts	21 141	210 364
Conditions met - transferred to revenue	(178 142)	(140 222)
Conditions still to be met- transferred to liabilities	**-**	**157 001**

Conditions still to be met - remain liabilities (see note 15)

Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	325 505	-
Current-year receipts	890 000	1 000 000
Conditions met - transferred to revenue	(890 000)	(674 495)
Transfer back to National Treasury	(325 505)	-
Conditions still to be met- transferred to liabilities	**-**	**325 505**

Conditions still to be met - remain liabilities (see note 15)

Expanded Public Works Program Grant

Balance unspent at beginning of year	114 775	36 000
Current year receipt	1 000 000	1 000 000
Conditions met - transferred to revenue	(181 950)	(921 225)
Transfer to National Treasury	(114 775)	-
	818 050	**114 775**

Changes in level of government grants

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

23. Public contributions and donations

Public contributions and donations	46 000	30 310

Figures in Rand	2014	2013

24. Other income

Commissions received	16 811	21 812
Insurance claims received	3 891	38 658
Reversal of provision for bad debt	-	76 446
Tender deposits	153 105	190 790
Sundry income	108 416	95 999
	282 223	**423 705**

Refer to note 43, Prior Period Error: Retrospective restatement was done to Other Income, as at 30 June 2013, the restatement relates to the fair value on Sanlam shares stated under Fair value adjustment in the Statement of Financial Performance to the amount of R9 943 and not under sundry income as disclosed in the 2012/2013 financial year.

The amount included in other revenue arising from exchanges of goods or services are as follows:

Commissions received	16 811	21 812
Insurance claims received	3 891	38 658
Tender deposits	153 105	190 790
Sundry income	108 416	95 999
	282 223	**347 259**

The amount included in other revenue arising from non-exchange transactions is as follows:

Reversal of provisions for bad debt	-	76 446
Non-exchange revenue	-	76 446
Exchange revenue	282 223	347 259
Total other income	**282 223**	**423 705**

Notes to the Financial Statements

25. General expenses

Figures in Rand	2014	2013
Advertising	1 144 231	1 178 181
Assessment rates & municipal charges	864 598	830 569
Audit committee members - Remuneration	426 237	433 823
Auditors remuneration	2 925 912	2 596 660
Bank charges	215 671	258 841
Business expenses councillors and directors	206 860	134 500
Cleaning	28 660	17 913
Community based planning	1 588 477	3 669 733
Compensation Commissioner	279 127	259 879
Conferences and seminars	1 999 818	1 494 784
Consulting and professional fees	1 004 702	2 005 102
Consumables	247 350	268 063
Entertainment	1 126 954	832 430
Events and campaigns	1 371 903	1 279 253
General expenses - Other	2 925 839	1 804 097
Gifts	32 463	22 967
IDP Review expenses	24 824	163 133
Insurance	472 142	288 285
Legal fees	2 052 065	4 772 466
Licence fees - Other	51 290	19 914
Magazines, books and periodicals	16 335	48 300
Motor vehicle expenses	1 336 040	1 065 961
Office rentals	1 159 112	931 648
Municipal public accounts commitee expenses	185 985	33 118
Pest control	139 480	219 349
Postage and courier	1 069	7 075
Printing and stationery	953 283	928 336
Protective clothing	91 833	83 374
Public Participation Expenses	59 630	58 690
Skills development levy	451 614	628 581
Subscriptions and membership fees	800 168	665 839
Subsistence and travel	516 823	466 099
Telephone and fax	587 431	458 258
Travel - overseas	225 500	11 920
Testing of samples - Health	402 621	307 259
Training and development - Councillors	325 720	509 661
Training and development - Employees	1 128 313	1 080 279
Fair value adjustment - Credit purchases	(217 531)	(200 576)
	27 152 549	**29 633 764**

Expenditure of non - occurring nature is disclosed under General Expenses - Other.

Refer to note 42, Prior Period Error: Retrospective restatement was done to General Expenditure, as at 30 June 2013, the restatement relates to several line items, affected by the error.

Notes to the Financial Statements

Figures in Rand	2014	2013

26. Employee related costs

Basic Salaries	36 626 225	31 515 594
Redemption of Leave	1 876 559	1 781 251
Cell Phone Allowances	776 065	737 187
Overtime payments	161 390	329 153
13th Cheques	2 563 785	2 139 048
Car allowance	4 056 575	3 279 267
Housing benefits and allowances	302 543	244 141
Salary Claims - Local Councils	-	1 239 760
Standby Allowances	37 845	41 720
Allowances Uniforms	11 040	13 274
Pension Fund - Councils' Contributions	5 321 881	4 950 101
Medical aid - Councils' contributions	2 168 364	1 869 568
Group Life Insurance - Councils' Contributions	241 269	195 696
UIF	191 471	168 029
Industrial Council	8 192	7 437
Long-service awards	466 027	326 889
Post-employment benefits - Defined benefit plan	348 614	438 671
	55 157 845	**49 276 786**

Refer to note 42, Prior Period Error: Retrospective restatement was done to Employee Related Cost, as at 30 June 2013, the restatement relates back payment of the prior financial year.

Remuneration of Municipal Manager

Annual Remuneration	976 350	145 600
Car Allowance	125 400	30 400
13th Cheque	142 083	-
Other	-	12 000
Acting and cellphone Allowance - SK Sebolai	-	343 750
	1 243 833	**531 750**

MI Matthews was appointed from 01 May 2013 as Municipal Manager.

Disclosure correction of (R31 250) was made to the acting and cellphone allowance - SK Sebolai in the 2012/2013 financial year.

Remuneration of Chief Finance Officer

Annual Remuneration	787 012	355 863
Car Allowance	44 941	89 882
Acting Allowance	138 081	276 163
13th Cheque	-	29 732
Statutary contributions and leave encashment	93 549	166 973
	1 063 583	**918 613**

MB Daffue acted in the position of CFO for six months of the current financial year, on 01 January 2014 the vacancy was filled with the appointment of LJ Mononela.

Remuneration of Director Corporate Services

Annual Remuneration	497 521	322 320
Car Allowance	115 891	105 066
Acting Allowance	29 085	349 022
13th Cheque	-	27 064

Notes to the Financial Statements

Figures in Rand	2014	2013

26. Employee related costs (continued)

Statutary contributions and leave encashment	6 516	109 504
	649 013	**912 976**

SC Abrams acted as the Director Corporate Services for one month in the current financial year, the vacancy was filled on 01 December 2013, with the appointment of L Ralekgetho.

