Dr Kenneth Kaunda District Municipality
Financial statements
for the year ended 30 June 2015

General Information

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

General Information

Registered office	Civic Centre Patmore Road ORKNEY 2620
Business address	Civic Centre Patmore Road ORKNEY 2620
Postal address	Private Bag X5017 KLERKSDORP 2570
Bankers	ABSA Bank Ltd
Auditors	Auditor General of South Africa Registered Auditors
Published	31 August 2015
Jurisdiction	Dr Kenneth Kaunda District Municipality includes the following areas: Ventersdorp Municipality Tlokwe Municipality Matlosana Municipality Maquassi Hills Municipality
Relevant legislation	Municipal Finance Management Act No. 56 of 2003 Division of Revenue Act The Income Tax Act of South Africa Value Added Tax Act of South Africa Municipal Structures Act No. 117 of 1998 Municipal Systems Act No. 32 of 2000 Municipal Planning and Performance Management Regulations Water Services Act No.108 of 1997 Housing Act No. 107 of 1997 Municipal Property Rates Act No.6 of 2004 Electricity Act No. 41 of 1987 Skills Development Levies Act No. 9 of 1999 Employment Equity Act No. 55 of 1998 Unemployment Insurance Act No. 55 of 1966 Basic Conditions of Employment Act No. 75 of 1997 Supply Chain Management Regulations, 2005 SALGA Collective Agreements SALBC Leave Regulations
Grading of Municipal Council	Grade 4: Determination of Upper Limits Grade 10: Bargaining Council

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

Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
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)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Companies Act, 71 of 2008, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the financial statements.

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for at least the next financial year.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors.

The financial statements set out on pages 5 to 97, which have been prepared on the going concern basis, were prepared and approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 5 to 97, 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 27 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.

MI Matthews
Municipal Manager

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2015.

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 38 433 256 (2014: deficit R 1 154 741).

2. Going concern

We draw attention to the fact that at 30 June 2015, the municipality's total assets exceeds its liabilities by R 91 640 692.

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.

It is concerning that the nunicipality incurred a deficit in both the 2013/2014 and the 2014/2015 financial year, but management put strict expenditure control measures in place to curb expenditure. On the other hand a revenue enhancement strategy is put in place to generate more income.

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

3. Subsequent events

No subsequent events that have a material effect on the financial position of Council is reported.

4. Accounting policies

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

GRAP 5 (revised 2013): Borrowing Costs and GRAP 100 (revised 2013): Discontinued Operations' are effective for reporting periods beginning on or after 01 April 2014. The new standard of GRAP has no effect on the accounting policy.

5. Accounting Officer

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

Name	Nationality
MI Matthews	South African

6. Interest in subsidiaries

Dr Kenneth Kaunda District Economic Agency	100% Shareholding	-

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

7. Auditors

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

8. Non compliance with applicable legislation

Instances of non - compliance with laws and regulations and deviations from prescribed regulations have been identified and disclosed in note 48 and 49 to the financial statements.

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated
Assets			
Current Assets			
Receivables from non-exchange transactions	9	1 902 073	871 797
Receivables from exchange transactions	10	388 510	743 152
VAT receivable	11	14 676 232	6 120 105
Cash and cash equivalents	12	83 893 762	149 590 143
		100 860 577	**157 325 197**
Non-Current Assets			
Property, plant and equipment	2	37 740 982	29 072 313
Intangible assets	3	879 112	1 290 457
Investments in controlled entity	4	120	120
Investments	5	65 340	59 899
Receivables from non-exchange transactions	7	-	-
		38 685 554	**30 422 789**
Non-Current Assets		38 685 554	30 422 789
Current Assets		100 860 577	157 325 197
Total Assets		**139 546 131**	**187 747 986**
Liabilities			
Current Liabilities			
Finance lease obligation	14	581 803	-
Operating lease liability	35	136 697	6 566
Payables from exchange transactions	18	29 343 871	26 714 752
Payables from non-exchange transactions	19	839	839
Unspent conditional grants and receipts	15	2 609 420	4 060 466
Post retirement medical aid liability	8&16	231 108	177 180
Long services awards liability	16&17	164 087	209 000
		33 067 825	**31 168 803**
Non-Current Liabilities			
Finance lease obligation	14	1 097 123	-
Post retirement medical aid liability	8	11 479 807	10 522 043
Long service awards liability	17	2 260 684	2 559 000
		14 837 614	**13 081 043**
Non-Current Liabilities		14 837 614	13 081 043
Current Liabilities		33 067 825	31 168 803
Total Liabilities		**47 905 439**	**44 249 846**
Assets		139 546 131	187 747 986
Liabilities		(47 905 439)	(44 249 846)
Net Assets		**91 640 692**	**143 498 140**
Net Assets			
Accumulated surplus	13	91 640 692	143 498 140
Total Net Assets		**91 640 692**	**143 498 140**

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated
Revenue			
Revenue from exchange transactions			
Other income	24	427 734	282 223
Interest received - investment	29	8 473 807	9 950 481
Gains on disposal of assets		13 350	-
Dividends received	29	1 855	1 649
Total revenue from exchange transactions		**8 916 746**	**10 234 353**
Revenue from non-exchange transactions			
Government grants & subsidies	22	167 913 479	158 340 884
Public contributions and donations	22	-	46 000
Gains on actuarial valuations	8&17	1 279 983	-
Other income	24	4 000 000	-
Total revenue from non-exchange transactions		**173 193 462**	**158 386 884**
		8 916 746	10 234 353
		173 193 462	158 386 884
Total revenue	21	**182 110 208**	**168 621 237**
Expenditure			
Employee related cost	26	(63 269 241)	(55 855 720)
Remuneration of councilors	27	(7 886 675)	(7 595 989)
Depreciation and amortisation	31	(3 109 789)	(2 865 075)
Impairment loss - property, plant and equipment	32	(189 334)	(54 110)
Finance costs	33	(928 900)	(921 319)
Debt impairment	28	(371 002)	(590 929)
Repairs and maintenance		(1 532 101)	(572 192)
Contracted services		(2 111 723)	(2 291 390)
Grants and subsidies paid	37	(101 927 677)	(70 955 689)
Contributions to leave reserve		(1 324 517)	(929 729)
Loss on disposal of assets		(93 947)	-
General expenses	25	(37 803 997)	(27 159 114)
Total expenditure		**(220 548 903)**	**(169 791 256)**
		-	-
Total revenue		182 110 208	168 621 237
Total expenditure		(220 548 903)	(169 791 256)
Operating deficit		**(38 438 695)**	**(1 170 019)**
Fair value adjustments	30	5 442	15 278
Fair value adjustment		**5 442**	**15 278**
Deficit for the year		**(38 433 253)**	**(1 154 741)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus
Opening balance as previously reported	149 792 936
Adjustments	
See Note: 43	(5 140 055)
Prior year adjustments	
Balance at 01 July 2013 as restated*	**144 652 881**
Changes in net assets	
See Note: 43	(1 154 741)
Surplus (Deficit) for the year restated	
Balance at 01 July 2014 Restated	**143 498 140**
Changes in net assets	
Surplus (Deficit) for the year	(38 433 256)
Transfer of work in progress prior years	(13 424 192)
Total changes	
Balance at 30 June 2015	**91 640 692**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated
Cash flows from operating activities			
Receipts			
Goverment grants and subsidies		166 462 433	158 253 033
Interest income		8 473 807	9 950 481
Dividends received		1 855	1 649
Other receipts		5 089 534	328 223
		180 027 629	168 533 386
Payments			
Employee costs		(62 600 778)	(53 815 013)
Remuneration of councillors		(7 886 675)	(7 595 989)
Suppliers		(139 959 173)	(113 792 622)
Finance costs		(873 606)	(915 742)
Other payments		(24 331 612)	(6 207 005)
		(235 651 844)	(182 326 371)
Total receipts		180 027 629	168 533 386
Total payments		(235 651 844)	(182 326 371)
Net cash flows from operating activities	38	**(55 624 215)**	**(13 792 985)**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(11 571 650)	(17 710 869)
Proceeds from sale of property, plant and equipment	2	15 439	-
Purchase of intangible assets	3	(82 136)	(1 196 667)
(Increase)/Decrease in non - current investments		(57 451)	5 100 000
Net cash flows from investing activities		**(11 695 798)**	**(13 807 536)**
Cash flows from financing activities			
Finance lease receipts / (payments)		1 623 632	(124 125)
Net increase/(decrease) in cash and cash equivalents		**(65 696 381)**	**(27 724 646)**
Cash and cash equivalents at the beginning of the year		149 590 143	177 314 789
Cash and cash equivalents at the end of the year	12	**83 893 762**	**149 590 143**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	566 600	-	**566 600**	427 733	**(138 867)**	
Government grants	-	-	**-**	4 000 000	**4 000 000**	Not budgeted
Interest received - investment	8 400 000	-	**8 400 000**	8 085 298	**(314 702)**	
Gains on disposal of assets	-	-	**-**	13 350	**13 350**	
Dividends received	-	-	**-**	1 855	**1 855**	Not budgeted
Total revenue from exchange transactions	**8 966 600**	**-**	**8 966 600**	**12 528 236**	**3 561 636**	
Revenue from non-exchange transactions						
Grant revenue						
Government grants & subsidies	176 091 000	-	**176 091 000**	166 462 435	**(9 628 565)**	Less received than budgeted for
Total revenue from exchange transactions	8 966 600	-	**8 966 600**	12 528 236	**3 561 636**	
Total revenue from non-exchange transactions	176 091 000	-	**176 091 000**	166 462 435	**(9 628 565)**	
Total revenue	**185 057 600**	**-**	**185 057 600**	**178 990 671**	**(6 066 929)**	
Expenditure						
Personnel	(80 323 720)	5 996 200	**(74 327 520)**	(61 276 261)	**13 051 259**	Due to vacancies
Remuneration of councillors	(8 924 000)	-	**(8 924 000)**	(7 886 675)	**1 037 325**	Upper limits increase lower than budgeted
Depreciation and amortisation	(3 031 976)	-	**(3 031 976)**	(2 404 503)	**627 473**	
Impairment loss/ Reversal of impairments	-	-	**-**	(189 506)	**(189 506)**	
Finance costs	-	-	**-**	(55 294)	**(55 294)**	Finance lease cost not budgeted
Repairs and maintenance	(1 944 100)	(321 000)	**(2 265 100)**	(1 599 855)	**665 245**	Over budgeting
Contracted Services	(4 640 654)	44 800	**(4 595 854)**	(2 205 110)	**2 390 744**	Over budgeting
Grants and subsidies paid	(185 596 703)	(21 013 500)	**(206 610 203)**	(108 392 900)	**98 217 303**	Projects not started or not completed
Contributions to leave reserve	-	-	**-**	(1 324 517)	**(1 324 517)**	
Loss on disposal of assets	-	-	**-**	(93 947)	**(93 947)**	
General Expenses	(40 047 707)	(5 864 000)	**(45 911 707)**	(39 475 793)	**6 435 914**	Over budgeting
Total expenditure	**(324 508 860)**	**(21 157 500)**	**(345 666 360)**	**(224 904 361)**	**120 761 999**	
	185 057 600	-	**185 057 600**	178 990 671	**(6 066 929)**	
	(324 508 860)	(21 157 500)	**(345 666 360)**	(224 904 361)	**120 761 999**	
Operating deficit	**(139 451 260)**	**(21 157 500)**	**(160 608 760)**	**(45 913 690)**	**114 695 070**	
Fair value adjustments	-	-	**-**	5 442	**5 442**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit for the year	**(139 451 260)**	**(21 157 500)**	**(160 608 760)**	**(45 913 690)**	**114 695 070**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(139 451 260)**	**(21 157 500)**	**(160 608 760)**	**(45 913 690)**	**114 695 070**	
Reconciliation						
Basis Difference						
Movement in trade receivables and payables 2014/15				(293 408)		
Movement in VAT account 2014/15				8 556 127		
Movement in unspend conditional grants 2014/15				1 451 046		
Movement in employee benefit provisions 2014/15				(1 992 980)		
Accrued interest recognised 201314				388 509		
Other non-cash items - Interest discounting				(873 607)		
Fair value adjustments on investment 201314				5 442		
Actuarial gains and other movements 2014/15				1 279 985		
Movement in impairment 2014/15				(371 003)		
Surplus/(Deficit) per Statement of Financial Performance				**(38 433 253)**		

Capital expenditure	**Approved Budget**	**Adjustments**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**	**Reference**
Total capital expenditure	14 094 250	8 056 754	22 151 004	6 120 943	(16 030 061)	-
Total capital expenditure	14 094 250	8 056 754	22 151 004	6 120 943	(16 030 061)	-

