



Dr Kenneth Kaunda District Municipality  
Financial statements  
for the year ended 30 June 2016  
Published 31 August 2016

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## General Information

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### 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 Moloji

Councillors

M Zephe (Speaker)

OM Mogale (Financial Services) from 31 May 2016 (Corporate services and administration)

WM Matinyane (Corporate Services) from 31 May 2016 (Sports, Arts and Culture)

K Ndincede (Health and Social Services) from 31 May 2016 (Public Works and Transport)

NM Koloti (District Economic Development) from 31 May 2016 (Financial Services)

MI Martins (Infrastructure Development) from 31 May 2016 (Health and Social Services)

NG Adoons (Public Works and Transport) from 31 May 2016 (Disaster risk management and public safety)

MM Mataboge (Sports, Arts and Culture) from 31 May 2016 (Rural Development Special Projects)

TK Lehloo (Rural Development Special Projects) from 31 May 2016 (District Economic Development)

D Montoedi (Chairperson MPAC)

NJ Kali (Acting chairperson)

### Board members Dr KKDM Economic Agency SOC Ltd

D Daniel

J Douw

V Richards

### Part - Time Councillors

DL Davel

TB Mpukwana

T Hart

CJ Coetzer

IM Groenewald

TA Skosana till 30 Nov 2015

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 till 30 Nov 2015

AL Combrinck

TB Mpukwana

### Directly Elected Councillors

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# Dr Kenneth Kaunda District Municipality

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## General Information

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SB Mokgothu  
AD Willemse  
NW Mjekula  
PM Seduku  
KL van Zyl  
MS Sishuba  
SPJ Bogatsu  
SS Nkatlo

The new incoming Council inauguration was at 3 August 2016

**Chief Finance Officer (CFO)**

J Mononela

**Accounting Officer**

MI Matthews

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## General Information

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<b>Registered office</b>	Civic Centre Patmore Road Orkney 2620
<b>Business address</b>	Civic Centre Patmore Road Orkney 2620
<b>Postal address</b>	Private bag X5017 Klerksdorp 2570
<b>Bankers</b>	ABSA Ltd
<b>Auditor</b>	Auditor General of South Africa Registered Auditors
<b>Published</b>	31 August 2016
<b>Jurisdiction</b>	Dr Kenneth Kaunda District Municipality includes the following areas: Ventersdorp Municipality Tlokwe Municipality Matlosana Municipality Maquassi Hills Municipality
<b>Relevant legislation</b>	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
<b>Grading of Municipal Council</b>	Grade 4: Determination of Upper Limits Grade 10: Bargaining Council

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Index

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

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### Abbreviations

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)

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Officer's Responsibilities and Approval

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I am responsible for the preparation of these Consolidated Annual Financial Statements, 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 Group

The accounting officer is required by the Municipal Finance Management Act, No. 56 of 2003 (MFMA), 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 generally recognised accounting practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the group 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 group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 group's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, she is satisfied that the group 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 auditor is responsible for independently reviewing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditor.

The financial statements set out on pages 6 to 107, which have been prepared on the going concern basis, were prepared and approved by the Council on 30 August 2016 and were signed on its behalf by:

I certify that the salaries, allowances and benefits of councilors as disclosed in note 25 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 Traditional Affairs determination in accordance with this Act.

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**MI Matthews**  
**Municipal Manager**

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting officer's report

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The accounting officer submits her report for the year ended 30 June 2016.

### 1. Review of activities

#### Main business and operations

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

Net deficit of the group was a deficit of R (98 936 878) - (2015: deficit 36 110 750).

### 2. Going concern

We draw attention to the fact that at 30 June 2016, the Group had accumulated deficits of (2 330 380) and that the Group's total liabilities exceed its assets by (2 330 380).

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 Group accumulated surplus decrease in the past financial year from R96 606 404 to a negative accumulated surplus of R (2 330 380). This implies the control measures and revenue enhancement initiatives of the Council did not achieved the desired results. Further note that the the Municipality 's reserves and liabilities is not cashbacked.

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.

The Municipality was forced to cut down heavily on capital and service delivery projects as indicated by the approved 2016/2017 budget.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting policies

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

### 5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:  
Name: MI Matthews Nationality: 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. Auditor

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 49 and 50 to the financial statements.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	Group		Municipality	
		2016	2015 Restated*	2016	2015 Restated*
<b>Assets</b>					
<b>Current Assets</b>					
Receivables from non-exchange transactions	8	8 270 853	1 902 073	8 270 853	1 902 073
Receivables from exchange transactions	9	173 354	410 424	151 440	388 510
VAT receivable	10	4 493 682	15 024 200	4 062 894	14 676 232
Cash and cash equivalents	11	10 717 778	89 179 856	4 379 399	83 893 762
		<b>23 655 667</b>	<b>106 516 553</b>	<b>16 864 586</b>	<b>100 860 577</b>
<b>Non-Current Assets</b>					
Property, plant and equipment	2	16 661 450	37 521 660	16 497 144	37 309 700
Intangible assets	3	449 520	880 720	449 515	879 112
Investments in controlled entities	4	-	-	120	120
Other financial assets	5	58 631	65 340	58 631	65 340
		<b>17 169 601</b>	<b>38 467 720</b>	<b>17 005 410</b>	<b>38 254 272</b>
Non-Current Assets		17 169 601	38 467 720	17 005 410	38 254 272
Current Assets		23 655 667	106 516 553	16 864 586	100 860 577
<b>Total Assets</b>		<b>40 825 268</b>	<b>144 984 273</b>	<b>33 869 996</b>	<b>139 114 849</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
		-	-	-	-
Finance lease obligation	13	644 558	550 057	644 558	550 057
Operating lease liability	35	140 808	136 697	140 808	136 697
Payables from exchange transactions	17	24 924 132	29 871 895	23 887 319	29 335 756
Payables from non exchange transactions	18	871 823	839	871 823	839
Post retirement medical aid liability	7	223 524	231 108	223 524	231 108
Unspent conditional grants and receipts	14	2 750 396	2 609 420	2 750 396	2 609 420
Long service awards liability	16	234 534	164 087	234 534	164 087
		<b>29 789 775</b>	<b>33 564 103</b>	<b>28 752 962</b>	<b>33 027 964</b>
<b>Non-Current Liabilities</b>					
Finance lease obligation	13	485 391	1 073 275	485 391	1 073 275
Post retirement medical aid liability	7	10 455 866	11 479 807	10 455 866	11 479 807
Long service awards liability	16	2 427 616	2 260 684	2 427 616	2 260 684
		<b>13 368 873</b>	<b>14 813 766</b>	<b>13 368 873</b>	<b>14 813 766</b>
Non-Current Liabilities		13 368 873	14 813 766	13 368 873	14 813 766
Current Liabilities		29 789 775	33 564 103	28 752 962	33 027 964
<b>Total Liabilities</b>		<b>43 158 648</b>	<b>48 377 869</b>	<b>42 121 835</b>	<b>47 841 730</b>
Assets		40 825 268	144 984 273	33 869 996	139 114 849
Liabilities		(43 158 648)	(48 377 869)	(42 121 835)	(47 841 730)
<b>Net Assets</b>		<b>(2 333 380)</b>	<b>96 606 404</b>	<b>(8 251 839)</b>	<b>91 273 119</b>
<b>Accumulated surplus</b>	12	(2 330 380)	(96 606 404)	<b>(8 251 839)</b>	<b>91 273 119</b>

\* See Note 3.1.1 & 43

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

Figures in Rand	Note(s)	Group		Municipality	
		2016	2015 Restated*	2016	2015 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Other income	20	112 700	436 418	112 700	427 734
Interest received - investment	21	4 270 357	8 661 667	3 995 710	8 473 807
Dividends received	21	2 020	1 855	2 020	1 855
<b>Total revenue from exchange transactions</b>		<b>4 385 077</b>	<b>9 099 940</b>	<b>4 110 430</b>	<b>8 903 396</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Other income	20	6 925 448	-	6 925 448	-
<b>Transfer revenue</b>					
	23	174 019 151	167 913 479	174 019 151	167 913 479
		188 949	-	188 949	-
Other transfer income	20	-	4 000 000	-	4 000 000
<b>Total revenue from non-exchange transactions</b>		<b>181 133 548</b>	<b>171 913 479</b>	<b>181 133 548</b>	<b>171 913 479</b>
		4 385 077	9 099 940	4 110 430	8 903 396
		181 133 548	171 913 479	181 133 548	171 913 479
<b>Total revenue</b>	19	<b>185 518 625</b>	<b>181 013 419</b>	<b>185 243 978</b>	<b>180 816 875</b>
<b>Expenditure</b>					
Employee related cost	24	(75 900 515)	(64 274 403)	(74 911 230)	(63 269 241)
Remuneration of councilors	25	(8 966 268)	(7 886 675)	(8 966 268)	(7 886 675)
Allowances board members	26	(551 216)	(108 948)	-	-
Depreciation and amortisation	27	(4 165 653)	(3 230 574)	(4 113 957)	(3 206 503)
Impairment loss/ Reversal of impairments	28	-	(190 639)	-	(189 334)
Finance costs	29	(401 492)	(942 801)	(401 492)	(941 697)
Debt Impairment	30	(65 165)	(371 002)	(65 165)	(371 002)
Repairs and maintenance		(1 289 417)	(1 544 601)	(1 259 977)	(1 532 101)
Contracted services	31	(2 594 670)	(2 407 881)	(2 360 648)	(2 111 723)
Transfers and Subsidies	22	(145 448 261)	(94 899 417)	(151 448 261)	(101 927 677)
Contribution to leave reserve and bonuses		(2 240 773)	(1 324 517)	(2 240 773)	(1 324 517)
General Expenses	32	(45 271 870)	(41 147 539)	(41 437 963)	(37 850 027)
<b>Total expenditure</b>		<b>(286 895 300)</b>	<b>(218 328 997)</b>	<b>(287 205 734)</b>	<b>(220 610 497)</b>
		-	-	-	-
Total revenue		185 518 625	181 013 419	185 243 978	180 816 875
Total expenditure		(286 895 300)	(218 328 997)	(287 205 734)	(220 610 497)
<b>Operating deficit</b>		<b>(101 376 675)</b>	<b>(37 315 578)</b>	<b>(101 961 756)</b>	<b>(39 793 622)</b>
Gains on disposal of assets		-	13 350	-	13 350
Loss on disposal of assets		(26 898)	(93 947)	(26 898)	(93 947)
Fair value adjustments	33	(6 709)	5 442	(6 709)	5 442
Actuarial gains/losses	7	2 473 404	1 279 983	2 473 404	1 279 983
		<b>2 439 797</b>	<b>1 204 828</b>	<b>2 439 797</b>	<b>1 204 828</b>
<b>Deficit for the year</b>		<b>(98 936 878)</b>	<b>(36 110 750)</b>	<b>(99 521 959)</b>	<b>(38 588 794)</b>

\* See Note 3.1.1 & 43

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Group</b>		
Opening balance as previously reported	146 353 380	146 353 380
Adjustments		
Correction of errors	(212 035)	(212 035)
<b>Balance at 01 July 2014 as restated*</b>	<b>146 141 345</b>	<b>146 141 345</b>
Changes in net assets		
Deficit for the year	(36 110 749)	(36 110 749)
Work in progress: Prior year transfer	(13 424 192)	(13 424 192)
Total changes	(49 534 941)	(49 534 941)
<b>Restated* Balance at 01 July 2015</b>	<b>96 606 404</b>	<b>96 606 404</b>
Changes in net assets		
Deficit for the year	(98 936 784)	(98 936 784)
Total changes	(98 936 784)	(98 936 784)
<b>Balance at 30 June 2016</b>	<b>(2 333 380)</b>	<b>(2 333 380)</b>
Note(s)		
<b>Municipality</b>		
Opening balance as previously reported	144 368 883	144 368 883
Adjustments		
Surplus (Deficit) for the year restated	(1 100 598)	(1 100 598)
<b>Balance at 01 July 2014 as restated*</b>	<b>143 268 285</b>	<b>143 268 285</b>
Changes in net assets		
Deficit for the year	(38 588 794)	(38 588 794)
Completed projects : Transfer to local municipalities	(13 424 192)	(13 424 192)
Total changes	(52 012 986)	(52 012 986)
<b>Restated* Balance at 01 July 2015</b>	<b>91 273 119</b>	<b>91 273 119</b>
Changes in net assets		
Surplus (Deficit) for the year	(99 521 958)	(99 521 958)
Total changes	(99 521 958)	(99 521 958)
<b>Balance at 30 June 2016</b>	<b>(8 251 839)</b>	<b>(8 251 839)</b>
Note(s)		

\* See Note 3.1.1 & 43

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

Figures in Rand	Note(s)	Group		Municipality	
		2016	2015 Restated*	2016	2015 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Government grants and subsidies		174 160 128	166 462 433	174 160 128	166 462 433
Interest income		4 270 357	8 661 667	3 995 710	8 473 807
Dividends received		2 020	1 855	2 020	1 855
Other receipts		11 550 902	5 110 208	11 633 723	5 089 535
		<b>189 983 407</b>	<b>180 236 163</b>	<b>189 791 581</b>	<b>180 027 630</b>
<b>Payments</b>					
Employee costs		(74 221 257)	(62 248 737)	(73 231 973)	(62 600 778)
Remuneration of councillors		(9 517 484)	(7 995 623)	(8 966 268)	(7 886 675)
Finance costs		-	(874 712)	-	(873 607)
Suppliers		(166 128 754)	(138 318 821)	(168 532 150)	(142 125 040)
Other cash item		-	(10 243 686)	-	(8 796 995)
		<b>(249 867 495)</b>	<b>(219 681 579)</b>	<b>(250 730 391)</b>	<b>(222 283 095)</b>
Total receipts		189 983 407	180 236 163	189 791 581	180 027 630
Total payments		(249 867 495)	(219 681 579)	(250 730 391)	(222 283 095)
<b>Net cash flows from operating activities</b>	36	<b>(59 884 088)</b>	<b>(39 445 416)</b>	<b>(60 938 810)</b>	<b>(42 255 465)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	2	(18 563 605)	(23 250 416)	(18 561 167)	(23 250 424)
Proceeds from sale of property, plant and equipment	2	725 908	15 435	725 907	15 435
Purchase of intangible assets	3	(8 000)	(80 386)	(8 000)	(80 386)
(Increase)/Decrease in non - current investments		(65 165)	(57 451)	(65 165)	(57 451)
<b>Net cash flows from investing activities</b>		<b>(17 910 862)</b>	<b>(23 372 818)</b>	<b>(17 908 425)</b>	<b>(23 372 826)</b>
<b>Cash flows from financing activities</b>					
Finance lease receipts / ( payments)		(667 128)	(68 090)	(667 128)	(68 090)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(78 462 078)</b>	<b>(62 886 324)</b>	<b>(79 514 363)</b>	<b>(65 696 381)</b>
Cash and cash equivalents at the beginning of the year		89 179 856	152 066 180	83 893 762	149 590 143
<b>Cash and cash equivalents at the end of the year</b>	11	<b>10 717 778</b>	<b>89 179 856</b>	<b>4 379 399</b>	<b>83 893 762</b>