Figures in Rand	2014	2013

26. Employee related costs (continued)

Remuneration of Director Infrastructure

Annual Remuneration	738 957	322 320
Car Allowance	184 177	130 824
Acting Allowance	163 840	327 681
13th Cheque	-	27 064
Statutary contributions and leave encashment	51 842	152 892
	1 138 816	**960 781**

KT Tshukudu acted in the position of Director Infrastructure for six months in the current financial year, the vacancy was filled on 01 January 2014, with the appointment of TS Chanda.

Remuneration of Director District Economic Development

Annual Remuneration	712 712	468 842
Car Allowance	42 000	71 402
Acting Allowance	159 598	273 598
13th Cheque	-	39 774
Cellphone allowance & leave encashment	20 139	38 779
	934 449	**892 395**

Mr T Rampedi acted in the position of Director District Economic Development for seven months in the current financial year, the vacancy was filled on 01 February 2014 with the appointment of ML Makheta.

Remuneration of Director Disaster Management

Annual Remuneration	567 744	322 319
Car Allowance	112 754	169 132
Acting allowance	222 128	338 715
13th Cheque	-	27 064
Statutary contributions and leave encashment	78 092	148 283
	980 718	**1 005 513**

R Lesar acted in the position of Director Disaster Management for eight months in the current financial year, the vacant position was filled on 01 March 2014, with the appointment of SM Lesupi.

Remuneration of the Director Environmental Health

Annual Remuneration	532 818	322 319
Car Allowance	115 792	121 585
Acting Allowance	150 637	283 398
13th Cheque	-	27 064
Statutary contributions and leave encashment	54 423	138 706
	853 670	**893 072**

MP Tenza acted in the position of Director Environmental Health for seven months in the current financial year, the vacancy was filled on 01 February 2014, with the appointment of NP Mosete.

Notes to the Financial Statements

Figures in Rand	2014	2013

27. Remuneration of councillors

Executive Major	727 420	695 925
Mayoral Committee Members	3 429 883	3 219 911
Speaker	522 327	501 537
Councilors	2 412 702	2 453 662
Councilors' pension contribution	503 658	476 645
	7 595 989	**7 347 680**

Refer to note 42, Prior Period Error: Retrospective restatement was done to Remuneration of Councillors, as at 30 June 2013, the restatement relates allowances paid of the prior financial year.

Notes to the Financial Statements

Figures in Rand	2014	2013

28. Debt impairment

Contributions to debt impairment provision	590 929	-

29. Investment revenue

Dividend revenue		
Listed financial assets - Local	1 649	1 775
Dividend revenue	**1 649**	**1 775**
Interest revenue		
Investments and call deposits	9 897 031	10 706 283
Interest earned on deposits	53 450	45 451
Interest revenue	**9 950 481**	**10 751 734**
Total dividend revenue	1 649	1 775
Total interest revenue	9 950 481	10 751 734
Total investment revenue	**9 952 130**	**10 753 509**

The amount included in Investment revenue arising from exchange transactions amounted to R9 952 130 (2012/13: R10 753 509).

The interest income is calculated using the actual effective interest rate received on investments and call deposits.

30. Fair value adjustments

Other financial assets - Listed shares: Sanlam		
• At fair value	15 278	9 943

31. Depreciation and amortisation

Property, plant and equipment	2 331 824	2 476 252
Intangible assets	111 506	187 306
Impairment on assets	54 110	367 795
	2 497 440	**3 031 353**

32. Impairment loss Property, Pant and Equipment

Impairments		
Property, plant and equipment - motor vechiles	-	113 760
Hyundai Tucson FMC 069 NW		
High kilometers and gearbox must be replaced.		
Fair value based on a quatation from Hyundai is R 60 000.		
Carrying value as at 30 June 2013 is R173 760.		
Property, plant and equipment	54 110	-
Several individual items of property, plant and equipment have been impaired, based on the condition of the assets, the recoverable amount of the asset was based on its fair value less costs to sell.		
Jaquar XF HGJ 326 NW	-	254 035
High kilometers and body dents.		
Fair value based on a quatation from Jaquar is R 120 000.		
Carrying value as at 30 June 2013 is R 374 035 .		
	54 110	**367 795**

Figures in Rand	2014	2013

33. Finance costs

Finance leases	5 577	29 872
Fair value adjustments on credit purchases	915 742	1 034 239
	921 319	**1 064 111**

Credit purchases have been discounted over an average period of 29 days at the prime interest rate + 1%.

34. Auditors' remuneration

Fees	2 925 912	2 596 660
Expenses	(2 925 912)	(2 596 660)
	-	**-**

35. Contracted Services

Information Technology Services	600 200	699 128
Other Contractors	1 709 547	1 168 518
Fair value adjustment - Credit purchases	(18 357)	(13 751)
	2 291 390	**1 853 895**

Refer to note 42, Prior Period Error: Retrospective restatement was done to Contracted Services, as at 30 June 2013, the restatement relates to a VAT correction made in the 2012/13 financial year.

36. Grants and subsidies paid

Dr Kenneth Kaunda District Municipality	30 320 464	22 279 954
City of Matlosana	33 364 281	41 638 366
City Council of Tlokwe	7 863 826	9 087 740
Ventersdorp Local Municipality	2 176 504	28 284 375
Maquassi Hills Local Municipality	11 330 075	19 497 358
Fair value adjustment - Credit purchases	(675 269)	(813 722)
	84 379 881	**119 974 071**

Projects - Dr Kenneth Kaunda District Municipality		
Africa day celebrations	-	292 481
Business / entrepreneurs	369 920	125 438
Children development	397 859	78 614
Communication Unit	1 059 577	1 391 167
Community Agricultural Support	105 551	110 453
Community Development	1 341 022	180 433
Disability development	645 559	247 587
District Expo	108 286	-
Disaster Management Advisory Forum	24 429	10 825
Disaster Management Awareness	847 406	994 713
Disaster Management Planning	336 808	263 646
Disaster Management Relief	90 724	143 961
District cleaning projects	-	26 776
Donations	-	95 000
Dr Kenneth Kaunda District Economic Entity	3 000 000	3 000 000
Dr Kennenth Kaunda Research Manufacturing Industr	19 000	-
Dr Kenneth Kaunda Tourism Association	52 250	53 500
Education	373 585	89 792
Elderly development	240 071	166 319

