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Dr Kenneth Kaunda District Municipality
Consolidated annual financial statements
for the year ended 30 June 2017
Published 29 September 2017

General Information

Mayoral committee

Executive Mayor	BE MOLOI (till 2 August 2016) Alderman BE MOSIANE(From 3 Aug 2016)
Councillors	M ZEPHE Speaker (TIL 2 AUG 2016),DP MASUI (FROM 3 AUG 2016)
	NM KOLOTI Single whip (FROM 3 AUG 2016)
	OM MOGALE (Financial services) from 31 May 2016 (Corporate services and administration (till 2 Aug 2016) MM MOJAHI (From 3 Aug 2016)
	WM Matinyane (Corporate Services) from 31 May 2016 (Sports, Arts and Culture) (till 15 June 2016) ZE Mphafudi (From 3 Aug 2016)
	K Ndincede (Health and Social Services) from 31 May 2016 (Public Works and Transport) (till 2 AUG 2016) SP Valiphatwa (From 3 AUG 2016)
	NM Koloti (District Economic Development) from 31 May 2016 (Financial Services) (till 2 AUG 2016) M Zephe (From 3 AUG 2016)
	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) (till 2 AUG 2016) MI Martins (From 3 AUG 2016)
	MM Mataboge (Sports, Arts and Culture) from 31 May 2016 (Rural Development Special Projects) (till 2 AUG 2016)
	TK Lehloo (Rural Development Special Projects) from 31 May 2016 (District Economic Development) till 2 AUG 2016) HN Mbele (From 3 AUG 2016)
	D Montoedi (Chairperson MPAC) (till 2 AUG 2016) NG Adoons (From 3 AUG 2016)
Part - Time Councillors	DL Davel (till 2 Aug 2016)
	TB Mpukwana (till 2 Aug 2016)
	T Hart (till 2 Aug 2016)
	CJ Coetzer
	IM Groenewald
	SJ Lesie (till 2 Aug 2016)
	NM Maseko (till 2 Aug 2016)
	MA Thelejarne (till 2 Aug 2016)
	NG Malete (till 2 Aug 2016)
	MM Bontsi (till 2 Aug 2016)
	GJ Muller (till 2 Aug 2016)
	EM Postma
	GA Ramphele (till 2 Aug 2016)
	KS Seakane (till 2 Aug 2016)
	LG Molapisi (till 2 Aug 2016)
	FI Tagaree (till 2 Aug 2016)
	D Gwili
	TB Mpukwana (till 2 Aug 2016)
	AL Combrinck (till 2 Aug 2016)
	B Tsabedze
	HF Saudi
	LM Lebenya - kortjaas
	LL Cutswa
	SL Moremi

General Information

SL Mondlana
K Ndincede
JJ Le Grange
CJ Bester
ME Mosweu
AS Motladiile
PZ Lesomo
G Mosenogi
P Morulane
SF Du Toit
PT Mokgabi
IR Dintwe
LS Tatabang
GA Mohoemang

Directly Elected Councillors

SB Mokgothu (till 2 Aug 2016)
AD Willemse (till 2 Aug 2016)
NW Mjekula (till 2 Aug 2016)
PM Seduku (till 2 Aug 2016)
KL van Zyl
MS Sishuba (till 2 Aug 2016)
SPJ Bogatsu (till 2 Aug 2016)
SS Nkatlo (till 2 Aug 2016)
LS Motlhoiwa
BAS Cambell-Cloete
WA Mostert
LN Dayiya
SV Letshwiti
FJ Botha

The new incoming Council inaugeration was at 3 August 2016

Chief Finance Officer (CFO)	J Mononela
Accounting Officer	T Chanda - Acting Municipal Manager

General Information

Registered office	Civic Centre Patmore Road Orkney 2620
Business address	Civic Centre Patmore Road Orkney 2620
Postal address	Private bag X5017 Klerksdorp 2570
Bankers	ABSA Ltd
Auditor	Auditor General of South Africa Registered Auditors
Published	29 September 2017
Jurisdiction	Dr Kenneth Kaunda District Municipality includes the following areas: Tlokwe Municipality Matlosana Municipality Maquassi Hills Municipality
Relevant legislation	Municipal Finance Management Act No. 56 of 2003 Division of Revenue Act The Income Tax Act of South Africa Value Added Tax Act of South Africa Municipal Structures Act No. 117 of 1998 Municipal Systems Act No. 32 of 2000 Municipal Planning and Performance Management Regulations Water Services Act No.108 of 1997 Housing Act No. 107 of 1997 Municipal Property Rates Act No.6 of 2004 Electricity Act No. 41 of 1987 Skills Development Levies Act No. 9 of 1999 Employment Equity Act No. 55 of 1998 Unemployment Insurance Act No. 55 of 1966 Basic Conditions of Employment Act No. 75 of 1997 Supply Chain Management Regulations, 2005 SALGA Collective Agreements SALBC Leave Regulations
Grading of Municipal Council	Grade 4: Determination of Upper Limits Grade 10: Bargaining Council

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

Abbreviations

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

Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these 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 Local legislation over companies, to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the group 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 consolidated annual financial statements.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 consolidated annual 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 economic entity's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the economic entity 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 consolidated annual financial statements are prepared on the basis that the group 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.

I certify that the salaries, allowances and benefits of councilors as disclosed in note 28 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, No 20 of 1998 and the Minister of Cooperative Governance and Ttraditional Affairs determination in accordance with this Act.

Accounting Officer
Acting Municipal Manager

Accounting officer's report

The accounting officer submits her report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

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

Net surplus of the group was R 2 696 290 (2016: deficit R 92 445 138).

2. Going concern

We draw attention to the fact that at 30 June 2017, the group had accumulated surplus of R 8 407 615 and that the group's total assets exceed its liabilities by R 8 407 615.

The consolidated annual 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 as a creature of statuettes and due to its powers and function is wholly dependent on Government Grants for continued funding of operations.

The council has adopted a revenue enhancement strategy that is being implemented in the medium to long-term, in tandem with cost containment measures in order to strengthen financial viability and ensure financial sustainability.

While group remains viable, the tightening 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 this means that the group is losing R10 million in terms of buying power per year.

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 group will be rendered unsustainable. In that regard five PPP's (Public Private Partnership) registered with National Treasury are in the feasibility stages and it is expected that final approvals for project implementation will be received in the 4^{th} quarter of 2017/18 and the 1^{st} quarter of 2018/19.

These PPPs will be catalytic game changers that will substantially diversify and augment the municipality's revenue base.

As a group based on our powers and functions we are completely grant dependent. No other main revenue source is obtainable. Over the last 8-10 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 constraints that the equitable share over the last 8-10 years was reduced far less than the CPI for each financial period. In addition salary increases from the South African Local Bargaining Council have more than the equitable share growth allocated to group over the last 8 years –unsustainable to municipalities.

The reduction has been reported to Council and Provincial Treasury as our revenue source diminished.

The group 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 have been ring-fenced and are adequately apportioned for its main purpose. The group adopted a pro-poor budgeting approach and followed National Treasury budget guide as a principle for provision on depreciation and employee cost 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 group.

Accounting officer's report

The financial model for the group 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.

Further note, that not all the group reserves and liabilities are cash-backed.

The financial statements are prepared on the basis that the group is a going concern.

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 consolidated annual 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 till 31 May 2017	Nationality: South African
Name: T Chanda from 1 June 2017	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 5.

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 51 and 52 to the financial statements.

Statement of Financial Position as at 30 June 2017

		Group		Municipality	
Figures in Rand	Note(s)	2017	2016 Restated*	2017	2016 Restated*
Assets					
Current Assets					
Receivables from non-exchange transactions	9	819 188	7 809 996	819 188	7 809 996
Receivables from exchange transactions	10	260 108	173 354	257 171	151 440
VAT receivable	11	5 712 268	6 385 699	5 712 268	6 385 699
Cash and cash equivalents	12	18 696 934	10 717 776	13 745 146	4 379 399
		25 488 498	**25 086 825**	**20 533 773**	**18 726 534**
Non-Current Assets					
Property, plant and equipment	3	30 149 110	33 158 187	29 833 115	32 899 849
Intangible assets	4	773 314	449 520	773 314	449 515
Investments in controlled entities	5	-	-	120	120
Other financial assets	6	62 857	58 631	62 857	58 631
		30 985 281	**33 666 338**	**30 669 406**	**33 408 115**
Non-Current Assets		30 985 281	33 666 338	30 669 406	33 408 115
Current Assets		25 488 498	25 086 825	20 533 773	18 726 534
Total Assets		**56 473 779**	**58 753 163**	**51 203 179**	**52 134 649**
Liabilities					
Current Liabilities					
Finance lease obligation	14	485 391	644 558	485 391	644 558
Operating lease liability	38	3 433	140 808	3 433	140 808
Payables from exchange transactions	18	27 229 499	34 163 456	26 805 024	33 126 642
Payables from non exchange transactions	19	856 212	871 823	856 212	871 823
VAT payable	20	2 509 204	2 000 383	-	-
Post retirement medical aid liability	8	278 710	223 524	278 710	223 524
Unspent conditional grants and receipts	15	3 230 554	2 750 397	3 230 555	2 750 397
Long service awards liability	17	202 139	234 534	202 139	234 534
		34 795 142	**41 029 483**	**31 861 464**	**37 992 286**
Non-Current Liabilities					
Finance lease obligation	14	-	485 391	-	485 391
Post retirement medical aid liability	8	10 683 432	10 455 866	10 683 432	10 455 866
Long service awards liability	17	2 587 590	2 427 616	2 587 590	2 427 616
		13 271 022	**13 368 873**	**13 271 022**	**13 368 873**
Non-Current Liabilities		13 271 022	13 368 873	13 271 022	13 368 873
Current Liabilities		34 795 142	41 029 483	31 861 464	37 992 286
Total Liabilities		**48 066 164**	**54 398 356**	**45 132 486**	**51 361 159**
Assets		56 473 779	58 753 163	51 203 179	52 134 649
Liabilities		(48 066 164)	(54 398 356)	(45 132 486)	(51 361 159)
Net Assets		**8 407 615**	**4 354 807**	**6 070 693**	**773 490**
Accumulated Surplus	13	8 407 615	4 354 807	**6 070 693**	**773 490**