\* See Note 3.1.1 & 43

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

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# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Municipality</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Other income	468 000	-	<b>468 000</b>	112 699	<b>(355 301)</b>	Additional income received
Interest received - investment	6 450 000	50 000	<b>6 500 000</b>	3 995 710	<b>(2 504 290)</b>	Over budgeting
Dividends received	-	-	-	2 020	<b>2 020</b>	Not budgeted for
<b>Total revenue from exchange transactions</b>	<b>6 918 000</b>	<b>50 000</b>	<b>6 968 000</b>	<b>4 110 429</b>	<b>(2 857 571)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Grant revenue</b>						
Other revenue	-	-	-	6 925 448	<b>6 925 448</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	178 726 600	10 000 000	<b>188 726 600</b>	174 019 151	<b>(14 707 449)</b>	Due to the adjustment of the budget
Public contributions and donations	-	-	-	188 949	<b>188 949</b>	
<b>Total revenue from non-exchange transactions</b>	<b>178 726 600</b>	<b>10 000 000</b>	<b>188 726 600</b>	<b>181 133 548</b>	<b>(7 593 052)</b>	
Total revenue from exchange transactions	6 918 000	50 000	<b>6 968 000</b>	4 110 429	<b>(2 857 571)</b>	
Total revenue from non-exchange transactions	178 726 600	10 000 000	<b>188 726 600</b>	181 133 548	<b>(7 593 052)</b>	
<b>Total revenue</b>	<b>185 644 600</b>	<b>10 050 000</b>	<b>195 694 600</b>	<b>185 243 977</b>	<b>(10 450 623)</b>	
<b>Expenditure</b>						
Personnel	(93 582 509)	22 995 724	<b>(70 586 785)</b>	(74 911 230)	<b>(4 324 445)</b>	Employee cost more than expected
Remuneration of councillors	(9 548 680)	1 064 545	<b>(8 484 135)</b>	(8 966 268)	<b>(482 133)</b>	Budget in line with expenses
Depreciation and amortisation	(3 281 976)	-	<b>(3 281 976)</b>	(4 113 957)	<b>(831 981)</b>	More than budgeted for
Finance costs	-	-	-	(401 492)	<b>(401 492)</b>	Not budgeted for
Bad debts written off	-	-	-	(65 165)	<b>(65 165)</b>	
Repairs and maintenance	(2 833 100)	636 750	<b>(2 196 350)</b>	(1 259 977)	<b>936 373</b>	Over budget
Contracted Services	(4 060 854)	1 151 457	<b>(2 909 397)</b>	(2 360 648)	<b>548 749</b>	Expenses in line with budget
Transfers and subsidies	(166 636 069)	21 177 575	<b>(145 458 494)</b>	(151 448 261)	<b>(5 989 767)</b>	More spend than budgeted for

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Contributions to leave reserve	-	-	-	(2 240 773)	<b>(2 240 773)</b>	Not budgeted for
General Expenses	(39 362 533)	(1 855 800)	<b>(41 218 333)</b>	(41 437 963)	<b>(219 630)</b>	Less spend than budgeting for
<b>Total expenditure</b>	<b>(319 305 721)</b>	<b>45 170 251</b>	<b>(274 135 470)</b>	<b>(287 205 734)</b>	<b>(13 070 264)</b>	
	185 644 600	10 050 000	<b>195 694 600</b>	185 243 977	<b>(10 450 623)</b>	
	(319 305 721)	45 170 251	<b>(274 135 470)</b>	(287 205 734)	<b>(13 070 264)</b>	
<b>Operating deficit</b>	<b>(133 661 121)</b>	<b>55 220 251</b>	<b>(78 440 870)</b>	<b>(101 961 757)</b>	<b>(23 520 887)</b>	
Loss on disposal of assets	-	-	-	(26 898)	<b>(26 898)</b>	Not budgeted for
<b>(Deficit) Surplus</b>	<b>(133 661 121)</b>	<b>55 220 251</b>	<b>(78 440 870)</b>	<b>(101 988 655)</b>	<b>(23 547 785)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(133 661 121)</b>	<b>55 220 251</b>	<b>(78 440 870)</b>	<b>(101 988 655)</b>	<b>(23 547 785)</b>	
<b>Reconciliation</b>						
<b>Basis Difference</b>						
Movement in trade receivables and payables				11 956 147		
Movement in VAT account				(10 613 338)		
Contributions to provisions				1 423 507		
Other non-cash items - Interest discounting				(227 747)		
Fair value adjustments on investment				(6 708)		
Movement in impairment				(65 165)		
Contributions to provisions				794 147		
<b>Actual Amount in the Statement of Financial Performance</b>				<b>(99 521 960)</b>		

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Receivables from non-exchange transactions	-	-	-	8 270 853	<b>8 270 853</b>	Not budgeted in statement of financial position
Receivables from exchange transactions	-	-	-	151 440	<b>151 440</b>	Not budgeted in statement of financial position
VAT receivable	6 500 000	-	<b>6 500 000</b>	4 062 894	<b>(2 437 106)</b>	Not budgeted in statement of financial position
Cash and cash equivalents	9 233 320	-	<b>9 233 320</b>	4 379 399	<b>(4 853 921)</b>	Less than budgeted for
	<b>15 733 320</b>	-	<b>15 733 320</b>	<b>16 864 586</b>	<b>1 131 266</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	67 641 974	-	<b>67 641 974</b>	16 497 144	<b>(51 144 830)</b>	Less than budgeted for
Intangible assets	455 000	-	<b>455 000</b>	449 515	<b>(5 485)</b>	Less than budgeted for
Investments in controlled entities	-	-	-	120	<b>120</b>	Not budgeted in statement of financial position
Other financial assets	-	-	-	58 631	<b>58 631</b>	Not budgeted in statement of financial position
	<b>68 096 974</b>	-	<b>68 096 974</b>	<b>17 005 410</b>	<b>(51 091 564)</b>	
Non-Current Assets	15 733 320	-	<b>15 733 320</b>	16 864 586	<b>1 131 266</b>	
Current Assets	68 096 974	-	<b>68 096 974</b>	17 005 410	<b>(51 091 564)</b>	
<b>Total Assets</b>	<b>83 830 294</b>	-	<b>83 830 294</b>	<b>33 869 996</b>	<b>(49 960 298)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	-	-	-	644 558	<b>644 558</b>	Not budgeted for
Operating lease liability	-	-	-	140 808	<b>140 808</b>	Not budgeted for
Payables from exchange transactions	25 000 000	-	<b>25 000 000</b>	23 887 319	<b>(1 112 681)</b>	In line with budget
Payables from non - exchange transactions	-	-	-	871 823	<b>871 823</b>	
Post retirement medical aid liability	400 000	-	<b>400 000</b>	223 524	<b>(176 476)</b>	Over budgeted
Unspent conditional grants and receipts	-	-	-	2 750 396	<b>2 750 396</b>	Not budgeted for
Long service awards liability	400 000	-	<b>400 000</b>	234 534	<b>(165 466)</b>	Over budgeted
	<b>25 800 000</b>	-	<b>25 800 000</b>	<b>28 752 962</b>	<b>2 952 962</b>	

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Non-Current Liabilities</b>						
Finance lease obligation	-	-	-	485 391	<b>485 391</b>	Not budgeted for
Post retirement medical aid liability	5 000 000	-	<b>5 000 000</b>	10 455 866	<b>5 455 866</b>	More than budgeted
Long service awards liability	-	-	-	2 427 616	<b>2 427 616</b>	Not budgeted for
	<b>5 000 000</b>	-	<b>5 000 000</b>	<b>13 368 873</b>	<b>8 368 873</b>	
Current assets	25 800 000	-	<b>25 800 000</b>	28 752 962	<b>2 952 962</b>	
Non - current assets	5 000 000	-	<b>5 000 000</b>	13 368 873	<b>8 368 873</b>	
	-	-	-	-	-	
<b>Total Liabilities</b>	<b>30 800 000</b>	-	<b>30 800 000</b>	<b>42 121 835</b>	<b>11 321 835</b>	
Assets	83 830 294	-	<b>83 830 294</b>	33 869 996	<b>(49 960 298)</b>	
Liabilities	(30 800 000)	-	<b>(30 800 000)</b>	(42 121 835)	<b>(11 321 835)</b>	
<b>Net Assets</b>	<b>53 030 294</b>	-	<b>53 030 294</b>	<b>(8 251 839)</b>	<b>(61 282 133)</b>	
<b>Net Assets</b>						
<b>Reserves</b>						
Accumulated surplus	53 030 294	-	<b>53 030 294</b>	(8 251 839)	<b>(61 282 133)</b>	Over budgeted

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Government grants and subsidies	178 726 600	10 000 000	<b>188 726 600</b>	174 160 128	<b>(14 566 472)</b>	Additional budget not realised
Interest income	6 450 000	50 000	<b>6 500 000</b>	3 995 710	<b>(2 504 290)</b>	Over budgeted
Dividends received	-	-	-	2 020	<b>2 020</b>	Not budgeted
Other receipts	468 000	-	<b>468 000</b>	11 633 723	<b>11 165 723</b>	Additional income received
	<b>185 644 600</b>	<b>10 050 000</b>	<b>195 694 600</b>	<b>189 791 581</b>	<b>(5 903 019)</b>	
<b>Payments</b>						
Employee costs	(93 582 509)	23 859 662	<b>(69 722 847)</b>	(73 231 973)	<b>(3 509 126)</b>	More than budgeted for
Suppliers	(204 321 231)	21 177 123	<b>(183 144 108)</b>	(168 532 150)	<b>14 611 958</b>	Incorrectly budgeted
Remuneration of Councillors	(8 000 000)	-	<b>(8 000 000)</b>	(8 966 268)	<b>(966 268)</b>	
Other payments	(10 000 000)	-	<b>(10 000 000)</b>	-	<b>10 000 000</b>	Not budgeted for
	<b>(315 903 740)</b>	<b>45 036 785</b>	<b>(270 866 955)</b>	<b>(250 730 391)</b>	<b>20 136 564</b>	
Total receipts	185 644 600	10 050 000	<b>195 694 600</b>	189 791 581	<b>(5 903 019)</b>	
Total payments	(315 903 740)	45 036 785	<b>(270 866 955)</b>	(250 730 391)	<b>20 136 564</b>	
<b>Net cash flows from operating activities</b>	<b>(130 259 140)</b>	<b>55 086 785</b>	<b>(75 172 355)</b>	<b>(60 938 810)</b>	<b>14 233 545</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(5 572 200)	(3 045 561)	<b>(8 617 761)</b>	(18 561 167)	<b>(9 943 406)</b>	Incorrectly budgeted
Proceeds from disposal of property, plant and equipment	-	-	-	725 907	<b>725 907</b>	
Purchase of other intangible assets	-	-	-	(8 000)	<b>(8 000)</b>	Incorrectly budgeted for
Movement in Non - Current investments	-	-	-	(65 165)	<b>(65 165)</b>	Not budgeted for
<b>Net cash flows from investing activities</b>	<b>(5 572 200)</b>	<b>(3 045 561)</b>	<b>(8 617 761)</b>	<b>(17 908 425)</b>	<b>(9 290 664)</b>	
<b>Cash flows from financing activities</b>						
Repayments of finance costs	-	-	-	(667 128)	<b>(667 128)</b>	Not budgeted for
Net increase/(decrease) in cash and cash equivalents	(135 831 340)	52 041 224	<b>(83 790 116)</b>	(79 514 363)	<b>4 275 753</b>	
Cash and cash equivalents at the beginning of the year	139 233 320	(52 931 562)	<b>86 301 758</b>	83 893 762	<b>(2 407 996)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>3 401 980</b>	<b>(890 338)</b>	<b>2 511 642</b>	<b>4 379 399</b>	<b>1 867 757</b>	

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

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# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1. Basis of Presentation of Annual Financial Statements

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the group 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 group.

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.

## Accounting Policies

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### 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 group to the transaction or event is the transferor(s) and which group 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 group is the acquirer and which group 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 group 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 group can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the group 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 group 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 group 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 group 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 group 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.4 Mergers

#### Accounting by the entity as the combined entity

##### Initial recognition and measurement

As of the merger date, the group 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 group was not applying the accrual basis of accounting, that combining group 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 group 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 group 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 group 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

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### **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.

### **Useful 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 15 - 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 7.

### **Effective interest rate**

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

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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

#### **Allowance for doubtful debts**

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

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 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:

<b>Item</b>	<b>Average useful life</b>
Land	no depreciation
Buildings	25 years
Car parks	30 years
Car ports	10 years

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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

Furniture and fixtures	3 - 5 years
Air conditioning	10 Years
Motor vehicles	
Motor cars	4 years
Light commercial vehicles	5 years
Busses	8 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	10 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 group 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 group; and

the cost or fair value of the asset can be measured reliably.

The group 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 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 years
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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.

## Accounting Policies

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### 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 unithold 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 2.4.1. Financial instruments (continued)

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:  
derivatives;

combined instruments that are designated at fair value;

instruments held for trading. A financial instrument is held for trading if:

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

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 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 at 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

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 2.4.1. Financial instruments (continued)

Post retirement medical aid benefits	Financial liability measured at amortised cost
Long Service Awards	Financial liability measured at amortised cost
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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 2.4.1. Financial instruments (continued)

#### Impairment of financial assets

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 encompass 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 2.4.1. Financial instruments (continued)

#### 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.

#### 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Identification

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

The group 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 group 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the group 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 group 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 group 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 2.6.1. Employee benefits (continued)

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.

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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 2.6.1. Employee benefits (continued)

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.

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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 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 group 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 2.7.1. Provisions, Contingent liabilities and Assets (continued)

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.

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

### 2.8.1 Revenue from exchange transactions

#### General

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

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

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

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

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

#### Measurement

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

#### Sale of goods

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

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

#### Dividends

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

#### Finance Income

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 2.8.1. Revenue from exchange transactions (continued)

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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 2.8.2.1. Revenue from non-exchange transactions (continued)

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

#### Transfers

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

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

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

#### Debt forgiveness and assumption of liabilities

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

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

#### Public contributions

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 transferor 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 exist. Services in-kind are not recognised.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 2.8.2.1. Revenue from non-exchange transactions (continued)

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 transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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

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

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

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

### 2.9.1 Investment income

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

### 2.10.1 Comparative information

#### **Current year 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 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.

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 group'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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 2.14.1 Accumulated surplus

Included in the accumulated surplus are the following reserves:

#### Capital replacement reserve (CRR)

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

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

#### Government grant reserve

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

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

### 2.15.1 Budget information

Group 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 group 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 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

## Notes to the Financial Statements

	Group		Municipality	
Figures in Rand	2016	2015	2016	2015

### 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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

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### 2. New standards and interpretations

#### 3.2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group 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.