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Investments	165 553 308	-	**165 553 308**	83 893 762	**(81 659 546)**	Incorrectly budgeted
Receivables from non-exchange transactions	1 300 000	-	**1 300 000**	1 902 073	**602 073**	
Receivables from exchange transactions	-	-	**-**	388 510	**388 510**	
VAT receivable	-	-	**-**	14 676 232	**14 676 232**	Incorrectly budgeted
	166 853 308	**-**	**166 853 308**	**100 860 577**	**(65 992 731)**	
Non-Current Assets						
Property, plant and equipment	66 645 750	-	**66 645 750**	37 740 982	**(28 904 768)**	Incorrectly budgeted
Intangible assets	401 000	-	**401 000**	879 112	**478 112**	
Investments in controlled entity	-	-	**-**	120	**120**	
Investments	-	-	**-**	65 340	**65 340**	
	67 046 750	**-**	**67 046 750**	**38 685 554**	**(28 361 196)**	
Non-Current Assets	166 853 308	-	**166 853 308**	100 860 577	**(65 992 731)**	
Current Assets	67 046 750	-	**67 046 750**	38 685 554	**(28 361 196)**	
Non-current assets held for sale (and) (assets of disposal groups)	-	-	**-**	-	**-**	
Total Assets	**233 900 058**	**-**	**233 900 058**	**139 546 131**	**(94 353 927)**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	581 803	**581 803**	
Operating lease liability	-	-	**-**	136 697	**136 697**	
Payables from exchange transactions	2 750 000	-	**2 750 000**	29 343 871	**26 593 871**	Incorrectly budgeted
Taxes and transfers payable (non-exchange)	-	-	**-**	839	**839**	
Post retirement medical aid liability	400 000	-	**400 000**	231 108	**(168 892)**	
Unspent conditional grants and receipts	-	-	**-**	2 609 420	**2 609 421**	Incorrectly budgeted
Long services awards liability	400 000	-	**400 000**	164 087	**(235 913)**	
	3 550 000	**-**	**3 550 000**	**33 067 825**	**29 517 826**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	1 097 123	**1 097 123**	Not known
Post retirement medical aid liability	5 000 000	-	**5 000 000**	11 479 807	**6 479 807**	Due to restatement
Long service awards liability	-	-	**-**	2 260 684	**2 260 684**	Incorrectly budgeted
	5 000 000	**-**	**5 000 000**	**14 837 614**	**9 837 614**	
	3 550 000	-	**3 550 000**	33 067 825	**29 517 826**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	5 000 000	-	**5 000 000**	14 837 614	**9 837 614**	
	-	-	**-**	-	**-**	
Total Liabilities	**8 550 000**	**-**	**8 550 000**	**47 905 439**	**39 355 440**	
Assets	233 900 058	-	**233 900 058**	139 546 131	**(94 353 927)**	
Liabilities	(8 550 000)	-	**(8 550 000)**	(47 905 439)	**(39 355 440)**	
Net Assets	**225 350 058**	**-**	**225 350 058**	**91 640 692**	**(133 709 367)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Capital replacement reserve	10 000 000	-	**10 000 000**	6 985 083	**(3 014 917)**	Incorrectly budgeted
Government grant reserve	5 547 000	-	**5 547 000**	1 000 650	**(4 546 351)**	Incorrectly budgeted
Accumulated surplus	209 803 058	-	**209 803 058**	83 654 958	**(126 148 100)**	Incorrectly budgeted
Total Net Assets	**225 350 058**	**-**	**225 350 058**	**91 640 692**	**(133 709 367)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Government grants and subsidies	176 091 000	-	**176 091 000**	166 462 433	**(9 628 567)**	Incorrectly budgeted
Interest income	8 400 000	-	**8 400 000**	8 473 807	**73 807**	
Dividends received	-	-	**-**	1 855	**1 855**	
Other receipts	566 000	-	**566 000**	5 089 534	**4 523 534**	Incorrectly budgeted
	185 057 000	**-**	**185 057 000**	**180 027 629**	**(5 029 371)**	
Payments						
Employee costs	(65 000 000)	-	**(65 000 000)**	(62 600 778)	**2 399 222**	
Suppliers	(238 476 280)	(20 839 001)	**(259 315 281)**	(139 959 173)	**119 356 108**	Incorrectly budgeted
Remuneration of Councillors	(8 000 000)	-	**(8 000 000)**	(7 886 675)	**113 325**	
Finance costs	-	-	**-**	(873 606)	**(873 606)**	Not known
Other payments	(10 000 000)	-	**(10 000 000)**	(24 331 612)	**(14 331 612)**	
	(321 476 280)	**(20 839 001)**	**(342 315 281)**	**(235 651 844)**	**106 663 437**	
Total receipts	185 057 000	-	**185 057 000**	180 027 629	**(5 029 371)**	
Total payments	(321 476 280)	(20 839 001)	**(342 315 281)**	(235 651 844)	**106 663 437**	
Net cash flows from operating activities	**(136 419 280)**	**(20 839 001)**	**(157 258 281)**	**(55 624 215)**	**101 634 066**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(12 127 200)	(440 000)	**(12 567 200)**	(11 571 650)	**995 550**	Incorrectly budgeted
Proceeds from disposal of property, plant and equipment	-	-	**-**	15 439	**15 439**	
Purchase of other intangible assets	-	-	**-**	(82 136)	**(82 136)**	
Movement in Non - Current investments	-	-	**-**	(57 451)	**(57 451)**	
Net cash flows from investing activities	**(12 127 200)**	**(440 000)**	**(12 567 200)**	**(11 695 798)**	**871 402**	
Cash flows from financing activities						
Repayments of finance costs	-	-	**-**	1 623 632	**1 623 632**	Not known
Net increase/(decrease) in cash and cash equivalents	(148 546 480)	(21 279 001)	**(169 825 481)**	(65 696 381)	**104 129 100**	
Cash and cash equivalents at the beginning of the year	165 553 308	8 530 000	**174 083 308**	149 590 143	**(24 493 165)**	
Cash and cash equivalents at the end of the year	**17 006 828**	**(12 749 001)**	**4 257 827**	**83 893 762**	**79 635 935**	
Reconciliation						

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Investment revenue	8 400 000	-	8 400 000	-		8 400 000	8 473 807		73 807	101 %	101 %
Transfers recognised - operational	176 091 000	-	176 091 000	-		176 091 000	167 913 479		(8 177 521)	95 %	95 %
Other own revenue	566 600	-	566 600	-		566 600	4 441 084		3 874 484	784 %	784 %
Dividends received	-	-	-	-		-	1 855		1 855	- %	- %
Other non cash revenue	-	-	-	-		-	1 285 425		1 285 425	- %	- %
Total revenue (excluding capital transfers and contributions)	**185 057 600**	**-**	**185 057 600**	**-**		**185 057 600**	**182 115 650**		**(2 941 950)**	**98 %**	**98 %**
Employee costs	(80 323 720)	5 996 200	(74 327 520)	-	-	(74 327 520)	(63 269 241)	-	11 058 279	85 %	79 %
Remuneration of councillors	(8 924 000)	-	(8 924 000)	-	-	(8 924 000)	(7 886 675)	-	1 037 325	88 %	88 %
Debt impairment	-	-	-			-	(371 002)	-	(371 002)	- %	- %
Depreciation and asset impairment	(3 031 976)	-	(3 031 976)			(3 031 976)	(3 299 123)	-	(267 147)	109 %	109 %
Finance charges	-	-	-	-	-	-	(928 900)	-	(928 900)	- %	- %
Repairs and maintenance	(1 944 100)	(291 000)	(2 235 100)	-	(30 000)	(2 265 100)	(1 532 101)	-	732 999	68 %	79 %
Contracted services	(4 640 654)	44 800	(4 595 854)	-	-	(4 595 854)	(2 111 723)	-	2 484 131	46 %	46 %
Grants and subsidies paid	(185 596 703)	(21 013 500)	(206 610 203)	-	-	(206 610 203)	(101 927 677)	-	104 682 526	49 %	55 %
General expenditure	(40 047 707)	(5 614 000)	(45 661 707)	-	(250 000)	(45 911 707)	(37 803 997)	-	8 107 710	82 %	94 %
Contribution to leave reserve	-	-	-	-	-	-	(1 324 517)	-	(1 324 517)	- %	- %
Other expenditure	-	-	-	-	-	-	(93 947)	-	(93 947)	- %	- %
Total expenditure	**(324 508 860)**	**(20 877 500)**	**(345 386 360)**	**-**	**(280 000)**	**(345 666 360)**	**(220 548 903)**	**-**	**125 117 457**	**64 %**	**68 %**

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
Actual amounts as presented in the appropriation statement	**(139 451 260)**	**(20 877 500)**	**(160 328 760)**	**-**	**(280 000)**	**(160 608 760)**	**(38 433 253)**		**122 175 507**	**24 %**	**28 %**
Reconcialiation: Budget loss according the appropriation account .	**(139 451 260)**	**(20 877 500)**	**(160 328 760)**	**-**		**(160 608 760)**	**(38 433 253)**		**122 175 507**	**24 %**	**28 %**
N0n GRAP transfers from (to) accumulated surplus	139 451 260	20 877 500	160 328 760	-		160 328 760	38 433 253		(121 895 507)	(24)%	(28)%
Capital expenditure											
Total capital expenditure	10 436 000	(157 000)	10 279 000	-	440 000	10 719 000	6 120 943		(4 598 057)	57 %	59 %

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 from (used) operating	(136 419 280)	(20 839 001)	(157 258 281)	-		(157 258 281)	(55 624 215)		101 634 066	35 %	41 %
Net cash from (used) investing	(12 127 200)	(440 000)	(12 567 200)	-		(12 567 200)	(11 695 798)		871 402	93 %	96 %
Net cash from (used) financing	-	-	-	-		-	1 623 632		1 623 632	- %	- %
Net increase/(decrease) in cash and cash equivalents	**(148 546 480)**	**(21 279 001)**	**(169 825 481)**	**-**		**(169 825 481)**	**(65 696 381)**		**104 129 100**	**39 %**	**44 %**
Cash and cash equivalents at the beginning of the year	165 553 308	8 530 000	174 083 308	-		174 083 308	149 590 143		(24 493 165)	86 %	90 %
Net increase / (decrease) in cash and cash equivalents	(148 546 480)	(21 279 001)	(169 825 481)	-	-	(169 825 481)	(65 696 381)	-	(104 129 100)	39 %	44 %
Cash and cash equivalents at the beginning of the year	165 553 308	8 530 000	174 083 308	-	-	174 083 308	149 590 143	-	24 493 165	86 %	90 %
Cash and cash equivalents at year end	**17 006 828**	**(12 749 001)**	**4 257 827**	**-**		**4 257 827**	**83 893 762**		**(79 635 935)**	**1 970 %**	**493 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2014				
Financial Performance				
Investment revenue				9 952 130
Transfers recognised - operational				158 340 884
Other own revenue				297 501
Total revenue (excluding capital transfers and contributions)				**168 590 515**
Employee costs	-	-	-	(55 855 720)
Remuneration of councillors	-	-	-	(7 595 989)
Debt impairment	-	-	-	(590 929)
Depreciation and asset impairment	-	-	-	(2 919 185)
Finance charges	-	-	-	(921 319)
Transfers and grants	-	-	-	(70 955 689)
Other expenditure	-	-	-	(30 952 425)
Total expenditure	**-**	**-**	**-**	**(169 791 256)**
Total revenue (excluding capital transfers and contributions)	-	-	-	168 590 515
Total expenditure	-	-	-	(169 791 256)
Surplus/(Deficit)				**(1 200 741)**
Contributions recognised - capital and contributed assets				46 000
Surplus/(Deficit)	-	-	-	(1 200 741)
Capital transfers and contributions	-	-	-	46 000
Surplus (Deficit) after capital transfers and contributions				**(1 154 741)**
Surplus (Deficit) after capital transfers and contributions	-	-	-	(1 154 741)
Surplus/(Deficit) for the year				**(1 154 741)**
Capital expenditure and funds sources				
Total capital expenditure				4 568 648

Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				(13 792 985)
Net cash from (used) investing				(13 807 536)
Net cash from (used) financing				(124 125)
Net increase/(decrease) in cash and cash equivalents				**(27 724 646)**
Cash and cash equivalents at the beginning of the year				177 314 789
Net increase / (decrease) in cash and cash equivalents	-	-	-	(27 724 646)
Cash and cash equivalents at the beginning of the year	-	-	-	177 314 789
Cash and cash equivalents at year end				**149 590 143**

Accounting Policies

1. Basis of Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Companies Act, 71 of 2008.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise.
Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.
A summary of the significant accounting policies are disclosed below.
These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Consolidation

Transfer of functions between entities not under common control

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.
Not under common control - For a transaction or event to occur between entities not under common control, the transaction or event needs to be undertaken between entities not within the same sphere of government or between entities that are not part of the same economic entity. Entities that are not ultimately controlled by the same entity before and after the transfer of functions are not within the same economic entity.
The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions are recognised at their fair values at acquisition date.
Assets and liabilities, which cannot be measured reliably, are recorded at provisional amounts which are finalised within 24 months of the acquisition date.
Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.
The excess is determined as the consideration paid, plus the fair value of any interest held prior to obtaining control, plus noncontrolling interest less the fair value of the identifiable assets and liabilities of the acquiree.
The excess is recognised in surplus or deficit on acquisition date.