Figures in Rand	2014	2013
36. Grants and subsidies paid (continued)		
Emergency Funding Major Incident	415 351	1 563 197
Entrepreneurial Month	110 000	-
Expanded public works programme	421 556	1 002 320
Fire Fighting Training & Development	193 962	587 895
Funeral assistance	329 283	186 745
Funding Finance Management Grant	253 141	610 773
Funding Municipal systems improvement grant	730 069	-
Identify/Preservation of Tourism/Heritage Sites	-	232 883
Gender development	462 285	499 370
LG Seta mandatory grant	189 642	181 967
Mandella day - special projects	33 099	80 869
Mayoral Golf Fund	-	8 345
Merit bursary Community	7 602 400	1 742 495
Merit bursary employees	211 941	246 118
Promotion and Marketing DED	441 047	460 012
Poverty relief	1 431 559	8 754
Resource & Support Centre	57 245	57 245
Risk Reduction Project	210 785	87 100
Secondary co-operative	37 153	1 550
SMME Workshop/Summit	272 000	-
Skills Development and Training	1 058 400	956 148
Small Scale Farmers Tech. Support	13 610	265 617
Sport, Arts and Culture	2 945 932	1 255 372
Tourism Awareness	231 000	65 460
Tourism Information Centre	37 450	37 450
Tourism & Marketing	387 918	307 322
Tourism awards	-	153 830
Volunteer Unit	120 941	26 186
Volunteers protective clothing	571 824	262 088
Volunteers stipend	1 420 859	1 808 563
Volunteer training	567 290	659 907
Ward Committee Offices	158 165	1 504 022
Tourism support	242 844	-
Women's month	90 830	106 440
Youth development centre project	-	19 473
Youth develoment - Special projects	58 837	23 735
	30 320 465	**22 279 956**

Details of Grants paid - City of Matlosana		
CCTV Cameras	9 600 000	9 786 665
Doringkruin Pressure Tower	-	1 034 250
Environmental education centre	50 100	21 200
Expanded public works programme	-	2 800 000
Integrated Community Call Centre	33 654	-
Khuma 10ML Reservoir Upgrading	-	5 981 036
Matlosana Bulk Electricity Donation - Escom	-	10 000 000
Matlosana toilets completion	493 869	-
N12 Road Beutification	1 570 760	3 144 680
N12 Upgrading (Olifant intersection)	11 349 369	1 310 594
Oppenheimer Staduim Upgrading	-	607 729
Orkney New Community Hall	2 371 516	1 742 349
Tigane extension 5 re-layout	-	435 638
Township establishment Alabama	-	902 331
Township establishment Kanana ext 15	-	999 244
Recycling Project Landfill site	40 600	1 070 000
Rural Development	1 543 387	1 569 780
Rural Development Support	1 860 348	232 871
Water - Midvaal Endpoint to Muranti Reservoir	4 450 678	-
	33 364 281	**41 638 367**

36. Grants and subsidies paid (continued)

Details of Grants paid - City of Tlokwe

Figures in Rand	2014	2013
Boskop nature reserve	42 100	133 755
CCTV Camera Extension	-	4 000 000
Geostudy	1 466 000	-
Matlwang Access Road	4 337 532	847 909
Mini fire station	-	26 100
Recycling Project Landfill site	157 500	-
Piggery Eleazer Farm	190 227	366 405
Upgrading & Accreditation Laboratory	-	121 292
Upgrade Disater Communication System	942 534	-
Upgrading of community halls	624 888	290 647
Upgrading Old Hosking Cemetry	15 476	840 080
Vegetable production project Matlwang	87 570	-
Waste recycling faility equipment	-	2 461 551
	7 863 827	**9 087 739**

Details of Grants paid - Ventersdorp Local Municipality

Figures in Rand	2014	2013
Appeldraai Graveyard Fencing	-	698 928
Appeldraai Internal Roads Upgrading	-	1 086 600
Appeldraai solar lighting	74 200	900 914
Bulk Electricity - Escom	-	10 200 000
Doornkop Water Supply	117 570	657 862
Electricity upgrading	-	2 800 000
Expanded publiC works programme	565 604	1 644 045
Ext.6-Ventersdorp Township Establihment	-	433 624
Paupers Funerals	457 573	360 512
Registration solid waste site	-	773 394
Submersible Pump	-	485 126
Tsing street lights	35 054	1 562 252
Two Bedrooms Clinics - Ventersdorp	428 503	2 084 055
Vehicles - Service delivery	498 000	1 597 063
Ventersdorp Bulk Electricity Supply	-	3 000 000
	2 176 504	**28 284 375**

Maquassi Hills Local Municipality

Figures in Rand	2014	2013
Maquassi Hills Fire Engine	1 962 336	-
Boskuil Refurbishment Electricity	220 056	729 879
Cemetries Maquassi-Hills	-	430 000
Construction community hall Maquassi-Hills	-	81 235
Eskom bulk electricity service payments	-	2 500 000
Expanded public Works Program	-	1 296 394
LED Maquassi-Hills	20 000	-
LED plan development	-	580 708
Maquassi Bulk Water Donation - Sedibeng Water	-	3 000 000
Roads and stormwater	-	1 587 470
Sanitation	8 431 308	4 290 639
Sedibeng bulk services payment	-	2 500 000
Service delivery fleet	-	1 544 245
Sewer - Manhole Rods	-	87 500
Steetlights	-	247 280
Street naming	164 873	299 478
Upgrading of community halls	-	322 530
Upgrading Landfill site	531 500	-
	11 330 073	**19 497 358**

Notes to the Financial Statements

Figures in Rand	2014	2013

36. Grants and subsidies paid (continued)

Refer to note 42, Prior Period Error: Retrospective restatement was done to Grants and Subsidies paid, as at 30 June 2013, the restatement relates to an error on the payment of grants and subsidies during the financial year 2012/13.