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
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#### 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 group's accounting periods beginning on or after 01 July 2016 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
GRAP 18 Segment reporting (Not required to use)	Not determined yet	Major impact
GRAP 20: Related party disclosures (May be use for information disclosure)	Not determined yet	Minimum impact
GRAP 32: Service Concession Arrangements: Grantor	Not yet effective, may be used in developung an accounting policy	No impact
GRAP 108: Statutory Receivables	Not yet effective, may be used in developung an accounting policy	No impact
GRAP 109: Accounting by Principals and Agents	Not yet effective, may be used in developung an accounting policy	Minimum impact
IGRAP 17 Service concessions arrangements where a grantor controls a significant residual interest in an asset	Not yet effective, may be used in developung an accounting policy	No impact
Directive 12: The selection of an appropriate reporting framework by public entities	Not determined yet, but can be early adopted	Minimum impact

The ASB Directive 5 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. An Appendix prescribing the GRAP reporting framework fr financial periods commencing on or after 1 April 2016, approved by the board on 3 Dec 2015, has been added to Directive 5,

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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 2. Property, plant and equipment

Group	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 278 500	-	1 278 500	1 278 500	-	1 278 500
Buildings	4 983 503	(2 312 909)	2 670 594	4 983 503	(1 916 089)	3 067 414
Furniture and fixtures	5 124 143	(3 783 794)	1 340 349	4 861 807	(3 485 100)	1 376 707
Motor vehicles	11 544 668	(4 415 895)	7 128 773	10 224 167	(2 832 899)	7 391 268
Office equipment	3 645 822	(2 639 887)	1 005 935	3 491 343	(2 322 650)	1 168 693
Computer equipment	3 346 770	(2 154 252)	1 192 518	2 786 848	(1 783 215)	1 003 633
Community assets	19 814	(15 181)	4 633	19 814	(12 500)	7 314
Other property, plant and equipment	2 411 792	(982 703)	1 429 089	2 311 806	(778 348)	1 533 458
CCTV Camera's	2 292 094	(1 735 586)	556 508	2 292 094	(1 362 445)	929 649
Infrastructure assets - Work in progress	54 551	-	54 551	19 765 024	-	19 765 024
<b>Total</b>	<b>34 701 657</b>	<b>(18 040 207)</b>	<b>16 661 450</b>	<b>52 014 906</b>	<b>(14 493 246)</b>	<b>37 521 660</b>

Municipality	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 278 500	-	1 278 500	1 278 500	-	1 278 500
Buildings	4 983 503	(2 312 909)	2 670 594	4 983 503	(1 916 089)	3 067 414
Furniture and fixtures	4 750 058	(3 556 052)	1 194 006	4 487 722	(3 303 837)	1 183 885
Motor vehicles	11 544 668	(4 415 895)	7 128 773	10 224 167	(2 832 899)	7 391 268
Office equipment	3 629 122	(2 623 188)	1 005 934	3 474 645	(2 305 950)	1 168 695
Computer equipment	3 237 517	(2 062 961)	1 174 556	2 679 943	(1 695 450)	984 493
Community assets	19 814	(15 181)	4 633	19 814	(12 500)	7 314
Other property, plant and equipment	2 411 792	(982 703)	1 429 089	2 311 806	(778 348)	1 533 458
CCTV Camera's	2 292 094	(1 735 586)	556 508	2 292 094	(1 362 445)	929 649
Work in progress - Infrastructure assets	54 551	-	54 551	19 765 024	-	19 765 024
<b>Total</b>	<b>34 201 619</b>	<b>(17 704 475)</b>	<b>16 497 144</b>	<b>51 517 218</b>	<b>(14 207 518)</b>	<b>37 309 700</b>

The amount of R 19 765 024 stated as work in progress in the 2014/2015 financial year was transferred to local municipalities as completed projects in the 2015/2016 financial year included in the amount of R 35 016 560. The total amount of R35 016 560 include the projects started and completed during the the 2015/2016 financial year. (Refer to note 43).

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

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

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

	Opening balance	Additions	Disposals / write - offs	Transfers	Depreciation	Total
Land	1 278 500	-	-	-	-	1 278 500
Buildings	3 070 415	-	-	-	(399 821)	2 670 594
Furniture and fixtures	1 376 707	273 886	(9 064)	-	(301 180)	1 340 349
Motor vehicles	7 391 268	1 700 500	(197 600)	-	(1 765 395)	7 128 773
Office equipment	1 168 692	155 879	(1 042)	-	(317 594)	1 005 935
Computer equipment	1 003 635	559 924	-	-	(371 034)	1 192 518
Community assets	7 314	-	-	-	(2 681)	4 633
Other property, plant and equipment	1 533 458	694 338	(470 100)	-	(328 607)	1 429 089
CCTV Camera's	929 649	-	-	-	(373 141)	556 508
Infrastructure assets - Work in progress	19 765 024	15 306 087	-	(35 016 560)	-	54 551
	<b>37 524 662</b>	<b>18 690 614</b>	<b>(677 806)</b>	<b>(35 016 560)</b>	<b>(3 859 453)</b>	<b>16 661 450</b>

### Reconciliation of property, plant and equipment - Group - 2015

	Opening balance	Additions and work in progress	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1 278 500	-	-	-	-	-	1 278 500
Buildings	2 948 012	332 003	-	-	(212 602)	-	3 067 415
Furniture and fixtures	1 520 655	427 585	(4 784)	-	(556 782)	(9 967)	1 376 707
Motor vehicles	5 712 410	2 450 027	(90 000)	-	(681 169)	-	7 391 268
Office equipment	777 812	778 610	(6)	-	(316 355)	(71 369)	1 168 692
Computer equipment	900 945	520 033	(1 242)	-	(404 010)	(12 091)	1 003 635
Community assets	9 980	-	-	-	(2 666)	-	7 314
Other property, plant and equipment	1 020 613	654 610	-	-	(141 765)	-	1 533 458
CCTV Camera's	1 448 604	-	-	-	(421 745)	(97 210)	929 649
Infrastructure assets - Work in progress	13 424 192	19 765 024	-	(13 424 192)	-	-	19 765 024
	<b>29 041 723</b>	<b>24 927 892</b>	<b>(96 032)</b>	<b>(13 424 192)</b>	<b>(2 737 094)</b>	<b>(190 637)</b>	<b>37 521 662</b>

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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	1 278 500	-	-	-	-	1 278 500
Buildings	3 070 415	-	-	-	(399 821)	2 670 594
Furniture and fixtures	1 183 885	273 886	(9 064)	-	(254 701)	1 194 006
Motor vehicles	7 391 268	1 700 500	(197 600)	-	(1 765 396)	7 128 772
Office equipment	1 168 695	155 879	(1 042)	-	(317 597)	1 005 935
Computer Equipment	984 493	557 574	-	-	(367 511)	1 174 556
CCTV Camera's	929 649	-	-	-	(373 141)	556 508
Community assets	7 314	-	-	-	(2 681)	4 633
Other property, plant and equipment	1 533 458	694 338	(470 100)	-	(328 607)	1 429 089
Work in progress - Infrastructure assets	19 765 024	15 306 087	-	(35 016 560)	-	54 551
	<b>37 312 701</b>	<b>18 688 265</b>	<b>(677 806)</b>	<b>(35 016 560)</b>	<b>(3 809 455)</b>	<b>16 497 144</b>

Depreciation on take-ons to the amount of R 127 096 were included in the amount of R 3 809 455 and an amount of R862 430 were included as take - ons as additions to cost price.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

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

#### Reconciliation of property, plant and equipment - Municipality - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1 278 500	-	-	-	-	-	1 278 500
Buildings	2 948 012	332 003	-	-	(212 601)	-	3 067 414
Furniture and fixtures	1 325 518	427 585	(4 784)	-	(554 467)	(9 967)	1 183 888
Motor vehicles	5 712 410	2 450 027	(90 000)	-	(681 169)	-	7 391 268
Office equipment	777 811	778 610	(6)	-	(316 351)	(71 369)	1 168 695
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
Work in progress - Infrastructure assets	13 424 192	19 765 024	-	(13 424 192)	-	-	19 765 024
	<b>28 806 136</b>	<b>24 927 892</b>	<b>(96 032)</b>	<b>(13 424 192)</b>	<b>(2 714 770)</b>	<b>(189 334)</b>	<b>37 309 700</b>

The motor vehicles were restated in the 2014/2015 financial year. Cost price overstated with R 68 391 and depreciation understated with R 50 271. Correction of error on depreciation of Buildings; Accumulated depreciation restated with an amount of R 266 177 and depreciation for 2014/2015 restated with an amount of R 46 443

#### 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 28) .

#### Assets subject to finance lease (Net carrying amount)

Motor vehicles	996 032	1 593 651	996 032	1 593 651
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#### Other information

##### Details of properties

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

- Cost / Valuation:	4 983 503	4 983 503	4 983 503	4 983 503
- Cost valuation - land	1 278 500	1 278 500	1 278 500	1 278 500
- Accumulated depreciation	(1 783 759)	(1 603 469)	(2 312 909)	(1 603 469)
<b>Total carrying value at year end</b>	<b>4 478 244</b>	<b>4 658 534</b>	<b>3 949 094</b>	<b>4 658 534</b>

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

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

#### Reconciliation of Work-in-Progress Group - 2016

	Included within Infrastructure	Included within Community	Total
Opening balance	19 287 936	477 088	19 765 024
Additions	14 692 930	613 156	15 306 086
Transferred of completed projects to local municipalities	(33 980 866)	(1 035 694)	(35 016 560)
<b>Total Work - in - Progress</b>	<b>-</b>	<b>54 550</b>	<b>54 550</b>

Description	Tender no	Contract amount	Expenditure for the year 2014/2015	Expenditure for the year 2015/2016	Transfer to local municipalities
Registration solid waste site	KKDM 01/13	11 563 16	4 896 564	6 015 672	10 912 236
Landfill site rehabilitation	KKDM 17/13	1 551 25	1 168 560	238 050	1 406 610
Pump station Kgakala	KKDM 34/14	4 604 79	2 596 680	2 008 118	4 604 798
Upgrading bulk sewer line - Kgakala	KKDM 33/14	6 057 56	3 000 964	3 031 705	6 032 669
Upgrading bulk sewer line - Lebaleng	KKDM 16/13	6 093 96	3 755 170	2 303 198	6 058 368
Matlwang access road	KKDM30/14	4 908 80	3 030 795	1 096 187	4 126 982
Rural sanitation	KKDM17/14	760 34	558 740	-	558 740
Testing & equipping of boreholes	KKDM48/14	350 57	280 462	-	280 462
Refurbishment of Tigane Bakery	KKDM43/14	1 035 69	477 089	558 606	1 035 695
Fencing of ward committee office in Kanana	KKDM13/15	274 852	-	54 550	-
			<b>19 765 024</b>	<b>15 306 086</b>	<b>35 016 560</b>

#### Reconciliation of Work-in-Progress Group - 2015

	Included within Infrastructure	Included within Community	Total
Opening balance	13 424 192	-	13 424 192
Additions/capital expenditure	19 287 936	477 088	19 765 024
Transferred to local municipalities	(13 424 192)	-	(13 424 192)
	<b>19 287 936</b>	<b>477 088</b>	<b>19 765 024</b>

Description	Contract date	Tender no	Contract amount	Expenditure till June 2015
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 01	2 596 680
Upgrading bulk sewer line	16/02/2015	KKDM 34/14	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 & equipping of boreholes	01/04/2015	KKDM48/14	350 576	280 462
Refurbishment of Tigane Bakery	07/02/2015	KKDM43/14	875 011	477 089
				<b>19 765 024</b>

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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 3. Intangible assets

Group	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 942 337	(2 492 817)	449 520	2 934 337	(2 053 617)	880 720

  

Municipality	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 928 773	(2 479 258)	449 515	2 920 773	(2 041 661)	879 112

#### Reconciliation of intangible assets - Group - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	880 720	8 000	(439 200)	449 520

#### Reconciliation of intangible assets - Group - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	1 293 815	80 386	(493 481)	880 720

#### Reconciliation of intangible assets - Group - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	879 112	8 000	(437 597)	449 515

#### Reconciliation of intangible assets - Group - 2015

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

#### Pledged as security

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

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

#### 4. Investments in controlled entity at cost

Name of company	Held by	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
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. Other financial assets

##### At fair value

Listed shares	58 631	65 340	58 631	65 340
Sanlam shares, 970 shares with a share price of R60,36 (2015: R67,36)				
Listed shares are investments in shares of public companies with no specific maturity dates or interest rates.				

Financial assets at fair value	58 631	65 340	58 631	65 340
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Financial assets at amortised cost	-	-	-	-
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##### Non-current assets

At fair value	58 631	65 340	58 631	65 340
Non-current assets	58 631	65 340	58 631	65 340
Current assets	-	-	-	-

##### Financial assets at cost

##### Nominal value of financial assets at cost

Dr Kenneth Kaunda District Economic Agency 100% Shareholding in the agency - at cost.	-	-	120	120
<b>Total nominal value of financial assets at cost</b>	-	-	<b>120</b>	<b>120</b>

##### Financial assets at fair value

Class 1	58 631	65 340	58 631	65 340
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##### Methods used to determine fair value is as follow:

Fair value are bases on the quoted market price on the Johannesburg stock exchange for this instrument. Sanlam shares closed at a market price of R60,36 (2015: R67,36) per share.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>6. Receivables from non - exchange transactions: Non - current</b>				
Deposits: Eskom	1 130 529	1 065 364	1 130 529	1 065 364
Less: Provision for impairment	(1 130 529)	(1 065 364)	(1 130 529)	(1 065 364)
<b>Total receivables from non-exchange transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>				
Opening balance	1 065 364	1 007 913	1 065 364	1 007 913
Movement in impairment	65 165	57 451	65 165	57 451
	<b>1 130 529</b>	<b>1 065 364</b>	<b>1 130 529</b>	<b>1 065 364</b>

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>7. Employee benefit obligations</b>				
<b>Post retirement medical aid benefit liability</b>				
Post-Employment Health Care Benefit Liability	10 679 390	11 710 915	10 679 390	11 710 915
<b>Total: Post-Employment Health Care Benefit Liability</b>	<b>10 679 390</b>	<b>11 710 915</b>	<b>10 679 390</b>	<b>11 710 915</b>
Less: Transfer to current provisions	(223 524)	(231 108)	(223 524)	(231 108)
<b>Net Post-Employment Health Care Benefit Liability</b>	<b>10 455 866</b>	<b>11 479 807</b>	<b>10 455 866</b>	<b>11 479 807</b>

### 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 2016 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	95	88	95	88
Continuation (retiree and widow) members	6	6	6	6
	<b>101</b>	<b>94</b>	<b>101</b>	<b>94</b>

The unfunded liability and current - service cost of past service has been estimated to be as follows:

### Member category - Unfunded liability

In-service members	7 255 759	7 452 230	7 255 759	7 452 230
Continuation members	3 423 631	4 258 685	3 423 631	4 258 685
	<b>10 679 390</b>	<b>11 710 915</b>	<b>10 679 390</b>	<b>11 710 915</b>
Year ending 30 June 2016 - Current period	729 708	807 217	729 708	807 217
Year ending 30 June 2017 - Ensuing period	674 358	729 708	674 358	729 708

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

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>7. Employee benefit obligations (continued)</b>				
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>				
Discount rate %	9,58	9,06	9,58	9,06
Health Care Cost Inflation Rate %	8,61	8,12	8,61	8,12
Maximum subsidy inflation rate	6,08	6,62	6,08	6,62
Net Effective Discount Rate %	0,89	0,87	0,89	0,87
Continuation of membership at retirement	90%	90%	90%	90%
Proportion assumed married at retirement	90%	90%	90%	90%
Average retirement age	63	63	63	63
Mortality during employment	SA 85-90	SA 85-90	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	11 710 915	10 699 223	11 710 915	10 699 223
Current service cost	729 708	807 217	729 708	807 217
Interest cost	1 050 283	979 430	1 050 283	979 430
Benefits paid	(217 141)	(177 180)	(217 141)	(177 180)
Actuarial loss/(gain) on the obligation	(2 594 375)	(597 775)	(2 594 375)	(597 775)
<b>Balance at end of year</b>	<b>10 679 390</b>	<b>11 710 915</b>	<b>10 679 390</b>	<b>11 710 915</b>

The total liability has decrease by 8,8% (or R 1,031 525) since the last valuation. The main reasons for this movement are is that a maximum subsidy was not applied at the last valuation.

**In-service members** The average in-service member liability has decreased by 10% over the year due to the following factors:

A decrease in the average future employer contribution, as a result of the subsidy limit being applied; and a slight decrease in the net discount rate

These impacts have been offset by a small increase in the average age which means members are closer retirement and less likely to leave before retirement;

a small increase in the average past past service.

The total in-service member liability has decreased by 3% due to the above, partially offset by an increase in the number of members .

**Continuation members**

The average continuation member liability has decreased by 20% due to the following;

a decrease in the average employers contribution as a result of the subsidy limit being applied;

a decrease in the proportio of members with spouses receiving the subsidy;

an increase in the net discount rate;

an increase in the average age;

The total continuation members liability has decreased by 20% because there was no change in the number of members.