Transfer of functions between entities under common control

Definitions

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

Transfer of functions between entities under common control (continued)

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

Assets and liabilities, which cannot be measured reliably, are recorded at provisional amounts which are finalised within 24 months of the transfer date.

The consideration paid by the municipality can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the municipality de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Subsequent measurement

The municipality subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

Accounting Policies

1.4 Mergers

Accounting by the entity as the combined entity

Initial recognition and measurement

As of the merger date, the municipality recognises all the assets acquired and liabilities assumed. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the merger, a combining municipality was not applying the accrual basis of accounting, that combining municipality changes its basis of accounting to the accrual basis of accounting prior to the merger.

The difference between the carrying amounts of the assets acquired and the liabilities assumed is recognised in accumulated surplus or deficit.

Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a merger in accordance with the applicable Standards of GRAP.

Accounting by entity as the combining entity

Assets transferred and liabilities de-recognised

As of the merger date, the municipality as the combining entity transfer and de-recognise from its financial statements, all the assets and liabilities de-recognised at their carrying amounts.

Until the merger date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The difference between the carrying amounts of the assets transferred and the liabilities de-recognised are recognised in accumulated surplus or deficit.

2 Significant judgements and sources of estimation uncertainty

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

. Significant judgements and sources of estimation uncertainty (continued)

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Defined benefit plan liabilities

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

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

Effective interest rate

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

Allowance for doubtful debts

Accounting Policies

. Significant judgements and sources of estimation uncertainty (continued)

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

2.1 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

2.1 Property, plant and equipment (continued)

Item	Average useful life
• Land	no depreciation
• Buildings	25 years
• Carport and parking	25 years
Furniture and fixtures	3 - 5 years
Motor vehicles	
• Motor cars	4 years
• Light commercial vehicles	5 years
Office equipment	
• Office equipment	3 - 5 Years
IT equipment	
• Computer hardware	3 - 5 years
Infrastructure	
• CCTV cameras	5 years
Community	
• Other emergency equipment	3 5 years
Other property, plant and equipment	
• Other property plant & equipment	2 - 5 years
• Mobile offices	5 years
Finance leased Assets	
• Motor vehicles	3 years

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

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

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

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

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

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

2.2 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

Accounting Policies

2.2 Intangible assets (continued)

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

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

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

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

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

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

Computer software, other	3 - 5 years

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

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

2.4.1 Financial instruments

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

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

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

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

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

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

2.4.1. Financial instruments (continued)

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.

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

2.4.1. Financial instruments (continued)

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.

Accounting Policies

2.4.1. Financial instruments (continued)

Classification

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

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

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

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

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

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

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

Accounting Policies

2.4.1. Financial instruments (continued)

Bank overdraft	Financial liability measured at amortised cost

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Accounting Policies

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

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.

Accounting Policies

2.5.1. Leases (continued)

The Municipality as lessee

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

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

Determining whether an arrangement contains a lease

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

Operating leases- lessee

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

2.5.2.1 Non-current assets held for sale

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

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

2.5.2.1.1 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

2.6.1 Employee benefits

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

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

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

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

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

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

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

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

2.6.1. Employee benefits (continued)

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

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

2.6.1. Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

2.6.1. Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

Accounting Policies

2.6.1. Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

Accounting Policies

2.6.1. Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

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

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

2.7.1 Provisions, Contingent liabilities and Assets

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

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

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

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

2.7.1. Provisions, Contingent liabilities and Assets (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

2.8.1 Revenue from exchange transactions

General

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

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

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

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

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

Measurement

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

Sale of goods

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

Dividends

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

Finance Income

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

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

2.8.2.1 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

2.8.2.1. Revenue from non-exchange transactions (continued)

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

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

Public conrtibutions

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

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

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

Gifts and donations, including goods in-kind

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

Government Grants and receipts

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

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

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

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

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

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

2.9.1 Investment income

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

Accounting Policies

2.10.1 Comparative information

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

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

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

2.11.1 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

2.11.2 Fruitless and wasteful expenditure

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

2.11.3 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality’s or Municipal Entities’ supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

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

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

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

Accounting Policies

2.11.3. Irregular expenditure (continued)

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

2.12.1 Use of Estimates

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

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).

Accounting Policies

2.15.1 Budget information

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

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

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

The approved budget covers the fiscal period from 2014-07-01 to 2015-05-30.

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

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

Comparative information is not required.

2.16.1 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

2.17.1 Value Added Tax

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

2.18.1 Commitments

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 5 (revised 2013): Borrowing Costs	01 April 2014	No impact
• GRAP 100 (revised 2013): Discontinued Operations	01 April 2014	No 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 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18 Segment reporting (Not required to use)	01 April 2015	Refer below
• GRAP 20: Related party disclosures (May be use for information disclosure)	Not determined yet	Refer below
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	Refer below
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	Refer below
• GRAP 107: Mergers	01 April 2015	Refer below
• GRAP 32: Service Concession Arrangements: Grantor	Not determined yet	Refer below
• GRAP 108: Statutory Receivables	Not determined yet	Refer below

The ASB Directive 5 paragraph 30 sets out the principles for the determination of the GRAP Reporting Framework hierarchy, as set out in the 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, International Financial Reporting Standards. Where a standard of GRAP has been issued, but is not yet in effect, the municipality 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.

Notes to the Financial Statements

Figures in Rand	2015	2014

2. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	4 983 503	(1 603 467)	3 380 036	4 651 500	(1 437 311)	3 214 189
Furniture and fixtures	4 487 722	(3 303 837)	1 183 885	4 152 149	(2 826 631)	1 325 518
Motor vehicles	10 292 559	(2 782 627)	7 509 932	8 764 935	(3 052 525)	5 712 410
Office equipment	3 474 643	(2 305 950)	1 168 693	2 716 285	(1 938 474)	777 811
Computer equipment	2 679 943	(1 695 450)	984 493	2 184 502	(1 324 006)	860 496
Community assets	19 814	(12 500)	7 314	19 814	(9 834)	9 980
Other property, plant and equipment	2 311 806	(778 348)	1 533 458	1 657 196	(636 583)	1 020 613
Land	1 278 500	-	1 278 500	1 278 500	-	1 278 500
CCTV Camera's	2 292 094	(1 362 447)	929 647	2 292 094	(843 490)	1 448 604
Work in progress- Infrastructure Assets	*19 765 024*	-	19 765 024	13 424 192	-	13 424 192
Total	**51 585 608**	**(13 844 626)**	**37 740 982**	**41 141 167**	**(12 068 854)**	**29 072 313**

Restatement of CCTV Camera's not previoulsly recognised to the amount of R 2 292 094 as from 12 July 2012.
Depreciation 2012/2013 restated with the amount of R421 745 (R421 745:2013/2014) (Refer to note 43).

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Disposals / write - offs**	**Depreciation**	**Impairment loss**	**Total**
Land	1 278 500	-	-	-	-	1 278 500
Buildings	3 214 189	332 003	-	(166 157)	-	3 380 035
Furniture and fixtures	1 325 518	427 585	(4 784)	(554 467)	(9 967)	1 183 885
Motor vehicles	5 712 412	2 518 420	(90 000)	(630 899)	-	7 509 933
Office equipment	777 811	778 610	(10)	(316 351)	(71 369)	1 168 691
Computer Equipment	860 496	520 033	(1 242)	(384 006)	(10 788)	984 493
CCTV Camera's	1 448 604	-	-	(421 745)	(97 210)	929 649
Community assets	9 980	-	-	(2 666)	-	7 314
Other property, plant and equipment	1 020 613	654 610	-	(141 765)	-	1 533 458
Infrastructure Assets - Work in progress	-	19 765 024	-	-	-	19 765 024
	15 648 123	**24 996 285**	**(96 036)**	**(2 618 056)**	**(189 334)**	**37 740 982**

Reconciliation of property, plant and equipment - 2014

Figures in Rand	2015	2014

2. Property, plant and equipment (continued)

	Opening balance	Additions	Work in progress	Impairment loss	Depreciation	Total
Land	1 278 500	-	-	-	-	1 278 500
Buildings	3 375 398	-	-	-	(161 209)	3 214 189
Furniture and fixtures	1 696 832	331 003	-	(16 900)	(685 417)	1 325 518
Motor vehicles	4 321 096	1 223 476	914 677	-	(746 837)	5 712 412
Office equipment	826 390	357 838	-	(27 689)	(378 728)	777 811
Computer equipment	432 262	642 837	-	(9 521)	(205 082)	860 496
CCTV Camera's	1 870 349	-	-	-	(421 745)	1 448 604
Community assets	1 106	8 888	-	-	(14)	9 980
Other property, plant and equipment	367 211	807 939	-	-	(154 537)	1 020 613
Infrastructure assets - Work in progress	-	13 424 192	-	-	-	13 424 192
	14 169 144	**16 796 173**	**914 677**	**(54 110)**	**(2 753 569)**	**29 072 315**

The opening balance for 2013/2014 has been restated as follows: CCTV Camera's not previoulsly recognised to the amount of R 2 292 094 as from 12 July 2012. Depreciation 2012/2013 restated with the amount of R421 745 (R421 745:2013/2014) (Refer to note 43)

Pledged as security

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

Impairment loss

An impairment loss is recognised when the fair value is lower than the carrying value, but it does not exist as a result thereof. It exist due to an impairment indicator that has been identified. (Refer note 32) .

Assets subject to finance lease (Net carrying amount)

	2015	2014
Motor vehicles	1 761 982	-
	-	-

Other information

Details of properties

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

	2015	2014
- Cost / Valuation:	4 983 503	4 651 500
- Accumulated depreciation	(1 603 467)	(1 437 311)
Total carrying value at year end	**3 380 036**	**3 214 189**

2. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Included within Community	Total
Additions	19 287 935	477 088	19 765 023
Total Work - in - Progress	**19 287 935**	**477 088**	**19 765 023**

Description	Contract date	Tender no	Contract amount	Total
Registration solid waste site	09/09/2014	KKDM 01/13	11 563 167	4 896 564
Landfill site rehabilitation	17/04/2014	KKDM 17/13	1 551 257	1 168 560
Pump station Kgakala	02/02/2015	KKDM 34/14	4 137 012	2 596 680
Upgrading bulk sewer line	16/02/2015	KKDM33/14	5 239 364	3 000 964
Upgrading bulk sewer line	17/04/2014	KKDM 16/13	6 093 967	3 755 170
Matlwang access road	3/03/2015	KKDM30/14	4 908 808	3 030 795
Rural sanitation	16/02/2015	KKDM17/14	760 340	558 740
Testing & equiping of boreholes	01/04/2015	KKDM48/14	350 576	280 461
Refurbishment of Tigane Bakery	07/02/2015	KKDM43/14	875 011	477 089
				19 765 023

At 30 June 2015 the work in progress on capital projects on behalf of local municipalities funded by the Municipality out of Grants and subsidies amounts to R 19 765 023

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

	2015			2014		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	2 920 773	(2 041 661)	879 112	2 840 387	(1 549 930)	1 290 457
Total	**2 920 773**	**(2 041 661)**	**879 112**	**2 840 387**	**(1 549 930)**	**1 290 457**

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	1 290 457	80 386	(491 731)	879 112
	1 290 457	**80 386**	**(491 731)**	**879 112**

Reconciliation of intangible assets - 2014

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

Notes to the Financial Statements

Figures in Rand	2015	2014

3. Intangible assets (continued)

Pledged as security

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

Notes to the Financial Statements

Figures in Rand	2015	2014

4. Investments in controlled entity at cost

Name of company	Held by	% holding 2015	% holding 2014	Carrying amount 2015	Carrying amount 2014
Dr Kenneth Kaunda Economic Agency	Dr Kenneth Kaunda District Municipality	100,00 %	100,00 %	120	120

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

The value of the investment is considered to be R120.00 (cost price of the investment) as the entity does not have a share capital which can be valued in an open market.

