Dr Kenneth Kaunda District Municipality
Financial statements
for the year ended 30 June 2013

General Information

Accounting Officer	1	1
Registered office	Civic Centre Patmore Road ORKNEY 2620	
Business address	1 1 1 1 1	
Postal address	1 1 1 1 1	
Bankers	1 1	
Auditors	1 1	
Secretary	1	

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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)

Certification by Municipal Manager

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

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 4 to 88, in terms of Section 126(1) of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councilors as disclosed in note 24 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, No 20 of 1998 and the Minister of Cooperative Governance and Ttraditional Affairs determination in accordance with this Act.

Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2013.

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 42 803 749 (2012: profit R 16 821 834).

2. Going concern

We draw attention to the fact that at 30 June 2013, the municipality's total assets exceeds its liabilities by R 149 919 325.

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.

3. 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.

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Receivables from non-exchange transactions	10	13 600	486 228
Receivables from exchange transactions	11	935 652	1 320 085
VAT receivable	12	2 068 551	2 817 118
Cash and cash equivalents	13	177 314 789	209 502 943
		180 332 592	**214 126 374**
Non-Current Assets			
Property, plant and equipment	2	12 298 795	12 436 900
Intangible assets	3	205 296	205 120
Investments in associates	4	120	120
Investments	5	5 144 621	34 678
		17 648 832	**12 676 818**
Non-current assets held for sale		94 000	230 000
Less: Impairment		-	(136 000)
Less: Disposals		(94 000)	-
Net: Non -current assets held for sale		**-**	**94 000**
Non-current assets held for sale		-	94 000
Total Assets		**197 981 424**	**226 897 192**
Liabilities			
Current Liabilities			
Finance lease obligation	16	118 548	166 723
Operating lease liability	8	-	29 956
Payables from exchange transactions	20	32 334 681	20 883 723
Payables from non-exchange transactions	21	5 800 587	4 930 219
Unspent conditional grants and receipts	17	4 148 316	2 736 839
Post Retirement Medical Aid benefit	9	135 768	104 448
Long Services defined Benefit Plan - Current portion	19	250 616	72 195
		42 788 516	**28 924 103**
Non-Current Liabilities			
Finance lease obligation	16	-	118 548
Post Retirement Medical Aid benefit	9	3 618 032	3 326 601
Long Service Awards	19	1 655 551	1 804 866
		5 273 583	**5 250 015**
Total Liabilities		**48 062 099**	**34 174 118**
Net Assets		**149 919 325**	**192 723 074**
Net Assets			
Accumulated surplus		149 919 325	192 723 074
Total Net Assets		**149 919 325**	**192 723 074**

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Revenue from exchange transactions			
Other income	25	357 202	339 386
Interest received - investment	30	10 751 734	11 913 100
Gains on disposal of assets		20 885	-
Dividends received	30	1 775	1 261
Total revenue from exchange transactions		**11 131 596**	**12 253 747**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	24	159 395 450	156 164 164
Public contributions and donations		30 310	-
Gains on actuarial valuations		297 783	-
Other income	25	76 446	3 000
Total revenue from non-exchange transactions		**159 799 989**	**156 167 164**
Total revenue	23	**170 931 585**	**168 420 911**
Expenditure			
Personnel	27	(49 170 623)	(44 161 194)
Remuneration of councilors	28	(7 333 325)	(6 845 932)
Depreciation, impairment and amortisation	32	(3 031 353)	(2 955 959)
Finance costs	34	(1 064 111)	(695 519)
Debt impairment	29	-	(1 261 024)
Repairs and maintenance		(902 095)	(704 170)
Contracted services		(2 008 817)	(1 514 891)
Grants and subsidies paid	37	(119 996 990)	(67 044 818)
Contributions to Leave Reserve		(602 936)	(1 945 995)
Loss on disposal of assets	2	(21 533)	-
General Expenses	26	(29 603 553)	(24 469 575)
Total expenditure		**(213 735 338)**	**(151 599 077)**
Operating (deficit) surplus		**(42 803 753)**	**16 821 834**
(Deficit) surplus for the year		**(42 803 753)**	**16 821 834**

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus / (Deficit)
Opening balance as previously reported	175 395 921
Adjustments	
Correction of errors	505 317
Balance at 01 July 2011 as restated	**175 901 238**
Surplus for the year	16 821 835
Total changes	16 821 835
Balance at 01 July 2012	**192 723 074**
Surplus for the year	(42 803 748)
Total changes	(42 803 748)
Balance at 30 June 2013	**149 919 325**

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Government grants and subsidies		160 806 92	158 445 459
Interest income		10 751 734	11 913 100
Dividends received		1 775	1 261
Other receipts		1 608 858	334 319
		173 169 294	170 694 139
Payments			
Employee costs		(48 215 830)	(42 388 776)
Remuneration of councillors		(7 333 325)	(6 845 932)
Suppliers		(18 787 258)	(20 064 535)
Finance costs		(1 064 111)	(695 519)
Other payments		(121 890 128)	(67 115 391)
		(197 290 652)	(137 110 153)
Net cash flows from operating activities	38	**(24 121 358)**	**33 583 986**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(2 773 454)	(655 488)
Proceeds from sale of property, plant and equipment	2	146 391	-
Purchase of other intangible assets	3	(173 008)	(160 911)
(Increase)/Decrease in non - current investments		(5 100 000)	-
Net cash flows from investing activities		**(7 900 071)**	**(816 399)**
Cash flows from financing activities			
Finance lease payments		(166 725)	(121 379)
Net increase/(decrease) in cash and cash equivalents		**(32 188 154)**	**32 646 208**
Cash and cash equivalents at the beginning of the year		209 502 943	176 817 077
Cash and cash equivalents at the end of the year	13	**177 314 789**	**209 463 285**

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
2013											
Financial Performance											
Gains on disposal of assets	-	-	-	-		-	20 885		20 885	- %	- %
Investment revenue	12 600 000	-	12 600 000	-		12 600 000	10 753 509		(1 846 491)	85 %	85 %
Government grants & public contributions	161 616 000	-	161 616 000	-		161 616 000	159 425 760		(2 190 240)	99 %	99 %
Other own revenue	501 600	-	501 600	-		501 600	731 431		229 831	146 %	146 %
Total revenue (excluding capital transfers and contributions)	**174 717 600**	**-**	**174 717 600**	**-**		**174 717 600**	**170 931 585**		**(3 786 015)**	**98 %**	**98 %**
Employee costs	(78 991 485)	4 960 000	(74 031 485)	-	-	(74 031 485)	(49 170 623)	-	24 860 862	66 %	62 %
Remuneration of councillors	(9 057 321)	-	(9 057 321)	-	-	(9 057 321)	(7 333 325)	-	1 723 996	81 %	81 %
Depreciation and asset impairment	(3 190 800)	-	(3 190 800)			(3 190 800)	(3 031 353)	-	159 447	95 %	95 %
Finance charges	-	-	-	-	-	-	(1 064 111)	-	(1 064 111)	- %	- %
Repairs and maintenance	(2 702 657)	60 000	(2 642 657)	-	-	(2 642 657)	(902 095)	-	1 740 562	34 %	33 %
Contracted services	(3 984 042)	120 000	(3 864 042)	-	-	(3 864 042)	(2 008 817)	-	1 855 225	52 %	50 %
Grants and subsidies paid	(210 779 004)	(8 495 865)	(219 274 869)	-	-	(219 274 869)	(119 996 990)	-	99 277 879	55 %	57 %
General expenditure	(39 861 064)	(3 155 000)	(43 016 064)	-	-	(43 016 064)	(29 603 553)	-	13 412 511	69 %	74 %
Contribution to leave reserve	-	-	-	-	-	-	(602 938)	-	(602 938)	- %	- %
Loss on disposal of assets	(123 799)	-	(123 799)	-	-	(123 799)	(21 533)	-	102 266	17 %	17 %
Total expenditure	**(348 690 172)**	**(6 510 865)**	**(355 201 037)**	**-**	**-**	**(355 201 037)**	**(213 735 338)**	**-**	**141 465 699**	**60 %**	**61 %**
Actual amounts on comparable basis as presented in the appropriation statement	**(173 972 572)**	**(6 510 865)**	**(180 483 437)**	**-**		**(180 483 437)**	**(42 803 753)**		**137 679 684**	**24 %**	**25 %**

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 .	**(173 972 572)**	**(6 510 865)**	**(180 483 437)**	**-**		**(180 483 437)**	**(42 803 753)**		**137 679 684**	**24 %**	**25 %**
Non GRAP transfers: Transfer from (to) accumulated surplus'	173 972 572	6 510 865	180 483 437	-		180 483 437	42 803 753		(137 679 684)	(24)%	(25)%
Budget Surplus/(Deficit) to approvesd budget	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**- %**	**- %**
Capital expenditure											
Total capital expenditure	13 189 370	1 505 000	14 694 370	-		14 694 370	2 946 464		(11 747 906)	20 %	22 %
Total capital expenditure	**13 189 370**	**1 505 000**	**14 694 370**	**-**		**14 694 370**	**(2 946 464)**		**11 747 906**	**20 %**	**22 %**

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	(170 782 180)	-	(170 782 180)	-		(170 782 180)	(24 121 358)		146 660 822	14 %	14 %
Net cash flows from investing activities	13 189 370	-	13 189 370	-		13 189 370	(7 900 071)		(21 089 441)	(60)%	(60)%
Net cash from financing activities	-	-	-	-		-	(166 725)		(166 725)	- %	- %
Net increase/(decrease) in cash and cash equivalents	**(157 592 810)**	**-**	**(157 592 810)**	**-**		**(157 592 810)**	**(32 188 154)**		**125 404 656**	**20 %**	**20 %**
Cash and cash equivalents at the beginning of the year	221 000 000	-	221 000 000	-		221 000 000	209 502 943		(11 497 057)	95 %	95 %
Cash and cash equivalents at year end	**63 407 190**	**-**	**63 407 190**	**-**		**63 407 190**	**177 314 789**		**(113 907 599)**	**280 %**	**280 %**

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) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act NO 56 of 2003).

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

These accounting policies are consistent with the previous period.

2.1 Consolidation

Investment in associates

An associate is an entity over which the controlling entity has significant influence and which is neither a controlled entity nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the municipality's share of net assets of the associate, less any impairment losses.

Equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the municipality’s share of net assets of the investee. The surplus or deficit of the municipality includes the municipality’s share of the surplus or deficit of the investee.

The municipality’s share of the surplus or deficit of the investee is recognised in surplus or deficit.

Distributions received from an investee reduce the carrying amount of the investment.

The most recent available financial statements of the associate are used by the municipality in applying the equity method. When the reporting date's of the municipality and the associate are different, the associate prepares, for the use of the municipality, financial statements as of the same date as the financial statements of the municipality unless it is impractical to do so.

When the financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the municipality, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the municipality’s financial statements. In any case, the difference between the reporting date of the associate and that of the municipality is more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

The municipality’s financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

Deficits in an associate in excess of the municipality's interest in that associate are recognised only to the extent that the municipality has incurred a legal or constructive obligation to make payments on behalf of the associate. If the associate subsequently reports surpluses, the municipality resumes recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in surplus or deficit.

Surpluses and deficits on transactions between the municipality and an associate are eliminated to the extent of the municipality's interest therein.

The controlling entity discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with the Standards of GRAP on Financial Instruments from that date, unless the associate becomes a controlled entity or a joint venture, in which case it is accounted for as such. The carrying amount of the investment at the date that it ceases to be an associate is regarded as the fair value on initial recognition as a financial asset in accordance with the Standards of GRAP on Financial Instruments.