Total grants and subsidies paid	**84 379 881**	**119 974 071**

37. Cash used in operations

Deficit	(12 750 677)	(42 776 638)
Adjustments for:		
Depreciation and amortisation	2 497 440	3 031 353
Loss on disposal of property, plant & equipment	-	648
Fair value adjustments - shares	(15 278)	(9 943)
Provision for leave reserve	929 729	602 936
Debt impairment	590 929	(76 444)
Movements in operating lease assets and accruals	-	(29 957)
Movements in retirement benefit assets and liabilities - Non current	(265 583)	142 116
Movements in provisions - Current	(23 384)	209 741
Changes in working capital:		
Receivables from non-exchange transactions	(1 326 323)	474 825
Receivables from non-exchange transactions	92 616	359 317
Payables from exchange transactions	(12 801 594)	11 678 133
VAT	(4 050 133)	593 646
Payables from non-exchange transactions	(12 647)	267 432
Unspent conditional grants and receipts	(87 850)	1 411 477
	(27 222 755)	**(24 121 358)**

Notes to the Financial Statements

Figures in Rand	2014	2013

38. Commitments

Authorised capital expenditure

	2014	2013
Total approved and contracted for (VAT exclusive)		
• Infrastructure - Other	2 946 225	4 290 800
• Water	203 025	99 760
• Electricity - Street lights	-	952 367
• Other - Disaster risk Management	3 221 004	-
• Sanitation / Waste disposal	5 695 157	3 517 366
• Roads and Stormwater	811 347	7 567 956
• Economic Development	75 168	77 512
• Other - Administration	1 829 656	1 372 829
	14 781 582	**17 878 590**

	2014	2013
This expenditure will be financed from:		
Own resources	14 781 582	17 878 590

Operating leases – as lessee (expense)

	2014	2013
Minimum lease payments due		
- within one year	-	36 722

Operating lease payments represent rentals payable by the municipality for certain office equipment and office buildings. Leases are negotiated for an average term of 36 months .

Contingent Rentals. Office building have been leased from the City of Matlosana during the year under review for a infinite period. These rentals are classified as contingent rentals due to the uncertain lease period. The operating lease payments are therefore not subject to straight - lining. Due to the uncertainties above, it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP13.
Up to 1 year
Year 2 to 5
More than 5 years

1. Gizmo
The municipality lease a printer multifunction copier and a colour lazer printer from Gizmo. The lease was classified as a operating lease the following grounds:
1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2.The difference between the equalised lease payment and the actual cash flow is recognised as a deferred asset or liability in the statement of financial position.

3.Gizmo shall maintain and service the equipment.
4.The agreement was signed on the 20 July 2010 and the period for the lease is 36 months.
3.The monthly lease amount as per the agreement is R3722.00 (Excl VAT), No escalation was agreed on in the lease

3. Lease of office rentals - Ventersdorp local municipality
The municipality lease three offices from the Ventersdorp local municipality. The lease was classified as a operating lease on the following grounds: The assumption can be made that
1.The Ventersdorp local muncipality shall insure the building against all classes of risk.
2.The Ventersdorp Municipality shall maintain the offices.
4.The lease was signed on the 19th April 2013 an is from the 1 January 2013 for 1 (one) year with a possiblility of renewal.The monthly lease amount as per the agreement is R5 500.00 with a 10% escalation per annum as from 1January 2014.

Figures in Rand	2014	2013

39. Contingencies

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

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Disclosure of contingent liabilities and assets

The following contingent liabilities liabilities and assets exist.

Figures in Rand	2014	2013

39. Contingencies (continued)

Matters between
MD Sethole and 18 others against Dr KKDM
Nature of dispute - Unfair discrimination
Status of case - Certificate issued at the CCMA on the 2nd July 2013 for the matter to be referred to the Labour court. Still pending. Case no JS 676/13

Batting Development Products against Dr KKDM
Nature of dispute - Breach of contract that was into between Dr Kenneth Kaunda District Municipality and Batmaster during 2009
Status of case - The matter has been set down for trial on the 20th August 2013.

C Steyn against Dr KKDM
Nature of dispute - Unfair labour practice
Status of case - Awaiting arbitration. Case no NWD061411

T Rampedi against Dr KKDM
Nature of dispute - Unfair labour practice.
Status of case - Arbitration postponed to 16 September 2014. Case no NWD081316

MB Molefe against Dr KKDM
Nature of dispute - Unfair discrimination
Status of case - Certificate issued at the CCMA on the 2nd July 2013 for the matter to be referred to the Labour court. Case no JR1850/13

MB Molefe against Dr KKDM
Nature of dispute - Application for default judgement
Status of case - Case referred to the labour court. Case no JS577/13

MB Molefe against Dr KKDM
Nature of dispute - Alledged Deformation
Status of case - Case referred to the labour court. Case no JS577/13

SAMWU against Dr KKDM
Nature of dispute - Unfair labour practice (Employment of sports coordinator without relevant qualifications and experience in this position.
Status of case - Arbitration. Case no NWD081316

Seremo & Other against Dr KKDM
Nature of dispute - Unfair labour practice (Non payment of subsistence and travel allowances)
Status of case - Arbitration. Case no NWD 061414

Balemi Civils (Pty) Ltd
Nature of dispute - Status date: 30/06/2014: Lizel Venter Attorneys will continue to monitor this matter until the Plaintiff advances his case, but until such time the DKKDM need not take any further steps
Amount requested by plaintiff: R 1 667 013

MW Asset Rentals (Pty) Ltd
Nature of dispute - Status date: 30/06/2014: Lizel Venter Attorneys stated that settlement proposal was rejected by MW Asset Rentals. The matter is enrolled for trial for 2015.
Amount requested by plaintiff: R 318 461

DR KKDM against Amadeka Trading Enterprise CC
Nature of dispute - Status date: 30/06/2014: The Writ of Execution was issued on 29 January 2014 and a return of non-service was obtained in this regard. Lizel Venter Attorneys awaiting for instruction in this matter is urgently awaited.
Amount requested: R 883 639

Z.G. Ngalo Nature of dispute - Status date: 30/06/2014: Lizel Venter Attorneys awaiting a signed settlement agreement from Mr Ngalo
Amount requested by plaintiff: R 318 461