5. Investments

	2015	2014
At fair value		
Listed shares	65 340	59 899
Sanlam shares, 970 shares with a share price of R67.36 (2014: R61.75)		
Listed shares are investments in shares of public companies with no specific maturity dates or interest rates.		
Financial assets at fair value	65 340	59 899
Financial assets at amortised cost	-	-

	2015	2014
Non-current assets		
At fair value	65 340	59 899
Non-current assets	65 340	59 899
Current assets	-	-

Financial assets at cost

Nominal value of financial assets at cost

	2015	2014
Dr Kenneth Kaunda District Economic Agency	120	120
100% Shareholding in the agency - at cost.		
Total nominal value of financial assets at cost	**120**	**120**

Financial assets at fair value

	2015	2014
Class 1	65 340	59 899

Methods used to determine fair value is 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 R67,36 (2014: R61,75) per share.

Figures in Rand	2015	2014

6. Long- term receivables

Reconciliation of provision for impairment of long-term receivables

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

The municipality does not hold any collateral as security.

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

7. Receivables from non-exchange transactions

Deposits: Eskom	1 065 364	1 007 913
Less: Provision for impairment	(1 065 364)	(1 007 913)
Total receivables from non-exchange transactions	**-**	**-**

Deposits are in respect of cash deposits made to Eskom for the supply of electricity on behalf of local municipalities.
The deposit is impair due to the risk associated with the ability of local municipalities to pay their Eskom account. No trade and receivables from non-exchange transactions have been pledged as security.

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

Opening balance	1 007 913	954 463
Movement in impairment	57 451	53 450
	1 065 364	**1 007 913**
Total Current Liabilities	**-**	**-**

Notes to the Financial Statements

Figures in Rand	2015	2014

8. Employee benefit obligations

Post retirement medical aid benefit liability

Post-Employment Health Care Benefit Liability	11 710 915	10 699 223
Total: Post-Employment Health Care Benefit Liability	**11 710 915**	**10 699 223**
Less: Transfer to current provisions	(231 108)	(177 180)
Net Post-Employment Health Care Benefit Liability	**11 479 807**	**10 522 043**

Post retirement medical aid liability

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 2015 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	88	94
Continuation (retiree and widow) members	6	5
	94	**99**

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

Member category		
In-service members	7 452 230	7 479 064
Continuation members	4 258 685	3 220 159
	11 710 915	**10 699 223**

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

The future service cost for the ensuing year is established to be R 729 708 whereas the interest-cost for the next year is estimated to be R 1 050 283

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate %	9,06	9,23
Health Care Cost Inflation Rate %	8,12	8,36
Consumer Price Index (CPI)	6,62	6,86
Net Effective Discount Rate %	0,87	0,80
Continuation of membership at retirement	90%	90%
Proportion assumed married at retirement	90%	90%

Notes to the Financial Statements

Figures in Rand	2015	2014

8. Employee benefit obligations (continued)

Average retirement age	63	63
Mortaliy during employment	SA 85-90	SA 85-90

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

Balance at the beginning of the year	10 699 223	10 700 204
Current service cost	807 217	59 741
Interest cost	979 430	288 873
Benefits paid	(177 180)	(137 792)
Actuarial loss/(gain) on the obligation	(597 775)	(211 803)
Balance at end of year	**11 710 915**	**10 699 223**

The figures in the actuarial report were restated as per Actuarial valuation done by Arch actuarial consultants for the year ended 30 June 2014. Refer to note 43
The total liability has increased by 9% (or R 1,011 692) 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 6% 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 past service cost, an increase in the average future employer contribution. These impacts have been offset by an increase in thenet discount rate.
The total in-service member liability has decreased by less than 1% due to the above, partially offset by a decrease in the number of members .

Continuation members
The average continuation member liability has increased by 10% due to a increase in the average monthly subsidy,partially offset by an increase in the net discount rate The total continuation members liability has increased by 32% due to the above combined with an increase in the number of members..
The table below indicates the effect of a 1% per year change in the medical aid inflation assumption. The effect is as follows:

Increase of 1%		
Effect on the accrued liability in millions	14 050	12 905
	14 050	**12 905**
Decrease of 1%		
Effect on the accrued liability in millions	(9 857)	(8 953)
	(9 857)	**(8 953)**

Multi-Employer Pension Scheme Arrangements

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

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

Figures in Rand	2015	2014

8. Employee benefit obligations (continued)

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

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

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

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

Defined Contribution (DC) Multi-Employers Pension scheme

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

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

Municipal Councillors Pension Fund - No of members: 11 (2014:12)	504 236	503 658
Municipal Gratuity Fund - No of members: 49 (2014:57)	2 728 196	2 964 464
National Fund for mun workers - No of members 54 (2014:42)	1 390 346	676 076
National Fund for mun workers: 2% Fund - No of members 71 (2014:65)	277 691	245 246
SAMWU Provident Fund - No of members: 2 (2014:2)	151 451	141 821
The amount recognised as an expense for defined contribution plans is	5 051 920	4 531 265

Defined Contribution (DB) Multi-Employers Pension scheme

The municipality accounts for its Municipal Employees Pension Fund as a multi-employer plan in accordance with GRAP 25.31. This is due to the fact that sufficient information is not available to enable the municipality to account full DB accounting disclosure. The municipality accounts for the plan as a contribution plan.

Municipal Employees PensionFund - No of members: 23 (2014:21)	1 321 762	1 205 469
The amount recognised as an expense for defined contribution plans	**1 321 762**	**1 205 469**

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

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

Notes to the Financial Statements

Figures in Rand	2015	2014

9. Receivables from non-exchange transactions

Sundry receivables	879 812	791 794
Deposits	-	-
Sundry debtors	372 825	372 825
Payments on behalf of local councils - DBSA	876 645	438 094
Control Accounts	1 022 261	80 003
Less: Provision for bad debt	(1 249 470)	(810 919)
	1 902 073	**871 797**

The credit quality of receivables from non-exchange transactions

The credit quality of receivables from non - 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 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 2015.

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

61-90 days past due	**Classes of financial assets**		
Sundry receivables-	At Amortised Cost	879 812	791 794
Receivables past due but not impaired		879 812	791 794

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

Rand	1 902 073	871 797

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

Opening balance	(810 919)	(372 825)
Provision for impairment	(438 551)	(491 544)
Transfer impairment to non-current receivables	-	53 450
	(1 249 470)	**(810 919)**

The effect of discounting on Receivables from Non - Exchange Transactions are deemed to be immaterial for the year 2014/15 and 2013/14.

10. Receivables from exchange transactions

Sundry debtors	-	125 000
Accruals - Interest on call deposits	388 510	743 152
Less: Provision for bad debt	-	(125 000)
	388 510	**743 152**

No receivables from exchange transactions were pledge as security.

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

Figures in Rand	2015	2014

10. Receivables from exchange transactions (continued)

Receivables from exchange transactions which are past due are not considered to be impaired. At 30 June 2015, R388510 (2014: R743152) were past due but not impaired.

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

past due	**Classes of financial assets**		
Interest - Call investment deposits-	At amortised cost	388 510	743 152
		388 510	743 152

Receivables from exchange transactions impaired

As of 30 June 2015, other receivables from exchange transactions R 0 (2014:R 125000) were past due and impaired.

The ageing of these loans is as follows:

4 months - 1 year	-	101 000
Over 1 year	-	24 000
	-	125 000

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

Rand	388 510	743 152

Reconciliation of provision for impairment of receivables from exchange transactions

Opening balance	(125 000)	(25 116)
Provision for impairment	-	(99 884)
Unused amounts reversed	125 000	-
	-	**(125 000)**

11. VAT receivable

VAT	14 676 232	6 120 105

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

Figures in Rand	2015	2014

12. Cash and cash equivalents

Cash on hand	6 600	4 600
Bank balances	8 887 162	3 637 254
Call investment deposits	75 000 000	145 948 289
Cash and cash equivalents	**83 893 762**	**149 590 143**

Call investment deposits

Call investment deposits is invested with the following banks :

At Amortised Cost		
Call Investment Deposits: ABSA Bank	20 000 000	30 000 000
Call deposits invested in ABSA Bank for a period of 1 to 3 months.		
Call Investment Deposits: - ABSA Asset Management	-	5 948 289
Call deposits invested in ABSA Bank Asset Managers for a period of 1 to 3 months.		
Call Investment Deposits: First National Bank	15 000 000	30 000 000
Call deposits invested in FNB for a period of 1 to 3 months.		
Call Investment Deposits: Nedbank	20 000 000	35 000 000
Call deposits invested in Nedbank for a period of 1 to 3 months.		
Call Investment Deposits: Standard Bank	20 000 000	45 000 000
Call deposits invested in Standard Bank for a period of 1 to 3 months.		
	75 000 000	**145 948 289**

Cash and cash equivalents pledged as collateral

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

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

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	**30 June 2014**	**30 June 2013**	**30 June 2015**	**30 June 2014**	**30 June 2013**
Current Account (Primary Bank Account ABSA Klerksdorp Account no 950 000 627)	13 964 367	2 883 550	16 345 953	6 912 981	407 003	13 453 638
Current Account (Local Government Support Grant) ABSA Klerksdorp Account no 405 643 8304	1 974 182	1 926 726	1 890 391	1 974 182	1 926 726	1 890 391
Current Account (Disaster Risk Management grant) ABSA Pretoria Account no 40 7293 0455)	-	1 303 525	1 301 052	-	1 303 525	1 301 052
Total	**15 938 549**	**6 113 801**	**19 537 396**	**8 887 163**	**3 637 254**	**16 645 081**

Figures in Rand	2015	2014

13. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2015

	Capital replacement reserve	Government grant reserve	Accumulated Surplus	Total
	-	-	-	-
Opening balance	(9 718 732)	(984 481)	(132 794 927)	(143 498 140)
(Surplus) / Deficit for the year	-	-	38 433 256	38 433 256
Property, plant and equipment purchases	2 733 648	(716 753)	(2 016 895)	-
Offsetting of depreciation	-	602 723	(602 723)	-
Work in Progess - Prior year reverse	-	-	13 424 192	13 424 192
Write - Offs / Transfers	-	97 861	(97 861)	-
	(6 985 084)	**(1 000 650)**	**(83 654 958)**	**(91 640 692)**

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

	Capital replacement reserve	Government grant reserve	Accumulated surplus	Total
Opening balance	(1 873 332)	(24 068)	(147 895 536)	(149 792 936)
Restatements Opening balance	-	-	5 140 055	5 140 055
(Surplus) / Deficit for the year	-	-	1 154 741	1 154 741
Offsetting of depreciation	-	18 937	(18 937)	-
Property, plant and equipment purchases	4 498 850	(984 475)	(3 514 375)	-
Write - offs / Transfers	-	5 125	(5 125)	-
Transfer from accumulated surplus	(12 344 250)	-	12 344 250	-
	(9 718 732)	**(984 481)**	**(132 794 927)**	**(143 498 140)**

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

14. Finance lease obligation

	2015	2014
Minimum lease payments due		
- within one year	642 329	-
- in second to fifth year inclusive	1 139 134	-
	1 781 463	-
Less: Future Finance Charges	(102 536)	-
Present value of minimum lease payments	**1 678 927**	**-**

	2015	2014
Present value of minimum lease payments due		
- within one year	581 803	-
- in second to fifth year inclusive	1 097 123	-
	1 678 926	**-**

	2015	2014
Non-current liabilities	1 097 123	-
Current liabilities	581 803	-
	1 678 926	**-**

Finance lease liabilities relating to the lease of a motor vechiles:

The average lease term is 3 years and the average effective borrowing rate is 9,25%. Interest rates are fixed at the contract date, no arrangements have been entered into for contingent rent.

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

Figures in Rand	2015	2014

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Disaster Management Fund	-	1 013 924
Expanded Public Works Program Grant	-	818 050
Finance Management Grant	-	854 802
LG (Seta) Mandatory grant	1 188 148	-
Local Government Support Grant	1 421 272	1 373 690
	2 609 420	**4 060 466**

Movement during the year

Balance at the beginning of the year	4 060 466	4 148 316
Additions during the year	6 225 433	4 126 031
Income recognition during the year	(7 432 479)	(2 859 965)
Transfer back to National Treasury	(244 000)	(1 353 916)
	2 609 420	**4 060 466**

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

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

16. Provisions

Reconciliation of provisions - 2015

	Opening Balance	**Additions**	**Utilised during the year**	**Total**
Current portion: Post retirement medical aid liability	177 180	192 230	(138 302)	231 108
Current portion: Long service awards liability	209 000	164 087	(209 000)	164 087
	386 180	**356 317**	**(347 302)**	**395 195**

Reconciliation of provisions - 2014

	Opening Balance	**Additions**	**Utilised during the year**	**Total**
Current portion: Post retirement medical aid liability	135 768	176 770	(135 358)	177 180
Current portion: Long service awards liability	250 616	224 563	(266 179)	209 000
	386 384	**401 333**	**(401 537)**	**386 180**

Restatement of current portion of post retirement medical aid liability. Refer to note 43 for details of the restatements, The post retirement medical aid liability (current portion) increased from R154 000 as previously stated to R177 180 as per actuarial valuation done by Arch Actuarial Consulting.