Accounting Policies

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

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 Policies

Critical judgements, estimation and assumptions (continued)

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 18 - 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 9.

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.

Accounting Policies

2.2.1 Property, plant and equipment

Initial Recognition
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 year.
The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.
Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.
When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.
The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.
Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement
Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.
Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.
Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation
Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end.

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
Mini bus	9 Years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

2.2.1 Property, plant and equipment (continued)

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. Depreciation only commences when the asset is available for use, unless stated otherwise.

Derecognition of property, plant and Equipment
The carrying amount of an item 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.

Finance leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2.2.2.1 Intangible assets

Initial recognition
Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only 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.
Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:
it is technically feasible to complete the intangible asset so that it will be available for use;
Magement intends to complete the intangible asset and use or sell it;
There is an ability to use or sell the intangible asset;
It can be demonstrated how the intangible asset will generate probable future economic benefits;
Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available and the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.
Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.
Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Accounting Policies

2.2.2.1 Intangible assets (continued)

Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.
After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in surplus or deficit.
Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.

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

Computer software, other	3 Years

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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.

Accounting Policies

2.4.1 Financial instruments (continued)

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.

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.

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

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.

Accounting Policies

2.4.1 Financial instruments (continued)

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

2.4.1 Financial instruments (continued)

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.

Accounting Policies

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.

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.

2.5.2.2 Impairment of 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.

2.5.2.2 Impairment of 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 cash-generating unit to which the asset belongs is determined. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset".The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable 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.An impairment of assets carried at at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.An impairment loss is recognised for cash-generating units if the recoverable 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.

2.5.2.2.1 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.

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.

2.6.1 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The municipality treats its provision for leave as an accrual.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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.
Post employment benefits: The municipality provides retirement benefits for its employees and councillors and has both defined benefits and defined contribution post employment plans.

2.6.1 Employee benefits (continued)

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.
The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Post retirement health care benefits
The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees.
According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.
The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.
Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.
Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Long service awards
The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-serviceAllowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a
cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the longterm incentives are accounted for through the statement of financial performance.

Defined benefit plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

2.6.1 Employee benefits (continued)

For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to statement of financial position date where the interim valuation is performed at an earlier date. Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance, as well as past-service costs are recognised immediately in the Statement of Financial Performance.

Other post retirement obligations

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

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

2.8.1 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.

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

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.

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.

Accounting Policies

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

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.

2.10.1 Comparative information

Current year omparatives
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.

Accounting Policies

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.

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.

2.13.1 Presentation of Currency

These financial statements are presented in South african Rand.

2.13.1 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements.

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.

The approved budget covers the fiscal period from 2012-07-01 to 2013-06-30.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists.

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

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.

Accounting Policies

2.16.1 Related parties (continued)

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 Sec15(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

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 43 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

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 standards and interpretations that are effective for the current financial year and that are relevant to its operations.The Minister of Finance annouced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. 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 23: Revenue from Non-exchange Transactions	01 April 2012	Meduim impact
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Budget Comparison statement
• GRAP 103: Heritage Assets	01 April 2012	Not applicable
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	Impact on Statement of Financial Performance
• GRAP 26: Impairment of cash-generating assets	01 April 2012	Meduim impact
• GRAP 104: Financial Instruments	01 April 2012	Disclosure 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 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	Disclosure impact
• GRAP 25: Employee benefits	01 April 2013	Disclosure impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Minimum impact
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Minimum impact
• GRAP 107: Mergers	01 April 2014	Not applicable
• GRAP 20: Related parties	01 April 2013	Disclosure impact

3.1.2. New standards and interpretations (continued)

The ASB Directive 5 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.

Figures in Rand	2013	2012

2. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and Buildings	6 129 601	(1 308 309)	4 821 292	6 129 601	(1 127 000)	5 002 601
Furniture and fittings	3 821 148	(2 124 316)	1 696 832	3 415 906	(1 439 073)	1 976 833
Motor vehicles	6 626 782	(2 305 686)	4 321 096	5 078 788	(1 389 463)	3 689 325
Office equipment	2 358 447	(1 532 057)	826 390	1 899 420	(958 746)	940 674
Computer Equipment	1 541 665	(1 109 403)	432 262	1 282 027	(768 148)	513 879
Community	10 926	(9 820)	1 106	10 926	(8 858)	2 068
Other property, plant and equipment	649 656	(449 839)	199 817	648 881	(337 361)	311 520
Total	**21 138 225**	**(8 839 430)**	**12 298 795**	**18 465 549**	**(6 028 649)**	**12 436 900**

Restatement of historical cost of assets 2011/12 (Refer to note 43). Correction on land to the amount of R600 000 and property, plant & equipment to the amiount of R142 327 not previously recognised in the asset register. The depreciation is restated with R32 794 for 2010/2011, R32 794 for 2011/12 and R58 203 for correction on depreciation for 2011/2012

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Disposals / write - offs**	**Depreciation**	**Impairment loss**	**Total**
Land and Buildings	5 002 601	-	-	(181 309)	-	4 821 292
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	2 068	-	-	(962)	-	1 106
Other property, plant and equipment	311 520	10 974	(6 583)	(116 094)	-	199 817
	12 436 900	**2 773 456**	**(53 039)**	**(2 490 727)**	**(367 795)**	**12 298 795**

Reconciliation of property, plant and equipment - 2012

	Opening balance	**Additions**	**Depreciation**	**Total**
Land and Buildings	5 092 891	95 902	(186 192)	5 002 601
Furniture and fixtures	2 551 637	111 846	(686 650)	1 976 833
Motor vehicles	4 254 091	-	(564 766)	3 689 325
Office equipment	1 267 727	205 021	(532 074)	940 674
Computer equipment	638 385	228 149	(352 655)	513 879
Community Assets	5 009	-	(2 941)	2 068
Other property, plant and equipment	423 089	14 570	(126 139)	311 520
	14 232 829	**655 488**	**(2 451 417)**	**12 436 900**

The opening balance for 2011/2012 has been restated as follows: Land not previoulsly recognised to the amount of R 600 000 and the carrying vaue of other property, plant & equipment not previously recognised to the amount of R109 533. Depreciation 2011/2012 restated to the amount of R 90 996 (R32 794 and R 58 203) (Refer to note 43)

Pledged as security

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

2. Property, plant and equipment (continued)

Impairment losses on property, plant & equipment exist predominantly due to vehicles with fair value lower than carrying value as at 30 June 2013. 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.

Assets subject to finance lease (Net carrying amount)

	2013	2012
Samsung DSC PABX System	84 498	236 750
	84 498	**236 750**

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

	2013			2012		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1 643 720	(1 438 424)	205 296	1 470 712	(1 265 592)	205 120
Total	**1 643 720**	**(1 438 424)**	**205 296**	**1 470 712**	**(1 265 592)**	**205 120**

Depreciation/ amortsation were restated in the 2011/2012 financial with the amount of R10 032 due to correction of depreciation / amortisation (Refer to note 43).

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**

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	452 409	121 253	(368 542)	205 120
	452 409	**121 253**	**(368 542)**	**205 120**

Depreciation/ amortsation were restated in the 2011/2012 financial with the amount of R10 032 due to correction of depreciation / amortisation (Refer to note 43) .

Pledged as security

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

Figures in Rand	2013	2012

4. Investments in associates at cost

Name of company	Held by	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Dr Kenneth Kaunda Economic Agency		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 Rykstr Welkom and amounted to R 1 157 250 (2012 restated: (R795 326)) . 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. The cost price of investments in associates has been restated due to that it was not recognised in the previous financial years. (Refer to note 43).

5. Investments

	2013	2012
Designated at fair value		
Listed shares (Sanlam shares (970 shares with a share price of R46.00 (2012: R35.75)) Listed shares are investments in shares of public companies with no specific maturity dates or interest rates.)	44 621	34 678
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. 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.)	5 100 000	-
Total: Financial assets	**5 144 741**	**34 678**

	2013	2012
Non-current assets		
Designated at fair value	44 621	34 678
Investments at amortised cost	5 100 000	-
	5 144 621	**34 678**

Fair values of financial assets measured or disclosed at fair value

	2013	2012
Class - Listed shares Methods used to determine fair value are as follow: Fair value are bases on the quoted market price on the Johannesburg stock exhange for this instrument. Sanlam shares closed at a market price of R46.00 (2012: R35.75) per share	44 621	34 678

Notes to the Financial Statements

Figures in Rand	2013	2012

6. Long-term Receivables

Study loans (Study loans approved to children of employees before implementation of MFMA)	500	3 500
Total Long -Term Receivables	500	3 500
Less:Impairment of Long -Term Receivables	(500)	(3 500)
Total Long- Term Receivables	**-**	**-**

Long-term receivables impaired

As of 30 June 2013, no loans and receivables were impaired and provided for.

The amount of the provision was (500) as of 30 June 2013 (2012: (3 500).

The ageing of these loans is as follows:

Over 6 months	500	3 500

Reconciliation of provision for impairment of long-term receivables

Opening balance	(3 500)	(6 500)
Unused amounts reversed	3 000	3 000
	(500)	**(3 500)**

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.

Figures in Rand	2013	2012

7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2013

	At amortised cost	At fair value	Total
Fixed long-term investment deposts	5 100 000	-	5 100 000
Other receivables from non-exchange transactions	13 600	-	13 600
Other receivables from exchange transactions	935 652	-	935 652
Cash and cash equivalents	177 314 789	-	177 314 789
VAT receivables	2 068 551	-	2 068 551
Listed investments	-	44 621	44 621
Investment in associates	-	120	120
	185 432 592	**44 741**	**185 477 333**

2012

	At amortised cost	At fair value	Total
Other receivables from non-exchange transactions	486 228	-	486 228
Other receivables from exchange transactions	1 320 085	-	1 320 085
Cash and cash equivalents	209 502 943	-	209 502 943
VAT receivables	2 817 118	-	2 817 118
Listed investments	-	34 678	34 678
Investment in associates	-	120	120
	214 126 374	**34 798**	**214 161 172**

Reclassifying of financial assets by categories per classification in terms of GRAP 104. (Refer to note 43). Listed investments to the amount of R34 678 was not recognised as a financial asset by category in the 2011/12 financial year. Correction of investments in associates in the 2011/2012 financial year to the amount of R120 classified as a financial asset by category.

8. Operating leases

	2013	2012
Current liabilities	-	29 956
Total Current Liabilities	**-**	**29 956**

This amount represent the the current lease liability with regards to on the leases entered into with Padcro (PTY) LTD for the lease of a office building. At the reporting date the municiplaity had outstanding commitments to an amount of R 29 957 which fall due within 1 year.