Notes to the Financial Statements

Figures in Rand	2014	2013

39. Contingencies (continued)

Dr KKDM against Bareng Rasego Trading Enterprise Status date: 30/06/2014:The writ could not be executed due to the address not being the registered address of the Defendant. Lizel Venter Attorneys awaiting for instruction in this matter is urgently awaited Amount requested: R 538 830		
DR KKDM against Kumekucha Investments CC Status date: 30/06/2014: The registered address of the Close Corporation does not exist and as such the matter needs to be discussed with the Director: Corporate Services and the Municipal Manager. Lizel Venter Attorneys awaiting for instruction in this matter is urgently awaited. Amount requested : R 550 000		

Settlement amounts paid

Adv A Dlavane against Dr KKDM Nature of dispute - Disciplinary proceedings instituted against of intentionally and unlawfully defrauded Dr Kenneth Kaunda District Municipality and violate the SCM policy and the MFMA. Status of case - Settlement amount paid to Eric H Low Trust.	325 000	
Young Stuart and Associates against Dr KKDM Nature of dispute - Appointment for land surveying at Tsing extension 6 Township Status of case - Letter of demand received from the Sheriff.		179 577

Notes to the Financial Statements

Figures in Rand	2014	2013

40. Related parties

Relationships

Subsidiary	Dr Kenneth Kaunda District Economic Agency (Note 4)
Post employment benefit plan for employees of the entity and/or other related parties	Refer to note 8
Members of Council	Refer to General Information page to the financial statements
Members of Key Management	M I Matthews (Municipal Manager) M B Daffue - Acting CFO untill 31December 2013. J Mononela as from 1January 2014 S C Abrams - Acting Director Corporate Services untill 31 July 2013. L Ratlekgetho as from 1 December 2013 K T Tshukudu - Acting Director Infrastructure untill 31 Descember 2013. T S Chanda as from 1 January 2014 R Lesar - Acting Director Disaster Management untill 28 February 2013. SM Lesuri as from 1 March 2014 T Rampedi - Acting Director District Economic Development untill 31 January 2014. M L Makheta as from 1 February 2014 N P Tenza - Acting Director Health Services untill 31 January 2014. NP Mosete as from 1 February 2014

The council supply these Projects with funds via the Dr Kenneth Kaunda Economic Agency.

Related party balances

	2014	2013
Investment		
Dr Kenneth Kaunda Economic Agency	120	120

Related party transactions

	2014	2013
Grant (received) / paid		
Dr Kenneth Kaunda District Economic Development Agency	3 000 000	3 000 000

For transaction with members of council and key management, refer to notes 41 and 26 to the financial statements.

Key management information

Class	Description	Number
Executive Mayor	Executive Authority	1
Members of Mayoral Committee	Executive Authority	8
Executive management members	Key Management	6
Speaker	Executive Authority	1
Councillors (part - time and directly elected	Executive Authority	29
Municipal Managers	Key Management / Accounting Officer	1

Figures in Rand	2014	2013

41. Transactions with Councillors

The following allowance were paid to Councillors during the year.

Municipal Councillors

Remuneration to Municipal Councillors for 2013

	Salary Allowances	Travelling	Telephone	Medical aid & Pension Contribution	Sitting Allowances	Total
MOLOI BE - Executive Mayor	485 045	167 568	19 874	17 280	-	689 767
ZEPHE M - Speaker	332 749	134 064	19 874	76 573	-	563 260
Members Mayoral Committee - MARTINS MI	295 887	125 680	19 874	81 149	-	522 590
MATABOGO MM	302 801	125 680	19 874	73 828	-	522 183
DLAMINI MF	123 785	75 411	7 479	60 587	-	267 262
NDINCEDE K	304 299	125 676	19 874	71 691	-	521 540
LEHLOO TK	303 190	125 686	19 874	79 922	-	528 672
MATINYANE MW	224 161	80 341	7 486	17 280	-	329 268
MOGALE OM	226 210	75 418	7 486	-	-	309 114
KOLOTI NM	311 933	123 503	19 528	58 206	-	513 170
Other Councillors - MJEKULA NW	150 815	50 270	12 395	-	-	213 480
VAN ZYL KL	150 815	50 270	12 395	-	-	213 480
NKATLO SS	150 815	50 270	12 395	-	-	213 480
SEDUKU PM	112 507	49 178	12 126	43 501	-	217 312
SEAKANE KS	-	-	-	-	36 720	36 720
MALETE NG	-	-	-	-	25 296	25 296
MULLER GJ	-	-	-	-	19 584	19 584
COETZER CJ	-	-	-	-	26 112	26 112
MAKHAZA MJ	-	-	-	-	21 216	21 216
TAGAREE FI	-	-	-	-	66 096	66 096
POSTMA EM	-	-	-	-	57 936	57 936
LESIE SJ	-	-	-	-	36 720	36 720
MOHLOPE PA	-	-	-	-	21 216	21 216
RAMPHELE GA	-	-	-	-	53 040	53 040
MASEKO NM	-	-	-	-	22 848	22 848
MONTOEDI SD	-	-	-	-	71 808	71 808
GROENEWALD IM	-	-	-	-	28 560	28 560
TERBLANCHE SP	148 193	50 270	12 395	-	-	210 858
TAOLENG MA	-	-	-	-	19 584	19 584
ADOONS NG	125 150	29 761	12 395	43 878	-	211 184
DAVEL DL	137 871	50 270	12 395	24 328	-	224 864
MAMPE KB	-	-	-	-	13 056	13 056
BOGATSU SJP	107 948	36 609	9 027	1 885	-	155 469
THELEJANE MA	-	-	-	-	8 160	8 160
HART T	-	-	-	-	16 320	16 320
LETHOBA	-	-	-	-	6 957	6 957
RAMETSI	-	-	-	-	2 448	2 448
MPUPUKWANA	-	-	-	-	67 728	67 728
MOKGOTHU	128 160	50 278	12 395	48 441	-	239 274
MOENG	31 151	12 603	3 107	6 659	-	53 520
BONTSI MM	-	-	-	-	5 712	5 712
FRONEMAN FJ	-	-	-	-	816	816
	4 153 485	**1 588 806**	**272 248**	**705 208**	**627 933**	**7 347 680**

Restatement to the amount of Councillors allowances were made for the amount of R 14 354.