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

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

Figures in Rand	2015	2014

17. Long service awards liability

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

The provision represents a litimation of the awards to which employees in the service of the municipality at 30 June 2015 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 2015 by Arch actuarial consuting, 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.

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 2014 of 6.97% negotiated by SALGA which was budgeted for by the municipality. The next salary increase was assumed to take place in July 2015.

The movement in long service awards liabilities is as follows		
Provision for Long Service Awards	2 424 771	2 768 000
Total Provision for Long Service Awards	**2 424 771**	**2 768 000**
Less: Transfer to Current Liabilities	(164 087)	(209 000)
Net Long Service Awards liability	**2 260 684**	**2 559 000**

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate %	8,19	7,96
General Salary inflation (long-term) %	7,18	7,33
Consumer Price Index (CPI)	4,55	6,33
Net Effective Discount Rate %	0,94	0,59
Average Retirement Age	63	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	2 768 000	1 906 167
Current service cost	362 000	332 528
Interest cost	224 000	133 499
Benefits paid	(247 021)	(266 179)
Actuarial (gain)/loss on the obligation	(682 208)	661 985
Balance at end of year	**2 424 771**	**2 768 000**

Notes to the Financial Statements

Figures in Rand	2015	2014

18. Payables from exchange transactions

Accounts payables	15 510 953	14 961 344
Other Creditors	577 156	1 033 587
Retention Creditors	4 656 161	3 723 864
Other Creditors: Accruals-Compensation Commissioner	1 068 395	789 268
Staff leave	7 531 206	6 206 689
	29 343 871	**26 714 752**

-

Refer to note 43, Prior Period Error: Retrospective restatement was done to the Payables from Exchange Transaction balance, as at 30 June 2014, the restatement relates to additional trade and other payables identified, subsequent to the financial year end.

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

Rand	29 343 871	26 714 752

19. Payables from non-exchange transactions

Control accounts	839	839

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

Rand	839	839

20. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	388 510	-	388 510
Receivables from non-exchange transactions	-	1 902 073	-	1 902 073
Cash and cash equivalents	-	83 893 762	-	83 893 762
Listed investments	65 340	-	-	65 340
Investments in controlled entities	-	-	120	120
	65 340	**86 184 345**	**120**	**86 249 805**

Financial liabilities

	At amortised cost	Total
Unspent conditional grants and receipts	2 609 420	2 609 420
Finance lease obligations	1 678 926	1 678 926
Payables from exchange transactions	29 343 871	29 343 871
Payable from non-exchange transactions	839	839
	35 311 982	**33 633 056**

2014

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	743 152	-	743 152
Receivables from non-exchange transactions	-	871 797	-	871 797
Cash and cash equivalents	-	149 590 143	-	149 590 143
Investments in controlled entities	-	-	120	120
Listed investments	59 899	-	-	59 899
	59 899	**151 205 092**	**120**	**151 265 111**

Financial liabilities

	At amortised cost	Total
Unspent conditional grants and receipts	4 060 466	4 060 466
Payables from exchange transactions	26 714 752	26 714 752
Payable from non-exchange transactions	839	839
	30 776 057	**30 776 057**

VAT receivables, Post retirement medical aid liability, long service awards liability and operating lease liability due to straight -lining are not financial instruments and as such deleted from from financial assets and financial liabilities as disclosed in the 2013/2014 financial year.

Notes to the Financial Statements

Figures in Rand	2015	2014

21. Revenue

Other income	427 734	282 223
Government grants	4 000 000	-
Interest received - investment	8 473 807	9 950 481
Dividends received	1 855	1 649
Government grants & subsidies	167 913 479	158 340 884
Public contributions and donations	-	46 000
Gains on actuarial valuations	1 279 983	-
Gains on disposal of assets	13 350	-
	182 110 208	**168 621 237**

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

Other income	427 734	282 223
Gains on disposal of assets	13 350	-
Interest received - investment	8 473 807	9 950 481
Dividends received	1 855	1 649
	8 916 746	**10 234 353**

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

Transfer revenue

Government grants & subsidies	167 913 479	158 340 884
Grants refund	4 000 000	-
Public contributions and donations	-	46 000
Gains on actuarial valuations	1 279 983	-
	173 193 462	**158 386 884**

Figures in Rand	2015	2014

22. Government grants and subsidies

Equitable share	18 398 000	17 537 000
RSC Levy Replacement Grant	142 083 000	137 943 916
Conditional grants and subsidies received	7 432 479	2 859 968
	167 913 479	**158 340 884**

Equitable Share

Current year receipts	18 398 000	17 537 000
	18 398 000	**17 537 000**

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

RSC Levy Replacement Grant

Current year receipts	142 083 000	137 943 916
	142 083 000	**137 943 916**

The grant has replaced the RSC Levies that were collected by District and Metropolitan Municipalities in prior years. These municipalities receives the grant until National Treasury produce the tax instrument that meets conditions of a "fair" tax.

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

Disaster Management Grant

Balance unspent at beginning of year	1 013 924	1 301 052
Current-year receipts	-	925 000
Interest earned	3 803	2 549
Conditions met - transferred to revenue	(1 017 727)	(1 214 677)
Conditions still to be met- transferred to liabilities	**-**	**1 013 924**

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

LG SETA Mandatory grant

Current-year receipts	1 188 148	-
Conditions still to be met- transferred to liabilities	**1 188 148**	**-**

Local Government Support Grant

Balance unspent at beginning of year	1 373 689	1 336 346
Current-year receipts	48 483	37 343
Conditions met - transferred to revenue	(900)	-
Conditions still to be met- transferred to liabilities	**1 421 272**	**1 373 689**

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

Finance Management Grant

Balance unspent at beginning of year	854 802	913 637
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(2 104 802)	(395 198)

Figures in Rand	2015	2014

22. Government grants and subsidies (continued)

Transfer back to National Treasury	-	(913 637)
Conditions still to be met- transferred to liabilities	**-**	**854 802**

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

Rural road asset management system

Current-year receipts	1 801 000	-
Conditions met - transferred to revenue	(1 801 000)	-
Conditions still to be met- transferred to liabilities	**-**	**-**

LED Learnership Seta

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

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

Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	-	325 505
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
Transfer back to National Treasury	-	(325 505)
Conditions still to be met- transferred to liabilities	**-**	**-**

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

Expanded Public Works Program Grant

Balance unspent at beginning of year	818 050	114 775
Current year receipt	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 574 050)	(181 950)
Transfer to National Treasury	(244 000)	(114 775)
	-	**818 050**

Changes in level of government grants

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

23. Public contributions and donations

Public contributions and donations	-	46 000

Notes to the Financial Statements

Figures in Rand	2015	2014

24. Other income

Commissions received	6 301	16 811
Insurance claims received	-	3 891
Refund from Tlokwe Municipality- CCTV	4 000 000	-
Tender deposits	315 640	153 105
Sundry income	105 793	108 416
	4 427 734	**282 223**

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

Commissions received	6 301	16 811
Insurance claims received	-	3 891
Tender deposits	315 640	153 105
Sundry income	105 793	108 416
	427 734	**282 223**

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

Refund from Tlokwe Municipality- CCTV	4 000 000	-
Non-exchange revenue	4 000 000	-
Exchange revenue	427 734	282 223
Total other income	**4 427 734**	**282 223**

Notes to the Financial Statements

Figures in Rand	2015	2014

25. General expenses

Advertising	1 630 016	1 144 231
Assessment rates & municipal charges	898 450	864 598
Audit committee members - Remuneration	679 098	426 237
Auditors remuneration	2 376 656	2 925 912
Bank charges	219 226	215 671
Business expenses councillors and directors	295 717	206 860
Cleaning	2 200	28 660
Community based planning	2 686 625	1 588 477
Compensation Commissioner	432 711	279 127
Conferences and seminars	3 055 811	1 999 818
Consulting and professional fees	619 466	1 004 702
Consumables	296 308	247 350
Entertainment	1 120 267	1 126 954
Fines and penalties	223 979	-
Events and campaigns	3 900 214	1 371 903
General expenses - Other	2 644 384	1 858 814
Gifts	37 192	32 463
Hire	590 153	460 095
IDP Review expenses	47 815	24 824
Insurance	263 158	472 142
Legal fees	3 399 267	2 052 065
Licence fees - Other	53 141	51 290
Magazines, books and periodicals	17 805	16 335
Motor vehicle expenses	1 269 168	1 336 040
Office rentals	1 523 634	1 165 677
Municipal public accounts commitee expenses	159 842	185 985
Pest control	133 938	139 480
Postage and courier	19 716	1 069
Printing and stationery	1 126 038	953 283
Protective clothing	49 756	91 833
Public Participation Expenses	533 766	59 630
Skills development levy	515 925	451 614
Subscriptions and membership fees	726 217	800 168
Subsistence and travel	768 941	516 823
Telephone and fax	1 584 910	587 431
Skill development training	2 749 103	606 930
Travel - overseas	277 670	225 500
Testing of samples - Health	384 564	402 621
Training and development - Councillors	239 940	325 720
Training and development - Employees	453 603	1 128 313
Fair value adjustment - Credit purchases	(202 393)	(217 531)
	37 803 997	**27 159 114**

Detail of general expenditure - Other

Access payment insurance claims	15 642	789
Air quality management plan	539 775	59 975
By - law implementation strategy	6 869	255 250
Councillors support program	217 942	163 068
Chemical waste management	-	1 500
Cleansing material	-	20 566
District learning network	-	8 960
Emergency operations	25 454	-
Employees wellness	46 545	46 185
Environmental management plan	263 293	-
Fire fighting foam	15 680	-
Generator fuel and oil	4 161	1 441
Hosting and transfer of GIS info	21 525	923 355
Integrated waste management plan	1 294 828	209 252

Figures in Rand	2015	2014
25. General expenses (continued)		
Maintenance of audit systems	98 362	69 346
Records management	-	10 842
Reference library	-	3 500
Short-term insurance	-	342
Strategic planning expenditure	14 277	62 632
Subscription fees	8 933	3 871
Team building	11 748	-
Toll road fees	59 350	17 940
	2 644 384	**1 858 814**

Expenditure of non - occurring nature is disclosed under General Expenses - Other.
Skills development training that was disclosed under General expenditure - Other is now disclosed seperately under "Skills development trainïng".
Rental of vehicles and of machinery and equipment that was disclosed under General expenditure - Other is now disclosed seperately under " Hire".

Refer to note 43, Prior Period Error: Retrospective restatement was done to General Expenditure, as at 30 June 2014, the restatement relates to office rentals.

Figures in Rand	2015	2014

26. Employee related costs

Basic Salaries	41 888 572	36 876 352
Redemption of Leave	1 881 428	1 876 559
Cell Phone Allowances	816 723	776 065
Overtime payments	171 931	161 390
13th Cheques	2 921 887	2 563 785
Car allowance	4 436 864	4 056 575
Housing benefits and allowances	314 241	302 543
Standby Allowances	29 931	37 845
Allowances Uniforms	25 766	11 040
Pension Fund - Councils' Contributions	5 633 074	5 321 881
Medical aid - Councils' contributions	2 268 752	2 616 112
Group Life Insurance - Councils' Contributions	277 692	241 269
UIF	220 777	191 471
Industrial Council	8 956	8 192
Long-service awards contributions	586 000	466 027
Post- retirement medical aid contributions	1 786 647	348 614
	63 269 241	**55 855 720**

Refer to note 43. Retrospective restatement was done to Employee Related Cost, as at 30 June 2014, the restatement relates back payment of the prior financial year, as well as restatements regarding post retirement medical aid liabilities as per actuarial valuation by Arch Actuarial Conculting done.

Remuneration of Municipal Manager

Annual Remuneration	971 984	976 350
Car Allowance	120 000	125 400
Salary increase paid for 2013/2014	-	79 997
Other allowances	87 000	-
13th Cheque	106 711	142 083
Statutory contributions	37 726	-
	1 323 421	**1 323 830**

MI Matthews was appointed from 01 May 2013 as Municipal Manager.
A salary increase of R 79 997 was effected for the 2013/2014 and a increase of R 64000 for the 2012/2013 financial year as disclosed in the Correction of errors note 43

Remuneration of Chief Finance Officer

Annual Remuneration	1 190 740	787 012
Car Allowance	-	44 941
Salary increase paid for 2013/2014	-	30 740
Other Allowances	12 600	-
Acting Allowance	-	138 081
Statutary contributions	39 087	93 549
	1 242 427	**1 094 323**

LJ Mononela was appointed from 01 Jan 2014 as CFO.
A salary increase of R 30 740 was effected for the 2013/2014 financial year as disclosed in the Correction of errors note 43

Remuneration of Director Corporate Services

Annual Remuneration	801 930	497 521
Car Allowance	180 000	115 891
Salary increase paid for 2013/2014	-	27 560
Other allowances	12 600	-

Notes to the Financial Statements

Figures in Rand	2015	2014

26. Employee related costs (continued)

Acting Allowance	26 741	29 085
13th Cheque	75 257	-
Statutory contributions	35 044	6 516
	1 131 572	**676 573**

L Ralegetho was appointed from 01 December 2013 as the Director Corporate Services.