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

**Increase of 1%**

Effect on the accrued liability in millions	11 244	14 050	11 244	14 050
	<b>11 244</b>	<b>14 050</b>	<b>11 244</b>	<b>14 050</b>

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>7. Employee benefit obligations (continued)</b>				
<b>Decrease of 1%</b>				
Effect on the accrued liability in millions	(9 801)	(9 857)	(9 801)	(9 857)
	<b>(9 801)</b>	<b>(9 857)</b>	<b>(9 801)</b>	<b>(9 857)</b>

### 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.

**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 and 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 group 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 group is under no obligation to cover any unfunded benefits.  
The total contributions to such schemes.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>7. Employee benefit obligations (continued)</b>				
Municipal Councillors Pension Fund - No of members: 11 (2015:11)	556 356	504 236	556 356	504 236
Municipal Gratuity Fund - No of members: 47 (2015:49)	2 988 423	2 728 196	2 988 423	2 728 196
National Fund for mun workers - No of members 44 (2014:54)	2 119 161	1 390 346	2 119 161	1 390 346
National Fund for mun workers: 2% Fund - No 69 (2014:71)	342 471	277 691	342 471	277 691
SAMWU Provident Fund - No of members: 2 (2014:2)	160 286	151 451	160 286	151 451
The amount recognised as an expense for defined contribution plans is	6 166 697	5 051 920	6 166 697	-

### 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: 20 (2014:23)	1 248 323	1 321 762	1 248 323	1 321 762
The amount recognised as an expense for defined contribution plans	<b>1 248 323</b>	<b>1 321 762</b>	<b>1 248 323</b>	<b>1 321 762</b>

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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>8. Receivables from non-exchange transactions</b>				
Prepaid expenses	746 971	879 812	746 971	879 812
Sundry receivables	6 816 577	372 825	6 816 577	372 825
Payments on behalf of local council - DBSA	-	876 645	-	876 645
Control accounts	710 305	1 022 261	710 305	1 022 261
Less: Provision for bad debt	(3 000)	(1 249 470)	(3 000)	(1 249 470)
	<b>8 270 853</b>	<b>1 902 073</b>	<b>8 270 853</b>	<b>1 902 073</b>

### Credit quality of trade and other receivables

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

### 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 2016.

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

120 days and more past due financial assets	Classes of				
Sundry receivables-	At Amortised Cost	6 813 577	-	6 813 577	-
Receivables past due but not impaired		6 813 577	-	6 813 577	-

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

Rand	8 270 853	1 902 073	8 270 853	1 902 073
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### Reconciliation of provision for impairment of trade and other receivables

Opening balance	(1 249 470)	(810 919)	(1 249 470)	(810 919)
Provision for impairment	-	(438 551)	-	(438 551)
Unused amounts reversed	1 246 470	-	1 246 470	-
	<b>(3 000)</b>	<b>(1 249 470)</b>	<b>(3 000)</b>	<b>(1 249 470)</b>

The effect of discounting on Receivables from non-exchange transactions are deemed to be immaterial for the 2016/2017 financial year.

### 9. Receivables from exchange transactions

Sundry receivables	151 440	-	151 440	-
Accruals - Interest on call deposits	-	388 510	-	388 510
Deposits	21 914	21 914	-	-
	<b>173 354</b>	<b>410 424</b>	<b>151 440</b>	<b>388 510</b>

### Credit quality of receivables from exchange transactions

The credit quality of other 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 exchange transactions past due but not impaired

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 9. Receivables from exchange transactions (continued)

Receivables from exchange transactions which are past due are not considered to be impaired. At 30 June 2016, R151440 (2015: R388510 ) were past due but not impaired.

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

<b>31-60 days past due financial assets</b>	<b>Classes of</b>				
Interest - Call investment deposits- At amortised cost		-	388 510	-	388 510
Sundry receivables - At amortised cost		151 440	-	151 440	-
<b>120 days and older past due: Financial assets - Deposits</b>	<b>Classes of</b>	21 914	20 273	-	-
		<u>173 354</u>	<u>408 783</u>	<u>151 440</u>	<u>388 510</u>

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

Rand	173 354	408 783	151 440	388 510
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### Reconciliation of provision for impairment of receivables from exchange transactions

Opening balance	-	(125 000)	-	(125 000)
Unused amounts reversed	-	125 000	-	125 000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 10. VAT receivable

VAT	<u>4 493 682</u>	<u>15 024 200</u>	<u>4 062 894</u>	<u>14 676 232</u>
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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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>11. Cash and cash equivalents</b>				
Cash on hand	7 639	8 401	6 600	6 600
Bank balances	5 938 365	9 404 328	4 372 799	8 887 162
Short-term deposits	4 771 774	79 767 127	-	75 000 000
<b>Cash and cash equivalents</b>	<b>10 717 778</b>	<b>89 179 856</b>	<b>4 379 399</b>	<b>83 893 762</b>

### Call investment deposits

Call investment deposits is invested with the following banks :

#### At Amortised Cost

Call Investment Deposits: ABSA Bank	-	20 000 000	-	20 000 000
Call deposits invested in ABSA Bank for a period of 1 to 3 months.				
Call Investment Deposits: First National Bank	-	15 000 000	-	15 000 000
Call deposits invested in FNB for a period of 1 to 3 months.				
Call Investment Deposits: Nedbank	-	20 000 000	-	20 000 000
Call deposits invested in Nedbank for a period of 1 to 3 months.				
Call Investment Deposits: Standard Bank	-	20 000 000	-	20 000 000
Call deposits invested in Standard Bank for a period of 1 to 3 months.				
Money Market Account (DR KKDM Agency)	4 771 774	4 767 127	-	-
Standard bank Klerksdorp Account no 038671867001				
	<b>4 771 774</b>	<b>79 767 127</b>	<b>-</b>	<b>75 000 000</b>

### 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

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

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

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
Current Account (Primary Bank Account ABSA Klerksdorp Account no 950 000 627)	4 591 352	13 964 367	2 883 550	2 336 085	6 912 981	407 003
Current Account (Local Government Support Grant) ABSA Klerksdorp Account no 405 643 8304	2 036 714	1 974 182	1 926 726	2 036 714	1 974 181	1 926 726
Current Account (Disaster Risk Management grant) ABSA Pretoria Account no 40 7293 0455)	-	-	1 303 525	-	-	1 303 525
Standard Bank - current account - 037013005	1 565 566	517 166	398 564	1 565 566	517 166	398 564
<b>Total</b>	<b><u>8 193 632</u></b>	<b><u>16 455 715</u></b>	<b><u>6 512 365</u></b>	<b><u>5 938 365</u></b>	<b><u>9 404 328</u></b>	<b><u>4 035 818</u></b>

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 12. Accumulated surplus

#### Ring-fenced internal funds and reserves within accumulated surplus - Group - 2016

	Capital replacement reserve	Government grant reserve	Other	Total
Opening balance	(6 985 084)	(1 000 649)	(88 620 671)	(96 606 404)
(Surplus) / Deficit for the year	-	-	98 936 784	98 936 784
Offsetting of depreciation	-	654 024	(654 024)	-
Capital grants used to purchase property, plant and equipment	2 514 797	-	(2 514 797)	-
	<b>(4 467 287)</b>	<b>(346 625)</b>	<b>7 147 292</b>	<b>2 333 380</b>

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

	Capital replacement reserve	Government grant reserve	Other	Total
Opening balance	(9 718 732)	(984 481)	(135 650 167)	(146 353 380)
Restatement of opening balance	-	-	212 035	212 035
(Surplus) / Deficit for the year	-	-	36 110 748	36 110 748
Offsetting of depreciation	-	602 724	(602 724)	-
Purchase property, plant and equipment	2 733 648	(716 753)	(2 016 895)	-
Write - offs / Transfers	-	97 861	(97 861)	-
Transfer of work in progress	-	-	13 424 192	13 424 192
	<b>(6 985 084)</b>	<b>(1 006 649)</b>	<b>(88 614 671)</b>	<b>(96 606 404)</b>

#### Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2016

	Capital replacement reserve	Government grant reserve	Accumulated surplus	Total
Opening balance	(6 985 084)	(1 000 649)	(83 287 386)	(91 273 119)
Offsetting of depreciation	-	654 024	(654 024)	-
Surplus / deficit for the year	-	-	99 521 957	99 521 957
Capital grants used to purchase property, plant and equipment	2 514 797	-	(2 514 797)	-
	<b>(4 467 287)</b>	<b>(346 625)</b>	<b>13 065 750</b>	<b>8 251 838</b>

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

	Capital replacement reserve	Government grant reserve	Accumulated surplus	Total
Opening balance	(9 718 732)	(984 481)	(132 794 927)	(143 498 140)
Correction of error: prior 2014/2015 financial year	-	-	212 035	212 035
Offsetting of depreciation	-	602 724	(602 724)	-
(Surplus) / deficit for the year	-	-	38 588 794	38 588 794
Capital grants used to purchase property, plant and equipment	2 733 648	(716 753)	(2 016 895)	-
Donated/contributed property, plant and equipment	-	-	-	-
Work in progress - transfer	-	-	13 424 192	13 424 192
Write - offs / transfers	-	97 861	(97 861)	-
	<b>(6 985 084)</b>	<b>(1 000 649)</b>	<b>(83 287 386)</b>	<b>(91 273 119)</b>

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>13. Finance lease obligation</b>				
<b>Minimum lease payments due</b>				
- within one year	749 061	712 848	749 061	712 848
- in second to fifth year inclusive	505 872	1 188 081	505 872	1 188 081
	<u>1 254 933</u>	<u>1 900 929</u>	<u>1 254 933</u>	<u>1 900 929</u>
less: future finance charges	(124 984)	(277 597)	(124 984)	(277 597)
<b>Present value of minimum lease payments</b>	<b>1 129 949</b>	<b>1 623 332</b>	<b>1 129 949</b>	<b>1 623 332</b>
<b>Present value of minimum lease payments due</b>				
- within one year	644 558	550 057	644 558	550 057
- in second to fifth year inclusive	485 391	1 073 275	485 391	1 073 275
	<u>1 129 949</u>	<u>1 623 332</u>	<u>1 129 949</u>	<u>1 623 332</u>
Non-current liabilities	485 391	1 073 275	485 391	1 073 275
Current liabilities	644 558	550 057	644 558	550 057
	<u>1 129 949</u>	<u>1 623 332</u>	<u>1 129 949</u>	<u>1 623 332</u>

The lease liability were overstated in the 2014/2015 financial year with R 55 595 from R 1 678 927 to R 1 623 332 and the present value of minimum lease payments due within one year from R 581 803 to R 550 057 and in the second to the fifth year R 1 097 123 to R 1 073 275

The finance lease liability relates to lease of motor vehicles and equipment under finance leases.

The average lease term is 3 years and the average effective borrowing rate is between 9,25% and 16,40%.

Interest rates are fixed at the contract date and no arrangements have been entered into for contingent rent.

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

## 14. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

### Unspent conditional grants and receipts

Local government support grant	1 483 940	1 421 272	1 483 940	1 421 272
LG (Seta) mandatory grant	1 266 456	1 188 148	1 266 456	1 188 148
	<u>2 750 396</u>	<u>2 609 420</u>	<u>2 750 396</u>	<u>2 609 420</u>

### Movement during the year

Balance at the beginning of the year	2 609 420	4 060 466	2 609 420	4 060 466
Additions during the year	8 511 727	6 225 433	8 511 727	6 225 433
Income recognition during the year	(8 370 751)	(7 432 479)	(8 370 751)	(7 432 479)
Transfer back to National Treasury	-	(244 000)	-	(244 000)
	<u>2 750 396</u>	<u>2 609 420</u>	<u>2 750 396</u>	<u>2 609 420</u>

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 23 for reconciliation of grants from National / Provincial Government.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 15. Provisions

#### Reconciliation of provisions - Group - 2016

	Opening Balance	Additions	Utilised during the year	Total
Current portion: Post retirement medical aid liability	231 108	209 557	(217 141)	223 524
Current portion: Long service awards liability	164 087	442 736	(372 289)	234 534
	<b>395 195</b>	<b>652 293</b>	<b>(589 430)</b>	<b>458 058</b>

#### Reconciliation of provisions - Group - 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
	<b>386 180</b>	<b>356 317</b>	<b>(347 302)</b>	<b>395 195</b>

#### Reconciliation of provisions - Group - 2016

	Opening Balance	Additions	Utilised during the year	Total
Current portion: Post retirement medical aid liability	231 108	209 557	(217 141)	223 524
Current portion: Long service awards liability	164 087	442 736	(372 289)	234 534
	<b>395 195</b>	<b>652 293</b>	<b>(589 430)</b>	<b>458 058</b>

#### Reconciliation of provisions - Group - 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
	<b>386 180</b>	<b>356 317</b>	<b>(347 302)</b>	<b>395 195</b>

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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 16. 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 limitation of the awards to which employees in the service of the municipality at 30 June 2016 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 2016 by Arch actuarial consulting, a member of the Actuarial Society of South Africa.

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

The sensitivity analysis indicate that, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 7% higher than the results show.

The salaries used in the valuation include an assumed increase on 1 July 2015 of 6.97% negotiated by SALGA which was budgeted for by the municipality. The next salary increase was assumed to take place in July 2016.

#### The movement in long service awards liabilities is as follows

Provision for Long Service Awards	2 662 150	2 424 771	2 662 150	2 424 771
<b>Total Provision for Long Service Awards</b>	<b>2 662 150</b>	<b>2 424 771</b>	<b>2 662 150</b>	<b>2 424 771</b>
Less: Transfer to Current Liabilities	(234 534)	(164 087)	(234 534)	(164 087)
<b>Net Long Service Awards liability</b>	<b>2 427 616</b>	<b>2 260 684</b>	<b>2 427 616</b>	<b>2 260 684</b>

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

Discount rate %	8,58	8,19	8,58	8,19
General Salary inflation (long-term) %	7,23	7,18	7,23	7,18
Consumer Price Index (CPI)	6,23	4,55	6,23	4,55
Net Effective Discount Rate %	1,26	0,94	1,26	0,94
Average Retirement Age	63	63	63	63
Mortality during employment	SA 85-90	SA 85-90	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	2 424 771	2 768 000	2 424 771	2 768 000
Current service cost	296 765	362 000	296 765	362 000
Interest cost	191 932	224 000	191 932	224 000
Benefits paid	(372 289)	(247 021)	(372 289)	(247 021)
Actuarial (gain)/loss on the obligation	120 971	(682 208)	120 971	(682 208)
<b>Balance at end of year</b>	<b>2 662 150</b>	<b>2 424 771</b>	<b>2 662 150</b>	<b>2 424 771</b>

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>17. Payables from exchange transactions</b>				
Accounts payables	9 969 069	16 022 634	8 987 379	15 502 838
Retention Creditors	3 203 859	4 656 161	3 203 859	4 656 161
Other Creditors: Accruals-Compensation Commissioner	1 499 114	1 068 395	1 499 114	1 068 395
Other Creditors	424 988	577 156	424 988	577 156
Staff leave & bonus provisions	9 827 102	7 547 549	9 771 979	7 531 206
	<b>24 924 132</b>	<b>29 871 895</b>	<b>23 887 319</b>	<b>29 335 756</b>

Restatement of creditors for the 2013/2014 and the 2014/2015 financial year. Refer to note 43.