Notes to the Financial Statements

41. Transactions with Councillors (continued)

Remuneration to Municipal Councillors for 2014

	Salary Allowance	Travelling	Telephone	Medical aid & Pension Contribution	Sitting Allownces	Total
MOLOI BE - Executive Mayor	681 476	-	20 868	22 324	-	724 668
ZEPHE M - Speaker	344 079	140 760	20 868	78 201	-	583 908
Members Mayoral Committee - MARTINS MI	302 083	131 724	20 868	94 039	-	548 714
MATABOGO MM	318 659	131 963	20 868	77 224	-	548 714
DLAMINI MF	161 454	79 178	10 434	76 084	-	327 150
NDINCEDE K	321 537	131 963	20 868	74 346	-	548 714
LEHLOO TK	313 823	131 965	20 868	82 065	-	548 721
MATINYANE MW	219 836	85 381	10 434	26 338	-	341 989
MOGALE OM	237 534	79 178	10 434	-	-	327 146
KOLOTI NM	316 515	131 970	20 868	79 361	-	548 714
Other Councillors - MJEKULA NW	158 364	52 776	20 868	-	-	232 008
VAN ZYL KL	158 364	52 776	20 868	-	-	232 008
NKATLO SS	158 355	52 785	20 868	-	-	232 008
SEDUKU PM	109 426	52 785	20 868	48 929	-	232 008
SEAKANE KS	-	-	-	-	39 422	39 422
MALETE NG	-	-	-	-	34 280	34 280
MULLER GJ	-	-	-	-	1 673	1 673
COETZER CJ	-	-	-	-	33 423	33 423
MAKHAZA MJ	-	-	-	-	816	816
TAGAREE FI	-	-	-	-	59 990	59 990
POSTMA EM	-	-	-	-	44 564	44 564
LESIE SJ	-	-	-	-	33 423	33 423
RAMPHELE GA	-	-	-	-	54 848	54 848
MASEKO NM	-	-	-	-	23 139	23 139
MONTOEDI SD	-	-	-	-	65 989	65 989
GROENEWALD IM	-	-	-	-	19 711	19 711
TERBLANCHE SP	118 773	39 582	15 651	-	-	174 006
TAOLENG MA	-	-	-	-	7 713	7 713
ADOONS NG	141 319	17 592	20 868	52 229	-	232 008
DAVEL DL	135 268	52 776	20 868	23 093	-	232 005
HART T	-	-	-	-	15 426	15 426
MPUKWANA MB	-	-	-	-	54 848	54 848
MOKGOTHU MB	135 272	52 776	20 868	23 095	-	232 011
BOGATSU SJP	135 263	52 785	20 868	24 823	-	233 739
THELEJANE MA	-	-	-	-	16 283	16 283
BONTSI MM	-	-	-	-	8 570	8 570
FRONEMAN FJ	-	-	-	-	1 632	1 632
	4 467 400	**1 470 715**	**359 973**	**782 151**	**515 750**	**7 595 989**

Refer to note 42 for details of the restatement. Restatement of salaries of councillors for 2012/2013 with R14 355.

42. Prior period errors

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

Statement of financial position	2014	2013
Trade and other payables from exchange transactions 2011/12	-	(153 503)
Receivables from non- exchange transactions 2012/13	-	22 919
Payables from non-exchange transactions 2012/13	-	(120 517)
VAT Receivables 2012/13	-	154 921
Payables from exchange transactions 2012/13	-	(30 207)
Accumulated surplus	-	126 387

The effect on the Statement of Financial Position as at 30 June 2013.	Balance 30 June 2012	Restated 30 June 2012	Balance 30 June 2012	Restated 2012/13	Deficit before adjustment 2012/13	Reclassified 2012/13	Restated Balance 30 June 2013
VAT Receivables	-	-	2 068 551	154 921	-	-	2 223 472
Receivables from non-exchange transactions	-	-	13 600	22 919	-	-	36 519
Payables from exchange transactions	(32 334 681)	(153 503)	(32 488 184)	(30 207)	-	(5 907 619)	(38 426 010)
Payables from non-exchange transactions	-	-	(5 800 587)	(120 517)	-	5 907 619	(13 485)
Accumulated surplus	192 723 074	(153 503)	192 569 571	27 116	(42 803 751)	-	149 792 936
			156 362 951		**-**	**-**	**-**

Statement of Financial Performance	2014	2013
Deficit for the year - previous reported	-	(42 803 753)
Contracted services	-	154 921
General expenditure	-	(30 207)
Grants and subsidies paid	-	22 919
Personnel	-	(106 163)
Remuneration of Councillors	-	(14 354)
Adjusted surplus (Deficit)	-	(42 776 637)

The effect on the Statement of Financial Performance as at 30 June 2013.	2012/13 Expenditure / Revenue	Restated 2012/2013 Expenditure / Revenue	Restated Balance 2012/2013
Personnel	49 170 623	106 163	49 276 786
Remuneration of Councillors	7 333 325	14 355	7 347 680
Contracted Services	2 008 817	(154 920)	1 853 897
General expenditure	29 603 553	30 206	29 633 759
Government grants & subsidies	119 996 990	(22 919)	119 974 071
Revenue from exchange transactions - Other Income	357 202	(9 943)	347 259
Fair value adjustments	-	9 943	9 943
Change in net surplus		**(27 115)**	**-**

Transactions effecting payables from non- exchange transactions as at 30 June 2013	2014	2013
Statement of changes in net assets	-	(120 518)
Statement of financial performance - Employees cost	-	106 163
Statement of financial performance - Councillors remuneration	-	14 355
	-	**-**

Restatement of employee cost and Councillors remuneration for 2012/2013 financial year.

Figures in Rand	2014	2013

42. Prior period errors (continued)

Reclassifying of investments in associates retropectively as from 30 June 2013		
Investments in associates - At fair value	-	(120)
Investments in associates - At cost	-	120
	-	-

Reclassifying of investments in associates At cost refer to note Financial assets by category.

Transactions affecting VAT receivables as at 30 June 2013		
Statement of financial position - Vat Receivables	-	154 921
Statement of financial performance - Contracted services	-	(154 921)
	-	-

Correction of VAT not claimed in the 2012/2013 financial year.

Restatement of payables from exchange transactions as at 30 June 2013 and 30 June 2012.		
Statement of changes in net assets	-	(21 162)
Statement of financial performance - General expediture: Legal fees	-	21 162
Payables from exchange transactions - 30 June 2012	-	(153 503)
Accumulated surplus - opening balance 01 July 2012	-	(153 503)
	-	-

Legal fees payable to The South African Bargaining Council as at 30 June 2013.