A salary increase of R 27 560 was effected for the 2013/2014 financial year as disclosed in the Correction of errors note 43

Remuneration of Director Infrastructure

Annual Remuneration	1 129 150	738 957
Car Allowance	-	184 177
Salary increase paid for 2013/2014	-	29 150
Other allowances	12 600	-
Acting Allowance	-	163 840
Statutory contributions	37 066	51 842
	1 178 816	**1 167 966**

TS Chanda was appointed from 01 Jan 2014 as Director Infrastructure.

A salary increase of R 29 150 was effected for the 2013/2014 financial year as disclosed in the Correction of errors note 43.

Remuneration of Director District Economic Development

Annual Remuneration	992 107	712 712
Car Allowance	-	42 000
Salary increase paid for 2013/2014	-	27 560
Other allowances	12 600	-
Acting Allowance	-	159 598
13th Cheque	66 667	-
Cellphone allowance & leave encashment	35 043	20 139
	1 106 417	**962 009**

ML Makheta was appointed from 01 February 2014 as Director District Economic Development.

A salary increase of R 27 560 was effected for the 2013/2014 financial year as disclosed in the Correction of errors note 43

Remuneration of Director Disaster Management

Annual Remuneration	985 440	567 744
Car Allowance	-	112 754
Salary increase paid for 2013/2014	-	27 560
Other allowances	12 600	-
Acting allowance	-	222 128
13th Cheque	80 707	-
Statutory contributions	35 371	78 092
	1 114 118	**1 008 278**

SM Lesupi was appointed from 01 Mar 2014 as Director Disaster Management.

A salary increase of R 27 560 was effected for the 2013/2014 financial year as disclosed in the Correction of errors note 43

Notes to the Financial Statements

Figures in Rand	2015	2014

26. Employee related costs (continued)

Remuneration of the Director Environmental Health

Annual Remuneration	853 440	532 818
Car Allowance	132 000	115 792
Salary increase paid for 2013/2014	-	27 560
Other allowances	12 600	-
Acting Allowance	-	150 637
13th Cheque	80 353	-
Statutary contributions and leave encashment	35 044	54 423
	1 113 437	**881 230**

NP Mosete was appointed from 01 Feb 2014 as Director Environmental Health.

A salary increase of R 27 560 was effected for the 2013/2014 financial year as disclosed in the Correction of errors note 43.

27. Remuneration of councillors

Executive Major	767 909	727 420
Mayoral Committee Members	3 714 913	3 429 882
Speaker	553 398	522 327
Councilors	2 346 220	2 412 702
Councilors' pension contribution	504 236	503 658
	7 886 675	**7 595 989**

Refer to note 42 where details of councillors remuneration are disclosed.

Notes to the Financial Statements

Figures in Rand	2015	2014

28. Debt impairment

Contributions to debt impairment provision	371 002	590 929

29. Investment revenue

Dividend revenue		
Listed financial assets - Local	1 855	1 649
Dividend revenue	**1 855**	**1 649**
Interest revenue		
Investments and call deposits	8 416 356	9 897 031
Interest earned on deposits	57 451	53 450
Interest revenue	**8 473 807**	**9 950 481**
Total dividend revenue	1 855	1 649
Total interest revenue	8 473 807	9 950 481
Total investment revenue	**8 475 662**	**9 952 130**

The amount included in Investment revenue arising from exchange transactions.

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

30. Fair value adjustments

Other financial assets - Listed shares: Sanlam		
• At fair value	5 442	15 278

Notes to the Financial Statements

Figures in Rand	2015	2014

31. Depreciation and amortisation

Property, plant and equipment	2 617 887	2 753 569
Intangible assets	491 731	111 506
Impairment on assets	189 506	54 110
	3 299 124	**2 919 185**

Restated depreciation in the 20131/2014 financial year due to correction of depreciation to the amount of R 421 745 on take-ons of CCTV Camera's not previously recognised to the amount of R 2 292 094 (Refer to note 43).

32. Details of impairment loss Property, Pant and Equipment

Impairments		
Property, plant and equipment - Furniture and fixtures Several individual items of furniture and fixtures have been impaired, based on the condition of the assets, the recoverable amount of the asset was based on its fair value less costs to sell.	9 967	16 900
Property, plant and equipment - Computer equipment Several individual items of computer equipment have been impaired, based on the condition of the assets, the recoverable amount of the asset was based on its fair value less costs to sell.]	10 788	9 521
Property, plant and equipment - Office equipment Several individual items of office equipment have been impaired, based on the condition of the assets, the recoverable amount of the asset was based on its fair value less costs to sell.	71 369	27 689
Property, plant and equipment - CCTV Camera's Several individual items of CCTV Camera's have been impaired, based on the condition of the assets, the recoverable amount of the asset was based on its fair value less costs to sell.	97 210	-
	189 334	**54 110**

33. Finance costs

Finance leases	55 294	5 577
Fair value adjustments on credit purchases	873 606	915 742
	928 900	**921 319**

The average payment period is 45 days and credit purchases has as such discounted at the prime interest rate + 1%.

34. Auditors' remuneration

Fees	2 376 656	2 925 912
Expenses	(2 376 656)	(2 925 912)
	-	**-**

Figures in Rand	2015	2014

35. Operating leases

Details of leases - liability		
Lease office space - Tlokwe	3 347	6 566
Lease office space - Orkney	133 350	-
	136 697	**6 566**

Minimum lease payments due		
Within 1 year	1 784 574	344 755
In the second to fifth year inclusive	1 891 655	60 270
	3 676 229	**405 025**

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

Lease of office building:
The municipality lease office space erf 3423 Orkney 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.At the inception of the lease the present value of the minimum lease payments amounts not to at least 90% of the fair value of the asset.
3. Padcro properties (PTY) LTD shall insure the building.
4.The agreement was effective from the 1 July 2014 and the period for the lease was 36 months.
5.The monthly lease amount as per the agreement is R107 540 (Excl VAT), a 10% escalation was agreed on in the lease.

Lease of photocopiers:
The municipality lease photocopiers Sharp Seartec trading (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.At the inception of the lease the present value of the minimum lease payments amounts not to at least 90% of the fair value of the asset.
3.Sharp Seartec trading (PTY) LTD shall maintain and service the equipment.
4.The agreement was effected as from 01/08/2014 and the period for the lease was 36 months.
5.The monthly lease amount as per the agreement is R25 398 (Excl VAT). No escalation was agreed on in the lease.

Lease of office building - Envirronmental Health
The municipality lease office space remainder of erf 148, Baillie Park from STE Hire cc.
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.At the inception of the lease the present value of the minimum lease payments amounts not to at least 90% of the fair value of the asset.
3.STE Hire cc shall maintain and insure the building.
4.The agreement was effective from the 1 March 2014 and the period for the lease was 18 months up to 31August 2015.
5.The monthly lease amount as per the agreement is R26 820 (Excl VAT), a 6% escalation was agreed on in the lease.
Restatement of the 2013/2014 financial year to that the liability and commitments of this lease agreement were not disclosed. (Refer to note 43)

Notes to the Financial Statements

Figures in Rand	2015	2014

36. Contracted services

Information Technology Services	620 052	600 200
Other contractors	1 502 976	1 709 547
Fair value adjustment - Credit purchases	(11 305)	(18 357)
	2 111 723	**2 291 390**

37. Grants and subsidies paid

Projects - Dr Kenneth Kaunda District Municipality	67 797 882	30 320 465
Projects - City of Matlosana	15 850 644	33 364 280
Projects - City Council of Tlokwe	7 844 171	7 863 826
Projects - Ventersdorp Local Municipality	3 963 392	2 176 504
Projects - Maquassi Hills Local Municipality	7 123 295	11 330 075
Fair value adjustment - Credit purchases	(651 707)	(675 269)
Work in progress prior year	-	(13 424 192)
	101 927 677	**70 955 689**

Projects - Dr Kenneth Kaunda District Municipality		
Africa day celebrations	467 845	-
Business / entrepreneurs	181 163	369 920
Children development	217 458	397 859
Communication Unit	991 694	1 059 577
Community Agricultural Support	1 054 513	105 551
Community Development	1 378 694	1 341 022
Disability development	391 951	645 559
Disaster Management Advisory Forum	17 240	24 429
Disaster Management Awareness	1 288 148	847 406
Disaster Management Planning	299 099	336 808
Disaster Management Research	304 845	-
Disaster Management Relief	200 160	90 724
District call centre operations	6 462 258	-
District economic development iniatives	10 000 000	-
District erecting of fencing	518 353	-
District Expo	92 560	108 286
District infrastructure - Consulting	48 852	-
District learnerships - Tourism training	6 508 243	-
District operation clean audit	2 355 349	-
District public safety promotion	70 046	-
Dr Kenneth Kaunda District Economic Entity	4 000 000	3 000 000
Dr Kennenth Kaunda Research Manufacturing Industr	-	19 000
Dr Kenneth Kaunda Tourism Association	99 600	52 250
Education	195 870	373 585
Elderly development	77 218	240 071
Employees assistence - Regional centre	1 216 180	-
Emergency Funding Major Incident	826 794	415 351
Entrepreneurial Month	98 700	110 000
Expanded public works programme	1 025 197	421 556
Fire fighting trainingand development	9 500	-
Fire Fighting Training & Development	226 228	193 962
Funeral assistance	748 454	329 283
Funding Finance Management Grant	2 099 504	253 141
Funding Municipal systems improvement grant	-	730 069
Gender development	299 680	462 285
Landfill sites rehabilitation	620 000	-
LG Seta mandatory grant	-	189 642
Literary competition	300 000	-

Notes to the Financial Statements

Figures in Rand	2015	2014
37. Grants and subsidies paid (continued)		
Mandella day - special projects	324 724	33 099
Maintenance info kiosk	113 808	-
Mayoral Golf Fund	318 000	-
Merit bursary Community	5 671 953	7 602 400
Merit bursary employees	172 903	211 941
Promotion and Marketing DED	394 524	441 047
Poverty relief	442 961	1 431 559
Resource & Support Centre	53 228	57 245
Risk Reduction Project	152 590	210 785
Rural roads asset management system	1 373 832	-
Secondary co-operative	99 342	37 153
SMME Workshop/Summit	500 000	272 000
Skills Development and Training	999 139	1 058 400
Small Scale Farmers Tech. Support	128 659	13 610
SMME'S and Co - operative support	415 772	-
Sport, Arts and Culture	3 647 335	2 945 932
Tourism Awareness	18 150	231 000
Tourism Information Centre	40 000	37 450
Tourism & Marketing	399 802	387 918
Tourism support	232 995	242 844
Tourism awards	251 100	-
Volunteer Unit	161 595	120 941
Volunteers protective clothing	1 232 400	571 824
Volunteers stipend	1 817 585	1 420 860
Volunteer training	1 330 007	567 290
Volunteers uniforms	230 142	-
Ward Committee Offices	71 726	158 165
Women's month	133 454	90 830
Youth development centre project	2 704	-
Youth develoment - Special projects	60 355	58 837
District high mast lights	1 315 701	-
Organisational re-engineering	1 000 000	-
	67 797 882	**30 320 466**
Projects - City of Matlosana		
CCTV Cameras	10 180 845	9 600 000
Environmental education centre	-	50 100
Integrated Community Call Centre	-	33 654
Matlosana toilets completion	-	493 869
N12 Road Beutification	1 082 094	1 570 760
N12 Upgrading (Olifant intersection)	-	11 349 369
Orkney New Community Hall	592 961	2 371 516
Recycling Project Landfill site	453 573	40 600
Rural Development	2 899 864	1 543 387
Rural Development Support	641 307	1 860 348
Water - Midvaal Endpoint to Muranti Reservoir	-	4 450 678
	15 850 644	**33 364 281**
Projects - City of Tlokwe		
Boskop nature reserve	561 286	42 100
Geostudy	-	1 466 000
Farmer support and development	1 480 396	-
Fire Equipment	382 023	-
Light industrial park	347 550	-
Matlwang Access Road	-	4 337 532
Regional Dolomite Investigations	1 754 386	-
Recycling Project Landfill site	-	157 500
Piggery Eleazer Farm	-	190 227