Figures in Rand	2013	2012

9. Employee benefit obligations

Post retirement medical aid benefit liability

Post-Employment Health Care Benefit Liability	3 753 800	3 431 049
Total: Post-Employment Health Care Benefit Liability	**3 753 800**	**3 431 049**
Less: Transfer to current provisions	(135 768)	(104 447)
Net Post-Employment Health Care Benefit Liability	**3 618 032**	**3 326 602**

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 2013 by ARCH Actuarial Consulting, 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	2	3
Continuation (retiree and widow) members	4	4
	6	**7**

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

Member category		
In-service members	1 148 091	1 439 341
Continuation members	2 605 709	1 991 708
	3 753 800	**3 431 049**

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

The future service cost for the ensuing year is established to be R 59 741 whereas the interest-cost for the next year is estimated to be R 288 873

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate %	7,83	7,50
Health Care Cost Inflation Rate %	7,03	6,57
Net Effective Discount Rate %	0,76	0,87
Continuation of membership at retirement	90%	90%
Proportion assumed married at retirement	90%	90%
Average retirement age	63	63
Mortaliy during employment	SA 85-90	SA 85-90

Figures in Rand	2013	2012

9. Employee benefit obligations (continued)

The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	3 431 049	2 301 297
Current service cost	81 252	80 156
Interest cost	253 537	193 151
Benefits paid	(104 448)	(61 104)
Actuarial loss/(gain) on the obligation	92 410	917 549
Balance at end of year	**3 753 800**	**3 431 049**

The total liability has increased by 9% (or R 0,323 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 increased by 20% 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 increase in the average future employer contribution; and a decrease 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 20% due to the above, partially offset by a decrease in the number of members.
Continuation members
The average continuation member liability has increased by 31% due to an increase in the average employer contribution and a decrease in the net discount rate, partially offset by an increase in the average age. Also, the retiring member was on a significantly more expensive medical scheme than the member who left since the last valuation.
The total continuation member liability has also increased by 31% due to the above, and because the number of members is unchanged.
The table below indicates, for example, that if health care inflation is 1% greater than the long-term assumption made, the liability will be 13% higher than that shown.The difference between 2012/13 and 2013/14 of a 1 % movement in the assumed rate of health care cost inflation is as follows:

Increase of 1%		
Effect on the aggregate of the current service cost and the interest cost	47 100	38 393
	47 100	**38 393**
Decrease of 1%		
Effect on the aggregate of the current service cost and the interest cost	(39 700)	(32 507)
	(39 700)	**(32 507)**

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 ws performed as at 30 June 2009, and the latest interim valuation was performed as at 30 June 2010, and was reported to be in a sound financial position. The interim valuation performed as at 30 June 2010 revealed that the fund had assets to the amount of R 1, 483,786,381(30 June 2009: R1,123,672,020). 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.

9. Employee benefit obligations (continued)

Municipal Gratuity Fund. The defined contribution scheme is a multi-employer plan and the contribution rate payable is 9 %, by the members and 22 % by Council.The 30/11/12 Chairperson Report says:
"Last year the 3-year statutory actuarial valuation was done for the period 1 July 2008 to 30 June 2011 by an independent actuary approved by the Registrar of Pension Funds. This compulsory 3 year statutory valuation was this year followed up by a voluntary interim valuation for this financial year. Like the 3-year statutory valuation this 1-year interim valuation again confirms that the Fund is in a sound financial position. It also confirmed that the risk benefits budget and administration costs are managed very responsibly with the desired cost effective results, being 0, 59% of salary for administration costs and 3, 49% for risk benefits cost. This led to the healthy state of the risk reserve, currently about R270 million, which may require a partial distribution to members. The Management Committee will consider this at its meeting scheduled for 5 December 2012, taking advice from the Actuary."

Municipal Employees Pension Fund. The contribution rate payable is 7,5 % by the members 22 % by Council. The last Actuarial valuation on this fund was performed in February 2008 certified that the fund is in a sound financial state. The total assets amounts to R 5715,557 million and liabilities to R4,900,548 million.

SAMWU Provident Fund. The contribution rate payable is 7,5 % by the members 22 % by Council. The last actuarial valuation on this fund was performed for the year ended 30 June 2007 certified that the fund is in a sound financial state. . The total assets amounts to R2,764,426 million.

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 2009 (30 June 2008). As at 30 June 2008 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 3,617,445 as at 30 June 2008. The actuarial present value of promised retirement benefits , split into vested and non-vested benefits.
Members fund credits as at 30 June 2008 - R3,608,574
Minus outstanding direct Housing loans - 15,193
Total liabilities as at 30 june 2008 - R3,623,767

Defined Contribution (DC) Multi-Employers Pension scheme

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered] GRAP 25 paragraph .55 correspons to IAS 19 Paragraph 53 which required 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.

		2013	2012
Municipal Councillors Pension Fund	- No of members: 12 (2012:12)	476 645	475 697
Municipal Gratuiity Fund	- No of members: 57(2012:57)	2 774 613	2 627 465
National Fund for Mun Workers	- No of members: 42 (2012:21)	818 290	750 862
SAMWU Provident Fund	- No of members: 2 (2012: 2)	131 740	123 209
The amount recognised as an expense for defined contribution plans is		4 201 288	3 977 233

Figures in Rand	2013	2012

9. 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 PensionFund - No of members: 23 (2012:12)	1 191 403	1 168 981
The amount recognised as an expense for defined contribution plans is	**1 191 403**	**1 168 981**

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 7,5%; Net post-ret discount rate 3,8%

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.

Figures in Rand	2013	2012

10. Receivables from non-exchange transactions

Prepayments	-	630 240
Deposits	954 463	909 012
Sundry debtors	372 825	407 599
Control Accounts	13 600	-
Less: Provision for bad debt	(1 327 288)	(1 460 623)
	13 600	**486 228**

The municipality did not pledge any of its receivables as security for borrowing purposes.
Deposits are in respect of cash deposits made to Eskom for the supply of electricity on behalf of local municipalities is disclosed seperatly under the heading "Deposit" and not as previouly disclosed under "Other debtors".
All receivables were previousy disclosed under Receivables from Exchange transaction. A new standard of GRAP namely GRAP 23: Revenue from Non -Exchange transactions are effective for the 2012/13 financial year. Receivables from Non-exchange Transactions have been restated to correctly classify amounts held for Debtors in terms of GRAP 104. Previously included in Receivables from Exchange Transactions classified now as Non - Exchange transactions are Prepayments, Deposits, Sundry debtors from non- Exchange transactions, Payments on behalf of local councils and Control accounts. Refer to (note 43) for reclassifying and restatements of the following. Deposits to the amount of R900 000 was restated in the 2011/12 financial year as the Deposit with Escom earned interest to the amount of R9 012. Fruitless and wastefull expenditure were restated to the amount of R153 024.

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.

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 2013.

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

Opening balance	(1 460 623)	(504 645)
Provision for impairment	-	(1 261 024)
Amounts written off as uncollectible	34 774	28 026
Unused amounts reversed	98 561	-
Transfer to impairment from exchange transactions	-	277 020
	(1 327 288)	**(1 460 623)**

Trade and other receivables has been reclassified due to that R277,000 be classified as Receivables from exchange transactions. Refer to note for restatements (note 43).

GRAP 104 states that short term receivables with no stated interest rate may be measured at original contract value if the effect of the discounting is immaterial. Discounting procedures were performed on accounts receivable to an amount of R 0 (2012: R0,00) and the results showed that the effect of discounting amounts to R 0 (2012:R0,00) wich is immaterial. The calculations were based on the rate of 5.0% received on investments.

11. Receivables from exchange transactions

Sundry debtors	24 000	381 020
Accruals - Interest on call deposits	927 285	1 214 968
Accrued income - Insurance claims	7 476	-
Accruals - Dividend income Listed shares	2 007	1 116
Less: Provision for bad debt	(25 116)	(277 019)
	935 652	**1 320 085**

No receivables from exchange transactions were pledge as security.

Notes to the Financial Statements

Figures in Rand	2013	2012

Receivables from Exchange Transactions have been restated to correctly classify amounts held for Deposits, Debtors, payments on behalf of Local Councils, control accounts now included in Receivables from Non-exchange Transactions in terms of GRAP 23 & GRAP 104. Refer to (note 43) for reclassifing and restatement of the following. Restatement of revenue for telephone and services received from Morubisi Technologioes for use of office building to the amount of R104 000.

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 2013, 935652 (2012: 1320084) were past due but not impaired.

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

31 - 60 days past due	**Classes of financial assets**		
Proceeds on loss of assets-	Insurance claims	7 476	-
Call investment deposits-	Interest on investments	927 285	1 214 968
61 - 90 days past due	**Classes of financial assets**		
Listed shares-	Dividend income	891	-
120 days and older past due	**Classes of Financial assets**		
Listed shares-	Dividend income	-	1 116
Sundry debtors-	Revenue income	-	104 000
Receivables past due but not impaired		935 652	1 320 084

The amount of (2012: R104 000 was a restated amount and not impaired in 2011/2012. The amount was received in the 2012/2013 financial year (Refer to note 43).

Receivables from exchange transactions impaired

As of 30 June 2013, other receivables from exchange transactions R 25116 (2012:R 277020) were past due but not impaired.

The ageing of these loans is as follows:

1 - 120 days	24 000	-
Over 1 year	1 116	277 020
Receivables from exchange transactions impaired	25 116	277 020

Reconciliation of provision for impairment of receivables from exchange transactions

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

12. VAT receivable

VAT	2 068 551	2 817 118

Figures in Rand	2013	2012

12. VAT receivable (continued)

VAT is payable on the payment basis. Only once payments are made to creditors VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date

Figures in Rand	2013	2012

13. Cash and cash equivalents

Bank balances and cash equivalents included in the cash flow statement comprise of the following bank statement amounts Restatement was made of cash on hand due to that petty cash losses to an amount of R796.50 which was not accounted for in the 2011/12 financial year. (Refer to note 43).

Cash on hand	5 600	4 804
Bank balances	16 645 081	8 080 991
Call investment deposits	160 664 108	201 417 148
Cash and cash equivalents	**177 314 789**	**209 502 943**

Call investment deposits

Call investment deposits is invested with the following banks :

Held to Maturity		
Call investment Deposits - ABSA	30 000 000	51 200 000
Call deposits invested in ABSA for a period of 1 to 3 months		
Call investment Deposits - Absa Asset Management	5 664 108	10 217 148
Call deposits invested in Absa Asset Managers for a period of 6 to 12 months		
Call investment Deposits - First National Bank	30 000 000	25 000 000
Call deposits invested in FNB for a period of 1 to 3 months		
Call investment Deposits - Nedbank	40 000 000	55 000 000
Call deposits invested in Nedbank for a period of 1 to 3 months		
Call investment Deposits - Standard Bank	55 000 000	60 000 000
Call deposits invested in Standard Bank for a period of 1 to 3 months		
	160 664 108	**201 417 148**

Cash and cash equivalents pledged as collateral

The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities	-	-

The Municipality does not have any overdrawn current account facilities with its bankers and therefore does not incur interest on overdrawn accounts. Interest on overdrawn accounts is earned at different rates per annum on favourable balances.

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.

Deposits of R 1 873 332 (2012:R 4 599 800) are ring-fenced and attributable to the capital replacement reserve (CRR)
Deposits of R 4 148 316 (2012:R 2 736 839) are ring-fenced and attributable to unspent conditional grants and receipts. There were no gains or losses realised on the disposal of held to maturity financial assets at 30 June 2013 and at 30 June 2012, as all the financial assets were disposed of at their redemption date.

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

Notes to the Financial Statements

Figures in Rand	2013	2012

13. Cash and cash equivalents (continued)

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
Current Account (Primary Bank Account ABSA Klerksdorp Account no 950 000 627)	16 345 953	11 263 167	7 719 994	13 453 638	6 009 855	13 724 658
Current Account (Local Government Support Grant) ABSA Klerksdorp Account no 405 643 8304	1 890 391	1 858 001	1 703 465	1 890 391	1 858 001	1 817 381
Current Account (Premiers Support Grant) ABSA Klerksdorp Account no 950 000 244	-	2 377	582 909	-	2 377	88 007
Current Account (Disaster Risk Management grant) ABSA Pretoria Account no 40 7293 0455)	1 301 052	435	2 011 028	1 301 052	435	542
Current Account (Fire Support Grant) ABSA Pretoria Account no 40 7293 0340	-	23 677	7 592 239	-	23 677	23 659
Current Account (Merafong Flora) Standard bank Klerksdorp Account no 02 137 020 6)	-	-	702 884	-	-	-
Current Account (Geysdorp plaaslike gebiedsmomitee) ABSA Klerksdorp Account no 9 5014 6036	-	186 646	1 276 419	-	186 646	120 083
Total	**19 537 396**	**13 334 303**	**21 588 938**	**16 645 081**	**8 080 991**	**15 774 330**

14. Non - current assets held for sale

The vehicle of the Executive Mayor (Mercedes Benz 350 SCL registration no FRK 687NW) was disposed during the year under review for R94000.