Salary adjustments paid out in 2013/14, relating to amounts due on 30 June 2012 - Trade payables have been restated to retrospectively adjust for the amounts due in prior financial years.

Transactions effecting receivables from non- exchange transactions as at 30 June 2013		
Statement of changes in net assets	-	30 859
Statement of financial performance - General Expenses: subsistence and travel	-	(7 940)
Statement of financial performance - Grants and subsidies	-	(22 919)
	-	-

Restatement of cancelled cheques for the 2012/2013 financial year.

Figures in Rand	2014	2013

42. Prior period errors (continued)

Restatement of payables from exchange transactions as at 30 June 2013		
Statement of changes in net assets	-	(16 985)
Statement of financial performance - General expediture: Rentals	-	16 985
	-	-

Restatement of rentals payable for office buildings in the 2012/13 financial year, due to escallation not paid.

Transactions effecting reclassifying of revenue exchange transactions for the 2012/2013.		
Statement of financial performance: Revenue from exchange transactions - Other income	-	9 943
Statement of financial performance - Fair value adjustments	-	(9 943)
Fair value disclosed seperately in the Statement of Performance		
	-	-

Reclassifing of Receivables from Exchange transactions to Non - Exchange transactions in the 2011/2012 financial year due to that a new standard of GRAP: GRAP23 be adopted and became effective. All receivables was prior the adoption of GRAP 23 classified as Receivables from Exchange transactions.

43. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial position		
Property, plant and equipment: Land	1 278 500	1 278 500
Property, plant and equipment: Land and buildings	(1 278 500)	(1 278 500)
Property, plant and equipment: Other	830 456	167 394
Property, plant and equipment: Land and buildings	(830 456)	(167 394)
Payables from non-exchange transactions: Staff leave	5 276 960	5 276 960
Payables from exchange transactions: Staff leave	(5 276 960)	(5 276 960)
Payables from non-exchange transactions: Other Payables	789 268	630 659
Payables from exchange transactions: Other payables	(789 268)	(630 659)

44. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of cash and cash equivalents and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the debt: equity ratio.

This ration is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position.

There are no externally imposed capital requirements.

Figures in Rand		2014	2013

44. Risk management (continued)

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Gearing ratio:
The gearing ratios at 2014 and 2013 respectively were as follows:

		2014	2013
Less: Cash and cash equivalents	12	(149 590 143)	(177 314 789)
Net debt		(149 590 143)	(177 314 789)
Total equity		137 042 263	149 792 936
Total capital		(12 547 880)	(27 521 853)
Gearing ratio		(109,16)%	(118,27)%

Financial risk management

The municipality's is expose to a variety of financial risks: market risk , fair value interest rate risk, cash flow interest rate risk and price risk, credit risk and liquidity risk, but the exposure is limited and manageble.

Due to largely, "non-trading nature" of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.
The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.
Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

Liquidity risk is the risk that the Municipality difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

At 30 June 2014	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Payables from exchange transactions	26 400 624	-	-	-
Payables from non- exchange transactions	839	-	-	-

At 30 June 2013	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Payables from exchange transactions	38 426 010	-	-	-
Payables from non-exchange transactions	13 486	-	-	-
Finance lease liability	124 125	-	-	-

Interest rate risk

Figures in Rand	2014	2013

44. Risk management (continued)

As the municipality has no significant interest-bearing assets, the municipality's income received on interest on investments are dependent of changes in market interest rates. Interest rate risk is deferred that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result in market interest changes.

To decrease interest rate risk exposure, investments is mostly done on a on a term not longer than six months.The current Interest rate shown below is the average interest earned during the year under review on call investment deposits and cash in current banking institutions.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	1,20 %	3 637 254	-	-	-	-
Call investment deposits	5,50 %	145 948 289	-	-	-	-

Credit risk

Credit risk is the risk of financial loss to the Municipality or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality from customers and investment securities .The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Each class of financial instrument is disclosed separately.
Maximum exposure to credit risk not covered by collateral is specified.
Financial instruments covered by collateral are specified.

Credit risk consists mainly of cash deposits, cash equivalents.
The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited creditrating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with it's investment policy. Consequently, the municipality is not exposured to any significant credit risk.

Receivables and Other Debtors are individually evaluated annually at statement of financial position date for impairment or discounting. Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk,and is not concentrated in any particular sector or geographical area.
The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables
Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2014	2013
Investments	59 899	5 144 621
Call investment deposits	145 948 289	160 664 108
Investments in associates	120	120
Receivables from non-exchange transactions	871 797	36 518
Receivables from exchange transactions	743 152	935 652
Bank balances and cash	3 641 854	16 650 681

44. Risk management (continued)

The maximum credit and interest risk exposure in respect of the relevant financial instruments amounts to as indicated above.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municiplity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.
There has been no change to the municipalilty's exposure to market risk on the manner in which manages

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available for sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance /with the limits set by the municipality.

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Surplus for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified a available for sale.

45. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had an accumulated surplus of R138 061 830 and that the municipality's total assets exceed its liabilities.

The 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.

The municipality is wholly dependent on Government Grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and there has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

46. Events after the reporting date

The council took a resolution on 01 August 2014, per item No. A136/04/2014, that an amount of R30 million will be commited towards the Big Break Legacy Programme.

The R30 million will be expensed in equal amounts of R10 million per annum, for the 2014/15, 2015/16 and 2016/17 financial years. The payment of commited amounts are subject to performance reviews on the impact of the program initiatives from the previous financial years.