* See Note 1.1 & 46

Statement of Financial Performance

		Group		Municipality	
Figures in Rand	Note(s)	2017	2016 Restated*	2017	2016 Restated*
Revenue					
Revenue from exchange transactions					
Other income	22	42 480	112 700	42 480	112 700
Interest received - investment	23	2 627 666	4 270 357	2 331 126	3 995 710
Dividends received	23	2 080	2 020	2 080	2 020
Total revenue from exchange transactions		**2 672 226**	**4 385 077**	**2 375 686**	**4 110 430**
Revenue from non-exchange transactions					
Taxation revenue					
Other revenue	22	-	6 464 589	-	6 464 589
Transfer revenue					
Government grants & subsidies	25	174 306 765	174 019 151	174 306 765	174 019 151
Public contributions and donations	26	76 654	188 949	76 654	188 949
Total revenue from non-exchange transactions		**174 383 419**	**180 672 689**	**174 383 419**	**180 672 689**
		2 672 226	4 385 077	2 375 686	4 110 430
		174 383 419	180 672 689	174 383 419	180 672 689
Total revenue	21	**177 055 645**	**185 057 766**	**176 759 105**	**184 783 119**
Expenditure					
Employee related cost	27	(82 882 896)	(75 900 514)	(81 802 855)	(74 911 230)
Remuneration of councilors	28	(8 597 538)	(8 966 268)	(8 597 538)	(8 966 268)
Allowances - board members	29	(489 196)	(551 217)	-	-
Depreciation and amortisation	30	(7 763 441)	(4 611 666)	(7 685 371)	(4 507 666)
Impairment loss/ Reversal of impairments	31	(157 400)	-	(157 400)	-
Finance costs	32	(421 302)	(401 492)	(421 302)	(401 492)
Debt Impairment	33	(310 984)	(65 165)	(310 984)	(65 165)
Repairs and maintenance		(772 790)	(1 289 417)	(751 367)	(1 259 977)
Contracted services	34	(25 283 104)	(21 030 219)	(24 987 802)	(20 832 189)
Transfers and Subsidies	24	(2 921 479)	(64 045 511)	(5 553 058)	(69 308 669)
Contribution to leave reserve		(666 367)	(2 240 773)	(666 367)	(2 240 773)
General Expenses	35	(44 419 185)	(100 840 459)	(42 356 293)	(96 812 079)
Total expenditure		**(174 685 682)**	**(279 942 701)**	**(173 290 337)**	**(279 305 508)**
		-	-	-	-
Total revenue		177 055 645	185 057 766	176 759 105	184 783 119
Total expenditure		(174 685 682)	(279 942 701)	(173 290 337)	(279 305 508)
Operating surplus (deficit)		**2 369 963**	**(94 884 935)**	**3 468 768**	**(94 522 389)**
Gains (Loss) on write-off of assets		(1 177 372)	-	(1 177 372)	-
(Loss) Gains on disposal of assets		52 337	(26 898)	39 442	(26 898)
Fair value adjustments	36	4 226	(6 709)	4 226	(6 709)
Actuarial gains/losses	8&18	1 447 136	2 473 404	1 447 136	2 473 404
		326 327	**2 439 797**	**313 432**	**2 439 797**
Surplus (deficit) for the year		**2 696 290**	**(92 445 138)**	**3 782 200**	**(92 082 592)**

* See Note 1.1 & 46

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
Group		
Opening balance as previously reported	96 606 405	96 606 405
Adjustments		
Change in accounting policy	196 542	196 542
Balance at 01 July 2015 as restated*	**96 802 947**	**96 802 947**
Changes in net assets		
Deficit for the year Previously reported	(99 884 508)	(99 884 508)
Correction of errors	7 439 368	7 439 368
Total changes	(92 445 140)	(92 445 140)
Restated* Balance at 01 July 2016	**4 354 807**	**4 354 807**
Changes in net assets		
Correction of errors	(158 481)	(158 481)
Net income (losses) recognised directly in net assets	(158 481)	(158 481)
Deficit for the year	2 696 289	2 696 289
Total recognised income and expenses for the year	2 537 808	2 537 808
Transfer of functions under common control	1 515 000	1 515 000
Total changes	4 052 808	4 052 808
Balance at 30 June 2017	**8 407 615**	**8 407 615**
Note(s)		
Municipality		
Opening balance as previously reported	91 273 120	91 273 120
Adjustments		
Correction of errors	1 585 962	1 585 962
Balance at 01 July 2015 as restated*	**92 859 082**	**92 859 082**
Changes in net assets		
Deficit for the year - Previously reported	(99 521 959)	(99 521 959)
Correction of errors	7 439 367	7 439 367
Total changes	(92 082 592)	(92 082 592)
Restated* Balance at 01 July 2016	**773 490**	**773 490**
Changes in net assets		
(Surplus) / Deficit for the year	3 782 203	3 782 203
Transfer of functions in common control	1 515 000	1 515 000
Total changes	5 297 203	5 297 203
Balance at 30 June 2017	**6 070 693**	**6 070 693**

* See Note 1.1 & 46

Cash Flow Statement

		Group		Muncipality	
Figures in Rand	Note(s)	2017	2016 Restated*	2017	2016 Restated*
Cash flows from operating activities					
Receipts					
Goverment grants and subsidies		174 863 577	174 160 128	174 863 577	174 160 128
Interest income		2 627 666	4 270 357	2 331 126	3 995 710
Dividends received		2 080	2 020	2 080	2 020
Other receipts		10 582 101	9 658 885	10 563 124	12 003 604
		188 075 424	188 091 390	187 759 907	190 161 462
Payments					
Employee costs		(82 472 565)	(74 221 257)	(81 392 524)	(73 231 972)
Remuneration of councillors		(8 597 538)	(8 966 268)	(8 597 538)	(8 966 268)
Suppliers		(55 246 396)	(121 982 874)	(55 690 142)	(152 271 874)
Other payments		(29 754 659)	(26 028 173)	(28 837 501)	-
		(176 071 158)	(231 198 572)	(174 517 705)	(234 470 114)
Total receipts		188 075 424	188 091 390	187 759 907	190 161 462
Total payments		(176 071 158)	(231 198 572)	(174 517 705)	(234 470 114)
Net cash flows from operating activities	39	**12 004 266**	**(43 107 182)**	**13 242 202**	**(44 308 652)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(2 614 317)	(35 340 511)	(2 452 764)	(35 191 325)
Proceeds from sale of property, plant and equipment	3	58 782	725 907	45 886	725 907
Purchase of intangible assets	4	(723 300)	(8 000)	(723 305)	(8 000)
(Increase)/Decrease in non - current investments		-	(65 165)	-	(65 165)
Net cash flows from investing activities		**(3 278 835)**	**(34 687 769)**	**(3 130 183)**	**(34 538 583)**
Cash flows from financing activities					
Finance lease receipts / (payments)		(746 274)	(667 128)	(746 274)	(667 128)
Net increase/(decrease) in cash and cash equivalents		**7 979 157**	**(78 462 079)**	**9 365 745**	**(79 514 363)**
Cash and cash equivalents at the beginning of the year		10 717 777	89 179 856	4 379 399	83 893 762
Cash and cash equivalents at the end of the year	12	**18 696 934**	**10 717 777**	**13 745 144**	**4 379 399**

* See Note 1.1 & 46

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Municipality						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	37 000	-	**37 000**	42 480	**5 480**	Additional income received for insurance commissions and garnish orders not budgeted for.
Interest received - investment	1 360 000	1 000 000	**2 360 000**	2 627 666	**267 666**	Revenue was adjusted during the adjustment budget, but the actuals was more due to the increase in interst ratest.
Dividends received	-	-	**-**	2 080	**2 080**	Unsure of amounts that will be expected due to market conditions.
Total revenue from exchange transactions	**1 397 000**	**1 000 000**	**2 397 000**	**2 672 226**	**275 226**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	174 440 600	2 000 000	**176 440 600**	174 306 765	**(2 133 835)**	Revenue was increased during the adjustment budget that did not realised.
Public contributions and donations	-	-	**-**	76 654	**76 654**	
Total revenue from non-exchange transactions	**174 440 600**	**2 000 000**	**176 440 600**	**174 383 419**	**(2 057 181)**	
Total revenue from exchange transactions	1 397 000	1 000 000	**2 397 000**	2 672 226	**275 226**	
Total revenue from non-exchange transactions	174 440 600	2 000 000	**176 440 600**	174 383 419	**(2 057 181)**	
Total revenue	**175 837 600**	**3 000 000**	**178 837 600**	**177 055 645**	**(1 781 955)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure						
Personnel	(80 486 867)	(2 674 066)	**(83 160 933)**	(82 882 896)	**278 037**	Employee reasonable in line with budget.
Remuneration of councillors	(9 162 866)	1 025 366	**(8 137 500)**	(8 597 538)	**(460 038)**	Budget in line with actual councillors remuneration.
Board allowances	(512 175)	-	**(512 175)**	(489 196)	**22 979**	
Depreciation and amortisation	(3 120 000)	-	**(3 120 000)**	(7 763 441)	**(4 643 441)**	Additional depreciation regarding wi-fi assets.
Impairment loss/ Reversal of impairments	-	-	**-**	(157 400)	**(157 400)**	
Finance costs	(10 000)	-	**(10 000)**	(421 302)	**(411 302)**	Due to uncertainty of fiance cost to be paid it was not budgeted for.
Debt Impairment	-	-	**-**	(310 984)	**(310 984)**	Debt impairment is based on the condition of assets that is uncertain during the budget process.
Repairs and maintenance	(1 107 000)	(430 000)	**(1 537 000)**	(772 790)	**764 210**	More was during the budget process invisaged to be spend, but some of the repairs regarding the CCTV camer's do not realised.
Contracted Services	(3 839 754)	(40 000)	**(3 879 754)**	(25 283 104)	**(21 403 350)**	Due to the classification of expenditure budget under grants and subsidies reclassified as contracted services.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Transfers and subsidies	(49 363 818)	(1 202 282)	**(50 566 100)**	(2 921 479)	**47 644 621**	Due to the expenditure budget under grants and subsidies now classified under contracted services and general expenses.
Contributions to leave reserve	-	-	**-**	(666 367)	**(666 367)**	Provision for leave was uncertain during the budget process.
General Expenses	(32 672 500)	(2 570 250)	**(35 242 750)**	(44 419 185)	**(9 176 435)**	Actual expenditure differences due to the classification of expenditure budget under grants and subsidies.
Total expenditure	**(180 274 980)**	**(5 891 232)**	**(186 166 212)**	**(174 685 682)**	**11 480 530**	
	175 837 600	3 000 000	**178 837 600**	177 055 645	**(1 781 955)**	
	(180 274 980)	(5 891 232)	**(186 166 212)**	(174 685 682)	**11 480 530**	
Operating surplus	**(4 437 380)**	**(2 891 232)**	**(7 328 612)**	**2 369 963**	**9 698 575**	
Gain on disposal of assets and liabilities	-	-	**-**	52 337	**-**	
Loss on disposal of assets	-	-	**-**	(1 177 372)	**(1 177 372)**	The disposal of which assets is unsure during the budget process.
Actuarial gains/losses	-	-	**-**	1 447 136	**1 447 136**	
Transfer from Capital replacement reserve	(1 100 000)	-	**(1 100 000)**	-	**1 100 000**	
	(1 100 000)	**-**	**(1 100 000)**	**322 101**	**1 369 764**	
	(1 100 000)	-	**(1 100 000)**	322 101	**1 422 101**	
(Deficit) Surplus	**(5 537 380)**	**(2 891 232)**	**(8 428 612)**	**2 692 064**	**11 120 676**	
Surplus for the year from continuing operations	**(5 537 380)**	**(2 891 232)**	**(8 428 612)**	**2 692 064**	**11 120 676**	
Fair value adjustments	-	-	**-**	4 226	**4 226**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(5 537 380)**	**(2 891 232)**	**(8 428 612)**	**2 696 290**	**11 124 902**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Accounting Policies

1. Basis of Presentation of Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).
These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.
A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These consolidated annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.2 Going concern assumption

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

1.3 Consolidation

Basis of consolidation

Consolidated consolidated annual financial statements are the consolidated annual financial statements of the economic entity presented as those of a single entity.

The consolidated consolidated annual financial statements incorporate the consolidated annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's consolidated annual financial statements at the acquisition date.

The consolidated annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated consolidated annual financial statements are prepared as of the same date.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

1.4 Transfer of functions between entities under common control

Accounting by the entity as acquirer

1.4 Transfer of functions between entities under common control (continued)

Initial recognition and measurement

As of the transfer date, the economic entity 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.

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.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the economic entity reports in its consolidated annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the economic entity retrospectively adjust the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the economic entity receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

After the measurement period ends, the economic entity revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Acquisition-related costs

Acquisition-related costs are costs that the economic entity incurs to affect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities. The municipality accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received.

Subsequent measurement

The economic entity 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 economic entity derecognises from its consolidated annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

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

1.5 Transfer of functions between entities not under common control

The acquisition method

The 'other income' accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

Recognition principle

As of the acquisition date, the municipality as acquirer recognises, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

1.5 Transfer of functions between entities not under common control (continued)

Measurement principle

The municipality as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (if any)

The municipality as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. .

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality as acquirer reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality as acquirer retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

During the measurement period, the municipality as acquirer also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the municipality as acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the acquisition date.