Non - Current assets held for sale		
Vehicle at carrying value	94 000	230 000
Less: Impairment	-	(136 000)
Less: Disposals	(94 000)	-
	-	**94 000**

15. Accumulated surplus

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

	Capital replacement reserve	Government grant reserve	Accumulated Surplus / Deficit due to operations	Total
Opening balance	(4 599 800)	(8 046)	(188 115 228)	(192 723 074)
Surplus / Deficit for the year	-	-	42 803 749	42 803 749
Property, plant and equipment purchases	2 726 468	(22 605)	(2 703 863)	-
Offsetting of depreciation	-	6 583	(6 583)	-
	(1 873 332)	**(24 068)**	**(148 021 925)**	**(149 919 325)**

Ring-fenced internal funds and reserves within accumulated surplus - 2012

	Capital replacement reserve	Government grant reserve	Accumulated Surplus / Deficit due to operations	Total
Restated opening balance	(5 688 730)	(20 488)	(170 192 021)	(175 901 239)
Surplus /Deficit for the year	-	-	(16 821 835)	(16 821 835)
Property, plant and equipment purchases	1 088 930	-	(1 088 930)	-
Offsetting of depreciation	-	12 442	(12 442)	-
	(4 599 800)	**(8 046)**	**(188 115 228)**	**(192 723 074)**

Accumulated surplus has been restated due to corrections of errors. Refer to note 43 for details of the restatements.

Notes to the Financial Statements

Figures in Rand	2013	2012

16. Finance lease obligation

Minimum lease payments due		
- within one year	124 125	196 595
- in second to fifth year inclusive	-	124 125
	124 125	320 720
less: future finance charges	(5 577)	(35 448)
Present value of minimum lease payments	**118 548**	**285 272**

Present value of minimum lease payments due		
- within one year	118 548	166 723
- in second to fifth year inclusive	-	118 548
	118 548	**285 271**

Non-current liabilities	-	118 548
Current liabilities	118 548	166 723
	118 548	**285 271**

Finance lease liabilities relating to the lease of a Samsung 7200,7400 and 7070 PABX System.
The lease was classified as a finance lease on the following grounds:
1. All risks and rewards are therefore substantially transferred to the municipality.
2. The lease term therefore covers the major part of the asset’s economic life
3. The present value of the minimum lease payments approximates the fair value of the Asset

Clause 6 of the " terms of business" states that the item must be insured by the municipality.
The agreement was signed on 24 January 2011 and the period for the lease is 36 months.
The monthly lease amount as per the agreement is R13,408. The cost of the system was determined as R 448,578.

General description of lease arrangements
No contingent rent
No restrictions – the lease is for a period of 36 months as from 25 February 2011
The interest rate is 13.95%
15% annual escalation in rent
No stipulation for further leasing
PABX must be insured by the Lessee as from 24January 2011 when agreement was signed.

Market risk

The management of the municipality is of the opinion the carrying value of long term liabilities 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.

The municipality does not have an option to purchase the leased Property, Plant & Equpment at the conclusion of the lease agreements. The municipality's obligation under financial leases are secured by the lessor's title to the leased assets.

Figures in Rand	2013	2012

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Disaster Management Fund	1 301 052	600 435
Expanded Public Works Program Grant	114 775	36 000
Finance Management Grant	913 637	709 589
LED Learnership (Seta)	157 001	86 859
Local Government Support Grant	1 336 346	1 303 956
Municipal Systems Improvement Grant	325 505	-
	4 148 316	**2 736 839**

Conditional grants to an amount of R188 750 and R 5 078 was transferred retrospectively as from 1 July 2011 to accumulated surplus and revenue in accordance with GRAP 23. (Refer to note 43).

Movement during the year

Balance at the beginning of the year	2 736 839	2 541 627
Additions during the year	4 717 926	3 575 145
Income recognition during the year	(2 957 449)	(2 538 105)
Income recognition due to GRAP 23	-	(193 828)
Transfer back to National Treasury	(349 000)	(648 000)
	4 148 316	**2 736 839**

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

See note 24 for reconciliation of grants from National/Provincial Government.

18. Provisions

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**

Reconciliation of provisions - 2012

	Opening Balance	**Additions**	**Utilised during the year**	**Total**
Post - employment Health Care Benefits	61 104	104 448	(61 104)	104 448
Long - service Awards	71 023	72 195	(71 023)	72 195
	132 127	**176 643**	**(132 127)**	**176 643**

Performance bonuses- the outflow is depended on the evaluation of the performance of the managers provided for.

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.

Notes to the Financial Statements

Figures in Rand	2013	2012

19. Long Service Awards

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 an litimation of the awards to which employees in the service of the Municipality at 30 June 2013 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 2013 by ARCH Actuarial Consulting, 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 5, the Municipality may account for this liability under the Statement of Generally Recognised Accounting Practice 25 (GRAP25), which is based on International Accounting Standard 19 (IAS19).

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	1 906 167	1 877 061
Total Provision for Long Service Awards	**1 906 167**	**1 877 061**
Less: Transfer to Current Liabilities	(250 616)	(72 195)
Net Long Service Awards liability	**1 655 551**	**1 804 866**

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate %	7,4	6,80
General Salary infaltion (long-term) %	6,8	5,95
Net Effective Discount Rate %	0,6	0,80
Expected 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	1 877 061	1 234 395
Current service cost	273 899	209 426
Interest cost	125 185	95 551
Benefits paid	(72 195)	(71 023)
Actuarial (gain)/loss on the obligation	(297 783)	408 712
Balance at end of year	**1 906 167**	**1 877 061**

Figures in Rand	2013	2012

20. Payables from exchange transactions

Accounts payables	28 735 298	16 804 422
Retention Creditors	3 240 900	2 518 398
Other Creditors	358 483	1 560 903
	32 334 681	**20 883 723**

Re-classifing of Trade and other payables to Payables from exchange and 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 Trade and other payables.

The following restatements were made in the 2011/12 financial year: (Refer to note 43).
Other creditors to the amount of R1 530 903 restated with R30 000 due to an invoice dated in the 2011/12 financial year. paid in 2012/13.
Accounts payable restated with the amount of R 294 586 to payments of outstanding accounts of Ventersdorp Municipality in regards to Environmental health claims for prior periods.

Fair value of trade and other payables

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 therefore performed. Because the effect of discounting on accounts payable is not material, the balances disclosed in the note above were not adjusted. The effect of discounting with regards to accounts payable amounted to R157,172 (2012: R 219 913)

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.

21. Payables from non-exchange transactions

Accruals	510 141	250 263
Control accounts	13 486	5 932
Staff leave accrued	5 276 960	4 674 024
	5 800 587	**4 930 219**

Staff leave accrue to the employees of the municipality an an annual basis, subject to certain conditions.

The following restatements were made in the 2011/12 financial year: (Refer to note 43).
Restatement of an accrual to the amount of R 250 263 for the assessment of the Compensation Commissioner not yet assessed.
Control account of R34 153 is restated with an amount of (R28 721) and R500 due to a cheque that was wrongly linked to control account - bank errors.
Reclassifing of Trade and other payables to Payables from exchange and 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 asTrade and other payables.

22. Financial liabilities by category

In accordance with GRAP104.14 the Financial Liabilities of the municipality are classified as follows:

2013

	At amortised cost	Total
Finance lease obligations	118 548	118 548
Unspent conditional grants	4 148 316	4 148 316
Payables from exchange transactions	32 334 681	32 334 681
Payables from non-exchange transactions	5 800 587	5 800 587
Post retirement medical aid benefit	135 768	135 768
Long service defined benefit plan	250 616	250 616
	42 788 516	**42 788 516**

2012

	At amortised cost	Total
Finance lease obligations	166 723	166 723
Operating lease obligations	29 956	29 956
Unspent conditional grants	2 736 839	2 736 839
Payables from exchange transactions	20 883 723	20 883 723
Payables from non-exchange transactions	4 930 219	4 930 219
Post retirement medical aid benefit	104 448	104 448
Long service defined benefit plan	72 195	72 195
	28 924 103	**28 924 103**

23. Revenue

Other income	433 648	342 386
Interest received - investment	10 751 734	11 913 100
Dividends received	1 775	1 261
Government grants & subsidies	159 395 450	156 164 164
Public contributions and donations	30 310	-
Gains on actuarial valuations	297 783	-
Gains on disposal of assets	20 885	-
	170 931 585	**168 420 911**

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

Other income	357 202	339 386
Gains on disposal of assets	20 885	-
Interest received - investment	10 751 734	11 913 100
Dividends received	1 775	1 261
	11 131 596	**12 253 747**

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

Transfer revenue

Government grants & subsidies	159 395 450	156 164 164
Public contributions and donations	30 310	-
Gains on actuarial valuations	297 783	-
Other income	76 446	3 000
	159 799 989	**156 167 164**

Government grants and subsidies received in 2011/12 have been restated with an amount of R 5,078 due to the implementation of GRAP 23. (Refer to note 43).

Notes to the Financial Statements

Figures in Rand	2013	2012

24. Government grants and subsidies

Equitable share	22 511 000	23 596 000
RSC Levy Replacement Grant	133 927 000	130 026 000
Conditions met - Transfer to Revenue	2 957 450	2 537 086
Funds transfer to revenue	-	5 078
	159 395 450	**156 164 164**

Equitable Share

Current year receipts	22 511 000	23 596 000
	22 511 000	**23 596 000**

The grant is unconditional and is utilised to fund operational and capital program

RSC Levy Replacement Grant

Current year receipts	133 927 000	130 026 000
	133 927 000	**130 026 000**

The grant has replaced the RSC Levies that were collected by Districts and Metropolitan Municipalities. These municipalities receives the grant until National Treasury produce the tax instrument that meets conditions of a "fair" tax. The Grant is utilised to fund the operational and capital program.