Notes to the Financial Statements

Figures in Rand	2015	2014
37. Grants and subsidies paid (continued)		
Tlokwe Beans Project	1 000 000	-
Tlokwe community hall (Lindequesdrift)	451 468	-
Upgrade Disater Communication System	997 062	942 534
Upgrading of community halls	-	624 888
Upgrading Old Hosking Cemetry	-	15 476
Vegetable production project Matlwang	-	87 570
Regional dolomite studies	870 000	-
	7 844 171	**7 863 827**

Projects - Ventersdorp Local Municipality		
Appeldraai solar lighting	-	74 200
Doornkop Water Supply	23 856	117 570
Expanded publiC works programme	-	565 604
Fire station Ventersdorp	672 203	-
Paupers Funerals	377 684	457 573
Registration solid waste site	1 449 427	-
Tsing street lights	-	35 054
Two Bedrooms Clinics - Ventersdorp	177 222	428 503
Vehicles - Service delivery	-	498 000
Ventersdorp Vineyard Project	1 000 000	-
LED projects	263 000	-
	3 963 392	**2 176 504**
Projects - Maquassi Hills Local Municipality		
Boskuil Refurbishment Electricity	212 406	220 056
Carports Maqussi Hills	74 763	-
LED Maquassi-Hills	-	20 000
LED plan development	1 501 951	-
Maquassi Hills Fire Engine	1 677 747	1 962 336
Maquassi Hills Piggery	1 000 000	-
Pumpstation and upgrading bulk sewer lines Kgakala	2 592 368	8 431 308
Street naming	-	164 874
Upgrading of community halls	64 060	-
Upgrading Landfill site	-	531 500
	7 123 295	**11 330 074**
Total grants and subsidies paid	**101 927 677**	**70 955 689**

Notes to the Financial Statements

Figures in Rand	2015	2014

38. Cash used in operations

Deficit	(38 433 252)	(1 154 741)
Adjustments for:		
Depreciation and amortisation	3 109 789	2 865 075
Loss on disposal of assets	93 946	-
Gain on disposal of assets	(13 350)	-
Impairment of assets	190 636	54 110
Fair value adjustments - shares	(5 442)	(15 278)
Finance costs - Finance leases	55 294	5 577
Work in progress prior year	(13 424 195)	-
Provision for leave reserve	1 324 517	929 729
Impairment losses - Provision for doubtful debt:Exchange transactions	(125 000)	590 929
Impairment losses - Provision for doubtful debt: Non exhcange transactions	438 551	-
Impairment losses - Provision for doubtful debt: Non exhcange Non current(Escom deposits)	57 451	-
Movements in operating lease liability	130 131	6 566
Movements in post - retirement medical aid liability and long service awards liability - non-current	659 448	861 056
Movements in post - retirement medical aid liability and long service awards liability - current	9 015	(204)
Changes in working capital:		
Receivables from non-exchange transactions	(1 468 827)	(1 326 323)
Receivables from exchange transactions	479 642	92 616
Payables from exchange transactions	1 304 604	(11 621 738)
VAT	(8 556 127)	(4 050 133)
Payables from non-exchange transactions	-	(942 376)
Unspent conditional grants and receipts	(1 451 046)	(87 850)
	(55 624 215)	**(13 792 985)**

Notes to the Financial Statements

Figures in Rand	2015	2014

39. Commitments

Authorised capital expenditure

Total approved and contracted for (VAT exclusive)		
• Infrastructure - Other	196 935	2 946 225
• Water	1 537 587	203 025
• Solid waste disposal	6 422 090	-
• Other - Disaster risk Management	-	2 943 215
• Sanitation / Sewer waste disposal	9 450 636	5 695 157
• Roads and Stormwater	9 640 470	811 347
• District economic development	314 408	75 168
• Vehicles and equipment	5 344 930	-
• Administration - Other	35 585 281	1 829 656
	68 492 337	**14 503 793**

This expenditure will be financed from:		
Own resources	68 492 337	14 503 793

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 municipality.

Disclosure of contingent liabilities and assets

The following contingent liabilities liabilities and assets exist.

Figures in Rand	2015	2014
Contingent liabilities		
MJ Van Niekerk against Dr KKDM Nature of dispute - Unfair labour practice Status of case - The applicant declared a dispute, wherein he claimed that the employer failed to pay his travelling claims in terms of the transport allowance policy.On 30 June 2015 the parties settled the matter at arbitration. Case no NWD 041509		
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. Estimated financial effect R 5 080 858		
M Kgauwe against Dr KKDM Nature of dispute - Unfair labour practice Status of case - The matter is pending, the arbitration was postponed at the previous sitting (17/07/2014). The employer awaits notice of set down. Case no NWD061415: Estimated financial effect R400 000		
Rampedi against Dr KKDM Nature of dispute - Unfair labour practice. Status of case - Arbitration was scheduled for 23 January 2015. The matter is pending. Case no NWD01410: Estimated financial effect R 330 000		
MB Molefe against Dr KKDM Nature of dispute - Unfair dismissal Status of case - The matter is pending, currently awaiting notice of set down in te Labour court. Case no NW 81401		
MB Molefe against Dr KKDM Nature of dispute - Application against the decision for dismissal Status of case - Arbitration is set down for the 21st July 2015. Case no NWD 091405		
MB Molefe against Dr KKDM Nature of dispute - Claim of annual leave days. Status of case - Dr KKDM has filed a notice of intention to defend as well as a request for further particulars.		
S Abrahms against Dr KKDM Nature of dispute - Unfair labour practice Status of case - S Abrahms declared a dispute wherein an allegation of demotion by way of position and responsibility being downgraded without consultation. Case no NWD081411: Estimated financial effect R800 000		

Figures in Rand	2015	2014

40. Contingencies (continued)

Vusumuzi Mfene & 10 Other against Dr KKDM
Nature of dispute - Unfair labour practice
Status of case - The employees contract of employment renewed. Case no NWD 051517

RR Japhta against DR KKDM
Nature of dispute - The emplyee lodge a grievance with the bargaining council. The matter was reffered for arbitration and set down for 21 August 2015
Case no NWD071501

Ester Phillips against DR KKDM
Nature of dispute - Unfair dismissal
On 15 July 2015 the matter was finalized, settled at arbitration. Case no NWD 21508: Estimated financial effect R55 000

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

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

Charmayn Steyn
Nature of dispute - Unfair labour practice.
Amount requested by plaintiff: R 400 000

Contingent Assets

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

Dr KKDM against Bareng Rasego Trading Enterprise
Status date: 30/06/2014:The writ could not be executed due to the address not being the registered address of the Defendant. Lizel Venter Attorneys awaiting for instruction in this matter is urgently awaited
Amount requested: R 538 830

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

DR KKDM against Bembani Civils
Status date: On 20 March 2013 a letter of demand was served on Bembani to revcover the monies due to the council: Estimated financial effect R 359 385

DR KKDM against Big Break legacy Project team
Status date: A letter of demand was served on Big Break Legacy Project Team to revcover the monies due to the council: Estimated financial effect R 1 500 000

Settlement paid

	2015	2014
Gizmo office solutions against Dr KKDM Nature of dispute - Status date: 37 May 2015 the matter was discussed and a settlement to the amount of R46 403 was reached. Settlement amount paid	46 403	-

Settlement paid prior year

Notes to the Financial Statements

Figures in Rand	2015	2014

40. Contingencies (continued)

Adv A Dlavane against Dr KKDM Nature of dispute - Disciplinary proceedings instituted against of intentionally and unlawfully defrauded Dr Kenneth Kaunda District Municipality and violate the SCM policy and the MFMA. Status of case - Settlement amount paid to Eric H Low Trust.	-	325 000

Figures in Rand	2015	2014

41. Related parties

Relationships

Controlled entity	Dr Kenneth Kaunda District Economic Agency (Note 4)
Post retirement employment benefit plan for employees of the municipality and/or other related parties	Refer to note 8
Members of Council	Refer to General Information page to the financial statements
Members of Key Management	M I Matthews - Municipal Manager J Mononela - CFO L Ralegetho - Director Corporate Services T Chanda - Director Infrastructure SM Lesupi - Director Disaster Management ML Makheta - Director District Economic Development N P Mosete - Director Health Services

Related party balances

	2015	2014
Investment		
Dr Kenneth Kaunda Economic Agency	120	120

Related party transactions

	2015	2014
Grants paid to the Dr Kenneth Kaunda District agency regarding the following projects		
Dr Kenneth Kaunda District Economic Development Agency	4 000 000	3 000 000
Maquassi Hills Piggery	1 000 000	-
Tlokwe Beans Project	1 000 000	-
SMME'S and co operative support	28 260	-
Ventersdorp Vineyard Project	1 000 000	-

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

Key management information

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

42. Transactions with Councillors

The following remuneration was paid to Councillors during the year.

Municipal Councillors

Remuneration to Municipal Councillors for 2015

	Salary Allowances	Travelling	Telephone	Medical aid & Pension Contribution	Sitting Allowances	Total
MOLOI BE - Executive Mayor	712 951	-	20 868	33 078	-	766 897
ZEPHE M - Speaker	371 290	142 871	20 868	82 661	-	617 690
MARTINS MI	326 576	133 763	20 868	99 183	-	580 390
MATABOGO MM	341 569	133 942	20 868	84 011	-	580 390
DLAMINI MF	39 759	19 794	2 607	19 685	-	81 845
NDINCEDE K	346 937	133 942	20 868	78 643	-	580 390
LEHLOO TK	329 828	133 934	20 868	95 760	-	580 390
MATINYANE MW	215 624	84 770	10 434	43 581	-	354 409
MOGALE OM	255 349	80 365	10 434	-	-	346 148
ADOONS NG	130 340	60 564	20 868	60 880	-	272 652
KOLOTI NM	336 200	133 943	20 868	89 379	-	580 390
MONTOEDI SD (MPAC CHAIR)	57 414	-	-	-	-	57 414
Other Councillors - MJEKULA NW	170 238	53 570	20 868	-	-	244 676
VAN ZYL KL	170 238	53 570	20 868	-	-	244 676
NKATLO SS	170 231	53 577	20 868	-	-	244 676
SEDUKU PM	118 436	53 577	20 868	51 795	-	244 676
SEAKANE KS	-	-	-	-	34 504	34 504
MALETE NG	-	-	-	-	26 332	26 332
MULLER GJ	-	-	-	-	9 080	9 080
COETZER CJ	-	-	-	-	29 964	29 964
TAGAREE FI	-	-	-	-	51 756	51 756
POSTMA EM	-	-	-	-	39 044	39 044
LESIE SJ	-	-	-	-	35 412	35 412
RAMPHELE GA	-	-	-	-	35 412	35 412
MASEKO NM	-	-	-	-	22 700	22 700
FA LOOTS	-	-	-	-	1 816	1 816
GROENEWALD IM	-	-	-	-	25 424	25 424
GWILI D	-	-	-	-	17 252	17 252
DAVEL DL	146 127	53 570	20 868	24 111	-	244 676
MANELI KM	-	-	-	-	20 929	20 929
BOGATSU SJP	144 250	53 577	20 868	24 109	-	242 804
THELEJANE MA	-	-	-	-	22 700	22 700
HART T	-	-	-	-	21 792	21 792
MOLAPISI MS	-	-	-	-	19 068	19 068
MPUKWANA	-	-	-	-	51 756	51 756
MOKGOTHU	146 124	53 570	20 868	24 114	-	244 676
SKOZANA	-	-	-	-	20 884	20 884
BONTSI MM	-	-	-	-	27 240	27 240
WILLEMSE AD	183 435	57 703	22 607	-	-	263 745
	4 712 916	**1 490 602**	**359 102**	**810 990**	**513 065**	**7 886 675**

42. Transactions with Councillors (continued)

Remuneration to Municipal Councillors for 2014

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

Refer to note 27

Figures in Rand	2015	2014

43. Prior period errors

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

Statement of financial position		
Trade and other payables: Non - exchange transactions prior 2013/2014	-	(64 000)
Trade and other payables: Non - exchange transactions	-	(250 128)
Operating lease liabilities	-	(6 565)
Post retirement medial aid liabilities prior 2013/2014	-	(6 946 404)
Post retirement medial aid liabilities	-	(1 149 819)
Post retirement medial aid liabilities - Current liabilities	-	(23 180)
Post retirement medial aid liabilities - Non Current liabilities	-	23 180
Property plant & equipment - takeon	-	2 292 094
Property plant & equipment - Accumulated depreciation	-	(421 745)
Property plant & equipment - depreciation	-	(421 745)
Work in progress	-	13 424 192
Accumulated surplus	-	6 968 312
Total Changes	**-**	**13 424 192**