Subsequent measurement and accounting

In general, an municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

1.7 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The economic entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

1.7 Significant judgements and sources of estimation uncertainty (continued)

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the economic entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The economic entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use for cash generating as well as non- cash generating assets. The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as [list economic factors such as exchange rates inflation interest..

Provisions

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

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

The economic entity used the prime interest rate+1% to discount future cash flows.

Allowance for doubtful debts

Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

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

2 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.

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

Item	**Average useful life**
• Land	no depreciation
• Buildings	25 years
• Car parks	30 years
• Car ports	10 years
Furniture and fixtures	3 - 5 years
• Air conditioners	10 years
Motor vehicles	
• Motor cars	4 years

Accounting Policies

2 Property, plant and equipment (continued)

• Light commercial vehicles	5 years
• Busses	8 years
Office equipment	3 - 5 years
IT equipment	
• Computer hardware	3 - 5 years
Infrastructure	
• CCTV cameras	5 years
Community	
• Other emergency equipment	3 - 5 years
Infrastructure assets	
• Telecomminication equipment - WI-FI Assets	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.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.
The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the note repairs and maintenace to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

2.1 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 economic entity or from other rights and obligations.

Accounting Policies

2.1 Intangible assets (continued)

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 economic entity; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

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

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

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

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

Computer software, other	3-5 years

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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.

Accounting Policies

2.2.1 Financial instruments

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.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto

Class	Category
Other financial Assets	Financial asset measured at amortised cost
Short-term Investment Deposits - Call	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non - exchange transactions	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
Investments in controlled entities	Financial asset measured at fair value

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:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
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
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

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

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Subsequent measurement of financial assets and financial liabilities

The entity measures 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

2.2.1. Financial instruments (continued)

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity 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 economic entity 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.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.
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.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

2.2.1. Financial instruments (continued)

- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a 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, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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.

2.3.1 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.

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.

2.4.1 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.

Accounting Policies

2.4.1. Non-current assets held for sale (continued)

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

2.4.2 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity 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.

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

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

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset".The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.An impairment of assets carried at at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the economic entity; or
(b) the number of production or similar units expected to be obtained from the asset by the economic entity.

2.4.2. Impairment of cash-generating assets (continued)

Criteria developed by the economic entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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

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

Irrespective of whether there is any indication of impairment, the economic entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable 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.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

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 economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);

2.4.2. Impairment of cash-generating assets (continued)

- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable 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 cash-generating asset is recognised immediately in surplus or deficit.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

2.4.3 Impairment of non-cash-generating assets

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

Identification

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

The economic entity 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 economic entity estimates the recoverable service amount of the asset.

Value in use

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

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

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 economic entity 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 economic entity 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 economic entity estimates the recoverable service amount of that asset.

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

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.

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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

2.5.1 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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;

2.5.1. Employee benefits (continued)

- 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

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.

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.

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.

2.5.1. Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the consolidated annual 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;

2.5.1. Employee benefits (continued)

- 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.

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:

2.5.1. Employee benefits (continued)

- 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.

2.6.1 Provisions, Contingent liabilities and Assets

Provisions are recognised when:

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

Accounting Policies

2.7.1 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.

Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest and dividends or similar distributions is recognised when:

it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and

the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.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.

2,8.1 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Recognition and measurement

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.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.
Measurement
Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebatesWhen, 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.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The economic entity has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;

2,8.1 Revenue from non-exchange transactions (continued)

- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Gifts and donations, including goods in-kind and services 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.

Services in-kind

Except for financial guarantee contracts, the municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related 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.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

Concessionary loans received

A concessionary loan is a loan granted to or received by an property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

2,8.1 Revenue from non-exchange transactions (continued)

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

2.9.1 Investment income

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

2.9.2 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

2.10.1 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

2.10.2 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.

2.10.3 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention with the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

2.11.1 Use of Estimates

The preparation of consolidated annual 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 economic entity’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated annual financial statements are disclosed in the relevant sections of the consolidated annual financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

2.12.1 Accumulated surplus

Included in the accumulated surplus are the following reserves:

2.13.1 Statutary receivables

Identification

2.13.1. Statutary receivables (continued)

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Recognition

The municipality recognises statutory receivables as follows:

if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;

if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:interest or other charges that may have accrued on the receivable (where applicable); impairment losses; and a mounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent;

it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation;

2.13.1. Statutary receivables (continued)

a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied); and

adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:the rights to the cash flows from the receivable are settled, expire or are waived;the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality derecognises the receivable; and recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

2.14.1 Budget information

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

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

2.15.1 Related parties

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

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

Accounting Policies

2.15.1. Related parties (continued)

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

2.16.1 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.

2.17.1 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded

Notes to the Consolidated Annual Financial Statements

	Group		Muncipality	
Figures in Rand	2017	2016	2017	2016

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

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact of the is not material.
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Grap 34: Separate financial statements	No effective date determine	Unable to reliably estimate the impact
• Grap 35: Consolidated financial statements	No effective date determine	Unlikely there will be a material impact
• Grap 36: Investments in associates and joint ventures	No effective date determine	Unlikely there will be a material impact
• Grap 37: Joint arrangements	No effective date determine	Unlikely there will be a material impact
• Grap 38: Disclosure of interest in other entities	No effective date determine	Unlikely there will be a material impact
• Grap 110: Living and non-living resources	No effective date determine	Unlikely there will be a material impact
• IGrap 18: Intrepretation of the standard of GRAP of recognition and derecognition of land	No effective date determine	Unlikely there will be a material impact
• GRAP 20: Related parties	No effective date determine	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	No effective date determine	Unlikely there will be a material impact
• GRAP 18: Segment Reporting	01 April 2017	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	No effective date determine	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	No effective date determine	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	No effective date determine	Unlikely there will be a material impact

3. Property, plant and equipment

Group	2017			2016		
	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	(2 539 641)	2 443 862	4 983 503	(2 312 909)	2 670 594
Furniture and fixtures	5 433 283	(4 024 484)	1 408 799	5 128 971	(3 735 263)	1 393 708
Motor vehicles	11 387 950	(5 768 625)	5 619 325	11 544 668	(4 415 894)	7 128 774
Office equipment	3 962 653	(2 934 758)	1 027 895	3 645 822	(2 639 887)	1 005 935
IT equipment	4 106 166	(2 521 508)	1 584 658	3 346 770	(2 113 581)	1 233 189
CCTV Camera's	2 292 094	(2 108 726)	183 368	2 292 094	(1 735 586)	556 508
Community	19 814	(17 862)	1 952	19 814	(15 181)	4 633
Other property, plant and equipment	3 191 860	(1 200 198)	1 991 662	2 411 792	(982 703)	1 429 089
Work in progress - Infrastructure assets	54 550	-	-	54 550	-	54 550
WI-FI broadband assets	16 796 416	(2 187 327)	14 609 089	16 796 416	(393 709)	16 402 707
Total	**53 506 789**	**(23 303 129)**	**30 149 110**	**51 502 900**	**(18 344 713)**	**33 158 187**

Municipality	2017			2016		
	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	(2 539 641)	2 443 862	4 983 503	(2 312 909)	2 670 594
Furniture and fixtures	5 049 303	(3 803 766)	1 245 537	4 750 058	(3 556 052)	1 194 006
Motor vehicles	11 387 950	(5 768 625)	5 619 325	11 544 668	(4 415 895)	7 128 773
Office equipment	3 945 953	(2 924 720)	1 021 233	3 629 122	(2 623 188)	1 005 934
Computer equipment	3 889 213	(2 450 626)	1 438 587	3 237 517	(2 062 961)	1 174 556
CCTV Camera's	2 292 094	(2 108 726)	183 368	2 292 094	(1 735 586)	556 508
Community assets	19 814	(17 862)	1 952	19 814	(15 181)	4 633
Other property, plant and equipment	3 191 860	(1 200 198)	1 991 662	2 411 792	(982 703)	1 429 089
Work in progress - Infrastructure assets	54 550	-	-	54 550	-	54 550
WI-FI broadband assets	16 796 416	(2 187 327)	14 609 089	16 796 416	(393 709)	16 402 707
Total	**52 889 156**	**(23 001 491)**	**29 833 115**	**50 998 034**	**(18 098 184)**	**32 899 850**

The amount of R 54 550 stated as work in progress in the 2015/2016 financial year was transferred to local municipalities as completed projects in the 2016/2017 financial year included in the amount of R 274 852.

Reconciliation of property, plant and equipment - Group - 2017

3. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals / write - offs	Transfers	Depreciation	Impairment loss	Total
Land	1 278 500	-	-	-	-	-	1 278 50
Buildings	2 670 594	-	-	-	(226 732)	-	2 443 86
Furniture and fixtures	1 384 915	337 835	(1 721)	-	(312 230)	-	1 408 79
Motor vehicles	7 128 773	1 624 089	(1 127 202)	(157 400)	(1 848 934)	(157 400)	5 619 32
Office equipment	1 014 728	319 560	(110)	-	(306 283)	-	1 027 89
IT equipment	1 174 556	721 271	(50 472)	-	(408 743)	-	1 436 61
Computer equipment	1 233 191	843 880	(57 282)	-	(435 131)	-	1 584 65
Infrastructure	556 508	-	-	-	(373 141)	-	183 36
Community assets	4 633	-	-	-	(2 680)	-	1 95
Other property, plant and equipment	1 429 089	790 609	(4 461)	-	(223 575)	-	1 991 66
CCTV Camera's	556 508	-	-	-	(373 141)	-	183 36
Infrastructure assets - Work in progress	54 550	220 302	-	(274 852)	-	-	
WI-FI broadband assets	16 402 707	-	-	-	(1 793 619)	-	14 609 08
Farming Machinery	14 258 000	-	-	-	54 550	-	54 55
	49 147 252	**4 857 546**	**(1 241 248)**	**(432 252)**	**(6 249 659)**	**(157 400)**	**31 823 64**

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions and work in progress	Disposals	Transfers	Depreciation	Total
Land	1 278 500	-	-	-	-	1 278 500
Buildings	3 070 415	-	-	-	(399 821)	2 670 594
Furniture and fixtures	1 463 468	273 886	(9 064)	-	(334 583)	1 393 707
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	1 063 294	559 924	-	-	(390 027)	1 233 191
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
WI-FI Broadband assets	-	16 796 416	-	-	(393 709)	16 402 707
Infrastructure assets - Work in progress	19 765 023	15 306 087	-	(35 016 560)	-	54 550
	37 671 081	**35 487 030**	**(677 806)**	**(35 016 560)**	**(4 305 558)**	**33 158 187**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1 278 500	-	-	-	-	-	1 278 50
Buildings	2 670 594	-	-	-	(226 732)	-	2 443 86
Furniture and fixtures	1 194 006	315 785	(1 571)	-	(262 683)	-	1 245 53
Motor vehicles	7 128 772	1 624 089	(1 127 202)	-	(1 848 934)	(157 400)	5 619 32
Office equipment	1 005 935	319 560	(110)	-	(304 152)	-	1 021 23
Computer Equipment	1 174 556	723 246	(50 472)	-	(408 743)	-	1 438 58
CCTV Camera's	556 508	-	-	-	(373 140)	-	183 36
Community assets	4 633	-	-	-	(2 681)	-	1 95
Other property, plant and equipment	1 429 089	790 609	(4 461)	-	(223 575)	-	1 991 66
Work in progress - Infrastructure assets	54 550	220 302	-	(274 852)	-	-	
WI-FI broadband assets	16 402 707	-	-	-	(1 793 619)	-	14 609 08
	32 899 850	**3 993 591**	**(1 183 816)**	**(274 852)**	**(5 444 259)**	**(157 400)**	**29 833 11**

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	19 765 023	15 306 087	-	(35 016 560)	-	54 550
WI-FI broadband assets	-	16 796 416	-	-	(393 709)	16 402 707
	37 312 700	**35 484 680**	**(677 806)**	**(35 016 560)**	**(4 203 164)**	**32 899 850**

The WI-FI broadband assets to the amount of R16 796 416 and depreciation to the amount of R 393 709 on it were restated in the 2015/2016 financial year.(Refer to note 46)

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 to note 31

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

3. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Motor vehicles	398 413	996 032	398 413	996 032
Samsung DSC PABX System	28 575	52 753	28 575	52 753
	426 988	**1 048 785**	**426 988**	**1 048 785**

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

Other information

Details of properties

Land and buildings: Jan van Riebeeck Road, Klerksdorp (T121939/2002)

- Cost / Valuation - buildings	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	(2 539 641)	(2 312 909)	(2 539 641)	(2 312 909)
Total carrying value at year end	**3 722 362**	**3 949 094**	**3 722 362**	**3 949 094**

Reconciliation of Work-in-Progress 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)
Total Work - in - Progress	**-**	**54 550**	**54 550**

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 & equiping 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	-
			19 765 024	**15 306 086**	**35 016 560**

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Community	Total
Opening balance	54 550	54 550
Additions/capital expenditure	220 302	220 302
Transferred of completed projects to local municipalities	(274 852)	(274 852)
	-	-

Description	Tender no	Contract amount	Expenditure till 30 June 2016	Expenditure till 30 June 2017
Fencing of ward committee offices in Kanana	KKDM 13/15	274 852	54 550	220 302

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.