2010 Soccer World Cup Grant

Balance unspent at beginning of year		1 566
Transfer to accumulated surplus in accordance with GRAP 23	-	(1 566)
Conditions still to be met- transferred to liabilities	**-**	**-**

Disaster Management Grant

Balance unspent at beginning of year	600 435	542
Current-year receipts	1 223 685	600 000
Interest earned	617	12
Conditions met - transferred to revenue	(523 685)	(119)
Conditions still to be met- transferred to liabilities	**1 301 052**	**600 435**

Conditions still to be met - remain liabilities (see note 17)

LG Seta Environmental Learnership Grant

Current-year receipts	-	625 000
Conditions met - transferred to revenue	-	(619 922)
Transfer to revenue in accordance with GRAP 23	-	(5 078)
Conditions still to be met- transferred to liabilities	**-**	**-**

Conditions still to be met - remain liabilities (see note 17)

Local Government Support Grant

Balance unspent at beginning of year	1 303 956	1 263 336
Current-year receipts	33 262	41 422

Notes to the Financial Statements

Figures in Rand	2013	2012

24. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(872)	(802)
Conditions still to be met- transferred to liabilities	**1 336 346**	**1 303 956**

Conditions still to be met - remain liabilities (see note 17)

Finance Management Grant

Balance unspent at beginning of year	709 589	997 040
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(696 950)	(889 451)
Transfer back to National Treasury	(349 000)	(648 000)
Conditions still to be met- transferred to liabilities	**913 639**	**709 589**

Conditions still to be met - remain liabilities (see note 17)

Integrated Municipal Monitoring Information System (IMMIS)

Balance unspent at beginning of year	-	161 394
Transfer to accumulated surplus in accordance with GRAP 23	-	(161 394)
Conditions still to be met- transferred to liabilities	**-**	**-**

Premier Support Grant

Balance unspent at beginning of year	-	2 293
Conditions met - transferred to revenue	-	(88)
Interest earned	-	195
Transfer to accumulated surplus in accordance with GRAP 23	-	(2 400)
Conditions still to be met- transferred to liabilities	**-**	**-**

Conditions still to be met - remain liabilities (see note 17)

Fire Support Program

Balance unspent at beginning of year	-	23 373
Conditions met - transferred to revenue	-	(11)
Interest earned	-	28
Transfer to accumulated surplus in accordance with GRAP 23	-	(23 390)
Conditions still to be met- transferred to liabilities	**-**	**-**

Conditions still to be met - remain liabilities (see note 17)

LED Learnership Seta

Balance unspent at beginning of year	86 859	92 084
Current-year receipts	210 364	232 487
Conditions met - transferred to revenue	(140 222)	(237 712)
Conditions still to be met- transferred to liabilities	**157 001**	**86 859**

Conditions still to be met - remain liabilities (see note 17)

Municipal System Improvement Grant (MSIG)

Current-year receipts	1 000 000	790 000
Conditions met - transferred to revenue	(674 495)	(790 000)

Notes to the Financial Statements

Figures in Rand	2013	2012

24. Government grants and subsidies (continued)

Conditions still to be met- transferred to liabilities	**325 505**	**-**

Conditions still to be met - remain liabilities (see note 17)

Expanded Public Works Program Grant

Balance unspent at beginning of year	36 000	-
Current year receipt	1 000 000	36 000
Conditions met - transferred to revenue	(921 225)	-
	114 775	**36 000**

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.

25. Other income

Commissions received	21 812	18 412
Insurance claims received	38 658	16 383
Reversal of provision for bad debt	76 446	3 000
Tender deposits	190 790	185 650
Sundry income	105 942	118 941
	433 648	**342 386**

Sundry income in the 2011/12 financial year restated with an amount of R96 000 from R 22 941 to R118 941 due to Service and telephone cost recovered from Moribusi technologies for this period. Refer to note 43 for details of the restatement.

The amount included in other revenue arising from exchanges of goods or services are as follows:		
Commissions received	21 812	18 412
Insurance claims received	38 658	16 383
Tender deposits	190 790	185 650
Sundry income	105 942	118 941
	357 202	**339 386**

The amount included in other revenue arising from non-exchange transactions is as follows:		
Reversal of provisions for bad debt	76 446	3 000
Total other income	**433 648**	**342 386**

Notes to the Financial Statements

Figures in Rand	2013	2012

26. General expenses

Advertising	1 178 181	1 410 086
Assessment rates & municipal charges	830 569	533 121
Audit committee members - Remuneration	433 823	325 111
Auditors remuneration	2 596 660	1 725 463
Bank charges	258 841	217 798
Business expenses councillors and directors	134 500	107 142
Cleaning	17 913	29 441
Community based planning	3 669 733	2 547 006
Compensation Commissioner	259 879	288 390
Conferences and seminars	1 499 154	1 071 379
Consulting and professional fees	2 005 102	3 114 118
Consumables	268 063	85 158
Entertainment	832 430	580 057
Events and campaigns	1 279 253	1 448 042
General expenses - Other	1 804 097	681 080
Gifts	22 967	17 942
IDP Review expenses	163 133	83 685
Insurance	288 285	293 503
Legal fees	4 751 299	3 800 744
Licence fees - Other	19 914	39 480
Magazines, books and periodicals	48 300	11 009
Motor vehicle expenses	1 065 961	801 681
Office rentals	914 664	801 844
Municipal public accounts commitee expenses	33 118	-
Pest control	219 349	204 084
Postage and courier	7 075	4 062
Printing and stationery	928 336	670 820
Protective clothing	83 374	20 707
Public Participation Expenses	58 690	54 052
Skills development levy	628 581	374 158
Subscriptions and membership fees	665 839	539 408
Subsistence and travel	469 669	561 393
Telephone and fax	458 258	632 962
Travel - overseas	11 920	-
Testing of samples - Health	307 259	160 504
Training and development - Councillors	509 661	319 860
Training and development - Employees	1 080 279	1 078 724
Fair value adjustment - Credit purchases	(200 576)	(164 439)
	29 603 553	**24 469 575**

Expenditure of non occurring nature is shown under General Expenses - Other

Restatements due to the correction of errors in the 2011/2012 financial year were made to Bank charges R (28 721); Conferences & seminars R 4933; Gifts R 600; Compensation commissioner R 250 263; Other R 72 288. (Refer to note 43).

Notes to the Financial Statements

Figures in Rand	2013	2012

27. Employee related costs

Basic Salaries	31 409 433	26 917 833
Redemption of Leave	1 781 251	1 698 881
Cell Phone Allowances	737 185	379 709
Overtime payments	329 153	425 766
13th Cheques	2 139 048	1 784 167
Car allowance	3 279 267	2 787 766
Housing benefits and allowances	244 141	233 539
Salary Claims - Local Councils	1 239 760	1 569 263
Standby Allowances	41 720	22 586
Allowances Uniforms	13 274	200
Pension Fund - Councils' Contributions	4 950 101	4 457 921
Medical aid - Councils' contributions	1 869 568	1 645 988
Group Life Insurance - Councils' Contributions	195 696	143 920
UIF	168 029	138 030
Industrial Council	7 437	4 826
Long-service awards	326 889	713 689
Post-employment benefits - Defined benefit plan	438 671	1 237 110
	49 170 623	**44 161 194**

Remuneration of Municipal Manager

Annual Remuneration	145 600	-
Car Allowance	30 400	-
Other	12 000	-
Acting and cellphone Allowance - SK Sebolai	375 000	375 000
	563 000	**375 000**

An acting Municipal manager Mr S K Sebolai was appointed as from the 23 March 2010 till 31st May 2013. M Mathews was appointed from the 1st May 2013 as new Municipal Manager

Remuneration of Chief Finance Officer

Annual Remuneration	355 863	335 007
Car Allowance	89 882	89 882
Acting Allowance	276 163	280 453
13th Cheque	29 732	27 971
Statutory contributions and leave encashment	166 973	181 825
	918 613	**915 138**

Mr M B Daffue act in the position of the CFO as from 1 March 2009

Remuneration of Director Corporate Services

Annual Remuneration	322 320	303 426
Car Allowance	105 066	99 941
Acting Allowance	349 022	353 673
13th Cheque	27 064	25 285
Statutory contributions and leave encashment	109 504	107 837
	912 976	**890 162**

Mrs S C Abrams act as Director Corporate Services as from 1 June 2010.

Notes to the Financial Statements

Figures in Rand	2013	2012

27. Employee related costs (continued)

Remuneration of Director Infrastructure

Annual Remuneration	322 320	303 426
Car Allowance	130 824	99 154
Acting Allowance	327 681	332 162
13th Cheque	27 064	25 285
Statutary contributions and leave encashment	152 892	137 137
	960 781	**897 164**

Mr K T Tshukudu act in the position of Director Infrastructure as from 22 February 2010

Remuneration of Director District Economic Development

Annual Remuneration	468 842	421 687
Car Allowance	71 402	68 414
Acting Allowance	273 598	278 419
13th Cheque	39 774	54 404
Cellphone allowance & leave encashment	38 779	30 211
	892 395	**853 135**

Mr T Rampedi act in the position of Director District Economic Development as from 22 February 2010.

Remuneration of Director Disaster Management

Annual Remuneration	322 319	303 426
Car Allowance	169 132	87 779
Acting allowance	338 715	343 283
13th Cheque	27 064	25 285
Statutary contributions and leave encashment	148 283	133 515
	1 005 513	**893 288**

Mr R Lesar act in the position of Director Disaster Management as from 10 March 2010

Remuneration of the Director Environmental Health

Annual Remuneration	322 319	303 426
Car Allowance	121 585	121 585
Acting Allowance	283 398	289 287
13th Cheque	27 064	25 285
Statutary contributions and leave encashment	138 706	142 854
	893 072	**882 437**

Mrs N P Xaba act in the position of Director Disaster Management as from 10 March 2010.

28. Remuneration of councillors

Executive Major	695 925	631 496
Mayoral Committee Members	3 205 557	2 890 106
Speaker	501 537	528 629
Councilors	2 453 662	2 362 835
Councilors' pension contribution	476 645	432 866
	7 333 326	**6 845 932**

Figures in Rand	2013	2012

29. Debt impairment

Contributions to debt impairment provision	-	1 261 024

30. Investment revenue

Dividend revenue		
Listed financial assets - Local	1 775	1 261
Dividend revenue	**1 775**	**1 261**

The share holding in Sanlam accounts U0063368811 for 483 shares and U0063368951 for 487 shares was received due to the issuing of shares for policies that was in the name of the municipality.

Interest revenue		
Investments and call deposits	10 706 283	11 904 088
Interest earned on deposits	45 451	9 012
Interest revenue	**10 751 734**	**11 913 100**
Total investment revenue	**10 753 509**	**11 914 361**

The interest income is calculated using the actual effective interest rate received on investments and call deposits.
The amount of R9012 for interest received on deposits previously nor recognised restated in the 2011/2012 year.Refer to note 43 for details.

31. Fair value adjustments

Other financial assets - Listed shares: Sanlam		
• At fair value	9 943	7 947

32. Depreciation, impairment and amortisation

Property, plant and equipment	2 476 252	2 451 417
Intangible assets	187 306	368 542
Impairment on assets	367 795	136 000
	3 031 353	**2 955 959**

Restated depreciation in the 2011/2012 financial year due to correction of depreciation to the amount of R 68 234 and on take-ons not previously recognised to the amount of R 32 794 (Refer to note 43).