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

Rand	24 924 132	29 871 895	23 887 319	29 335 756
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## 18. Payables from non exchange transactions

Control accounts	871 823	839	871 823	839
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The carrying amount of payables from non-exchange transactions are denominated in the following currencies:

Rand	871 823	839	871 823	839
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## 19. Revenue

Other revenue	7 038 148	436 418	7 038 146	427 734
Interest received - investment	4 270 357	8 661 667	3 995 710	8 473 807
Dividends received	2 020	1 855	2 020	1 855
Government grants & subsidies	174 019 151	167 913 479	174 019 151	167 913 479
Government grants and subsidies paid refund	-	4 000 000	-	4 000 000
Public contributions and donations	188 949	-	188 949	-
	<b>185 518 625</b>	<b>181 013 419</b>	<b>185 243 978</b>	<b>180 816 875</b>

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

Other revenue	112 700	436 418	112 700	427 734
Interest received - investment	4 270 357	8 661 667	3 995 710	8 473 807
Dividends received	2 020	1 855	2 020	1 855
	<b>4 385 077</b>	<b>9 099 940</b>	<b>4 110 430</b>	<b>8 903 396</b>

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

Other revenue	6 925 448	-	6 925 448	-
<b>Transfer revenue</b>				
Government grants & subsidies	174 019 151	167 913 479	174 019 151	167 913 479
Public contributions and donations	188 949	-	188 949	-
Grants and subsidies refund	-	4 000 000	-	4 000 000
	<b>181 133 548</b>	<b>171 913 479</b>	<b>181 133 548</b>	<b>171 913 479</b>

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>20. Other revenue</b>				
Reversal of provision for bad debt	873 645	-	873 645	-
Refund from Tlokwe Municipality- CCTV	-	4 000 000	-	4 000 000
Other revenue	6 089 501	436 418	6 089 501	427 734
Proceeds on disposal of assets	75 000	-	75 000	-
	<b>7 038 146</b>	<b>4 436 418</b>	<b>7 038 146</b>	<b>4 427 734</b>
<b>The amount included in other revenue arising from exchanges of goods or services are as follows:</b>				
Insurance claims	12 918	-	12 918	-
Commission on debit orders	8 316	6 301	8 316	6 301
Tender deposits	82 676	324 324	82 676	315 640
Other revenue	8 790	5 598	8 790	5 598
Service fees	-	100 195	-	100 195
	<b>112 700</b>	<b>436 418</b>	<b>112 700</b>	<b>427 734</b>
<b>The amount included in other revenue arising from non-exchange transactions is as follows:</b>				
Cathsetta Refund	5 976 802	-	5 976 802	-
Refund grants and subsidies from Tlokwe local municipality - CCTV camera's	-	4 000 000	-	4 000 000
Proceeds on the disposal of assets	75 000	-	75 000	-
Reversal provision for bad debt	873 644	-	873 644	-
	<b>6 925 448</b>	<b>-</b>	<b>6 925 446</b>	<b>4 000 000</b>
<b>21. Investment revenue</b>				
<b>Dividend revenue</b>				
Listed financial assets - Local	2 020	1 855	2 020	1 855
<b>Interest revenue</b>				
Investments and call deposits	4 205 192	8 604 216	3 930 545	8 416 356
Interest earned on deposits	65 165	57 451	65 165	57 451
	<b>4 270 357</b>	<b>8 661 667</b>	<b>3 995 710</b>	<b>8 473 807</b>
Dividend revenue	2 020	1 855	2 020	1 855
Interest revenue	4 270 357	8 661 667	3 995 710	8 473 807
	<b>4 272 377</b>	<b>8 663 522</b>	<b>3 997 730</b>	<b>8 475 662</b>

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>22. Transfers and subsidies paid</b>				
Projects - Dr Kenneth Kaunda District Municipality	93 105 975	73 950 467	96 105 975	77 978 727
Projects - City of Matlosana	4 630 670	5 669 799	4 630 670	5 669 799
Projects - City Council of Tlokwe	592 686	6 844 171	1 592 686	7 844 170
Projects - Ventersdorp Local Municipality	8 847 265	2 963 393	9 847 265	3 963 393
Projects - Maquassi Hills Local Municipality	3 430 755	6 123 295	4 430 755	7 123 295
Completed projects transfer to municipalities	35 016 560	-	35 016 560	-
Fair value adjustment - Credit purchases	(175 650)	(651 707)	(175 650)	(651 707)
	<b>145 448 261</b>	<b>94 899 417</b>	<b>151 448 261</b>	<b>101 927 677</b>

### Projects - Dr Kenneth Kaunda District Municipality

Access roads	6 731 295	-	6 731 295	-
Africa day celebrations	-	467 845	-	467 845
Business / entrepreneurs	188 091	181 163	188 091	181 163
CCTV Security system	7 264 935	10 180 845	7 264 935	10 180 845
Children development	310 703	217 458	310 703	217 458
Cleanest city campaign	2 731 579	-	2 731 579	-
Communication Unit	1 259 499	991 694	1 259 499	991 694
Community Agricultural Support	500 000	1 054 513	500 000	1 054 513
Community Development	751 989	1 378 694	751 989	1 378 694
Cooperative college	2 758 819	-	2 758 819	-
Disability development	439 150	391 951	439 150	391 951
Disaster Management Advisory Forum	2 250	17 240	2 250	17 240
Disaster Management Awareness	1 081 239	1 288 148	1 081 239	1 288 148
Disaster Management Planning	47 050	299 099	47 050	299 099
Disaster Management Research	-	304 845	-	304 845
Disaster Management Relief	29 793	200 160	29 793	200 160
District call centre operations	8 242 812	6 462 258	8 242 812	6 462 258
District economic development initiatives	-	10 000 000	-	10 000 000
District erecting of fencing	912 047	518 353	912 047	518 353
District Expo	-	92 560	-	92 560
District high mast lights	179 551	1 315 701	179 551	1 315 701
District infrastructure - Consulting	18 015	48 852	18 015	48 852
District learnerships - Tourism training	-	6 508 243	-	6 508 243
District operation clean audit	7 679 176	2 355 349	7 679 176	2 355 349
Convert illegal dumping to recreation	2 394 256	-	2 394 256	-
District public safety promotion	79 100	70 046	79 100	70 046
Dr Kenneth Kaunda District Economic Entity	-	-	3 000 000	4 000 000
Dr Kenneth Kaunda Tourism Association	100 000	99 600	100 000	99 600
Education	454 303	195 870	454 303	195 870
Elderly development	212 373	77 218	212 373	77 218
Employees assistance - Regional centre	-	1 216 180	-	1 216 180
Emergency Funding Major Incident	362 238	826 794	362 238	826 794
Entrepreneurial Month	59 425	98 700	59 425	98 700
Executive mayor's roadshows	2 496 816	-	2 496 816	-
Expanded public works programme	3 139 300	1 025 197	3 139 300	1 025 197
Fire fighting training and development	-	9 500	-	9 500
Fire Fighting Training & Development	82 958	226 228	82 958	226 228
Funeral assistance	997 300	748 454	997 300	748 454
Funding Finance Management Grant	673 425	2 099 504	673 425	2 099 504
Gender development	454 444	299 680	454 444	299 680
Honouring individual greatness	1 545 243	-	1 545 243	-
Landfill sites rehabilitation	-	620 000	-	620 000
LG Seta discretionary grants	562 615	-	562 615	-
LG Seta mandatory grant	127 502	-	127 502	-
Literary competition	187 403	300 000	187 403	300 000

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>22. Transfers and subsidies paid (continued)</b>				
Mandella day - special projects	196 911	324 724	196 911	324 724
Maintenance info kiosk	-	113 808	-	113 808
Mayoral Golf Fund	-	318 000	-	318 000
Merit bursary Community	4 904 896	5 671 953	4 904 896	5 671 953
Merit bursary employees	110 055	172 903	110 055	172 903
Organisational re-engineering	1 500 000	1 000 000	1 500 000	1 000 000
Promotion and Marketing DED	124 072	394 524	124 072	394 524
Poverty relief	927 212	442 961	927 212	442 961
Record files plans	1 082 544	-	1 082 544	-
Repairs and maintenance assistance for local munic	4 285 340	-	4 285 340	-
Resource & Support Centre	-	53 228	-	53 228
Rural development	2 686 665	-	2 686 665	-
Risk Reduction Project	377 651	152 590	377 651	152 590
Rural roads asset management system	1 494 500	1 373 832	1 494 500	1 373 832
Secondary co-operative	100 000	99 342	100 000	99 342
SMME Workshop/Summit	-	500 000	-	500 000
Skills Development and Training	451 525	999 139	451 525	999 139
Small Scale Farmers Tech. Support	29 990	100 399	29 990	128 659
SMME'S and Co - operative support	505 694	415 772	505 694	415 772
Sports arts and culture	1 987 651	3 647 335	1 987 651	3 647 335
Tourism Awareness	15 840	18 150	15 840	18 150
Tourism Information Centre	40 000	40 000	40 000	40 000
Tourism & Marketing	340 007	399 802	340 007	399 802
Tourism awards	-	251 100	-	251 100
Volunteer Unit	-	161 595	-	161 595
Volunteers protective clothing	-	1 232 400	-	1 232 400
Volunteers stipend	1 588 928	1 817 585	1 588 926	1 817 585
Volunteer training	465 077	1 330 007	465 077	1 330 007
Volunteers uniforms	-	230 142	-	230 142
Ward Committee Offices	1 119 612	71 726	1 119 612	71 726
WI-FI District broadband network	9 239 389	-	9 293 389	-
Women's month	146 501	133 454	146 501	133 454
Youth development centre project	475 168	2 704	475 168	2 704
Youth development - Special projects	89 570	60 355	89 570	60 355
Labour relations training	66 450	-	66 450	-
Disaster management capacity building	359 535	-	359 535	-
International trips	215 100	-	215 100	-
Beautification of grave yards	3 032 056	-	3 032 056	-
Tourism Support	37 344	232 995	37 344	232 995
	<b>93 105 975</b>	<b>73 950 467</b>	<b>96 105 975</b>	<b>77 978 727</b>
<b>Projects - City of Matlosana</b>				
Buffeldoorn water supply	707 813	-	707 813	-
N12 Road Beutification	1 280 959	1 082 094	1 280 959	1 082 094
Orkney New Community Hall	-	592 961	-	592 961
Orkney waste water treatment plant	1 899 393	-	1 899 393	-
Recycling Project Landfill site	239 361	453 573	239 361	453 573
Rural Development	650 909	2 899 864	503 144	2 899 864
Rural Development Support	-	641 307	-	641 307
	<b>4 630 670</b>	<b>5 669 799</b>	<b>4 630 670</b>	<b>5 669 799</b>
<b>Projects - City of Tlokwe</b>				
Boskop nature reserve	-	561 286	-	561 286
Farmer support and development	592 400	1 480 396	592 400	1 480 396
Fire Equipment	286	382 023	286	382 023
Light industrial park	-	347 550	-	347 550

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>22. Transfers and subsidies paid (continued)</b>				
Regional dolomite studies	-	870 000	-	870 000
Regional Dolomite Investigations	-	1 754 386	-	1 754 386
Tlokwe Beans Project	-	-	1 000 000	1 000 000
Tlokwe community hall (Lindequesdrift)	-	451 468	-	451 468
Upgrade Disaster Communication System	-	997 062	-	997 062
	<b>592 686</b>	<b>6 844 171</b>	<b>1 592 686</b>	<b>7 844 171</b>
<b>Projects - Ventersdorp Local Municipality</b>				
Doornkop Water Supply	-	23 856	-	23 856
Fire Engines Purchases - Ventersdorp	1 597 132	-	1 597 132	-
Fire station Ventersdorp	-	672 203	-	672 203
LED projects	2 390 423	263 000	2 390 423	263 000
Outfall sewer (Tshing)	1 504 100	-	1 504 100	-
Paupers Funerals	406 600	377 684	406 600	377 684
Registration solid waste site	-	1 449 428	-	1 449 428
Skip bins	871 500	-	871 500	-
Two Bedrooms Clinics - Ventersdorp	195 918	177 222	195 918	177 222
Vehicles - Service delivery	1 311 000	-	1 311 000	-
Ventersdorp Vineyard Project	-	-	1 000 000	1 000 000
Repayment DBSA loans Local Municipalities	570 592	-	570 592	-
	<b>8 847 265</b>	<b>2 963 393</b>	<b>9 847 265</b>	<b>3 963 393</b>
<b>Projects - Maquassi Hills Local Municipality</b>				
Boskuil Refurbishment Electricity	35 713	212 406	35 713	212 406
Carports Maquassi Hills	17 535	74 763	17 535	74 763
LED plan development	766 710	1 501 951	766 710	1 501 951
Maquassi Hills Fire Engine	-	1 677 747	-	1 677 747
Maquassi Hills Piggery	-	-	1 000 000	1 000 000
Pumpstation and upgrading bulk sewer lines Kgakala	403 781	2 592 368	403 781	2 592 368
Upgrading of community halls	-	64 060	-	64 060
Waste collection trucks Maquassi-Hills	1 461 930	-	1 461 930	-
Repayment DBSA loans Local Municipalities	745 086	-	745 086	-
	<b>3 430 755</b>	<b>6 123 295</b>	<b>4 430 755</b>	<b>7 123 295</b>

Expenditure CCTV camera's re-classified as projects - Dr Kenneth Kaunda District Municipality and not under Projects Matlosana for the 2014/2015 financial year.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 23. Government grants and subsidies

Equitable share	20 078 000	18 398 000	20 078 000	18 398 000
RSC Levy Replacement Grant	145 604 000	142 083 000	145 604 000	142 083 000
Conditional grants and subsidies received	8 337 151	7 432 479	8 337 151	7 432 479

<b>174 019 151</b>	<b>167 913 479</b>	<b>174 019 151</b>	<b>167 913 479</b>
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#### Equitable Share

Current year receipts	20 078 000	18 398 000	20 078 000	18 398 000
	<b>20 078 000</b>	<b>18 398 000</b>	<b>20 078 000</b>	<b>18 398 000</b>

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

#### RSC Levy Replacement Grant

Current year receipts	145 604 000	142 083 000	145 604 000	142 083 000
	<b>145 604 000</b>	<b>142 083 000</b>	<b>145 604 000</b>	<b>142 083 000</b>

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	-	1 013 924
Current-year receipts	2 112 774	-	2 112 774	-
Interest earned	-	3 803	-	3 803
Conditions met - transferred to revenue	(2 112 774)	(1 017 727)	(2 112 774)	(1 017 727)

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

-	-	-	-
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Conditions still to be met - remain liabilities (see note 14)

#### LG SETA Mandatory grant

Balance unspent at beginning of year	1 188 148	-	1 188 148	-
Current-year receipts	78 308	1 188 148	78 308	1 188 148

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

<b>1 266 456</b>	<b>1 188 148</b>	<b>1 266 456</b>	<b>1 188 148</b>
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#### Local Government Support Grant

Balance unspent at beginning of year	1 421 272	1 373 689	1 421 272	1 373 689
Current-year receipts	63 644	48 483	63 644	48 483
Conditions met - transferred to revenue	(975)	(900)	(975)	(900)

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

<b>1 483 941</b>	<b>1 421 272</b>	<b>1 483 941</b>	<b>1 421 272</b>
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Conditions still to be met - remain liabilities (see note 14)

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>23. Government grants and subsidies (continued)</b>				
<b>Finance Management Grant</b>				
Balance unspent at beginning of year	-	854 802	-	854 802
Current-year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(2 104 802)	(1 250 000)	(2 104 802)
<b>Conditions still to be met- transferred to liabilities</b>	-	-	-	-
Conditions still to be met - remain liabilities (see note 14)				
<b>Rural road asset management system</b>				
Current-year receipts	2 152 000	1 801 000	2 152 000	1 801 000
Conditions met - transferred to revenue	(2 152 000)	(1 801 000)	(2 152 000)	(1 801 000)
<b>Conditions still to be met- transferred to liabilities</b>	-	-	-	-
<b>Municipal System Improvement Grant (MSIG)</b>				
Current-year receipts	930 000	934 000	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)	(930 000)	(934 000)
<b>Conditions still to be met- transferred to liabilities</b>	-	-	-	-
Conditions still to be met - remain liabilities (see note 14)				
<b>Expanded Public Works Program Grant</b>				
Balance unspent at beginning of year	-	818 050	-	818 050
Current year receipt	1 925 000	1 000 000	1 925 000	1 000 000
Conditions met - transferred to revenue	(1 925 000)	(1 574 050)	(1 925 000)	(1 574 050)
Transfer to National Treasury	-	(244 000)	-	(244 000)
	-	-	-	-