4. Intangible assets

Group	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 652 078	(2 878 764)	773 314	2 942 337	(2 492 817)	449 520

Municipality	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 652 078	(2 878 764)	773 314	2 928 773	(2 479 258)	449 515

Reconciliation of intangible assets - Group - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, Other	449 520	723 305	(5)	(399 506)	773 314

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 - Municipality - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	449 515	723 305	(399 506)	773 314

4. Intangible assets (continued)

Reconciliation of intangible assets - Municipality - 2016

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

Pledged as security

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

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

5. Investments in controlled entity at cost

Name of company	Held by	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
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.

6. Other financial assets

	Group 2017	Group 2016	Municipality 2017	Municipality 2016
Designated at fair value				
Listed shares Sanlam shares, 970 shares with a share price of R64,80 (2016: R60.36) Listed shares are investments in shares of public companies with no specific maturity dates or interest rates.	62 857	58 631	62 857	58 631
Financial assets at fair value	62 857	58 631	62 857	58 631
	-	-		
Financial assets at amortised cost	-	-	-	-
	-	-		
Non-current assets				
At fair value	62 857	58 631	62 857	58 631
Non-current assets	62 857	58 631	62 857	58 631
Current assets	-	-	-	-

Financial assets at cost

Nominal value of financial assets at cost

	Group 2017	Group 2016	Municipality 2017	Municipality 2016
Investment in controlled entity at cost 100% Shareholding in the agency - at cost.	-	-	120	120
Total nominal value of financial assets at cost	**-**	**-**	**120**	**120**

Financial assets at fair value

	Group 2017	Group 2016	Municipality 2017	Municipality 2016
Listed shares	62 857	58 631	62 857	58 631

Methods used to determine fair value is as follow:
Fair value are bases on the quoted market price on the Johannesburg stock exhange for this instrument. Sanlam shares closed at a market price of R64,80 (2016: R60,36) per share.

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

7. Receivables from non - exchange transactions: Non - current

Deposits: Eskom	-	1 130 529	-	1 130 529
Less: Provision for impairment	-	(1 130 529)	-	(1 130 529)
Total receivables from non-exchange transactions	**-**	**-**	**-**	**-**

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

Opening balance	1 130 529	1 065 364	1 130 529	1 065 364
Movement in impairment	(1 130 529)	65 165	(1 130 529)	65 165
	-	**1 130 529**	**-**	**1 130 529**

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

8. Employee benefit obligations

Post retirement medical aid benefit liability

Post-Employment Health Care Benefit Liability	10 962 142	10 679 390	10 962 142	10 679 390
Total: Post-Employment Health Care Benefit Liability	**10 962 142**	**10 679 390**	**10 962 142**	**10 679 390**
Less: Transfer to current provisions	(278 710)	(223 524)	(278 710)	(223 524)
Net Post-Employment Health Care Benefit Liability	**(278 710)**	**(223 524)**	**10 683 432**	**10 455 866**

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 2017 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	96	95	96	95
Continuation (retiree and widow) members	6	6	6	6
	102	**101**	**102**	**101**

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

Member category - Unfunded liability				
In-service members	7 173 837	7 255 759	7 173 837	7 255 759
Continuation members	3 788 305	3 423 631	3 788 305	3 423 631
	12 305 500	**12 083 456**	**10 962 142**	**10 679 390**
Year ending 30 june 2017 (current period)	674 358	729 708	674 358	729 708
Year ending 30 June 2018 (ensuing period)	669 000	674 358	669 000	674 358

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 669 000 whereas the interest-cost for the next year is estimated to be R 1 061,461

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

8. **Employee benefit obligations (continued)**

The principal assumptions used for the purposes of the actuarial valuations were as follows:				
Discount rate %	9,80	9,58	9,80	9,58
Health Care Cost Inflation Rate %	8,07	8,61	8,07	8,61
Maximum subsidy inflation rate	5,68	6,08	5,68	6,08
Net discount rate - health care cost inflation %	1,61	0,89	1,61	0,89
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
Mortaliy 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	10 679 390	11 710 915	10 679 390	11 710 915
Current service cost	854 753	729 708	854 753	729 708
Interest cost	1 013 023	1 050 283	1 013 023	1 050 283
Benefits paid	(263 581)	(217 141)	(263 581)	(217 141)
Actuarial loss/(gain) on the obligation	(1 321 443)	(2 594 375)	(1 321 443)	(2 594 375)
Balance at end of year	**10 962 142**	**10 679 390**	**10 962 142**	**10 679 390**

The total liability has increased by 3% (or R 0,283 million) 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 2% over the year due to the following factors:
A decrease in the average future employer contribution, and an increase in the net discount rate, partially offset by an increase in the average age which means members are closer to retirement and less likely to leave before retirement, and an increase in the average past past service.
The total in-service member liability has decreased by 13% due to the above, partially offset by an increase in the number of members .

Continuation members
The average continuation member liability has decreased by 11% due to the following;
a increase in the average employers contribution;
an increase in the subsidy percentage; and
a decrease in the average age.
These impacts wewr partially offset by an increase in the net discount rate. The total continuation members liability has increased by 11% 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 made, the liablility will be 4% higher than that will shown:

Increase of 1%				
Effect on the accrued liability in millions	11 448	11 244	11 448	11 244
	11 448	**11 244**	**11 448**	**11 244**

Decrease of 1%				
Effect on the accrued liability in millions	(10 176)	(9 801)	(10 176)	(9 801)
	(10 176)	**(9 801)**	**(10 176)**	**(9 801)**

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

8. Employee benefit obligations (continued)

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 an on average 21,8% by Council. The last Actuarial valuation on this fund was performed in February 2014 certified that the fund is in a sound financial state. The total assets amounts to R 11,660,9 (28 February 2011 : R7,544,2) and liabilities to R11,660,9 (28 February 2011 : R6,991,4) with a total of 16 094 members (28 February 2008 :17,110.

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

Municipal Councillors Pension Fund - No of members: 12 (2016:11)	481 317	556 356	481 317	556 356
Municipal Gratuity Fund - No of members: 46 (2016:47)	3 155 408	2 988 423	3 155 408	2 988 423
National Fund for mun workers - No of members 44 (2016:44)	2 389 834	2 119 161	2 389 834	2 119 161
National Fund for mun workers: 2% Fund - No 68 (2016:69)	375 590	342 471	375 590	342 471
SAMWU Provident Fund - No of members: 2 (2016:2)	171 774	160 286	171 774	160 286

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

8. Employee benefit obligations (continued)

The amount recognised as an expense for defined contribution plans is	6 573 923	6 166 697	6 573 923	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: 21 (2016:21)	1 278 745	1 321 762	1 285 745	1 321 762
The amount recognised as an expense for defined contribution plans	**1 278 745**	**1 321 762**	**1 285 745**	**1 321 762**

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

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

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

9. Receivables from non-exchange transactions

Prepaid expenses	795 188	746 971	795 188	746 971
Sundry receivables	-	6 355 720	-	6 355 720
Payments on behalf of local council - DBSA	313 984	-	313 984	-
Control accounts	24 000	710 305	24 000	710 305
Less: Provision for bad debt	(313 984)	(3 000)	(313 984)	(3 000)
	819 188	**7 809 996**	**819 188**	**7 809 996**

Restatement of Sundry receivables to the amount of R460 857 overstated in the 2015/2016 financial year. (Refer to note 46)

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 2017.

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

Sundry receivables- At Amortised Cost	-	6 813 577	-	6 813 577
Receivables past due but not impaired	-	6 813 577	-	6 813 577

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(3 000)	(1 249 470)	(3 000)	(1 249 470)
Provision for impairment	(310 984)	-	(310 984)	-
Unused amounts reversed	-	1 246 470	-	1 246 470
	(313 984)	**(3 000)**	**(313 984)**	**(3 000)**

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

10. Receivables from exchange transactions

Trade receivables	1 537	151 440	-	151 440
Accruals - Interest on call deposits	257 171	-	257 171	-
Deposits	1 400	21 914	-	-
	260 108	**173 354**	**257 171**	**151 440**

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

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

10. Receivables from exchange transactions (continued)

Receivables from exchange transactions which are past due are not considered to be impaired. At 30 June 2017, R260108 (2016: R173354) were past due but not impaired.

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

Interest - Call investment deposits- At amortised cost	257 171	-	257 171	-
Trade receivables - At amortised cost	1 537	151 440	-	151 440
Deposits - At amortised cost	1 400	21 914	-	-
	260 108	173 354	257 171	151 440

11. VAT receivable

VAT	5 712 268	6 385 699	5 712 268	6 385 699

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

Refer to note 46 on Prior Period Errors. Retrospective restatement was made on the VAT receivable balance as at 30 June 2016, due to a correction to Input VAT, regarding the DR Kenneth Kaunda District Municipality, amounting to R2 322 804.