33. Details impairment of assets

Impairment of assets		
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.		
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 .		
Mercedes Benz 350SCL FRK N687NW	-	136 000
High kilometers		
Fair value based on the actual price of bids received during tender process.		
Carrying value as at 30 June 2012 was R230 000.		
	367 795	**136 000**

Notes to the Financial Statements

Figures in Rand	2013	2012

34. Finance costs

Finance leases	29 872	49 572
Fair value adjustments on credit purchases	1 034 239	645 947
	1 064 111	**695 519**

Credit purchases have been discounted over an average payment period of 25 days at the prime interest rate + 1%

35. Rental of facilities and equipment

No facilities and equipment was rented out for the year under review

36. Contracted Services

Information Technology Services	757 715	617 162
Other Contractors	1 264 853	908 196
Fair value adjustment - Credit purchases	(13 751)	(10 467)
	2 008 817	**1 514 891**

37. Grants and subsidies paid

Dr Kenneth Kaunda District Municipality	22 302 233	24 915 616
City of Matlosana	41 638 366	17 102 288
City Council of Tlokwe	9 087 740	7 499 590
Ventersdorp Local Municipality	28 285 015	7 871 712
Maquassi Hills Local Municipality	19 497 358	10 121 788
Fair value adjustment - Credit purchases	(813 722)	(466 176)
	119 996 990	**67 044 818**

Projects - Dr Kenneth Kaunda District Municipality		
Africa day celebrations	292 481	-
Business / entrepreneurs	125 438	43 625
Children development	78 614	168 470
Communication Unit	1 391 167	1 497 034
Community Agricultural Support	110 453	92 912
Community Development	180 433	-
Disability development	247 587	202 063
District Expo	-	319 141
Disaster Management Advisory Forum	10 825	18 862
Disaster Management Awareness	994 713	567 735
Disaster Management Planning	263 646	273 144
Disaster Management Relief	143 961	99 240
District cleaning projects	26 776	6 000 000
Donations	95 000	251 630
Dr Kenneth Kaunda District Economic Entity	3 000 000	1 500 000
Dr Kennenth Kaunda Research Manufacturing Industr	-	230 000
Dr Kenneth Kaunda Tourism Association	53 500	50 000
Education	89 792	555 741
Elderly development	166 319	15 351
Emergency Funding Major Incident	1 563 197	71 039
Entrepreneurial Month	-	2 250
Expanded public works programme	1 010 570	-
Fire Fighting Training & Development	587 895	1 249 937
Funeral assistance	186 745	148 072
Funding Finance Management Grant	610 773	499 802

Figures in Rand	2013	2012

37. Grants and subsidies paid (continued)

Funding Municipal systems improvement grant	-	253 907
Identify/Preservation of Tourism/Heritage Sites	232 883	232 816
Gender development	499 370	349 048
LG Seta Environmental Learnerships	-	619 922
LG Seta mandatory grant	181 967	237 712
Literary competition	-	539 606
Mandella day - special projects	80 869	155 959
Mayoral Golf Fund	8 345	40 000
Merit bursary Community	1 755 323	2 480 629
Merit bursary employees	246 118	198 367
Promotion and Marketing DED	460 012	262 643
Poverty relief	8 754	111 579
Resource & Support Centre	57 245	43 860
Risk Reduction Project	87 100	307 017
Secondary co-operative	1 550	-
SMME Workshop/Summit	-	246 203
Skills Development and Training	956 148	81 172
Small Scale Farmers Tech. Support	265 617	-
Sport, Arts and Culture	1 255 372	1 690 588
Sports sponsorship	-	133 500
Tourism Awareness	65 460	107 000
Tourism Information Centre	37 450	35 000
Tourism & Marketing	307 322	305 760
Tourism awards	153 830	-
Volunteer Unit	26 186	40 993
Volunteers protective clothing	262 088	-
Volunteers stipend	1 809 762	1 993 174
Volunteer training	659 907	-
Volunteers uniforms	-	96 713
Ward Committee Offices	1 504 022	278 170
Women's month	106 440	39 419
Youth development centre project	19 473	-
Youth develoment - Special projects	23 735	178 811
	22 302 233	**24 915 616**

Details of Grants paid - City of Matlosana

CCTV Cameras	9 786 665	10 085 174
Doringkruin Pressure Tower	1 034 250	-
Environmental education centre	21 200	-
Expanded public works programme	2 800 000	-
Khuma 10ML Reservoir Upgrading	5 981 036	4 102 955
Matlosana Bulk Electricity Donation - Escom	10 000 000	-
Matlosana Tannery	-	250 000
Matlosana SME Industrial/Manufacturing	-	450 000
N12 Road Beutification	3 144 680	122 419
N12 Upgrading (Olifant intersection)	1 310 594	-
Oppenheimer Staduim Upgrading	607 729	-
Orkney New Community Hall	1 742 349	368 403
Tigane extension 5 re-layout	435 638	-
Township establishment Alabama	902 331	-
Township establishment Kanana ext 15	999 244	-
Recycling Project Landfill site	1 070 000	-
Rural Development	1 569 780	1 307 987
Rural Development Support	232 871	124 050
Wolwerand water and sanitation	-	291 300
	41 638 367	**17 102 288**

Details of Grants paid - City of Tlokwe

Boskop nature reserve	133 755	-

Figures in Rand	2013	2012

37. Grants and subsidies paid (continued)

CCTV Camera Extension	4 000 000	-
Maintenance N12 Road	-	3 898 693
Matlwang Access Road	847 909	-
Matlwang Bulk Water Supply	-	198 520
Mini fire station	26 100	-
Regional Dolomite Investigations	-	1 850 000
Piggery Eleazer Farm	366 405	-
Tlokwe Beans Project	-	475 000
Tlokwe Cement Factory Feasibility Study	-	450 000
Tlokwe Metal Forming & Casting Factory	-	450 000
Upgrading & Accreditation Laboratory	121 292	73 066
Upgrading of community halls	290 647	-
Upgrading Old Hosking Cemetry	840 080	-
Vegetable production project Matlwang	-	104 312
Waste recycling faility equipment	2 461 551	-
	9 087 739	**7 499 591**

Details of Grants paid - Ventersdorp Local Municipality

Administration Charges	-	189 824
Appeldraai Graveyard Fencing	698 928	-
Appeldraai Internal Roads Upgrading	1 086 600	-
Appeldraai solar lighting	900 914	370 610
Appeldraai water supply	-	290 477
Boikhutsong water network reticulation	-	99 834
Bulk Electricity - Escom	10 200 000	-
Doornkop Water Supply	658 502	505
Electricity upgrading	2 800 000	-
Expanded publiC works programme	1 644 045	-
Ext.6-Ventersdorp Township Establihment	433 624	671 208
Goedgevonden water network reticulation	-	147 445
Paupers Funerals	360 512	423 818
Registration solid waste site	773 394	193 138
Submersible Pump	485 126	-
Tsing street lights	1 562 252	87 799
Tstetse water network reticulation	-	48 780
Two Bedrooms Clinics - Ventersdorp	2 084 055	210 034
Tshing Road Repair	-	183 240
Vehicles - Service delivery	1 597 063	-
Ventersdorp Agri-Hub Establishment	-	550 000
Ventersdorp Bulk Electricity Supply	3 000 000	3 000 000
Ventersdorp Olive Oil Orchard Plan	-	580 000
Ventersdorp rural development regraveling	-	400 000
Ventersdorp Vineyard Project	-	425 000
	28 285 015	**7 871 712**

Maquassi Hills Local Municipality

Boskuil Refurbishment Electricity	729 879	98 253
Cemetries Maquassi-Hills	430 000	-
Construction community hall Maquassi-Hills	81 235	5 693 100
Eskom bulk electricity service payments	2 500 000	-
Expanded public Works Program	1 296 394	395 387
Fleet Capital	-	292 500
LED plan development	580 708	-
Maquassi Hills Piggery	-	460 737
Maquassi Hills Agro-Processing Incubator	-	1 000 000
Maquassi Hills Cattle Feedlot	-	840 000

Notes to the Financial Statements

Figures in Rand	2013	2012
37. Grants and subsidies paid (continued)		
Maquassi Bulk Water Donation - Sedibeng Water	3 000 000	-
Oersonskraal & Boskuil water augmentation	-	388 034
Roads and stormwater	1 587 470	-
Sanitation	4 290 639	-
Sedibeng bulk services payment	2 500 000	-
Service delivery fleet	1 544 245	-
Sewer - Manhole Rods	87 500	-
Steetlights	247 280	82 832
Streetlights Lebaleng Ext 10	-	74 340
Street naming	299 478	228 535
Upgrading of community halls	322 530	-
Waste collection trucks Maquassi-Hills	-	568 070
	19 497 358	**10 121 788**
Total grants and subsidies paid	**119 996 990**	**67 044 818**

38. Cash (used in) generated from operations

	2013	2012
(Deficit) surplus	(42 803 748)	16 821 831
Adjustments for:		
Depreciation and amortisation	3 031 353	2 955 959
Loss on disposal of property, plant & equipment	648	-
Fair value adjustments - shares	(9 943)	(7 946)
Provision for leave reserve	602 936	1 945 995
Debt impairment	(76 444)	1 264 024
Movements in operating lease assets and accruals	(29 957)	(438 644)
Movements in retirement benefit assets and liabilities - Non current	142 116	1 727 902
Movements in provisions - Current	209 741	44 516
Changes in working capital:		
Receivables from non-exchange transactions	574 189	2 281 295
Receivables from non-exchange transactions	359 317	-
Payables from exchange transactions	11 450 958	5 109 210
VAT	748 567	1 495 882
Payables from non-exchange transactions	267 432	-
Unspent conditional grants and receipts	1 411 477	383 962
	(24 121 358)	**33 583 986**

Figures in Rand	2013	2012

39. Commitments

Authorised capital expenditure

	2013	2012
Total approved and contracted for		
• Infrastructure - Other	4 359 547	2 085 071
• Water	99 760	4 175 046
• Electricity - Street lights	988 896	2 710 457
• Sanitation / Waste disposal	3 365 439	4 183 481
• Roads and Stormwater	7 664 095	1 107 840
• Economic Development	111 177	-
• Other - Administration	1 418 362	-
	18 007 276	**14 261 895**

	2013	2012
This expenditure will be financed from:		
Own resources	18 007 276	14 261 895

Operating leases – as lessee (expense)

	2013	2012
Minimum lease payments due		
- within one year	3 722	384 355
- in second to fifth year inclusive	-	3 722
	3 722	**388 077**

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 . No contingent rent is payable.Operating lease payments represent rentals payable by the municipality for:

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

2. Lease of office buildings.
The municipality lease an Office Building from Old Mutual and since Nov 2011 from Padcro properties (PTY LTD). The lease was classified as a operating lease on 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.Old Mutual shall maintain the building.
6.A new lease was entered into on the 1st March 2010 for a period of 36 months for an amount R35092.00 (Excl VAT), a 10% escalation was agreed on the lease. The lease agreement expire on the 28 February 2013.The lease is extended on a month to month basis.

39. Commitments (continued)

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.

40. 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.

Figures in Rand	2013	2012

Disclosure of contingent liabilities

The following contingent liabilities liabilities exist.

Notes to the Financial Statements

Figures in Rand	2013	2012

40. 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.		
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.		
MW Asset Rentals (PTY) LTD against Dr KKDM Nature of dispute - Cancellation of contract due to unsatisfactory service delivery Status of case - The matter has been set down for hearing on 13 March 2014.		
ZG Ngalo against Dr KKDM Nature of dispute - Based on the contract entered in between Dr Kenneth Kaunda district Municipality and ZG Ngalo Status of case - The matter must be set down for trial.		
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.		
MB Molefe against Dr KKDM Nature of dispute - Dr Kenneth Kaunda District Municipality contravention of clause 6.3 of the collective agreement Status of case - Awaiting condonation ruling.		
QAB Mkhwanazi against Dr KKDM Nature of dispute - Unfair labour practice Status of case - Matter still pending.		
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 - Matter still pending.		
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.		

Figures in Rand	2013	2012

41. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report
Short term benefits employees	Refer to note 4&27
Post employment benefit plan for employees of the entity and/or other related parties	Refer to note 9
Entity	Refer to note
Members of Council	Refer to page 1
Municipal Manager and head of departments	SK Sebolai - Acting Municipal Manager from 23 March 2010 untill 30 April 2013. M I Matthews as from 1May 2013 M B Daffue - Acting CFO S C Abrams - Acting Director Corporate Services T Tshukudu - Acting Director Infrastructure R Lesar - Acting Director Disaster Management T Rampedi - Acting Director District Economic Development N P Xaba - Acting Director Health Services

The council supply these Projects with funds via the DR kenneth Kaunda Economic Agency.