### Changes in level of government grants

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

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>24. Employee related costs</b>				
Basic Salaries	50 984 862	42 844 751	50 040 306	41 888 572
Medical aid - Councils' contributions	2 641 186	2 268 752	2 641 186	2 268 752
UIF	285 649	227 637	279 702	220 777
Industrial Council	9 670	8 956	9 670	8 956
Redemption of Leave	20 119 331	1 923 552	2 080 550	1 881 428
Cell Phone Allowances	891 018	816 723	891 018	816 723
Defined contribution plans	1 779 991	1 786 647	1 779 991	1 786 647
Overtime payments	210 430	171 931	210 430	171 931
Post- retirement medical aid contributions	488 697	586 000	488 697	586 000
13th Cheques	3 553 015	2 921 887	3 553 015	2 921 887
Car allowance	5 595 859	4 436 864	5 595 859	4 436 864
Housing benefits and allowances	433 530	314 241	433 530	314 241
Standby Allowances	37 570	29 931	37 570	29 931
Group Life Insurance - Councils' Contributions	342 472	277 691	342 471	277 692
Pension Fund - Councils' Contributions	6 516 195	5 633 074	6 516 195	5 633 074
Allowances Uniforms	11 040	25 766	11 040	25 766
	<b>75 900 515</b>	<b>64 274 403</b>	<b>74 911 230</b>	<b>63 269 241</b>
<b>Remuneration of Municipal Manager</b>				
Annual Remuneration	1 147 728	971 984	1 147 728	971 984
Car Allowance	120 000	120 000	120 000	120 000
Other allowances	72 000	87 000	72 000	87 000
13th Cheque	115 232	106 711	115 232	106 711
Statutory contributions	61 916	37 726	61 916	37 726
	<b>1 516 876</b>	<b>1 323 421</b>	<b>1 516 876</b>	<b>1 323 421</b>
<b>Remuneration of Chief Finance Officer</b>				
Annual Remuneration	1 275 221	1 190 740	1 275 221	1 190 740
Other Allowances	12 600	12 600	12 600	12 600
Statutory contributions	39 087	39 087	39 087	39 087
	<b>1 326 908</b>	<b>1 242 427</b>	<b>1 326 908</b>	<b>1 242 427</b>
<b>Remuneration of Director Corporate Services</b>				
Annual Remuneration	866 118	801 930	866 118	801 930
Car Allowance	180 000	180 000	180 000	180 000
Other allowances	12 600	12 600	12 600	12 600
Acting Allowance	-	75 257	-	75 257
13th Cheque	91 260	35 044	91 260	35 044
Statutory contributions	35 043	26 741	35 043	26 741
	<b>1 185 021</b>	<b>1 131 572</b>	<b>1 185 021</b>	<b>1 131 572</b>
<b>Remuneration of Director Infrastructure</b>				
Annual Remuneration	1 209 264	738 957	1 209 264	738 957
Car Allowance	-	184 177	-	184 177
Salary increase paid for 2013/2014	-	29 150	-	29 150
Other allowances	12 600	-	12 600	-
Acting Allowance	-	163 840	-	163 840
Statutory contributions	37 066	51 842	37 066	51 842

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 24. Employee related costs (continued)

	<b>1 258 930</b>	<b>1 167 966</b>	<b>1 258 930</b>	<b>1 167 966</b>
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#### Remuneration of Director District Economic Development

Annual Remuneration	1 050 003	992 107	1 053 003	992 107
Other allowances	12 600	12 600	12 600	12 600
13th Cheque	84 240	66 667	84 240	66 667
Cellphone allowance & leave encashment	36 725	35 043	36 725	35 043
	<b>1 186 568</b>	<b>1 106 417</b>	<b>1 186 568</b>	<b>1 106 417</b>

#### Remuneration of Director Disaster Management

Annual Remuneration	1 056 963	985 440	1 056 963	985 440
Other allowances	12 600	12 600	12 600	12 600
13th Cheque	102 182	80 707	102 182	80 707
Statutory contributions	36 726	35 371	36 726	35 371
	<b>1 208 471</b>	<b>1 114 118</b>	<b>1 208 471</b>	<b>1 114 118</b>

#### Remuneration of the Director Environmental Health

Annual Remuneration	252 720	853 440	252 720	853 440
Car Allowance	-	132 000	-	132 000
Other allowances	3 150	12 600	3 150	12 600
Acting Allowance: N Tenza	325 011	-	325 011	-
13th Cheque	56 160	80 353	56 160	80 353
Statutory contributions and leave encashment	91 774	35 044	91 774	35 044
	<b>728 815</b>	<b>1 113 437</b>	<b>728 815</b>	<b>1 113 437</b>

NP Mosete was appointed from 01 Feb 2014 as Director Environmental Health resigned as at 30 Sept 2015.  
N Tenza act as director from 1 Oktober 2015

#### Dr Kenneth Kaunda District Economic Agency SOC Limited:CEO

Annual Remuneration	-	63 972	-	-
Other	-	3 400	-	-
Statutory contributions and leave encashment	-	21 424	-	-
	<b>-</b>	<b>88 796</b>	<b>-</b>	<b>-</b>

### 25. Remuneration of councillors

Executive Major	819 028	767 909	819 028	767 909
Mayoral Committee Members	4 479 659	3 714 912	4 479 659	3 714 912
Speaker	661 613	553 398	661 613	553 398
Councilors	2 130 520	2 346 220	2 130 520	2 346 220
Councilors' pension contribution	875 449	504 236	875 449	504 236
	-	-	-	-
	<b>8 966 268</b>	<b>7 886 675</b>	<b>8 966 268</b>	<b>7 886 675</b>

Refer to note 41 where details of councillors remuneration are disclosed.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>26. Administrative expenditure - Board allowances</b>				
Board remuneration	429 150	74 900	-	-
Board travel	67 565	22 908	-	-
Board accomodation	3 501	11 140	-	-
Audit & risk committee sittings	51 000	-	-	-
	<b>551 216</b>	<b>108 948</b>	-	-

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>27. Depreciation and amortisation</b>				
Property, plant and equipment	3 726 453	2 737 094	3 676 360	2 714 772
Intangible assets	439 200	493 480	437 597	491 731
	<b>4 165 653</b>	<b>3 230 574</b>	<b>4 113 957</b>	<b>3 206 503</b>

Restatement of depreciation regarding a lease asset that were understated to the amount of R 50 270 in the 2014/2015 financial year.

Impairment of assets shown under Depreciation in the 2014/2015 financial year is now shown separately under impairments.

Depreciation on take-ons to the amount of R 127 096 were included in the amount of R 3 809 455 as disclose in note 2: Property, Plant and equipment.

### 28. Details of impairment loss Property, Plant 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	-	9 967
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	-	10 788
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	-	71 369
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	-	97 210
Computer equipment - Economic agency Computers is old and outdated	-	1 305	-	-
	-	<b>190 639</b>	-	<b>189 334</b>
	-	190 639	-	-
	-	-	-	-

### 29. Finance costs

Finance leases	173 745	68 090	173 745	68 090
Fair value adjustments on credit purchases	227 747	873 607	227 747	873 607
Other interest paid	-	1 104	-	-
	<b>401 492</b>	<b>942 801</b>	<b>401 492</b>	<b>941 697</b>

Restatement of finance lease on G fleet for the 2014/2015 financial year to the amount of R 12 796 from R 55 294 to R 68 090

The average payment period is 34 days and credit purchases has as such discounted at the prime interest+1%.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>30. Debt impairment</b>				
Contributions / (Reversal ) of debt impairment - Non exchange transactions	(873 645)	438 551	(873 645)	438 551
Contributions / (Reversal ) of debt impairment - Exchange transactions	-	(125 000)	-	(125 000)
Contributions / (Reversal ) of debt impairment - Non current : Non - exchange transactions	-	57 451	-	57 451
Net reversal	(808 480)	-	(808 480)	-
<b>Movement in debt impairment</b>	<b>65 165</b>	<b>371 002</b>	<b>65 165</b>	<b>371 002</b>
<b>31. Contracted services</b>				
Information Technology Services	591 158	620 052	591 158	620 052
Other contractors	2 006 214	1 799 134	1 772 192	1 502 976
Fair value adjustment - Credit purchases	(2 702)	(11 305)	(2 702)	(11 305)
	<b>2 594 670</b>	<b>2 407 881</b>	<b>2 360 648</b>	<b>2 111 723</b>

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>32. General expenses</b>				
Bad debt: Economic entity	-	16 350	-	-
Advertising	1 224 329	1 654 713	1 224 329	1 630 016
Assessment rates & municipal charges	1 028 597	936 394	1 010 668	898 450
Audit committee members - Remuneration	640 160	679 098	640 160	679 098
Auditors remuneration	4 001 404	2 812 284	3 534 200	2 376 656
Bank charges	136 811	236 615	124 422	219 226
Business expenses councillors and directors	300 392	295 717	300 392	295 717
Cleaning	2 050	2 200	2 050	2 200
Community based planning	3 915 772	2 686 625	3 915 772	2 686 625
Compensation Commissioner	430 719	432 711	430 719	432 711
Conferences and seminars	2 958 835	3 150 404	2 743 801	3 101 838
Consulting and professional fees	1 238 897	1 341 489	1 165 377	619 466
Consumables	234 159	309 900	231 645	296 308
Entertainment	968 537	1 129 014	955 239	1 120 267
Fines and penalties	14 698	225 802	-	223 979
Events and campaigns	3 005 641	3 900 217	2 972 516	3 900 217
General expenses - Other	1 899 438	2 644 384	1 899 438	2 644 384
Gifts	10 596	37 192	10 596	37 192
Hire	712 255	590 153	712 255	590 153
IDP Review expenses	11 700	47 815	11 700	47 815
Insurance	761 359	263 158	761 359	263 158
Legal fees	2 865 189	3 399 267	2 865 189	3 399 267
Licence fees - Other	55 410	54 911	47 013	53 141
Implementation cost - Economic agency	2 612 113	1 618 887	-	-
Magazines, books and periodicals	721	17 805	721	17 805
VAT collection fees	2 734 985	-	2 734 985	-
Motor vehicle expenses	1 416 267	1 269 168	1 416 267	1 269 168
Office rentals	3 355 868	1 641 086	3 243 151	1 523 634
Municipal public accounts committee expenses	147 408	159 842	147 408	159 842
Pest control	187 099	133 938	165 272	133 938
Postage and courier	7 398	19 966	6 780	19 716
Printing and stationery	1 260 594	1 168 213	1 190 139	1 126 041
Protective clothing	54 668	49 756	54 668	49 756
Public Participation Expenses	834 555	533 925	834 555	533 766
Skills development levy	604 511	515 925	604 511	515 925
Subscriptions and membership fees	922 815	726 217	922 815	726 217
Subsistence and travel	818 828	856 213	686 865	768 941
Telephone and fax	1 623 824	1 639 360	1 578 266	1 584 910
Skill development training	1 240 955	2 749 100	1 203 823	2 749 100
Travel - overseas	-	277 670	-	277 670
Testing of samples - Health	427 099	384 564	427 099	384 564
Training and development - Councillors	59 993	239 940	59 993	239 940
Training and development - Employees	685 160	502 103	649 660	453 603
Fair value adjustment - Credit purchases	(47 855)	(202 393)	(47 855)	(202 393)
	<b>45 271 870</b>	<b>41 147 539</b>	<b>41 437 963</b>	<b>37 850 027</b>
<b>Detail of general expenditure - Other</b>				
Access payment insurance claims	47 860	15 642	47 860	15 642
Air quality management plan	-	539 775	-	539 775
By - law implementation strategy	12 616	6 869	12 616	6 869
Councillors support program	141 049	217 943	141 049	217 943
Emergency operations	-	25 454	-	25 454
Employees wellness	90 620	46 545	90 620	46 545
Environmental management implementation	20 358	263 293	20 358	263 293
Fire fighting foam	-	15 680	-	15 680
Generator fuel and oil	9 000	4 161	9 000	4 161
Hosting and transfer of GIS info	-	21 524	-	21 524

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>32. General expenses (continued)</b>				
Integrated waste management plan	1 448 269	1 294 828	1 448 269	1 294 828
Maintenance of audit systems	17 742	98 362	17 742	98 362
Records management	27 500	-	27 500	-
Strategic planning expenditure	16 981	14 277	16 981	14 277
Subscription fees	9 191	8 933	9 191	8 933
Team building	-	11 748	-	11 748
Toll road fees	58 253	59 350	58 253	59 350
	<b>1 899 439</b>	<b>2 644 384</b>	<b>1 899 439</b>	<b>2 644 384</b>
<b>33. Fair value adjustments</b>				
Other financial assets - Listed shares: Sanlam				
Other financial assets (Designated as at FV through P&L)	(6 709)	5 442	(6 709)	5 442
<b>34. Auditor's remuneration</b>				
Fees	4 001 404	2 812 284	3 534 200	2 376 656

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>35. Operating leases</b>				
<b>Details of leases - liability</b>				
Lease office space - Tlokwe	1 917	3 347	1 917	3 347
Lease office space - Orkney	137 651	133 350	137 651	133 350
Lease office space - Ventersdorp	1 240	-	1 240	-
	<b>140 808</b>	<b>136 697</b>	<b>140 808</b>	<b>136 697</b>
<b>Minimum lease payments due</b>				
Within 1 year	1 947 176	1 796 214	1 947 176	1 784 574
In the second to fifth year inclusive	39 918	1 891 655	39 918	1 891 655
	<b>1 987 094</b>	<b>3 687 869</b>	<b>1 987 094</b>	<b>3 676 229</b>

**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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 35. Operating leases (continued)

#### Lease of office building - Environmental 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 and from 1 Sept 2015 to 30 August 2016.
- 5.The monthly lease amount as per the agreement is R 31 943.06 (Excl VAT), a 6% escalation was agreed on in the lease.

#### Lease of office building - Environmental Health.

The municipality lease office space from Ventersdorp Municipality.

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.Ventersdorp Municipality shall maintain and insure the building.
- 4.The agreement was effective from the 1July 2015 and the period for the lease was 3 years up to 30 June 2018
- 5.The monthly lease amount as per the agreement is R R 1000, a10% escalation was agreed on in the lease.