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

12. Cash and cash equivalents

Cash on hand	8 617	7 638	6 600	6 600
Bank balances	8 688 317	10 710 138	3 738 546	4 372 799
Short-term deposits	10 000 000	-	10 000 000	-
Cash and cash equivalents	**18 696 934**	**10 717 776**	**13 745 146**	**4 379 399**

Call investment deposits

Call investment deposits is invested with only following banks :

At Amortised Cost				
Call Investment Deposits: Investec	10 000 000	-	10 000 000	-
Call deposits invested in Investec for a period of 1 to 3 months				

Cash and cash equivalents pledged as collateral

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

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

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
Current Account (Primary Bank Account ABSA Klerksdorp Account no 950 000 627)	2 176 508	4 591 352	13 964 367	1 625 318	2 336 085	6 912 981
Current Account (Local Government Support Grant) ABSA Klerksdorp Account no 405 643 8304	2 113 228	2 100 253	1 974 182	2 113 228	2 036 713	1 974 182
Standard Bank - Current account - 030713005	381 458	1 565 566	517 166	381 458	1 565 566	517 166
Standard BANK - Money market account - 038671867001	4 568 313	4 771 774	4 767 127	4 568 313	4 771 774	4 767 127
Total	**9 239 507**	**13 028 945**	**21 222 842**	**8 688 317**	**10 710 138**	**14 171 456**

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

13. Accumulated surplus

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

	Total
Opening balance	(96 606 405)
Correction of errors	(196 542)
(Surplus) / Defict for the year	92 445 140
	(4 354 807)

Ring-fenced internal funds and reserves within accumulated surplus - Group - 2017

	Total
Opening balance	(4 354 807)
(Surplus) / Defict for the year	(2 537 808)
Transfer of functions under common control (GRAP 105)	(1 515 000)
	8 407 615

Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2017

	Total
Opening balance	(773 490)
(Surpus) / deficit for the year	(3 782 203)
Transfer of functions under common control (GRAP105.36)	(1 515 000)
	(6 070 693)

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

	Total
Opening balance	(91 273 119)
Correction of errors	(1 585 961)
Surplus / Deficit for the year	92 082 590
	(773 490)

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

14. Finance lease obligation

Minimum lease payments due				
- within one year	508 658	749 061	508 658	749 061
- in second to fifth year inclusive	-	505 872	-	505 872
	508 658	1 254 933	508 658	1 254 933
less: future finance charges	(23 267)	(124 984)	(23 267)	(124 984)
Present value of minimum lease payments	**485 391**	**1 129 949**	**485 391**	**1 129 949**
Present value of minimum lease payments due				
- within one year	485 391	644 558	485 391	644 558
- in second to fifth year inclusive	-	485 391	-	485 391
	485 391	**1 129 949**	**485 391**	**1 129 949**
Non-current liabilities	-	485 391	-	485 391
Current liabilities	485 391	644 558	485 391	644 558
	485 391	**1 129 949**	**485 391**	**1 129 949**

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

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Municipal Systems Improvement Grant	1	1	-	-
Local government support grant	917 747	1 483 941	917 747	1 483 941
Integrated Municipal Monitoring Grant (IMMIS)	917 747	1 483 940	-	-
LG (Seta) mandatory grant	1 376 599	1 266 456	1 376 599	1 266 456
Rural road asset management system	936 208	-	936 208	-
	3 230 554	**2 750 397**	**3 230 554**	**2 750 397**

Movement during the year

Balance at the beginning of the year	2 750 397	2 609 421	2 750 397	2 609 421
Additions during the year	5 158 907	8 511 727	5 158 907	8 511 727
Income recognition during the year	(4 678 750)	(8 370 751)	(4 678 750)	(8 370 751)
	3 230 554	**2 750 397**	**3 230 554**	**2 750 397**

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 25 for reconciliation of grants from National / Provincial Government.

16. Provisions

Reconciliation of provisions - Group - 2017

	Opening Balance	Additions	Utilised during the year	Total
Current portion: Post retirement medical aid liability	223 524	318 767	(263 581)	278 710
Current portion: Long service awards liability	234 534	237 847	(270 242)	202 139
	458 058	**556 614**	**(533 823)**	**480 849**

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
	395 195	**652 293**	**(589 430)**	**458 058**

Reconciliation of provisions - Municipality - 2017

	Opening Balance	Additions	Utilised during the year	Total
Current portion: Post retirement medical aid liability	223 524	318 767	(263 581)	278 710
Current portion: Long service awards liability	234 534	237 847	(270 242)	202 139
	458 058	**556 614**	**(533 823)**	**480 849**

Reconciliation of provisions - Municipality - 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
	395 195	**652 293**	**(589 430)**	**458 058**

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.

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

17. Long service awards liability

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

The provision represents a litimation of the awards to which employees in the service of the municipality at 30 June 2017 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 2017 by Arch actuarial consuting, a member of the Actuarial Society of South Africa.
The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

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

Long service awards liability				
Provision for Long Service Awards	2 789 733	2 662 150	2 789 733	2 662 150
Total Provision for Long Service Awards	**2 789 733**	**2 662 150**	**2 789 733**	**2 662 150**
Less: Transfer to Current Liabilities	(202 143)	(234 534)	(202 143)	(234 534)
Net Long Service Awards liability	**2 587 590**	**2 427 616**	**2 587 590**	**2 427 616**

The principal assumptions used for the purposes of the actuarial valuations were as follows:				
Discount rate %	8,52	8,58	8,5	8,58
General Salary inflation (long-term) %	6,34	7,23	6,3	7,23
Consumer Price Index (CPI)	5,34	6,23	5,34	6,23
Net Effective Discount Rate %	2,05	1,26	2,05	1,26
Average Retirement Age	63	63	63,00	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	2 662 150	2 424 771	2 662 150	2 424 771
Current service cost	304 928	296 765	304 928	296 765
Interest cost	218 586	191 932	218 586	191 932
Benefits paid	(270 238)	(372 289)	(270 238)	(372 289)
Actuarial (gain)/loss on the obligation	(125 693)	120 971	(125 693)	120 971
Balance at end of year	**2 789 733**	**2 662 150**	**2 789 733**	**2 662 150**

The average liability has increased by 5% due to an increase in the average salary and an increase in the average past servic.e, partially offset by an increase in the net discount rate. The total liability has also increased by 5% (or R127,5830 due to the above, and because there are the same numbers of eligible employees at the last valuation.

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

18. Payables from exchange transactions

Accounts payables	12 006 073	19 141 358	11 623 631	18 159 667
Retention Creditors	2 783 138	3 255 365	2 783 138	3 255 365
Other Creditors: Accruals-Compensation Commissioner	1 934 081	1 499 114	1 934 081	1 499 114
Staff leave	10 506 207	9 827 102	10 464 174	9 771 979
Other Creditors	-	440 517	-	440 517
	27 229 499	**34 163 456**	**26 805 024**	**33 126 642**

Restatement of payables from exchange transactions; accounts payables restated with the amount of R8 392 808 due to the capitalisation of assets and understated to the amount of R 774 080, retention creditors to the amount of R R51 506, and other creditors to the amount of R15 529 in the 2015/2016 financial year. Refer to note 46

19. Payables from non exchange transactions

Control accounts	856 212	871 823	856 212	871 823

20. VAT payable

VAT	2 509 204	2 000 383	-	-

21. Revenue

Other income	42 480	6 577 290	42 480	6 577 290
Interest received - investment	2 627 666	4 270 357	2 331 126	3 995 710
Dividends received	2 080	2 020	2 080	2 020
Government grants & subsidies	174 306 765	174 019 151	174 306 765	174 019 151
Public contributions and donations	76 654	188 949	76 654	188 949
Gains on actuarial valuations	1 447 136	2 473 404	-	-
	178 502 781	**187 531 171**	**176 759 105**	**184 783 119**

The amount included in revenue arising from exchanges of goods or services are as follows:				
Other revenue	42 480	112 700	42 480	112 700
Interest received - investment	2 627 666	4 270 357	2 331 126	3 995 710
Dividends received	2 080	2 020	2 080	2 020
	2 672 226	**4 385 077**	**2 375 686**	**4 110 430**

The amount included in revenue arising from non-exchange transactions is as follows:				
Other revenue	-	6 464 589	-	6 464 589
Transfer revenue				
Government grants & subsidies	174 306 765	174 019 151	174 306 765	174 019 151
Public contributions and donations	76 654	188 949	76 654	188 949
	175 830 555	**183 146 093**	**174 383 419**	**180 672 689**

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

22. Other revenue

Reversal of provision for bad debt	-	873 645	-	873 645
Other revenue	42 480	5 628 645	42 480	5 628 645
Proceeds on disposal of assets	-	75 000	-	75 000
	42 480	**6 577 290**	**42 480**	**6 577 290**

The amount included in other revenue arising from exchanges of goods or services are as follows:				
Insurance claims	23 750	12 918	23 750	12 918
Commission on debit orders	8 335	8 316	8 335	8 316
Tender deposito's	1 895	82 676	1 895	82 676
Other income	8 500	8 790	8 500	8 790
	42 480	**112 700**	**42 480**	**112 700**

The amount included in other revenue arising from non-exchange transactions is as follows:				
Cathsetta Refund	-	5 515 945	-	5 515 945
Proceeds on the disposal of assets	-	75 000	-	75 000
Reversal provision for bad debt	-	873 644	-	873 644
	-	**6 464 589**	**-**	**6 464 589**

The amount for the Cathsetta refund was restated with the amount of R 460, 857 due to that is was overstated in the 2015/2016 financial year. (Refer note 46)

Taxation revenue	-		-	-
	-	-	-	-

23. Investment revenue

Dividend revenue				
Listed financial assets - Local	2 080	2 020	2 080	2 020

Interest revenue				
Investments and call deposits	2 627 666	4 205 192	2 331 126	3 930 545
Interest earned on deposits	-	65 165	-	65 165
	2 627 666	**4 270 357**	**2 331 126**	**3 995 710**
Dividend revenue	2 080	2 020	2 080	2 020
Investment revenue	2 627 666	4 270 357	2 331 126	3 995 710
Total investment revenue	**2 629 746**	**4 272 377**	**2 333 206**	**3 997 730**

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

24. Transfers and subsidies

Allocations

Grants paid - Dr kenneth Kaunda District Municiplaity	2 552 724	4 904 895	5 184 303	7 168 053
Grants and donations - Matlosana	-	4 630 670	-	4 630 670
Grants and donations - Tlokwe	-	592 686	-	1 592 686
Grants and donations - Ventersdorp	336 750	15 645 595	336 750	16 645 595
Grants and donations - Maquassi - Hills	-	3 430 755	-	4 430 755
Completed projects transfer to Municipalities	54 550	35 016 560	54 550	35 016 560
Less:Fair value adjustments - Credit purchases	(22 545)	(175 650)	(22 545)	(175 650)
	2 921 479	**64 045 511**	**5 553 058**	**69 308 669**

Grants and subsidies - Dr Kenneth Kaunda District Municiplity				
Merit Bursary Community	2 552 724	4 904 895	2 552 724	4 904 895
Dr kenneth Kaunda Economic Agency	3 000 000	3 000 000	2 631 579	2 263 158
	5 552 724	**7 904 895**	**5 184 303**	**7 168 053**

Projects - City of Matlosana				
Recycling Project Landfill site	-	239 361	-	239 361
Rural Development	-	503 144	-	503 144
N12 Road Beutification	-	1 280 959	-	1 280 959
Orkney waste water treatment plant	-	1 899 393	-	1 899 393
Buffeldoorn water supply	-	707 813	-	707 813
	-	**4 630 670**	**-**	**4 630 670**

Projects - City of Tlokwe				
Tlokwe Beans Project	-	-	-	1 000 000
Fire Equipment	-	286	-	286
Farmer support and development	-	592 400	-	592 400
	-	**592 686**	**-**	**1 592 686**

Projects - Maquassi Hills Local Municipality				
Maquassi Hills Piggery	-	-	-	1 000 000
Waste collection trucks Maquassi-Hills	-	1 461 930	-	1 461 930
LED plan development	-	766 710	-	766 710
Carports Maqussi Hills	-	17 535	-	17 535
Repayment DBSA loans Local Municipalities	-	745 086	-	745 086
Pumpstation and upgrading bulk sewer lines Kgakala	-	403 781	-	403 781
Boskuil Refurbishment Electricity	-	35 713	-	35 713
	-	**3 430 755**	**-**	**4 430 755**

Projects - Ventersdorp local Municipality				
Paupers Funerals	336 750	406 600	336 750	406 600
Ventersdorp Vineyard Project	-	-	-	1 000 000
Fire Engines Purchases - Ventersdorp	-	1 597 132	-	1 597 132
Two Bedrooms Clinics - Ventersdorp	-	195 918	-	195 918
Vehicles - Service delivery	-	1 311 000	-	1 311 000
LED projects	-	2 457 458	-	2 457 458
Skip bins	-	871 500	-	871 500
Repayment DBSA loans Local Municipalities	-	570 592	-	570 592
Outfall sewer (Tshing)	-	1 504 100	-	1 504 100

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

24. Transfers and subsidies (continued)

Access roads	-	6 731 295	-	6 731 295
	336 750	**15 645 595**	**336 750**	**16 645 595**

Transfer and subsidies reclassified to the amount of R 55 174 149 in the 2015/2016 financial year and disclosed as general expenditure.(Refer note 46)