Related party transactions

	2013	2012
Other Related Parties		
Dr Kenneth Kaunda District Economic Development Agency	3 000 000	1 500 000
Dr Kennenth Kaunda Research Manufacturing Industr	-	230 000
Maquassi Hills Agro-Processing Incubator	-	1 000 000
Maquassi Hills Cattle Feedlot	-	840 000
Maquassi Hills Piggery	-	460 737
Matlosana SME Industrial/Manufacturing	-	450 000
Matlosana Tannery	-	250 000
Tlokwe Beans Project	-	475 000
Tlokwe Cement Factory Feasibility Study	-	450 000
Tlokwe Metal Forming & Casting Factory	-	450 000
Ventersdorp Agri-Hub Establishment	-	550 000
Ventersdorp Olive Oil Orchard Plan	-	580 000
Ventersdorp Vineyard Project	-	425 000
Work awarded to close family members in service of the municipality		
Mrs SC Abrams Acting Director Corporate Services	-	26 422
P Khumoeng - Secretary in the office of the Municipal Manager	-	335 160
P Khumoeng - Secretary in the office of the Municipal Manager	-	319 770

2013

Figures in Rand	2013	2012

42. 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	211 856	75 418	7 486	-	-	294 760
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	-	-	-	-	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	-	-	-	-	5 712	5 712
FRONEMAN FJ	-	-	-	-	816	816
	4 139 131	**1 588 806**	**272 248**	**705 208**	**627 933**	**7 333 326**

2012

42. Transactions with Councillors (continued)

	Salary Allowance	Travelling	Telephone	Medical aid & Pension Contribution	Sitting Allownces	Total
MOLOI BE - Executive Mayor	436 543	158 833	18 840	39 972	-	654 188
ZEPHE M - Speaker	324 012	127 074	18 840	67 343	-	537 269
Members Mayoral Committee - MARTINS MI	273 062	854	18 840	70 893	-	363 649
MATABOGO MM	286 482	119 133	18 840	72 059	-	496 514
DLAMINI MF	164 976	71 484	7 092	49 448	-	293 000
NDINCEDE K	296 983	119 124	18 840	62 299	-	497 246
LEHLOO TK	287 922	119 124	18 840	70 697	-	496 583
MATINYANE MW	214 080	76 154	7 092	14 400	-	311 726
MOGALE OM	214 427	71 484	7 092	-	-	293 003
KOLOTI NM	308 012	119 133	18 840	52 295	-	498 280
Other Councillors - MJEKULA NW	142 952	47 652	11 748	-	-	202 352
VAN ZYL KL	142 952	47 652	11 748	-	-	202 352
NKATLO SS	142 952	47 652	11 748	-	-	202 352
SEDUKU PM	121 506	47 452	11 748	28 719	-	209 425
SEAKANE KS	-	-	-	-	29 374	29 374
MALETE NG	-	-	-	-	20 871	20 871
MULLER GJ	-	-	-	-	1 546	1 546
COETZER CJ	-	-	-	-	13 141	13 141
MAKHAZA MJ	-	-	-	-	11 595	11 595
TAGAREE FI	-	-	-	-	51 018	51 018
POSTMA EM	-	-	-	-	47 153	47 153
LESIE SJ	-	-	-	-	24 736	24 736
MOHLOPE PA	-	-	-	-	15 460	15 460
RAMPHELE GA	-	-	-	-	39 423	39 423
MASEKO NM	-	-	-	-	19 325	19 325
MONTOEDI SD	-	-	-	-	38 650	38 650
GROENEWALD IM	-	-	-	-	24 736	24 736
TERBLANCHE SP	142 947	47 651	11 748	-	-	202 346
TAOLENG MA	-	-	-	-	15 460	15 460
ADOONS NG	116 300	26 852	10 539	30 391	-	184 082
DAVEL DL	85 152	32 524	8 016	15 027	-	140 719
MAMPE KB	-	-	-	-	8 503	8 503
HART MG	-	-	-	-	17 006	17 006
LETHOBA MD	-	-	-	-	13 914	13 914
RAMETSI MA	-	-	-	-	10 822	10 822
MPUKWANA MB	-	-	-	-	40 969	40 969
MOKGOTHU MB	121 506	47 653	11 748	21 445	-	202 352
S MOENG	109 577	47 652	11 748	30 600	-	199 577
MOWELI MM	15 371	5 124	1 264	-	-	21 759
MENDELA MS	-	-	-	-	1 510	1 510
MADIEHETEME MJ	-	-	-	-	1 546	1 546
BOGATSU SJP	107 948	56 852	9 027	1 885	-	175 712
THELEJANE MA	-	-	-	-	8 160	8 160
BONTSI	-	-	-	-	5 712	5 712
FRONEMAN FJ	-	-	-	-	816	816
	4 055 662	**1 437 113**	**264 238**	**627 473**	**461 446**	**6 845 932**

Figures in Rand	2013	2012

43. Correction of errors and reclassifying

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

Statement of financial position		
Trade and other payables	-	(546 628)
Unspent conditional grants and receipts	-	193 828
Trade & other receivables	-	(40 012)
Property plant & equipment - Land takeon	-	600 000
Property plant & equipment - takeon	-	142 327
Property plant & equipment - Accumulated depreciation	-	(32 794)
Property plant & equipment - Depreciation	-	(101 028)
Cash & Cash equivalents	-	(796)
Unlisted Investments	-	120
Correction of errors - Prior year	-	290 300
Correction of errors - Before prior year: Statement of changes in net assets	-	(505 317)

The effect of the Correction of Error are as follows:	**2011/2012**	**Restated 2011/2012**	**Restated Amount**
Receivables from exchange transactions	1 846 324	1 320 085	(526 239)
Receivables from non-exchange transactions	-	486 228	486 228
Cash and cash equivalents	209 503 739	209 502 943	(796)
Property, plant & equipment	11 818 362	12 436 900	618 538
Intangible assets	215 152	205 120	(10 032)
Investments in associates	-	120	120
Payables from exchange transactions	25 267 314	20 883 723	4 383 591
Payables from non-exchange transactions	-	4 930 219	(4 930 219)
Unspent conditional grants and receipts	2 930 667	2 736 839	193 828
Accumulated surplus	192 508 053	192 723 072	(215 019)
Net changes	**444 089 611**	**445 225 249**	**-**

Statement of Financial Performance		
(Surplus) / Deficit for the year	-	(17 112 133)
Grant revenue	-	(5 078)
Depreciation	-	101 028
General expenditure	-	299 362
Other Income	-	(96 000)
External interest on investments	-	(9 012)
Adjusted surplus (Deficit)	-	(16 821 833)

The effect of the Correction of Error are as follows:	**2011/12 Expenditure**	**Restated 2011/2012 Expenditure**	**Restated Amount**
Depreciation	2 854 931	2 955 959	101 028
General expenditure	24 170 213	24 469 575	299 362
Interest received - Investments	11 904 088	11 913 100	(9 012)
Government grants & subsidies	156 159 085	156 164 164	(5 079)
Other Income	246 386	342 386	(96 000)
Change in net surplus	**195 334 703**	**195 845 184**	**290 299**

Transactions affecting trade and other payables as at 30 June 2012

Statement of financial position (Payables from exchange transactions)	-	(30 000)
Correction of Accumulated Surplus as at 30 June 2011.		30 000
Correction of 2011 invoice paid in the current financial year		

Transactions affecting unspent grants as at 30 June 2012		
Unspent grants - 2010 Soccer world cup	-	1 566

Figures in Rand	2013	2012

43. Correction of errors and reclassifying (continued)

Unspent grants - IMMIS	-	161 394
Unspent grants - Fire support grant	-	23 390
Unspent grants - LED Learnership (SETA)	-	5 078
Unspent grants - Premier support grant	-	2 400
Statement of changes in nett assets - Accumulated surplus 30 June 2011	-	(188 750)
Statement of Financial performance - Grant revenue	-	(5 078)
Recognition of unspent grants as revenue in accordance with GRAP 23	-	-
Correction of expenditure classified under fruitless & wasteful expenditure transfer to affected expenditure votes		
Statement of financial position - Trade Receivables (Fruitless and wasteful expenditure)	-	(153 024)
Statement of changes in nett assets - Accumulated surplus 30 June 2011	-	76 000
Statement of Financial performance - General expenditure (loss of assets)	-	594
Statement of Financial performance - General expenditure (Congress and conferences)	-	4 933
Statement of Financial performance - General expenditure (Interest and penalties)	-	71 497

Restatement of general expenses recognised as fruitless and wasteful expenses corrected

Transactions affecting the takeon of assets not previously recognised.

Statement of financial position - Property, Plant & Equipment at cost	-	142 327
Statement of financial position - Property ,Plant & Equipment Accumulated depreciation	-	(32 794)
Statement of Changes in net assets - Accumulated surplus 30 June 2011	-	(109 533)
	-	-

Restatement of correction of PPE items not taken up in the asset register as at 30 June 2011. Depreciation for the 2010/2011 financial year restatedn.

Transactions affecting the take-on of assets not previously recognised.

Statement of financial performance - Depreciation	-	32 794
Statement of financial position - Property, Plant & Equipment Accumulated depreciation	-	(32 794)
	-	-

Depreciation for 2011/2012 restated on correction of PPE to the amount of R142 327 items not taken up in the Asset register as at 30 June 2011.

Transactions affecting the take-on of land not previously recognised.

Statement of financial position - Property, Plant & Equipment	-	600 000
Statement of Changes in Net assets - Accumulated surplus 1July 2011	-	(600 000)
	-	-

Land Ptn 504 of the farm Elandsheuwel 402 not previoulsly recognised in the asset register.

Transactions affecting the depreciation of assets with take-on.

Statement of financial performance - Depreciation 2011/2012	-	68 235
Statement of financial position - Property, Plant & equipment (Depreciation)	-	(58 203)
Statement of financial position - Intangible assets (Depreciation)	-	(10 032)
	-	-

Figures in Rand	2013	2012

43. Correction of errors and reclassifying (continued)

Correction of depreciation on PPE items incorrectly expensed as at 30 June 2012

Transactions affecting cash on hand as at 30 June 2011		
Statement of Changes in net Assets - Accumulated Surplus 30 June 2011	-	500
Statement of financial position - Payables from non-exchange transactions	-	(500)
	-	-

Correction of bank error affecting accumulated surplus as at 30 June 2011.

Restatement of bankcharges wrongly debited against control account the 2011/12 financial year corrected		
Statement of financial position - Payables from non-exchange transactions	-	28 721
Statement of financial performance - General expediture: Bank charges	-	(28 721)
	-	-

Bank charges were incorrectly credited in the 2011/12 financial year due to the incorrect linking of cheque 16063 to an incorrect code with the preparation of the bank reconcoliation.

Restatement of petty cash for 2011/2012		
Statement of financial performance - General expenses: Gifts	-	599
Statement of financial performance - General Expenses: Employee wellness	-	197
Statement of financial position - Cash and cash equivalents	-	(796)
	-	-

Petty cash to the amount of R796.50 was not allocated against expenditure votes during 2011/12 financial year.

Figures in Rand	2013	2012

43. Correction of errors and reclassifying (continued)

Restatement of revenue for the 2011/2012 financial year		
Statement of financial position - Revenue from exchange transactions	-	104 000
Statement of financial performance - Other income	-	(96 000)
Statement of change in net assets - Accumulated surplus 30 June 2011	-	(8 000)
	-	-

Restatement of service fees and telephone cost for the 2011/12 financial year recovered from Morubisi technologies for the use of services.

Payments on Environmental Health claims to Ventersdorp local municipality for the 2007/2008 financial year		
Statement of Changes in net Assets - Accumulated Surplus 30 June 2008	-	294 586
Statement of financial position - Payables from exchange transactions	-	(294 586)
	-	-

Reclassifying Receivables from exchange transactions into Exchange and Non-Exchange transactions. (GRAP23)		
Receivables from non-exchange transactions: Prepayments	-	630 240
Receivables from non-exchange transactions: Deposits	-	900 000
Receivables from non-exchange transactions: Sundry debtors	-	407 599
Receivables from non-exchange transactions: Fruitless and wasteful expenses	-	153 024
Receivables from exchange transactions: Prepayments	-	(630 240)
Receivables from exchange transactions: Sundry debtors	-	(1 307 599)
Receivables from exchange transactions: Fruitless and wasteful expenses	-	(153 024)
Receivables from non - exchange transactions - Provisions for bad debt	-	(1 460 623)
Receivables from exchange transactions - Provisions for bad debt	-	1 460 623
	-	-

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.