Operating lease payments represent rentals payable by the agency for certainof its office properties. Leases were bases on a fixed contract up to 31 July 2015, subsequently it will be negotiated on a month to month basis. No contingent rent is payable.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>36. Cash used in operations</b>				
Deficit	(98 936 787)	(36 064 305)	(99 521 960)	(38 542 347)
<b>Adjustments for:</b>				
Depreciation and amortisation	4 165 653	3 184 130	4 113 957	3 160 060
Gain on disposal of assets	-	(13 350)	-	(13 350)
Loss on disposal of assets	26 898	93 947	26 898	93 947
Provision for leave reserve	2 240 773	1 340 860	2 240 773	1 324 517
Proceeds on disposal of assets	(75 000)	-	(75 000)	-
Fair value adjustments - shares	6 709	(5 442)	6 709	(5 442)
Finance costs - Finance leases	173 745	68 090	173 745	68 090
Impairment deficit	-	190 639	-	189 334
Impairment losses - Provision for doubtful debt:	-	(125 000)	-	(125 000)
Exchange transactions				
Impairment losses - Provision for doubtful debt:	(1 246 470)	438 551	(1 246 470)	438 551
Non exchange transactions				
Impairment losses - Provision for doubtful debt:	65 165	57 451	65 165	57 451
Non current (Escom deposits)				
Movements in operating lease liability	4 111	130 131	4 111	130 131
Movements in post - retirement medical aid liability and long service awards liability -current	62 862	9 015	62 862	9 015
Movements in post - retirement medical aid liability and long service awards liability - non current	(857 009)	659 448	(857 009)	659 448
Transfer completed projects to local municipalities	35 016 560	-	35 016 560	-
<b>Changes in working capital:</b>				
Receivables from non-exchange transactions	(5 122 311)	(1 468 827)	(5 122 311)	(1 468 827)
Other receivables from exchange transactions	237 070	491 633	237 070	479 642
Payables from exchange transactions	(7 188 536)	1 680 615	(6 833 836)	1 296 488
VAT	10 530 518	(8 661 956)	10 613 338	(8 556 127)
Payables from non-exchange transactions	870 984	-	15 611	-
Unspent conditional grants and receipts	140 977	(1 451 046)	140 977	(1 451 046)
	<b>(59 884 088)</b>	<b>(39 445 416)</b>	<b>(60 938 810)</b>	<b>(42 255 465)</b>

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 37. Financial instruments disclosure

#### Categories of financial instruments

##### Group - 2016

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	173 354	-	173 354
Receivables from non-exchange transactions	-	8 270 853	-	8 270 853
Cash and cash equivalents	-	10 717 777	-	10 717 777
Listed investments	58 631	-	-	58 631
Investments in controlled entities	-	-	120	120
	<b>58 631</b>	<b>19 161 984</b>	<b>120</b>	<b>19 220 735</b>

##### Financial liabilities

	At amortised cost	Total
Finance lease obligations	1 129 949	1 129 949
Payables from exchange transactions	24 924 132	24 924 132
Payable from non-exchange transactions	871 823	871 823
	<b>28 055 853</b>	<b>26 925 904</b>

##### Group - 2015

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	410 424	-	410 424
Receivables from non-exchange transactions	-	1 902 073	-	1 902 073
Cash and cash equivalents	-	89 179 856	-	89 179 856
Investments in controlled entities	-	-	120	120
Listed investments	65 340	-	-	65 340
	<b>65 340</b>	<b>91 492 353</b>	<b>120</b>	<b>91 557 813</b>

##### Financial liabilities

	At amortised cost	Total
Finance lease obligations	1 623 332	1 623 332
Payables from exchange transactions	29 871 895	29 871 895
Payable from non-exchange transactions	839	839
	<b>31 496 066</b>	<b>31 496 066</b>

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>38. Commitments</b>				
<b>Authorised capital expenditure</b>				
<b>Total approved and contracted for (VAT exclusive)</b>				
Infrastructure - Other	258 478	32 907 057	258 478	32 907 057
Broadband WI-FI	15 871 631	-	15 871 631	-
	<b>16 130 109</b>	<b>32 907 057</b>	<b>16 130 109</b>	<b>32 907 057</b>
<b>This expenditure will be financed from:</b>				
Own resources	16 130 109	32 907 057	16 130 109	32 907 057

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 39. Contingencies

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

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

#### Disclosure of contingent liabilities and assets

The following contingent liabilities liabilities and assets exist.

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

#### Contingent liabilities

Batting Development Products against Dr KKDM	5 080 858	5 080 858	5 080 858	5 080 858
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Nature of dispute - Breach of contract that was into between Dr Kenneth Kaunda District Municipality and Batmaster during 2009  
Status of case - On 30 September 2015, a notice of Set down was served on LV Attorneys and the matter has been set down for 16 June 2016.

On 29 January 2016, a letter was addressed to the Attorneys, wherein a meeting with the Attorneys in order to discuss the prospects of this matter.

Progress: The Attorneys attended a meeting with the Plaintiff Attorneys and the settlement was proposed, in terms of which the Plaintiff will withdraw their claim and the defendant would also withdraw their counterclaim and each party will pay their own costs. We have not received the response from the Plaintiff.  
Estimated financial effect R 5 080 858

M Kgauwe against Dr KKDM	170 000	170 000	170 000	170 000
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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 R170000

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>39. Contingencies (continued)</b>				
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	330 000	330 000	330 000	330 000
MB Molefe against Dr KKDM Nature of dispute - Unfair labour practice Status of case - The matter is pending, ULP JS 57712013	175 000	175 000	175 000	175 000
MB Molefe against Dr KKDM Nature of dispute - review application at labour court JR 2702/2014	265 000	265 000	265 000	265 000
MB Molefe against Dr KKDM Nature of dispute - Claim of annual leave days. Status of case - On 8 June 2015 the Office of the Legal Manager received summons from the Sheriff Orkney. The Summons were issued by the registrar North Gauteng High Court. The Plaintiff in the matter is Mr. MB Molefe and the 1st respondent is cited as DR. Kenneth Kaunda District Municipality and the 2nd respondent is Matlakala Irene Matthews.	225 099	225 099	225 099	225 099
MB Molefe against Dr KKDM The plaintiff referred a matter of defamation to the North Gauteng High Court against the Dr Kenneth Kaunda District Municipality The plaintiff is claiming an amount of R 1000000	1 000 000	1 000 000	1 000 000	1 000 000
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	50 000	-	150 000	-
MB Molefe against Dr KKDM J844/2014 Nature of dispute: Unfair labour practice	175 000	175 000	175 000	175 000
MB Molefe against Dr KKDM J1042/2015 Nature of dispute: Unfair labour practice Labour court	90 000	90 000	90 000	90 000
DM Sithole and 18 others Nature of dispute: Unfair labour practice	175 000	175 000	175 000	175 000
RR Japhta against DR KKDM Nature of dispute - The employee lodge a grievance with the bargaining council. The matter was referred for arbitration and set down for 21 August 2015 Case no NWD071501			-	-

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>39. Contingencies (continued)</b>				
Balemi Civils (Pty) Ltd against Dr KKDM 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	1 667 013	1 667 013	1 667 013	1 667 013
MW Asset Rentals (Pty) Ltd against Dr KKDM Nature of dispute - Status date: DRKKDM cancelled the Master Rental Agreement with Bakopane Information Systems CC t/a Toshiba Office systems and Technology. The agreement was entered into during the month of October 2009 and it was for the rental of photocopy machines, printers and faxes. The right of the Master Rental Agreement were then ceded by Toshiba to Merchant West Asset Rentals (MW Rentals).  The Auditor General Report for the year end 30 June 2010, indicated that procurement procedures were not properly followed in the appointment of Toshiba.  On 27 February 2012 the agreement between DRKKDM and MW rentals was then cancelled due to the fact that the agreement was not valid as proper procurement procedures were not followed. On 2 October 2012 MW Rentals issued summons against DRKKDM wherein an amount of R318 461.07 was claimed.  Progress: The matter has been set down for trial for 3 March 2017	318 461	318 461	318 461	318 461
Charmayn Steyn against Dr KKDM Nature of dispute - Unfair labour practice. Amount requested by plaintiff: R 170 000	170 000	170 000	170 000	170 000
Charmayn Steyn against Dr KKDM Nature of dispute - Unfair labour practice. Amount requested by plaintiff: R 170 000	170 000	170 000	170 000	170 000
CMH / TA First car rental against Dr KKDM Nature of dispute - The summons was issued on 21 June 2016, at the South Gauteng High Court. The Attorneys have filed a notice of intention to defend. The amount claimed is 239 486.33 and a damages claim in the amount of 19 323.33  Progress:  The Attorneys have filed a plea with the South Gauteng High Court.	258 809		258 809	-

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 39. Contingencies (continued)

F Malongoa against Dr KKDM

Nature of dispute - Unfair labour practice, Unfair suspension.

The matter is handled internally by the Manager Legal. The employee was on paid suspension. The estimated cost would be to the discretion of the Commissioner for compensation.

BM Mothhogae against Dr KKDM

Nature of dispute - Unfair dismissal.

Reinstatement of the employee to employment. The cost would be the salary of the employee would have earned during the months of dismissal.

#### Contingent Assets

DR KKDM against Amadeka Trading

Enterprise CC

Nature of dispute - Status date: Various payments were made to Amadeka trading Enterprises totaling to an amount of R883 693.30.

Amadeka Trading had not rendered any services to DRKKDM in order to justify the above mentioned payments Various payments were made to Amadeka trading Enterprises totaling to an amount of R883 693.30.

On 5 November 2013, summons were against Amadeka Trading and amount of R883 639.30.

Default judgement was obtained against Amadeka and writ of execution was issued, a return of non-service was obtained from the Sheriff.

Progress:

There has not been any progress in this matter. The status quo remains.

Amount requested: R 883 639

	883 639	883 639	883 639	883 639
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# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>39. Contingencies (continued)</b>				
Dr KKDM against Bareng Rasego Trading Enterprise Status date: Various payments were made to Bareng Resego totaling to an amount of R538 830.00. The company had not rendered any services to DRKKDM in order to justify the above mentioned payments made.	538 830	538 830	538 830	538 830
On 24 March 2014 a summary judgment was granted in favour of DRKKDM.				
A writ of execution against the movable property of Bareng Resego Trading was obtained.				
Progress: There has not been any progress in this matter, the status quo remains. 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	550 000	550 000	550 000	550 000
DR KKDM against Bemhani Civils Status date: On 20 March 2013 a letter of demand was served on Bemhani to recover the monies due to the council: Estimated financial effect R 359 385	395 385	395 385	395 385	395 385
DR KKDM against Big Break legacy Project team Status date: A letter of demand was served on Big Break Legacy Project Team to recover the monies due to the council: Estimated financial effect R 10 000 000. The estimate cost is R 2 000,000	10 000 000	10 000 000	10 000 000	10 000 000
<b>Settlement paid</b> 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	-	46 403
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: Settlement amount agreed to R50 000	50 000	-	50 000	-

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>39. Contingencies (continued)</b>				
Ester Phillips against DR KKDM	55 000	-	55 000	-
Nature of dispute - Unfair dismissal				
On 15 July 2015 the matter was finalized, settled at arbitration. Case no NWD 21508: Settlement amount agreed to R55 000				

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 40. 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 7
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 till 30 Sept 2015 N Tenza - Acting Director Health Services as from 1 Oct 2015

### Related party balances

#### Investment

Dr Kenneth Kaunda Economic Agency	120	120
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### Related party transactions

Grants paid to the Dr Kenneth Kaunda District agency regarding projects for the 2014/2015 financial year not deemed to be related party transactions and as such not be disclosed.

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

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 41. 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 -	170 238	53 570	20 868	-	-	244 676
MJEKULA NW						
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
	<b>4 712 916</b>	<b>1 490 602</b>	<b>359 102</b>	<b>810 990</b>	<b>513 065</b>	<b>7 886 675</b>

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 41. Transactions with Councillors (continued)

#### Remuneration to Municipal Councillors for 2016

	Salary Allowance	Travelling	Telephone	Medical aid & Pension Contribution	Sitting Allowances	Total
MOLOI BE - Executive Mayor	749 622	-	31 968	37 438	-	819 028
ZEPHE M - Speaker	387 983	152 624	31 968	89 038	-	661 613
MARTINS MI	341 710	143 086	31 968	105 498	-	622 262
MATABOGO MM	356 515	143 086	31 968	90 694	-	622 263
ADOONS NG	353 547	143 086	31 968	93 662	-	622 263
NDINCEDE K	362 463	143 086	31 968	84 745	-	622 262
LEHLOO TK	343 842	143 086	31 968	103 366	-	622 262
MATINYANE MW	230 487	89 367	15 489	41 699	-	377 042
MOGALE OM	267 324	85 735	15 984	-	-	369 043
KOLOTI NM	350 566	143 086	31 968	96 642	-	622 262
MONTOEDI SD (MPAC CHAIR)	67 218	-	-	-	-	67 218
Other Councillors - MJEKULA NW	179 886	57 348	31 968	-	-	269 202
VAN ZYL KL	179 886	57 348	31 968	-	-	269 202
NKATLO SS	179 886	57 348	31 968	-	-	269 202
SEDUKU PM	124 804	57 349	31 968	55 081	-	269 202
SEAKANE KS	-	-	-	-	51 948	51 948
MALETE NG	-	-	-	-	27 898	27 898
MULLER GJ	-	-	-	-	7 696	7 696
COETZER CJ	-	-	-	-	42 328	42 328
SISHUBA	-	-	-	-	60 606	60 606
TAGAREE FI	-	-	-	-	78 884	78 884
POSTMA EM	-	-	-	-	72 150	72 150
LESIE SJ	-	-	-	-	41 366	41 366
RAMPHELE GA	-	-	-	-	77 922	77 922
MASEKO NM	-	-	-	-	26 936	26 936
GROENEWALD IM	-	-	-	-	21 164	21 164
LOOTS FA	-	-	-	-	6 734	6 734
GWILI D	-	-	-	-	20 202	20 202
DAVEL DL	154 708	57 349	31 315	25 178	-	268 550
MANELI KM	-	-	-	-	10 582	10 582
HART T	-	-	-	-	19 240	19 240
MOLAPISI MS	-	-	-	-	52 910	52 910
WILLEMSE AD	179 887	57 349	31 668	-	-	268 904
MPUKWANA MB	-	-	-	-	75 036	75 036
MOKGOTHU MB	154 708	57 349	31 968	25 178	-	269 203
SKOZANA	-	-	-	-	15 392	15 392
BOGATSU SJP	154 708	57 349	31 968	27 230	-	271 255
THELEJANE MA	-	-	-	-	26 936	26 936
BONTSI MM	-	-	-	-	48 100	48 100
	<b>5 119 750</b>	<b>1 645 031</b>	<b>542 008</b>	<b>875 449</b>	<b>784 030</b>	<b>8 966 268</b>

Refer to note 25

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 42. Change in estimate

#### Property , plant and equipment

At July 2014, the municipal entity took a decision as result of the roject undertaken to reassess the useful lives and residual values, to change the depreciation useful lives of the following movable assets:

Computer equipment	From 6 to 3-8 years
Furniture and fittings	From 6 to 8 years
Telephone equipment	From 6 to 8 years

The impact is as follows:

#### 2015

Decrease in depreciation expenses

Gross: R54 734

Net: R54 734

At 1 July 2015, the municipal entity took a decision as result of the roject undertaken to reassess the useful lives and residual values, to change the depreciation useful lives of the following movable assets:

Computer equipment	From 6 to 3-8 years
Furniture and fittings	From 6 to 8 years
Telephone equipment	From 6 to 8 years

The impact is as follows:

#### 2016

Decrease in depreciation expenses

Gross: R10 813

Net: R10 813

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# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>43. Prior period errors</b>				
The correction of the error(s) results in adjustments as follows:				
<b>Statement of financial position</b>				
Trade and other payables: - Exchange transactions 2013/2014	-	54 143	-	54 143
Trade and other payables: Exchange transactions	-	(46 027)	-	(46 027)
Finance lease liabilities: Current	-	31 746	-	31 746
Finance lease liabilities: Non - current	-	23 849	-	23 849
Property plant & equipment - Buildings	-	(312 620)	-	(312 620)
Property plant & equipment - Motor vehicles	-	(68 391)	-	(68 391)
Property plant & equipment - Accumulated depreciation; Motor vehicles 2014/2015	-	(50 270)	-	(50 270)
Property plant & equipment - Accumulated depreciation: Buildings 2014/2015	-	46 443	-	46 443
Accumulated surplus prior 2014/2015	-	212 034	-	212 034
Accumulated surplus	-	109 093	-	109 093

<b>The effect on the Statement of Financial Position as at 30 June 2015.</b>	Balance 30 June 2014	Restatements 2014	Restated balance 30 June 2014	New Restated opening balance 30 June 2015	Restated amount 30 June 2015	Restated Balance 30 June 2015
Property, plant & equipment	-	-	-	37 952 942	(431 282)	37 521 660
Payables from exchange transactions	(26 902 921)	54 143	(26 848 7)	(29 878 374)	6 749	(29 871 625)
Finance lease liabilities: Current	-	-	-	(581 803)	31 746	(550 057)
Finance lease liabilities: Non - current	-	-	-	(1 097 123)	23 848	(1 073 275)
Accumulated surplus	(146 673 702)	320 320	(146 353 382)	(96 973 975)	367 570	(96 606 405)
				-	-	-

### The effect on the Statement of Financial Performances at 30 June 2015

Deficit for the year - Previous reported	-	(35 955 213)	-	(38 433 253)
General expenditure: Congress and conferences	-	(46 027)	-	(46 027)
Depreciation	-	(50 270)	-	(50 270)
Finance cost	-	(12 796)	-	(12 796)
Adjusted deficit	-	(36 064 306)	-	(38 542 346)

### Restatement of Property, plant & equipment as at 30 June 2015

Statement of financial position - Property, plant & equipment at cost	-	(68 391)	-	(68 391)
Statement of financial position - Lease liability : Current	-	31 746	-	31 746
Statement of financial position - Lease liability : Non -current	-	23 849	-	23 849
Statement of financial performance - Finance cost	-	12 796	-	12 796
	-	-	-	-

Restatement of lease asset as at 30 June 2015 overstated to the amount of R 68 391

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>43. Prior period errors (continued)</b>				
<b>Restatement of depreciation not recognised as at 30 June 2015 regarding lease asset</b>				
Statement of financial performance - Depreciation	-	50 270	-	50 270
Statement of financial position - Property, Plant & Equipment Accumulated depreciation	-	(50 270)	-	(50 270)
	-	-	-	-

Depreciation for 2014/2015 restated on correction of PPE to the amount of R 50 271 due to lease asset overstated in the Asset register as at 30 June 2015.