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies

Equitable share	19 609 000	20 078 000	19 609 000	20 078 000
RSC Levy Replacement Grant	149 710 000	145 604 000	149 710 000	145 604 000
Conditional grants and subsidies received	4 987 765	8 337 151	4 987 765	8 337 151
	174 306 765	**174 019 151**	**174 306 765**	**174 019 151**

Equitable Share

Current year receipts	19 609 000	20 078 000	19 609 000	20 078 000
	19 609 000	**20 078 000**	**19 609 000**	**20 078 000**

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

RSC Levy Replacement Grant

Current year receipts	149 710 000	145 604 000	149 710 000	145 604 000
	149 710 000	**145 604 000**	**149 710 000**	**145 604 000**

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

Tirelo Bosha grant

Current-year receipts	1 072 200	-	1 072 200	-
Conditions met - transferred to revenue	(1 072 200)	-	(1 072 200)	-
Conditions still to be met- transferred to liabilities	**-**	**-**	**-**	**-**

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

Disaster Management Grant

Current-year receipts	-	2 112 774	-	2 112 774
Conditions met - transferred to revenue	-	(2 112 774)	-	(2 112 774)
Conditions still to be met- transferred to liabilities	**-**	**-**	**-**	**-**

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

LG SETA Mandatory grant

Balance unspent at beginning of year	1 266 456	1 188 148	1 266 456	1 188 148
Current-year receipts	110 143	78 308	110 143	78 308
Conditions still to be met- transferred to liabilities	**1 376 599**	**1 266 456**	**1 376 599**	**1 266 456**

Local Government Support Grant

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies (continued)

Balance unspent at beginning of year	1 483 940	1 421 271	1 483 940	1 421 271
Current-year receipts	77 763	63 644	77 763	63 644
Conditions met - transferred to revenue	(643 956)	(975)	(643 956)	(975)
Conditions still to be met- transferred to liabilities	**917 747**	**1 483 940**	**917 747**	**1 483 940**

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

Finance Management Grant

Balance unspent at beginning of year	-	-	-	-
Current-year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)	(1 250 000)	(1 250 000)
Conditions still to be met- transferred to liabilities	**-**	**-**	**-**	**-**

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

Rural road asset management system

Current-year receipts	2 242 000	2 152 000	2 242 000	2 152 000
Conditions met - transferred to revenue	(1 305 792)	(2 152 000)	(1 305 792)	(2 152 000)
Conditions still to be met- transferred to liabilities	**936 208**	**-**	**936 208**	**-**

Municipal System Improvement Grant (MSIG)

Current-year receipts	-	930 000	-	930 000
Conditions met - transferred to revenue	-	(930 000)	-	(930 000)
Conditions still to be met- transferred to liabilities	**-**	**-**	**-**	**-**

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

Expanded Public Works Program Grant

Current year receipt	1 479 000	1 925 000	1 479 000	1 925 000
Conditions met - transferred to revenue	(1 479 000)	(1 925 000)	(1 479 000)	(1 925 000)
	-	-	-	-

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.

26. Public contributions and donations

Public contributions and donations	76 654	188 949	76 654	188 949

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

27. Employee related costs

Basic Salaries	52 951 606	50 984 862	51 895 237	50 040 306
Medical aid - Councils' contributions	2 981 761	2 641 186	2 981 761	2 641 186
UIF	239 684	285 649	233 515	279 702
Industrial Council	10 099	9 670	10 099	9 670
Redemption of Leave	2 885 468	2 119 331	2 867 965	2 080 550
Cell Phone Allowances	893 292	891 018	893 292	891 018
Defined contribution plans	1 867 776	1 779 991	1 867 776	1 779 991
Overtime payments	149 769	210 430	149 769	210 430
Post- retirement medical aid contributions	523 514	488 697	523 514	488 697
13th Cheques	3 729 307	3 553 015	3 729 307	3 553 015
Acting allowances	1 226 192	-	1 226 192	-
Car allowance	7 473 379	5 595 859	7 473 379	5 595 859
Housing benefits and allowances	442 862	433 530	442 862	433 530
Standby Allowances	103 519	37 570	103 519	37 570
Group Life Insurance - Councils' Contributions	375 590	342 471	375 590	342 471
Pension Fund - Councils' Contributions	7 002 762	6 516 195	7 002 762	6 516 195
Allowances Uniforms	26 316	11 040	26 316	11 040
	82 882 896	**75 900 514**	**81 802 855**	**74 911 230**

Remuneration of Municipal Manager

Annual Remuneration	1 123 383	1 147 728	1 123 383	1 147 728
Car Allowance	110 000	120 000	110 000	120 000
Other allowances	79 750	72 000	79 750	72 000
13th Cheque	146 715	115 232	146 715	115 232
Statutory contributions	187 550	61 916	187 550	61 916
	1 647 398	**1 516 876**	**1 647 398**	**1 516 876**

MI Matthews was Municipal Manager till 31 May 2017. T Chanda was appointed acting Municipal Manager Manager as from 1 June 2017.

Remuneration of Chief Finance Officer

Annual Remuneration	1 364 590	1 275 221	1 364 590	1 275 221
Other Allowances	12 600	12 600	12 600	12 600
Statutary contributions	43 667	39 087	43 667	39 087
	1 420 857	**1 326 908**	**1 420 857**	**1 326 908**

Remuneration of Director Corporate Services

Annual Remuneration	936 074	866 118	936 074	866 118
Car Allowance	180 000	180 000	180 000	180 000
Other allowances	12 600	12 600	12 600	12 600
13th Cheque	96 695	91 260	96 695	91 260
Statutary contributions	36 726	35 043	36 726	35 043
	1 262 095	**1 185 021**	**1 262 095**	**1 185 021**

Remuneration of Director Infrastructure

Annual Remuneration	1 294 017	1 209 264	1 294 017	1 209 264
Cell phone allowances	12 600	12 600	12 600	12 600

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

27. Employee related costs (continued)

Acting Allowance	22 587	-	22 587	-
Statutary contributions	41 408	37 066	41 408	37 066
	1 370 612	**1 258 930**	**1 370 612**	**1 258 930**

T Tshukudu act from the 1June 2017 as acting director Infrastructure.

Remuneration of Director District Economic Development

Annual Remuneration	1 120 274	1 053 003	1 120 274	1 053 003
Cell phone allowances	12 600	12 600	12 600	12 600
13th Cheque	88 200	84 240	88 200	84 240
Cellphone allowance & leave encashment	39 149	36 725	39 149	36 725
	1 260 223	**1 186 568**	**1 260 223**	**1 186 568**

Remuneration of Director Disaster Management

Annual Remuneration	1 131 728	1 056 963	1 131 728	1 056 963
Cell phone allowances	12 600	12 600	12 600	12 600
13th Cheque	94 109	102 182	94 109	102 182
Statutary contributions	39 149	36 726	39 149	36 726
	1 277 586	**1 208 471**	**1 277 586**	**1 208 471**

R Lesar act in the position as Director Disaster Management as from 1 March 2017.

Remuneration of the Director Environmental Health

Annual Remuneration	542 390	252 720	542 390	252 720
Cell phone allowances	8 904	3 150	8 904	3 150
Acting Allowance	451 570	325 011	451 570	325 011
13th Cheque	35 022	56 160	35 022	56 160
Statutary contributions and leave encashment	33 845	91 774	33 845	91 774
	1 071 731	**728 815**	**1 071 731**	**728 815**

N Tenza act as director environmental health services from 1 Oktober 2015

28. Remuneration of councillors

Executive Mayor	823 862	819 028	823 862	819 028
Single Whip	616 131	-	616 131	-
Mayoral Committee Members	3 186 968	4 479 659	3 186 968	4 479 659
Speaker	594 546	661 613	594 546	661 613
Councilors	2 118 712	2 130 520	2 118 712	2 130 520
Councilors' pension contribution	705 544	875 448	705 544	875 448
	8 597 538	8 966 268		
Chairperson MPAC	551 776	-	551 776	-
	17 195 077	**17 932 536**	**8 597 538**	**8 966 268**

Refer to note 45 where details of councillors remuneration are disclosed.

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
29. Administrative expenditure - Board allowances				
Board remuneration	435 425	480 150	-	-
Board travel	53 771	67 565	-	-
Board accomodation	-	3 502	-	-
	489 196	**551 217**	**-**	**-**

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

30. Depreciation and amortisation

Property, plant and equipment	7 363 935	4 172 466	7 285 865	4 070 069
Intangible assets	399 506	439 200	399 506	437 597
	7 763 441	**4 611 666**	**7 685 371**	**4 507 666**

Restatement of depreciation regarding WI-FI broadbnd assets to the amount of R 393 709

in the 2015/2016 financial year.

31. Details of impairment loss Property, Pant and Equipment

Impairments				
Property, plant and equipment	157 400	-	-	-
	157 400	-	157 400	-
Vehicles 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.				
	314 800	**-**	**157 400**	**-**
	314 800	-		
	-	-		

32. Finance costs

Finance leases	101 716	173 745	101 716	173 745
Fair value adjustments on credit purchases	319 586	227 747	319 586	227 747
	421 302	**401 492**	**421 302**	**401 492**

The average payment period is 33 days and credit purchases has as such discounted at the prime interest+1%.

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

33. Debt impairment

Contributions / (Reversal) of debt impairment - Non exchange transactions	310 984	(873 645)	310 984	(873 645)
Net reversal	(1 130 529)	(808 480)	(1 130 529)	(808 480)
Bad debts written off	1 130 529	-	1 130 529	-
Movement in debt impairment	**310 984**	**65 165**	**310 984**	**65 165**

34. Contracted services

Information Technology Services	705 416	591 158	705 416	591 158
Other contractors	1 608 092	1 770 255	1 312 790	1 572 225
WI-FI District broadband network	4 306 302	1 669 261	4 306 302	1 669 261
CCTV Security system	8 242 812	8 242 812	8 242 812	8 242 812
Rural road asset management system	9 123 312	7 264 935	9 123 312	7 264 935
	1 305 792	1 494 500	1 305 792	1 494 500
Fair value adjustment - Credit purchases	(8 622)	(2 702)	(8 622)	(2 702)
	25 283 104	**21 030 219**	**24 987 802**	**20 832 189**

Reclassification of Transfer and subsidies expenditure as general expenditure classified under ' Detail of expenditure based on projects.(Refer to note46)

Restatement of WI-FI broadband subscription to the amount of R774 080 understated in the 2015/2016 financial year.(Refer to note 46).

Restatement of WI-FI broadband expenditure due to the capitalisation of these assets to the amount of R 8 398 208 in the 2015/2016 financial year.(Refer to note 46).