Figures in Rand	2014	2013

47. Fruitless and wasteful expenditure

Opening Balance	134 001	3 315 223
Fruitless and wasteful expenditure	-	77 983
Details of Fruitless & wastefull expenditure – recoverable (not condoned)	-	(3 397)
Less: Write off	-	(3 255 808)
	134 001	**134 001**

Details of Fruitless & wastefull expenditure – Current year		
Penalty fee - Postponement of Strategic planning session	-	19 762
Loss of petty cash	-	2 203
Absa lease - Samsung telephone system	-	56 018
	-	**77 983**

Details of Fruitless & wastefull expenditure – write off		
Interest - Fund for Municipal workers	-	276
Penalties- Compensation Commissioner	-	73 740
Penalties - SARS	-	71 497
Flight tickets - CPMD re-scheduled	-	4 114
Employees on suspension	-	3 106 181
	-	**3 255 808**

Details of Fruitless & wastefull expenditure – recoverable (not condoned)		
Penalties - Late for flights	-	2 803
Loss of petty cash	-	594
	-	**3 397**

Details of fruitless and watefull expenditure - to be addressed by MPAC		
Opening Balance	134 001	-
Absa lease - Samsung telephone system: 2011/2012 financial year	-	56 018
Absa lease - Samsung telephone system:	-	56 018
Penalty fee - Postponement of Strategic planning session	-	19 762
Loss of petty cash	-	2 203
	134 001	**134 001**

Analysis of expenditure awaiting condonation per age classification		
Opening Balance	134 001	-
Prior years: 2011/2012	-	56 018
Prior years: 2012/2013	-	77 983
	134 001	**134 001**

Fruitless and wasteful expenditure disclosed for the 2012/2013 financlal should be R134 001 and not R181 514 as stated in the 2012/2013 financial year..

48. Irregular expenditure

Opening balance	4 026 494	7 368 292
Add: Irregular Expenditure - current year	3 929 074	4 318 941
Less: Amounts condoned and written off	-	(6 796 609)
Less: Amounts condoned (outcome dissplinary hearing)	-	(824 010)
Less: Amounts recoverable (not condoned)	-	(40 120)
Amounts not yet condoned	**7 955 568**	**4 026 494**

The amount of R40 120 (Less: Amounts recoverable (not condoned)) for the 2012/2013 financial year is included in the summary of irregular expenditure to clarify Irregular expenditure not yet condoned

Figures in Rand		2014	2013

48. Irregular expenditure (continued)

Analysis of expenditure awaiting condonation per age classification

	2014	2013
Opening BalanceCurrent year	4 026 494	-
Current year	3 929 074	-
Prior years: 2012/2013	-	4 000 072
Prior years: 2011/2012	-	26 422
	7 955 568	**4 026 494**

Details of Irregular Expenditure – Current year

Printing annual Reports 2011/2012 Dr.KKDM	(Contrary to section 18 of SCM policy)	32 367
Printing annual Reports 2011/2012 Agency	(Contrary to section 18 of SCM policy)	7 356
Printing of Mid Year Assessment report	(Contrary to section 18 of SCM policy)	3 990
Printing additional reports for the Provincial Legislature: Dr. KKDM	(Contrary to section 18 of SCM policy)	21 142
Flight, travelling and accommodation arrangements for the DR.Kenneth Kaunda District Municipality	Contrary to supply chain regulation 36, 1 (a) (v)	1 137 987
Purchasing of 10X laptops and bags for principles of the best performed schools (GR12)	Contrary to supply chain regulation 18(a)	47 998
IPurchasing of 10X mini notebooks for the best performed learners (GR12)	Contrary to supply chain regulation 18(a)	116 552
Printing annual Reports 2012/2013 DR KKDM and Agency	Contrary to supply chain regulation 18(a)	113 161
Durban Tourism Indaba	SCM Reg: 36 (a) (ii) if such goods or services are produced or available from a single provider only	69 593
Strategic Planning Session Venue	Contrary to supply chain regulation 36, 1 (a) (v)	187 861
Installing a 12 Seater customer call centre - Ikangeng Solutions cc	Contrary to supply chain regulation 36, 1 (a) (v)	2 191 067
		3 929 074

Details of Irregular Expenditure condoned and written off

	-

Details of Irregular Expenditure recoverable - not condoned

	2014	2013
Information sharing session - Kunengcambo Guest House cc	-	10 170
Literacy competition - Sound CD Productions	-	9 950
Literacy competition: Ziyaduma perform	-	20 000
	-	**40 120**

Details of Irregular Expenditure condoned (outcome dissplinary action)

	2014	2013
Training of Fire fighters	-	824 010

Figures in Rand	2014	2013

48. Irregular expenditure (continued)

Details of Irregular Expenditure - to be addressed by MPAC

Opening Balance	4 026 494	-
Printing of agendas for Council in emergency situation	-	26 422
Irregular expenses not condoned - Prior year	-	4 000 072
Current year irregular expenses	3 929 074	-
	7 955 568	**4 026 494**

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to Organised Local Government

Opening balance	(7 634)	(630 240)
Current year subscription	770 166	630 240
Amount paid - current year	(762 532)	-
Amount paid - in advance	(791 794)	(7 634)
	(791 794)	**(7 634)**

Membership fees paid to SALGA. It is based on .9% of the employee cost of council.

Audit fees

Current year audit fee	2 925 912	2 596 660
Amount paid - current year	(2 925 912)	(2 596 660)
	-	**-**

PAYE and UIF

Current year payroll deductions	10 807 095	8 586 367
Amount paid - current year	(10 807 095)	(8 586 367)
	-	**-**

Pension and Medical Aid Deductions

Current year council contributions	8 278 582	7 502 639
Amount paid - current year	(8 278 582)	(7 502 639)
	-	**-**

VAT

VAT receivable	6 120 105	2 223 472
	6 120 105	**2 223 472**

VAT output payables and VAT input receivables are shown in note 11. Restatement was made of VAT receivable as at 30 June 2013 due to a correction of VAT receivable from contracted services to the amount of R154 921. Refer to note 42 for details

All VAT returns have been submitted by the due date throughout the year.

50. 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 financial statements.

Deviations set under this note were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

51. Comparative Budget with Actuals

The Municipality presents it approved budget on a cash basis and the Statement of Financial Performance on a accrued basis. A reconcilaition between the actual amounts presented on a comparable basis as presented in the Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2014 is presented on the face of the financial statements

52. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E (1) for the comparison of actual operating expenditure versus budgeted expenditure.

53. Analysis of property plant and equipment

Refer to Appendix B - Analysis of property, plant and equipment

54. Segmental analysis of property, plant and equipment

Refer to Appendix C - Segmental Analysis of property, plant and equipment

55. Segmental statement of financial performance

Refer to Appendix D - Segmental statement of financial performance

56. Disclosure of grants and subsidies

Refer to Appendix F - Disclosure of grants and subsidies