### Transactions affecting the restatement of creditors for the year 30 June 2014

Statement of financial position - Trade creditors	-	54 143	-	54 143
Accumulated surplus: Opening balance 1 July 2013	-	(54 143)	-	(54 143)
	-	-	-	-

Restatement of creditors for the 2013/2014 financial year.

### Transactions effecting payables from exchange transactions as at 30 June 2015

Statement of changes in net assets	-	(46 027)	-	(46 027)
Statement of financial performance - General expenses	-	46 027	-	46 027
	-	-	-	-

Restatement of congress and conferences expenses for 2014/2015 financial year .

### Restatement of Property, Plant & Equipment : Depreciation on buildings prior 2014/2015

Statement of financial position; Buildings	-	(312 620)	-	(312 620)
Accumulated surplus ; Opening balance 1 July 2014	-	266 177	-	266 177
Statement of financial performance; Accumulated depreciation 2014/2015	-	46 443	-	46 443
	-	-	-	-

Restatement of depreciation on buildings due to that buildings should depreciate over 25 years and not over 30 years according to accounting policy.

## 44. Risk management

### Capital risk management

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

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

#### 44. Risk management (continued)

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

Consistent with others in the industry, the group 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 group manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

#### Gearing ratio:

The gearing ratios at 2016 and 2015 respectively were as follows:

Less: Cash and cash equivalents	11	(10 717 778)	(89 179 856)	(4 379 399)	(83 893 762)
Net debt		(10 717 778)	(89 179 856)	(4 379 399)	(83 893 762)
Total equity		(2 333 380)	96 606 404	(8 251 839)	91 273 119
Total capital		(13 051 158)	7 426 548	(12 631 238)	7 379 357
Gearing ratio		(206,23)%	92,01 %	(343,46)%	91,60 %

#### Financial risk management

The group'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 manageable.

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.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 44. Risk management (continued)

#### Municipality

At 30 June 2016	Less than 1 year	Between 1 and 5 years inclusive	Over 5 years
Trade and other payables from exchange transactions	24 924 132	-	-
Trade and other payables from non - exchange transactions	871 823	-	-
Finance lease liability	644 558	485 391	-

  

At 30 June 2015	Less than 1 year	Between 1 and 5 years inclusive	Over 5 years
Trade and other payables from exchange transactions	29 871 895	-	-
Trade and other payables from non - exchange transactions	839	-	-
Finance lease liability	550 057	1 073 275	-

#### Interest rate risk

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

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

#### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	1,20 %	5 938 365	-	-	-	-
Call investment deposits	6,50 %	4 771 774	-	-	-	-

#### 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 exposed to any significant credit risk.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 44. Risk management (continued)

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 non - exchange transactions.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	Group - 2016	Group - 2015	Municipality - 2016	Municipality - 2015
Investments	58 631	65 340	58 631	65 340
Call investment deposits	4 771 774	79 767 127	-	75 000 000
Investments in associates	-	-	120	120
Receivables from non-exchange transactions	8 270 853	1 902 073	8 270 853	1 902 073
Receivables from exchange transactions	173 354	410 424	151 440	388 510
Bank balances and cash	5 946 004	9 412 729	4 379 399	8 893 762

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

### Price risk

The group is exposed to equity price risk because of investments held by the group 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 investments classified as at fair value.

### 45. Going concern

We draw your attention that at 30 June 2016, the municipality had accumulated deficits of (8 251 839) and that the municipality's total liabilities exceed its assets by (8 251 839). It should be noted that if we remove provision for leave out of this equation, then the municipality would have a positive surplus. Our employee cost to revenue ratio is 46%, which is typical for a district that is not a water service authority. This ratio should be kept below 50%.

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 accumulated surplus decrease drastically in the past financial year from R91 585 740 to a negative accumulated surplus of R (7 842 743). The large surplus was a function of material underspending over a number of years when substantive senior managers were not appointed. Thus the reduction of the positive surplus was budgeted for in order to finalise the implementation of the 5 year IDP of the outgoing administration.

While the KKDM remains viable, the tight financial position of the Municipality cannot be underestimated. The gap between the increase in equitable share and the actual increase in the cost of operating the Municipality (2.4% versus an actual cost of 8%) is annually reducing the capacity of the municipality at an average rate of 5% of its total budget. In real terms, we have approximately R15m less to spend every year for the same operations.

Over the last few years the capital budget has been reduced to a negligible amount. Currently operations are negatively affected, with operational programs and projects being affected most. Without implementing the council approved Revenue Enhancement Strategy and the Cost Containment Programme in place, the Municipality will be rendered unsustainable.

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

### 45. Prior period errors (continued)

As a District Municipality based on our powers and functions we are completely grant dependent. No other main revenue source is obtainable. Over the last 6 years, as a result of the global financial economy constraints, National Treasury downscaled and implemented austerity measures which resulted in the reduction of our main source of revenue, the Equitable share. It is as a result of the global financial constraint that the equitable share over the last 6 years were reduced far lessor than the CPI for each financial period. In addition salary increases for the South African Local Bargaining Council was implementing salary increases more than the equitable share growth allocated to municipalities over the last 6 years –unsustainable to municipalities. The reduction has been reported to Council and Provincial Treasury as our revenue source diminished. The municipality performs daily, weekly and monthly cash flow reconciliations with projections to ensure that we are able to meet our obligations based on the grants received. The grants has been ring-fenced and are adequately apportioned for its main purpose. The municipality adopted a pro-poor budgeting approach and followed National Treasury budget guide as a principle for provision on depreciation and employee cost. Additional text

The concerns raised by the Audit Committee and Auditor-General over the 'going concern' are a valid concern that must be addressed. Stringent restrictions in non-essential expenditure must be maintained. Expenditure on travel, conferences etc. should also be approved on a prioritised and selective basis. The salary budget remains excessive in relation to the services and functions of the municipality. The financial model for the District Municipality dictates that the institutional structure may need to be continuously shrunk to ensure on-going viability. Not all vacancies on the organogram will be filled, as only certain strategic and operationally critical posts have been budgeted for

We draw further attention to the fact that at 30 June, 2016, the municipality's current liabilities exceed its current assets with R (2 333 3380). Further note, that not all the Municipality's reserves and liabilities are cashbacked.

### 46. Events after the reporting date

### 47. Unauthorised expenditure

Unauthorised expenditure	37 848 620	-	37 848 620	-
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# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>48. Fruitless and wasteful expenditure</b>				
Opening Balance	10 607 737	174 590	10 357 980	134 001
Fruitless and wasteful expenditure	14 698	10 433 147	-	10 223 979
	<b>10 622 435</b>	<b>10 607 737</b>	<b>10 357 980</b>	<b>10 357 980</b>
<b>Details of Fruitless &amp; wasteful expenditure – Current year</b>				
Interest and penalty charges: SARS	8 320	225 802	-	223 979
Interest: Telkom	1 578	754	-	-
Interest : Auditor General	4 800	-	-	-
Payment prepaid due to nature of production industry and as per SLA. However at year end no services have been rendered. 2014/2015	-	10 000 000	-	10 000 000
VAT not claimable on registered supplier	-	195 341	-	-
Cancellation of services to Sibahle Sihelele Trading (Pty) Ltd	-	11 250	-	-
	<b>14 698</b>	<b>10 433 147</b>	<b>-</b>	<b>10 223 979</b>
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				
<b>Details of Fruitless &amp; wasteful expenditure – recoverable (not write off)</b>				
Penalties - Late for flights - Prior years	-	-	-	2 803
Loss of petty cash - Prior years	-	-	-	594
	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 397</b>
<b>Details of fruitless and wasteful expenditure - to be addressed by MPAC</b>				
Opening Balance	10 607 737	-	10 357 980	-
Absa lease - Samsung telephone system 2011/2012	-	56 018	-	56 018
Absa lease - Samsung telephone system 2012/2013	-	56 018	-	56 018
Penalty fee - Postponement of strategic planning session	-	19 762	-	19 762
Loss of petty cash	-	2 203	-	2 203
Opening Balance - Agency	-	40 589	-	-
Interest: Late payment to SARS - 2014/2015	-	223 979	-	223 979
Payment prepaid due to nature of production industry and as per SLA. However at year end no services have been rendered. 2014/2015	-	10 000 000	-	10 000 000
Interest: Telkom 2014/2015: Agency	1 578	754	-	-
Cancellation of services to Sibahle Sihelele Trading (Pty) Ltd: 2014/2015 - Agency	-	11 250	-	-
VAT not claimable on registered supplier: 2014/2015 - Agency	-	195 341	-	-
Interest and penalty charges: SARS: 2014/2015 - Agency	8 320	1 823	-	-
Interest : Auditor General: 2014/2015 - Agency	4 800	-	-	-
	<b>10 622 435</b>	<b>10 607 737</b>	<b>10 357 980</b>	<b>10 357 980</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>				
Opening balance	10 607 737	-	10 357 980	-

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>48. Fruitless and wasteful expenditure (continued)</b>				
Prior years: 2011/2012	-	56 018	-	56 018
Prior Years: 2012/2013	-	118 572	-	77 983
Prior Years: 2014/2015	-	10 433 147	-	10 223 979
Current year	14 698	-	30 242	-
	<b>10 622 435</b>	<b>10 607 737</b>	<b>10 388 222</b>	<b>10 357 980</b>

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>49. Irregular expenditure</b>				
Opening balance	12 122 288	10 337 381	9 162 095	7 955 568
Add: Irregular Expenditure - current year	9 028 792	9 204 156	8 668 284	8 625 776
Less: Amounts condoned and written off	-	(7 419 249)	-	(7 419 249)
<b>Amounts not yet write off</b>	<b>21 151 080</b>	<b>12 122 288</b>	<b>17 830 379</b>	<b>9 162 095</b>

### Analysis of expenditure awaiting condonation per age classification

Opening Balance	12 122 288	2 381 813	9 162 095	-
Current year	9 028 792	-	9 028 792	-
Prior year: 2011/2012	-	26 422	-	26 422
Prior year: 2012/2013	-	29 500	-	29 500
Prior year: 2013/2014	-	480 397	-	480 397
Prior year: 2014/2015	-	8 625 776	-	8 625 776
Prior year: 2014/2015: Dr KKDM Economic Entity	-	578 380	-	-
	<b>21 151 080</b>	<b>12 122 288</b>	<b>18 190 887</b>	<b>9 162 095</b>

### Details of Irregular Expenditure – Current year

Procurements of laptops, desktops and related peripherals for employees	(Contrary to section 12(1)(d) and 19(a) of the SCM policy	398 176
Expenditure with transactions value between R 2000 and R 200 000 incurred without 3 written quotations - Dr KKDM Economic agency	(Contrary to section 36 1 (a) (v))	360 508
Installing a 12 Seater customer call centre - Ikangeng Solutions cc	Contrary to supply chain regulation 36, 1 (a) (v)	8 242 812
Over payment on upperlimits	Contrary to upperlimits of the remuneration of the public office bearers act	27 296
		<b>9 028 792</b>

### Details of Irregular Expenditure recoverable - not write off

Prior years: Information sharing centre - Kunengambo guest house cc	-	-	-	10 170
Prior years: Literacy competition - Sound CD productions	-	-	-	9 950
Prior years: Literacy competition Ziyaduma perform	-	-	-	20 000
	-	-	-	<b>40 120</b>

### Details of Irregular Expenditure write off ( outcome disciplinary action)

Prior years: Training of fire fighters	-	-	-	824 010
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# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015
<b>49. Irregular expenditure (continued)</b>				
<b>Details of Irregular Expenditure - Not addressed by MPAC</b>				
Opening Balance	12 122 288	2 381 813	9 162 095	-
Prior years 2011/2012: Printing of agendas for Council in an emergency situation	-	26 422	-	26 422
Prior years 2012/2013: Boitshoki roofing - Double payment	-	29 500	-	29 500
Prior years 2013/2014: Printing annual Reports 2012/2013 Agency	-	113 161	-	113 161
Prior years 2013/2014: Flight, travelling and accommodation arrangements - Portion not condoned (R1 137 987 - 770 751)	-	367 236	-	367 236
Installing a 12 Seater customer call centre - Ikangeng Solutions cc	-	8 625 776	-	8 625 776
Advertising for less than 14 days: Agency	-	280 000	-	-
Expenditure with transaction value between R 2000 and R 200000: Agency	-	55 915	-	-
No competitive bidding process followed for procurement exceeding R 200000: Agency	-	242 465	-	-
Current year: Irregular expenditure	9 028 792	-	8 668 284	-
	<b>21 151 080</b>	<b>12 122 288</b>	<b>17 830 379</b>	<b>9 162 095</b>

No criminal or disciplinary steps were taken in recovery of irregular expenditure disclosed.

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

### Contributions to organised local government

Opening balance	(876 962)	(791 794)	(876 962)	(791 794)
Current year subscription / fee	876 962	791 794	876 962	791 794
Amount paid - for year started 1 July	(746 971)	(876 962)	(746 971)	(876 962)
	<b>(746 971)</b>	<b>(876 962)</b>	<b>(746 971)</b>	<b>(876 962)</b>

### Audit fees

Opening balance	4 001 404	2 812 284	3 534 200	2 376 656
Current year subscription / fee	(4 001 404)	(2 812 284)	(3 534 200)	(2 376 656)
	-	-	-	-

### PAYE and UIF

Opening balance	15 506 520	12 973 895	15 500 573	12 967 035
Current year subscription / fee	(15 506 520)	(12 973 895)	(15 500 573)	(12 967 035)
	-	-	-	-

### Pension and Medical Aid Deductions

Opening balance	9 157 381	8 935 206	9 157 381	8 935 206
Current year subscription / fee	(9 157 381)	(8 935 206)	(9 157 381)	(8 935 206)
	-	-	-	-

# Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	Group		Municipality	
	2016	2015	2016	2015

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

#### VAT

VAT receivable	4 493 682	15 024 200	4 062 894	14 676 232
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VAT output payables and VAT input receivables are shown in note .

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

### 51. 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 (A) for detail refer to as note 51 to the amount of R 987 421