Restatement of Receivables from Non-Exchange transactions		
Statement of financial position - Receivables from Non-exchange transactions	-	9 012
Statement of financial performance - External interest earned	-	(9 012)
	-	-

Interest earned on a Deposit with Escom paid on behalf of Ventersdorp Municipality for the upgrading of Bulk electricity network

Restatement of investments in the Dr Kenneth Kaunda District Economic Agency		
Statement of financial position - Unlisted investments	-	120
Statement of changes in net assets	-	(120)
	-	-

Investment in Dr Kenneth Kaunda District Economic Agency corrected in 2011/12

Assessment Compensation Commissioner 2011/12		
Statement of financial performance - General expenses	-	250 263
Statement of financial position - Payables from non-exchange transactions	-	(250 263)
	-	-

Accrual was raised for the Compensation Commissioner assesment 2011/12 and 2012/13 which is not assessed yet

Notes to the Financial Statements

Figures in Rand	2013	2012

43. Correction of errors and reclassifying (continued)

Reclassifying Trade and Other payables into payables from exchange and non-exchange transactions. (GRAP 23)

Trade and other payables - Trade payables	-	16 509 836
Trade and other payables - Retention creditors	-	2 518 398
Trade and other payables - Staff leave	-	4 674 024
Trade and other payables - Control accounts	-	34 153
Trade and other payables - Other creditors	-	1 530 903
Payables from exchange transactions - Accounts payables	-	(16 509 836)
Payables from exchange transactions - Retention creditors	-	(2 518 398)
Payables from exchange transactions - Other creditors	-	(1 530 903)
Payables from non-exchange transactions - Control accounts	-	(34 153)
Payables from non-exchange transactions - Staff leave accrual	-	(4 674 024)
	-	-

Reclassifing of Trade and other payables to Payables from exchange and 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 asTrade and other payables

Reclassifying of revenue in the Statement of financial performance to Revenue from exchange and non-exchange transactions

Revenue: Government grants & subsidies	-	156 159 085
Revenue: Other income	-	246 386
Revenue: Interest received - Investments	-	11 904 088
Revenue: Dividends received	-	1 261
Revenue from non-exchange transactions: Government grants & subsidies	-	(156 159 085)
Revenue from non-exchange transactions: Other income	-	(3 000)
Revenue from exchange transactions: Other income	-	(243 386)
Revenue from exchange transactions: Interest received - investments	-	(11 904 088)
Revenue from exchange transactions: Dividends received	-	(1 261)
	-	-

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

Re-classifying of financial instruments	Old classification as per IAS39	Classification as per GRAP 104	Old carrying amount	New restated carrying amount
Financial assets				
Listed investments	Available for sale	At fair value	34 678	34 678
VAT Receivables	Loans and receivables	At amortised cost	2 817 118	2 817 118
Cash and cash equivalents	Available for sale	At amortised cost	209 503 739	209 502 943
Receivables from exchange transactions	Loans and receivables	At amortised cost	1 846 324	1 320 085
Receivables from non-exchange transactions	Loans and receivables	At amortised cost	-	486 228
	-	-	**214 201 859**	**214 161 052**

Re-classifying of financial instruments	Old classification as per IAS39	Classification as per GRAP 104	Old carrying amount	New restated carrying amount	Column heading
Financial liabilities					

Notes to the Financial Statements

Figures in Rand				2013	2012

43. Correction of errors and reclassifying (continued)

Financial lease obligations	Financial liabilities at amortised cost	At amortised cost	166 723	166 723	-
Operating lease liabilities	Financial liabilities at amortised cost	At amortised cost	29 957	29 957	-
Unspent conditional grants	Financial liabilities at amortised cost	At amortised cost	2 930 667	2 736 839	-
Post retirement medical aid benefits	Financial liabilities at amortised cost	At amortised cost	104 448	104 448	-
Long service defined benefit plan	Financial liabilities at amortised cost	At amortised cost	72 195	72 195	-
Payables from exchange transactions	Financial liabilities at amortised cost	At amortised cost	25 267 314	20 883 723	-
Payables from non-exchange transactions	Financial liabilities at amortised cost	At amortised cost	-	4 930 219	-
			28 571 304	**28 924 104**	**-**

Reclassifying of financial assets and financial liabilities by category in accordance with GRAP 104

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 member 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.

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 2013 and 2012 respectively were as follows:

Total borrowings		-	-
Less: Cash and cash equivalents	13	(177 314 789)	(209 502 943)
Net debt		(177 314 789)	(209 502 943)
Total equity		149 919 325	192 723 074
Total capital		(27 395 464)	(16 779 869)
Gearing ratio		(118,27)%	(109,32)%

Financial risk management

44. Risk management (continued)

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 2013	Less than 1year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	32 334 681	-	-	-
Payables from non- exchange transactions	5 800 587	-	-	-
Finance lease liability	124 125	-	-	-

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	20 883 723	-	-	-
Payables from non-exchange transactions	4 930 219	-	-	-
Finance lease liability	196 595	124 125	-	-

Interest rate risk

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 interest on call investment deposits at year end or the average interest earned during the past year under review

Cash flow interest rate risk

44. Risk management (continued)

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 %	16 645 081	-	-	-	-
Call investment deposits	5,00 %	160 664 108	-	-	-	-
Fixed Investments deposits	5,00 %	-	5 100 000	-	-	-

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	2013	2012
Investments	5 144 621	34 678
Call investment deposits	160 664 108	201 417 148
Investments in associates	120	120
Receivables from non-exchange transactions	13 600	486 228
Receivables from exchange transactions	935 652	1 320 085
Bank balances and cash	16 650 681	8 085 795

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

Investments to the amount of R34 678 corrected in the 2011/2012 financial year as it was not categorised as a financial instrument as at 30 June 2012.Investments in associates restated to the amount of R120 in the 2011/12 financial year classified as a financial intrument.

Market risk

44. Risk management (continued)

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. Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.estimation of its financial effect or a statement that such an estimation cannot be made.
No events having financial implications requiring disclosure occured subsequent to 30 June 2013.

Notes to the Financial Statements

Figures in Rand	2013	2012

46. Fruitless and wasteful expenditure

Opening Balance	3 259 205	3 182 181
Fruitless and wasteful expenditure	21 965	77 024
Less: Write off	(3 255 808)	-
	25 362	**3 259 205**

Details of Fruitless & wastefull expenditure – Current year		
Penalty fee - Postponement of Strategic planning session	19 762	-
Loss of petty cash	2 203	-
	21 965	**-**

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	**-**

Fruitless and wasteful expenditure for the year 2011/12 amounts to R77 024 and not R153 024 as the latter amount is the accumulated fruitless and wasteful expenses as at 30 June 2012.

Fruitless and wasteful expenditure represent interest and penalties on late payment

47. Irregular expenditure

Opening balance	7 368 292	50 284 710
Add: Irregular Expenditure - current year	4 318 941	2 557 383
Less: Amounts condoned and written off	(6 796 609)	(45 473 801)
Less: Amounts condoned (outcome dissplinary hearing)	(824 010)	-
Amounts not yet condoned	**4 066 614**	**7 368 292**

Analysis of expenditure awaiting condonation per age classification

Details of Irregular Expenditure – Current year

Notes to the Financial Statements

Figures in Rand		2013	2012

47. Irregular expenditure (continued)

			-
No competitive bidding process followed for awards - Sound and bactrack performance	Contrary to supply chain regulation 12(1)(d) & 19(a))		29 500
No competitive bidding process followed for awards - Accomodation SAMSRA games	Contrary to supply chain regulation 12(1)(d) & 19(a))		267 512
No competitive bidding process followed for awards - Mapping & impact assesment veldfires	Contrary to supply chain regulation 12(1)(d) & 19(a))		51 357
Awarded contract outside the normal SCM process - Rental contract entered into with Ventersdorp Local Council	(Contrary to supply chain regulation 36 & 37		72 000
Deviations from bid adjudication recommendations - Contracts exceeding the 20% threshold	(Contrary to section 114(1) of the MFMA) and SCM regulations 36		3 898 572
			-
			-
			-
			4 318 941

Details of Irregular Expenditure condoned and written off

	Condoned by council		
Amounts not recoverable (not condoned) prior years	(Prior years Irregular expenses condoned by Council).		4 810 909
No competitive bidding process followed for awards (Delegations of powers)	Contrary to supply chain regulation 12(1)(d) & 19(a))		327 171
			-
Reported awards made to persons in service of the state	(Contrary to regulation 44 of the SCM regulations)		1 194 753
Non compliance with circular 53 with regards to the evaluation of bids	(Contrary to circular 53 of the MFMA)		112 008
Unfunded Mandate Speakers office	(Be condoned as per circular 68)		5 100
No competitive bidding process followed for awards - Mapping & impact assesment veldfires	Contrary to supply chain regulation 12(1)(d) & 19(a))		51 357
Double payment for the same project	Contrary to supply chain regulation 12(1)(d) & 19(a))		27 799
No competitive bidding process followed for awards - Accomodation SAMSRA games	Contrary to supply chain regulation 12(1)(d) & 19(a))		267 512
			6 796 609

Details of Irregular Expenditure recoverable

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)

Figures in Rand	2013	2012

47. Irregular expenditure (continued)

Training of Fire fighters	824 010 -
	824 010

	2013	2012
Details of Irregular Expenditure - not addressed by MPAC		
Printing of agendas for Council in emergency situation	-	26 422
Current year irregular expenses	4 000 072	-
	4 000 072	**26 422**

48. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/(deficit) with the surplus/(deficit) in the statement of financial performance:

	2013	2012
Net (deficit) surplus per the statement of financial performance	(42 803 753)	16 821 834
Adjusted for:		
Increases / decreases in provisions	602 936	2 032 049
Net over budgeting of revenue	3 786 015	4 347 442
Net underspending on approved budget	(142 971 524)	(118 555 846)
Transfer from accumulated surplus	180 483 437	93 347 410
Unbudgeted revenue - Dividends	(1 775)	(1 261)
Unbudgeted (over budgeted) depreciation, amortisation and impairments	(159 447)	51 829
Unbudgeted finance charges	1 064 111	695 519
Unbudgeted debt impairment	-	1 261 024
Net surplus per approved budget	**-**	**-**

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to Organised Local Government

	2013	2012
Opening balance	(630 240)	(371 121)
Current year subscription	630 240	521 227
Amount paid - current year	-	(150 106)
Credit note as per statement of SALGA	(7 634)	-
Amount paid - in advance	-	(630 240)
	(7 634)	**(630 240)**

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

Audit fees

	2013	2012
Current year audit fee	2 596 660	1 725 463
Amount paid - current year	(2 596 660)	(1 725 463)
	-	-

PAYE and UIF

	2013	2012
Current year payroll deductions	8 586 367	7 516 282
Amount paid - current year	(8 586 367)	(7 516 282)
	-	-

Pension and Medical Aid Deductions

Figures in Rand	2013	2012

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

Current year payroll deductions and council contributions	7 502 639	6 727 663
Amount paid - current year	(7 502 639)	(6 727 663)
	-	-

VAT

VAT receivable	2 068 551	2 817 118
	2 068 551	**2 817 118**

VAT output payables and VAT input receivables are shown in note 12.

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.