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

35. General expenses

Advertising	519 695	1 224 329	488 675	1 224 329
Assessment rates & municipal charges	975 612	1 028 597	975 612	1 010 668
Audit committee members - Remuneration	678 194	640 160	678 194	640 160
Auditors remuneration	3 726 436	4 001 404	3 279 426	3 534 200
Bank charges	100 409	136 811	92 110	124 422
Business expenses councillors and directors	36 909	300 392	36 909	300 392
Cleaning	36 469	2 050	36 469	2 050
Community based planning	731 694	3 915 772	731 694	3 915 772
Compensation Commissioner	462 209	430 719	462 209	430 719
Conferences and seminars	1 066 273	2 958 835	1 057 919	2 743 801
Consulting and professional fees	1 255 142	1 238 897	1 223 305	1 165 377
Consumables	197 774	234 159	175 851	231 645
Entertainment	938 476	968 537	917 900	955 239
Fines and penalties	8 510	14 698	-	-
Events and campaigns	2 175 306	2 972 516	2 175 306	2 972 516
General expenses - Other	2 500 118	1 899 438	2 500 118	1 899 438
Gifts	13 835	10 596	13 835	10 596
Hire	572 016	712 255	572 016	712 255
IDP Review expenses	42 500	11 700	42 500	11 700
Implementation cost projects	1 146 874	2 762 788	-	-
Insurance	668 827	797 349	633 389	761 359
Legal fees	2 771 985	2 865 189	2 771 985	2 865 189
Licence fees - Other	60 360	55 410	51 335	47 013
Magazines, books and periodicals	-	721	-	721
VAT collection fees	-	2 734 985	-	2 734 985
Motor vehicle expenses	1 059 915	1 416 267	1 059 915	1 416 267
Office rentals	2 966 388	3 355 868	2 966 388	3 243 151
Municipal public accounts commitee expenses	98 019	147 408	98 019	147 408
Pest control	202 856	165 272	202 856	165 272
Postage and courier	23 517	7 398	19 647	6 780
Printing and stationery	1 463 922	1 468 372	1 346 647	1 390 106
Protective clothing	93 012	54 668	93 012	54 668
Public Participation Expenses	94 660	834 555	94 660	834 555
Skills development levy	651 698	604 511	651 698	604 511
Subscriptions and membership fees	865 799	922 815	865 799	922 815
Subsistence and travel	979 781	818 828	859 047	686 865
Telephone and fax	861 772	1 623 823	809 625	1 578 266
Skill development training	287 574	1 203 823	287 574	1 203 823
Testing of samples - Health	452 346	427 099	452 346	427 099
Training and development - Councillors	50 000	59 993	50 000	59 993
Training and development - Employees	470 000	685 160	470 000	649 660
Expenditure based on projects	13 397 862	55 174 149	13 397 862	55 174 149
Fair value adjustment - Credit purchases	(285 558)	(47 855)	(285 558)	(47 855)
	44 419 186	**100 840 461**	**42 356 294**	**96 812 079**

Detail of general expenditure - Other

Access payment insurance claims	16 272	47 860	16 272	47 860
Air quality management plan	60 294	-	60 294	-
By - law implementation strategy	112 853	12 616	112 853	12 616
Councillors support program	50 000	141 049	50 000	141 049
Employees wellness	118 548	90 620	118 548	90 620
Environmental management plan	-	20 358	-	20 358
Generator fuel and oil	-	9 000	-	9 000
Integrated waste management plan	1 099 675	1 448 269	1 099 675	1 448 269
Maintenance of audit systems	92 909	17 742	92 909	17 742
Records management	-	27 500	-	27 500
Strategic planning expenditure	32 943	16 981	32 943	16 981

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
35. General expenses (continued)				
Subscription fees	-	9 191	-	9 191
Toll road fees	77 405	58 253	77 405	58 253
MSCOA(Municipal charts of accounts)	780 253	-	780 253	-
Uniforms	58 956	-	58 966	-
	2 500 108	**1 899 439**	**2 500 118**	**1 899 439**
Detail of expenditure based on projects				
Merit Bursary Employees	49 310	110 055	49 310	110 055
Dr Kenneth Kaunda Tourism Association	-	100 000	-	100 000
Tourism & Marketing	432 104	340 007	432 104	340 007
Community Agricultural Support	9 022	500 000	9 022	500 000
Small Scale Farmers Tech. Support	135 762	29 990	135 762	29 990
Tourism Awareness	47 427	15 840	47 427	15 840
Entrepreneurial Month	4 830	59 425	4 830	59 425
Tourism Info Centre	-	40 000	-	40 000
Skills Development and Training	187 949	451 525	187 949	451 525
Youth development centre project	-	475 168	-	475 168
Mandella day - special projects	37 017	196 911	37 017	196 911
Funeral assistance	161 477	997 300	161 477	997 300
Youth develoment - Special projects	135 868	89 570	135 868	89 570
Women's month	48 200	146 501	48 200	146 501
Poverty relief	205 934	927 212	205 934	927 212
Gender development	66 748	454 444	66 748	454 444
Mayoral Golf Fund	88 263	-	88 263	-
Skills summit	238 821	-	238 821	-
Disability development	78 108	439 150	78 108	439 150
Children development	45 000	310 703	45 000	310 703
Elderly development	32 730	212 373	32 730	212 373
Education	48 390	454 303	48 390	454 303
Business / entrepreneurs	49 200	188 091	49 200	188 091
Community Development	138 650	751 989	138 650	751 989
Tourism Support	44 359	37 344	44 359	37 344
Fire fighting trainingand development	347 096	-	347 096	-
Sports arts and culture	1 995 026	1 987 651	1 995 026	1 987 651
Disaster management capacity building	-	359 535	-	359 535
Disaster Management Plan	40 835	47 050	40 835	47 050
Communication Unit	500 486	1 259 499	500 486	1 259 499
Promotion and Marketing DED	53 650	124 072	53 650	124 072
Disaster Management Awareness	892 724	1 081 239	892 724	1 081 239
Disaster Management Relief	102 860	29 793	102 860	29 793
Disaster Management Advisory Forum	-	2 250	-	2 250
Emergency Funding Major Incident	277 792	362 238	277 792	362 238
Fire Fighting Training & Development	200 000	82 958	200 000	82 958
Risk Reduction Project	123 570	377 651	123 570	377 651
Funding Finance Management Grant	741 276	673 425	741 276	673 425
LG Seta mandatory grant	145 614	127 502	145 614	127 502
Literary competition	-	187 403	-	187 403
Volunteers stipend	548 802	1 588 928	548 802	1 588 928
Volunteer training	-	465 077	-	465 077
Secondary co-operative	100 000	100 000	100 000	100 000
Cleanest city campaign	-	2 731 579	-	2 731 579
International trips	-	215 100	-	215 100
Beautification of grave yards	-	3 032 056	-	3 032 056
Honouring individual greatness	-	1 545 243	-	1 545 243
Convert illegal dumping to recreation	-	2 394 256	-	2 394 256
Cooperative college	-	2 758 819	-	2 758 819
Repairs and maintenance assistence for local munic	-	4 285 340	-	4 285 340

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

35. General expenses (continued)

Executive mayor's roadshows	-	2 496 816	-	2 496 816
District public safety promotion	56 755	79 100	56 755	79 100
District operation clean audit	-	7 679 176	-	7 679 176
Organisational re-engineering	-	1 500 000	-	1 500 000
Labour relations training	-	66 450	-	66 450
Record files plans	-	1 082 544	-	1 082 544
Rural development	947 311	2 686 665	947 311	2 686 665
LG Seta discretionary grants	-	562 615	-	562 615
Africa day celebrations	114 735	-	114 735	-
Expanded public works programme	1 479 000	3 139 300	1 479 000	3 139 300
District Expo	98 279	-	98 279	-
District infrastructure - Consulting	-	18 015	-	18 015
SMME Workshop/Summit	251 739	-	251 739	-
Ward Committee Offices	-	1 119 612	-	1 119 612
District erecting of fencing	-	912 047	-	912 047
District high mast lights	-	179 551	-	179 551
SMME'S and Co - operative support	195 136	505 693	195 136	505 693
Tilero Bosha project	1 900 007	-	1 900 007	-
	13 397 862	**55 174 149**	**13 397 862**	**55 174 149**

Reclassification of Transfer and subsidies expenditure as general expenditure classified under ' Detail of expenditure based on projects.(Refer to note 46)

36. Fair value adjustments

Other financial assets - Listed shares: Sanlam				
• Other financial assets (Designated as at FV through P&L	4 226	(6 709)	4 226	(6 709)

37. Auditor's remuneration

Fees	3 726 436	4 001 404	3 279 426	3 534 200

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

38. Operating leases

Details of leases - liability				
Lease office space - Tlokwe	2 153	1 917	2 153	1 917
Lease office space - Orkney	-	137 651	-	137 651
Lease office space - Ventersdorp	1 280	1 240	1 280	1 240
	3 433	**140 808**	**3 433**	**140 808**

Minimum lease payments due				
Within one year	116 007	1 947 176	116 007	1 947 176
In the second to fifth year inclusive	-	39 918	-	39 918
	116 007	**1 987 094**	**116 007**	**1 987 094**

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.

Notes to the Consolidated Annual Financial Statements

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Lease of office building - Envirronmental Health
The municipality lease office space remainder of erf 148, Baillie Park from STE Hire cc.
The lease was classified as a operating lease on the following grounds:
1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2.At the inception of the lease the present value of the minimum lease payments amounts not to at least 90% of the fair value of the asset.
3.STE Hire cc shall maintain and insure the building.
4.The agreement was effective from the 1 March 2014 and the period for the lease was 18 months up to 31August 2015, from 1 Sept 2015 to 30 August 2016, and from 1 Sept 2016 to 30 August 2017..
5.The monthly lease amount as per the agreement is R 35 891,21 (Excl VAT), a 6% escalation was agreed on in the lease.

Lease of office building - Envirronmental 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.

39. Cash generated from (used in) operations

Surplus (deficit)	2 537 806	(92 445 139)	3 782 200	(92 082 591)
Adjustments for:				
Depreciation and amortisation	5 921 832	4 642 364	5 843 765	4 507 666
Gain on disposal of assets	(52 337)	(75 000)	(39 442)	(75 000)
Loss on disposal of assets	1 177 372	26 898	1 177 372	26 898
Provision for leave reserve	692 195	(2 240 773)	666 367	(2 240 773)
Fair value adjustments - shares	(4 226)	6 709	(4 226)	6 709
Finance costs - Finance leases	101 716	173 745	101 716	173 745
Impairment deficit	157 400	-	157 400	-
Impairment losses - Provision for doubtful debt: Exchange transactions	310 984	65 165	-	-
Impairment losses - Provision for doubtful debt: Non exchange transactions	310 984	(1 246 470)	310 985	(1 246 470)
Impairment losses - Provision for doubtful debt: Non current (Escom deposits)	-	65 165	-	65 165
Movements in operating lease liability	(137 375)	4 111	(137 375)	4 111
Movements in post - retirement medical aid liability and long service awards liability -current	22 790	62 863	22 790	62 863
Movements in post - retirement medical aid liability and long service awards liability - non current and other non current items	1 834 676	(857 009)	1 834 676	(857 009)
Actuarial gains	(1 447 136)	-	(1 447 136)	-
Work in progress	274 852	35 016 560	274 852	35 016 560
Changes in working capital:				
Receivables from non-exchange transactions	6 679 824	(4 661 454)	6 679 824	(4 661 454)
Consumer debtors	(310 984)	(65 165)	-	-
Other receivables from exchange transactions	(86 754)	237 070	(105 731)	258 984
Payables from exchange transactions	(7 626 152)	6 532 333	(7 013 813)	5 495 519
VAT Receivables	673 431	8 638 501	673 431	10 224 464
Payables from non-exchange transactions	(15 611)	870 984	(15 611)	870 984
Unspent conditional grants and receipts	480 158	140 977	480 158	140 977
VAT payables	508 821	2 000 383	-	-
	12 004 266	**(43 107 182)**	**13 242 202**	**(44 308 652)**

40. Financial instruments disclosure

Categories of financial instruments

Group - 2017

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	260 108	260 108
Receivables from non-exchange transactions	-	819 188	819 188
Cash and cash equivalents	-	18 696 934	18 696 934
Listed investments	62 857	-	62 857
	62 857	**19 776 230**	**19 839 087**

Financial liabilities

	At amortised cost	Total
Finance lease obligations	485 391	485 391
Operating lease liabilty	3 433	3 433
Payables from exchange transactions	27 229 449	27 229 449
Payables from non - exchange transactions	856 212	856 212
	28 574 485	**28 574 485**

Group - 2016

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	173 354	173 354
Receivables from non - exchange transactions	-	7 809 996	7 809 996
Cash and cash equivalents	-	10 717 777	10 717 777
Listed investments	58 631	-	58 631
	58 631	**18 701 127**	**18 759 758**

Financial liabilities

	At amortised cost	Total
Finance lease obligations	1 129 949	1 129 949
Operating lease liabilty	140 808	140 808
Payables from exchange transactions	34 163 456	34 163 456
Payable from non-exchange transactions	871 823	871 823
	36 306 036	**36 306 036**

Municipality - 2017

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	257 171	-	257 171
Receivables from non-exchange transactions	-	819 188	-	819 188

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

. **Financial instruments disclosure (continued)**

Cash and cash equivalents	-	13 745 146	-	13 745 146
Listed investments	62 857	-	-	62 857
Investments in controlled entities	-	-	120	120
	62 857	**14 821 505**	**120**	**14 884 482**

Financial liabilities

	At amortised cost	Total
Finance lease obligations	485 391	485 391
Operating lease liabilty	3 433	3 433
Payables from exchange transactions	26 805 024	26 805 024
Payables from non - exchange transactions	856 212	856 212
	29 120 842	**28 150 060**

Municipality - 2016

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	151 440	-	151 440
Receivables from non-exchange transactions	-	7 809 996	-	7 809 996
Cash and cash equivalents	-	4 379 399	-	4 379 399
Listed investments	-	-	120	120
Investments in controlled entities	58 631	-	-	58 631
	58 631	**12 340 835**	**120**	**12 399 586**

Financial liabilities

	At amortised cost	Total
Finance lease obligations	1 129 949	1 129 949
Payables from exchange transactions	33 126 642	33 126 642
Payables from non - exchange transactions	871 823	871 823
Operating lease liability	140 808	140 808
	35 269 222	**35 269 222**

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

41. Transfer of functions between entities under common control

Transfer of functions between entities under common control occurring during the current reporting period

Entities involved in the transfer of functions were:

Maquassi Hills Local Municipality (Transferor), and

Dr Kenneth Kaunda District Municipality (Acquirer).