The effect on the Statement of Financial Position as at 30 June 2014.	Balance 1 July 2013	Restated 30 June 2013	Restated Balance 30 June 2013	New Restated opening balance 30 June 2014	Restated 30 June2014	Restated Balance 30 June 2014
Property, plant & equipment	12 436 900	1 448 604	13 885 504	16 069 866	(421 745)	15 648 121
Payables from exchange transactions	(38 426 010)	(64 000)	(38 490 0	(26 464 624)	(250 128)	(26 714 752)
Accumulated surplus	(149 792 936)	5 140 055	(144 652 881)	-	14 578 933	(130 073 948)
Operating lease liabilities	-	-	-	-	(6 565)	(6 565)
Post retirement medical aid liablities Non current liability	(2 449 000)	(6 946 404)	(9 395 404)	(9 372 224)	(1 149 819)	(10 522 043)
Post retirement medical aid liablities Current liability	(154 000)	-	(23 180)	(177 180)	-	(177 180)

The effect on the Statement of Financial Performances at 30 June 2014		
Defict for the year - Previous reported	-	(12 750 677)
Actuarial gain	-	(702 071)
General expenditure: 0ffice rentals	-	(6 565)
Depreciation	-	(421 745)
Employee related cost	-	(697 876)
Adjusted deficit	-	(14 578 934)

The effect on the Statement of Financial Performance as at 30 June 2014.	2013/14 Expenditure / Revenue	Restated 2013/2014 Expenditure / Revenue	Restated Balance 2013/2014
Employee cost	55 157 845	697 876	55 855 721
Depreciation and amortisation	2 443 330	421 745	2 865 075
General expenditure	27 152 549	6 565	27 159 114
Revenue from non-exchange transactions - Actuarial gains	(702 071)	702 071	-
Change in net surplus		**1 828 257**	**-**

Restatement of Property, plant & equipment not recognised as at 30 June 2013		
Statement of financial position - Property, plant & equipment at cost	-	2 292 094
Statement of financial position - Property, plant & equipment : Accumulated depreciation	-	(421 475)
Statement of changes in net assets accumulated surplus: 30 June 2013	-	(1 870 619)

Figures in Rand	2015	2014

43. Prior period errors (continued)

	-	-

Restatement of correction of PPE. CCTV Camera's to the amount of R 2 292 094 not taken up in the asset register as at 30 June 2013. Depreciation for the 2012/2013 financial year restated. to the amount of R 421 745

Restatement of depreciation not recognised as at 30 June 2013 regarding take-on of assets		
Statement of financial performance - Depreciation	-	421 745
Statement of financial position - Property, Plant & Equipment Accumulated depreciation	-	(421 745)
	-	-

Depreciation for 2013/2014 restated on correction of PPE to the amount of R421 745 due to CCTV Camera's not disclosed in the Asset register as at 30 June 2014.

Transactions effecting payables from exchange transactions as at 30 June 2014		
Statement of changes in net assets	-	(250 128)
Statement of financial performance - Employees cost	-	250 128
	-	-

Restatement of employee cost for 2013/2014 financial year due to salaries owed to the Municipal Manager and section 57 employees.

Transactions effecting post retirement medical aid liability as at 30 June 2014		
Statement of changes in net assets	-	(1 149 819)
Statement of financial performance - Employees cost	-	447 748
Restatement of financial performance - Revenue from non - exchange transactions: Actuarial gain	-	702 071
	-	-

Restatement of employees cost and Actuarial gain due to changes in the actuarial valuation on Post retirement Medical aid liability for 2013 /2014 finacial year.

Restatement of Post retirement medical aid liability years prior to the 2013/2014 finacial year		
Statement of financial position - Post retirement medical aid liability	-	(6 946 404)
Accumulated surplus: Opening balace 1July 2013	-	6 946 404
	-	-

Restatement of Post retirement medical aid liability prior to 2013/2014 financial year.

Restatement of Operating lease liability as at 30 June 2014.		
Statement of financial position - Operating lease liability	-	(6 565)
Statement of financial performance - General expediture: Rental offices	-	6 565
	-	-
	-	-

Restatement of lease straightlining for rental of offices as at 30 June 2013.

Transactions effecting payables from exchange transactions prior 2013/2014		
Statement of financial position: Payables from exchange transactions	-	(64 000)

Figures in Rand		2015	2014
43. Prior period errors (continued)			
Accumulated surplus: Opening balance 1 July 2013		-	64 000
		-	-

Restatement of employee cost for 2012/2013 financial year due to salaries owed to the Municipal Manager.

Restatement of post retirement medical aid liabilities current as at 30 June 2014		
Statement of financial position- Non - current liabilities	-	23 180
Statement of financial position- Current liabilities	-	(23 180)
	-	-

Restatement of Non current and current post retirement medical aid benefits as per actuarial valuation 30 June 2014.

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.

44. Risk management

Capital risk management

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

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

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

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

There are no externally imposed capital requirements.

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 2015 and 2014 respectively were as follows:

		2015	2014
Less: Cash and cash equivalents	12	(83 893 762)	(149 590 143)
Net debt		(83 893 762)	(149 590 143)
Total equity		91 640 692	143 498 140
Total capital		7 746 930	(6 092 003)
Gearing ratio		(91,55)%	104,24 %

Financial risk management

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

44. Risk management (continued)

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 Municipality’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 2015	Less than 1 year	Between 1 and 5 years inclusive	Over 5 years
Trade and other payables from exchange transactions	29 343 871	-	-
Trade and other payables from non - exchange transactions	839	-	-
Finance lease liability	581 803	1 097 123	-

At 30 June 2014	Less than 1 year	Between 1 and 5 years inclusive	Over 5 years
Trade and other payables from exchange transactions	26 714 752	-	-
Trade and other payables from non - exchange transactions	839	-	-

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 average interest earned during the year under review on call investment deposits and cash in current banking institutions.

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 %	8 887 162	-	-	-	-
Call investment deposits	6,50 %	75 000 000	-	-	-	-

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 from exchange and non - exchange transactions are individually evaluated annually at statement of financial position date for impairment or discounting. Receivables from exchange and non - exchange transactions 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 receivables from exchange and n on - exchange transactions.
Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Investments	65 340	59 899
Call investment deposits	75 000 000	145 948 289
Investments in associates	120	120
Receivables from non-exchange transactions	1 902 073	871 797
Receivables from exchange transactions	388 510	743 152
Bank balances and cash	8 893 762	3 641 854

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

Price risk

The municipality is exposed to equity price risk because of investments held by the municipality and classified on the statement of financial position as at fair value.
Surplus for the year would increase (decrease) as a result of gains (losses) on equity investnments classified as at fair value.

Notes to the Financial Statements

Figures in Rand	2015	2014

45. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had an accumulated surplus of R 91 640 692 and that the municipality's total assets exceed its liabilities. It is concerning that the nunicipality incurred a deficit in both the 2013/2014 and the 2014/2015 financial year, but management put strict expenditure control measures in place to curb expenditure. On the other hand a revenue enhancement strategy is put in place to generate more income.

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

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

46. Events after the reporting date

The council took a resolution on 27 August 2015, to cancel the Big Break Legacy programme that was initiated as per item No. A136/04/2014 on 01 August 2014.
Further council resolved that monies paid amounting to R10,000,000.00 should be recovered.

47. Fruitless and wasteful expenditure

Opening Balance	134 001	134 001
Fruitless and wasteful expenditure - current year	10 223 979	-
	10 357 980	**134 001**

Details of Fruitless & wastefull expenditure – Current year		
Interest: Late payment to SARS	223 979	-
Payment prepaid due to nature of production industry and as per SLA. However at year end no services have been rendered.	10 000 000	-
	10 223 979	**-**

That the amount of R 10 000 000 for prepaid payments made in regards to the television production industry also be regarded as irregular expenditure

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

Details of fruitless and watefull expenditure - to be addressed by MPAC		
Absa lease - Samsung telephone system 2011/2012	-	56 018
Absa lease - Samsung telephone system 2012/2013	-	56 018
Penalty fee - Postponement of strategic planning session	-	19 762
Loss of petty cash	-	2 203
	-	**134 001**

Analysis of expenditure awaiting condonation per age classification		
Prior years: 2011/2012	134 001	56 018
Prior Years: 2012/2013	-	77 983
Current year	10 223 979	-
	10 357 980	**134 001**

Notes to the Financial Statements

Figures in Rand	2015	2014

48. Irregular expenditure

Opening balance	7 955 568	4 026 494
Add: Irregular Expenditure - current year	8 625 776	3 929 074
Less: Amounts condoned and written off	(7 419 249)	-
Amounts not yet write off	**9 162 095**	**7 955 568**

Analysis of expenditure awaiting condonation per age classification

Opening Balance	536 319	-
Current year	8 625 776	-
Prior year: 2013/2014	-	480 397
Prior year: 2012/2013	-	29 500
Prior year: 2011/2012	-	26 422
	9 162 095	**536 319**

Details of Irregular Expenditure – Current year

Installing a 12 Seater customer call centre - Ikangeng Solutions cc	Contrary to supply chain regulation 36, 1 (a) (v)	8 625 776
		8 625 776

Details of Irregular Expenditure written off

Printing additional reports for the Provincial Legislature: Dr. KKDM	(Contrary to section 18 of SCM policy)	21 142
Printing of Mid Year Assessment report	(Contrary to section 18 of SCM policy)	3 990
Printing annual Reports 2011/2012 Dr.KKDM	(Contrary to section 18 of SCM policy)	32 367
Flight, travelling and accommodation arrangements for the DR.Kenneth Kaunda District Municipality	Contrary to supply chain regulation 36, 1 (a) (v)	770 751
Purchasing of 10X laptops and bags for principles of the best performed schools (GR12)	Contrary to supply chain regulation 18(a)	47 998
Purchasing of 10X mini notebooks for the best performed learners (GR12)	Contrary to supply chain regulation 18(a)	116 552
Durban Tourism Indaba	[Contrary to SCM regulations 36 a (ii)	69 593
Strategic Planning Session Venue	Contrary to supply chain regulation 36, 1 (a) (v)	187 861
Awarded contract outside the normal SCM process - Rental contract entered into with Ventersdorp Local Council	(Contrary to supply chain regulation 36 & 37	72 000
Printing annual Reports 2011/2012 Agency	(Contrary to section 18 of SCM policy)	7 356
Installing a 12 Seater customer call centre - Ikangeng Solutions cc	Contrary to supply chain regulation 36, 1 (a) (v)	2 191 067
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
		7 419 249

Details of Irregular Expenditure recoverable - not write off

Notes to the Financial Statements

Figures in Rand	2015	2014

48. Irregular expenditure (continued)

Prior years: Information sharing centre - Kunenggambo guest house cc	-	10 170
Prior years: Literacy competition - Sound CD productions	-	9 950
Prior years: Literacy competition Ziyaduma perform	-	20 000
	-	**40 120**

Details of Irregular Expenditure write off (outcome dissplinary action)

Prior years: Training of fire fighters	-	824 010

Details of Irregular Expenditure - Not addressed by MPAC

Opening Balance	536 319	-
Prior years 2011/2012:Printing of agendas for Council in an emergency situation	-	26 422
Prior years 2012/2013:Boitshoki roofing - Double payment	-	29 500
Prior years 2013/2014: Printing annual Reports 2012/2013 Agency	-	113 161
Prior years 2013/2014: Flight, travelling and accommodation arrangements - Portion not condoned (R1 137 987 - 770 751)	-	367 236
Current year: Irregular expenditure	8 625 776	-
	9 162 095	**536 319**

No criminal or dissiplinary steps where taken in recovery of irregular expenditure disclosed.

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to Organised Local Government

Opening balance	(791 794)	(7 634)
Current year subscription	791 794	770 166
Amount paid - current year	-	(762 532)
	(876 962)	(791 794)
	(876 962)	**(791 794)**

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

Audit fees

Current year audit fee	2 376 656	2 925 912
Amount paid - current year	(2 376 656)	(2 925 912)
	-	-

PAYE and UIF

Current year payroll deductions	12 967 035	10 807 095
Amount paid - current year	(12 967 035)	(10 807 095)
	-	-

Pension and Medical Aid Deductions

Current year council contributions	8 935 206	8 278 582
Amount paid - current year	(8 935 206)	(8 278 582)
	-	-

VAT

Figures in Rand	2015	2014

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

VAT receivable	14 676 232	6 120 105
	14 676 232	**6 120 105**

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. See the attached schedule for detail.

51. Comparative Budget with Actuals

The Municipality presents it approved budget on a cash basis and the Statement of Financial Performance on a accrued basis. A reconcilaition between the actual amounts presented on a comparable basis as presented in the Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2015 is presented on the face of the financial statements

52. Actual operating expenditure versus budgeted operating expenditure

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

53. Analysis of property plant and equipment

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

54. Segmental analysis of property, plant and equipment

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

55. Segmental statement of financial performance

Refer to Appendix D - Segmental statement of financial performance

56. Disclosure of grants and subsidies

Refer to Appendix F - Disclosure of grants and subsidies