The following functions were transferred:

Fire Services of Maquassi Hils Local Municipality was transferred to Dr Kenneth Kaunda District Municipality

The transfer was done in accordance with the Municipal Structures Act (Act 117 of 1998) and the section 12 notice.

The transfer of function took place during the 2017 financial year.

The transfer was finalised with effective date Friday, 01 July 2016.

Value of the assets acquired and liabilities assumed

Assets acquired				
Property plant and equipment	1 540 828	-	1 540 828	-
Liabilities assumed				
Leave provision for staff transferred	25 828	-	25 828	-
Difference between the carrying amounts of the assets acquired, the liabilities assumed and adjustments required to the basis of accounting	**1 515 000**	**-**	**1 515 000**	**-**
Difference between net assets and the consideration paid	**1 515 000**	**-**	**1 515 000**	**-**

Other information

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

41. Transfer of functions between entities under common control (continued)

If the specific disclosures required by the Standards of GRAP do not meet the objectives set out in paragraph GRAP105.58, the acquirer shall disclose whatever additional information is necessary to meet those objectives.
GRAP 105.40 orescribes that, if the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete.
The paragraph continues by prescribing that, during the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the transfer date to reflect the new information obtained about facts and circumstances that existed on the transfer date and, if known, would have affected the measurement of the amounts recognised as of date.
The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed on the transfer date or learns that more information is not obtainable.
The paragraph concludes by stating that the measurement period shall not exceed two years from the transfer date, thus being 30 June 2018.

In light of the above paragraph, the acquirer reports in accordance with GRAP 105.40-43 that furniture and fittings, computer equipment and office equipment as contained in the agreement have not been physically transferred by the transferor as at the reporting date.

The municipality therefore did not account for the items. The municipality also was not able to account for depreciation or impairment in accordance with GRAP 17 due to this fact.

The acquirer therefore makes use of the measurement period as permitted by GRAP in order to obtain reiable evidence to these facts and circumstances. The effect on the financial statements are not material.

Initial accounting is incomplete

The assets, liabilities, or any consideration for which the initial accounting is incomplete due to non-transfer of non-current assets as contained in Annexure B to the agreement between the acquirer and the transferor..

Entities involved in the transfer of functions were:

Entity 1

Entity 2

The following functions were transferred:

Function 1

Function 2

The transfer was due to [state the reason for transfer].

The transfer of function took place during the 2016 financial year.

The transfer was finalised on .

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

42. Commitments

Authorised capital expenditure

Total approved and contracted for (VAT exclusive)				
• Infrastructure - Other	1 926 617	258 478	1 926 617	258 478
• Broadband WI-FI	5 278 162	15 871 631	5 278 162	15 871 631
	7 204 779	**16 130 109**	**7 204 779**	**16 130 109**

This expenditure will be financed from:				
Own resources	7 204 779	16 130 109	7 204 779	16 130 109

43. 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.

	Group		Municipality	
	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
Contingent liabilities				
Batting Development Products against Dr KKDM Background - On 5 May 2011, Batting Development issued summons against DRKKDM wherein an amount of R 5 080 858.33 was claimed. The matter is pending. The estimated legal costs in the matter is R200 000	5 280 858	5 080 858	5 280 858	5 080 858
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 claim R 1 612 097. Legal cost estimated at R400 000.	2 012 097	330 000	2 012 097	330 000
MB Molefe against Dr KKDM Nature of dispute - Unfair labour practice Status of case - The matters were consolidated and archived pending the outcome of JR 2702/14, Case no JS 577/14 and JS 844/14. Amount claim R 267 000. Legal cost estimated at R400 000.	567 000	175 000	567 000	175 000
MB Molefe against Dr KKDM An application for leave to appeal has been filed at the labour court Case no JR 2702/2014; Estimated claim R 247 000. Legal cost estimated at R350 000	597 000	247 000	597 000	247 000

Figures in Rand	Group 2017	Group 2016	Municipality 2017	Municipality 2016

43. Contingencies (continued)

MB Molefe against Dr KKDM 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. The Plaintiff is claiming payment in the sum of R225 099.00 being an amount of pay out of leave days due to the Plaintiff by the 1st respondent as at dismissal 10 July 2014. Estimated claim in the matter is an amount of R225 099.00. Legal cost estimated at R350 000. .	575 099	225 099	575 099	225 099
MB Molefe against Dr KKDM Case no 23804/14 On 20 March 2014, The Plaintiff issued summons against the former Executive Mayor, Acting Municipal Manager for damages suffered. The Plaintiff claimed an amount of R350 000. Legal cost estimated at R450 000.	800 000	-	800 000	-
MB Molefe against Dr KKDM The municipality (Applicant) has filed an application for stay of execution of summons that was issued by the CCMA (Case no JS2526/2017). Estimated claim is an amount of R 189 000.Legal cost estimated at R195 000.	384 000	1 000 000	384 000	1 000 000
MB Molefe against Dr KKDM The applicant filed an application for a contempt of court by the Municipality (respondent) (Case no JS1963/2017). Estimated claim R 255 000. Legal cost estimated at R 190 000	445 000	-	445 000	-

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

43. Contingencies (continued)

MW Asset Rentals (Pty) Ltd against Dr KKDM Background - 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. Legal cost estimated at R200 000	518 461	318 461	518 461	318 461
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 Legal cost estimated at R300 000.	558 720	258 809	558 720	258 809
Contingent Assets				
DR KKDM against Amadeka Trading Enterprise CC 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. Amount requested: R 883 639	883 639	883 639	883 639	883 639
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. Amount requested: R 538 830	538 830	538 830	538 830	538 830

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

43. Contingencies (continued)

DR KKDM against Kumekucha Investments CC Status: On 26 March 2010 a cheque was issued and drawn on the bank account of Dr Kenneth Kaunda District Municipality (DRKKDM) in the amount of R550 000.00 in favour of Kumekucha Investments as remuneration for allegedly supplying the DRKKDM with a feasibility study on loan and Projects report. However Kumekucha Investments never supplied any goods or services to DRKKDM. Amount requested : R 550 000	550 000	550 000	550 000	550 000
DR KKDM against Big Break legacy Project team Status date: Letter of demand was served on Dual point media to recover monies paid over to the company for the production of the Big Break Legacy Season 3. Estimated amount to received by the municipality is R 10 000 000.00	10 000 000	10 000 000	10 000 000	10 000 000

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

44. Related parties

Relationships	
Controlled entity	Dr Kenneth Kaunda District Economic Agency (Note 4)
Post retirement employment benefit plan for employees of the municipality and/or other related parties	Refer to note 8
Members of Council	Refer to General Information page to the financial statements
Members of Key Management	M I Matthews - Municipal Manager till 31 May 2017: T Chanda - Acting Municipal Manager from 1 June 2017 J Mononela - CFO L Ralegetho - Director Corporate Services T Chanda - Director Infrastructure till 31 May 2017: T Tshukudu - Acting Director Infrastructure from 1 June 2017 SM Lesupi - Director Disaster Management till 2017: R Lesar- Acting Director Disaster Management as from 1 March 2017 ML Makheta - Director District Economic Development N Tenza - Acting Director Health Services as from 1 Oct 2015
Board members of the Dr KKDM Economic agency	D Daniel J Douw N Gabru NJ Kali (Chairperson) V Richards

Related party balances

Investment				
Dr Kenneth Kaunda Economic Agency			120	120

Related party transactions

Grants paid to the Dr Kenneth Kaunda District economic agency regarding projects for the financial year not deemed to be related party transactions and as such not been disclosed.
Services received paid in kind to Dr Kenneth Kaunda District economic agency related to the acting CEO' s salary and rent paid. No remuneration was paid by the entity to the acting CEO during the course of the year. The acting CEO gets compensated by the Dr Kenneth Kaunda district municipality for his position as the Director of District Economic Development and Tourism..
The entity did not pay any rent during the course of this year as the entity's offices are located at the Disaster Management Centre which form part of the parent municipality's property. The rental of similar property would have been approximately R 11,500 per montht.

Key management information

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

44. Related parties (continued)

Class	Description	Number
Executive Mayor	Executive Authority	1
Members of Mayoral Committee	Executive Authority	5
Single whip	Executive Authority	1
Chairperson MPAC	Executive Authority	1
Speaker	Executive Authority	1
Councillors (part - time and directly elected	Executive Authority	31
Municipal Managers	Key Management / Accounting Officer	1
Executive management members	Key Management	6
Board members - Dr KKDM Economic agency	Non - executive Authority	5

45. Transactions with Councillors

The following remuneration was paid to Councillors during the year.

Municipal Councillors

Remuneration to Municipal Councillors for 2017

	Salary Allowances	Travelling	Telephone	Medical aid & Pension Contribution	Sitting Allowances	Total
BE MOSIANE SEGOTSO - Executive mayor	687 679	-	28 964	19 147	-	735 790
BE MOLOI - Executive mayor till 2 August 2016	76 735	-	3 616	7 742	-	88 093
DP MASUI - Speaker	416 703	131 170	28 964	17 709	-	594 546
NM KOLOTI - Single whip	346 854	135 272	31 559	102 446	-	616 131
AG ADOONS - MPAC chairperson	305 974	122 377	31 559	91 865	-	551 775
MARTINS MI	317 086	127 912	31 559	97 398	-	573 955
MM MOJAHI	299 333	115 619	28 963	64 085	-	508 000
MATABOGO MM	43 215	12 297	2 595	7 845	-	65 952
M ZEPHE	331 327	128 732	31 559	86 561	-	578 179
NDINCEDE K	41 949	12 297	2 595	9 111	33 670	99 622
LEHLOO TK	42 094	12 298	2 595	8 966	-	65 953
ZE MPHAFUDI	334 523	115 615	28 964	28 900	-	508 002
MOGALE OM	30 539	7 355	1 297	-	-	39 191
HN MBELE	294 601	115 619	28 964	68 819	-	508 003
MONTOEDI SD	7 214	-	-	-	962	8 176
DAYIYA LN	150 777	50 212	28 964	20 372	-	250 325
MJEKULA NW	20 521	4 942	2 595	-	-	28 058
VAN ZYL KL	185 624	60 096	31 858	-	-	277 578
NKATLO SS	20 521	4 942	2 595	-	-	28 058
SEDUKU PM	15 792	4 942	2 595	4 728	-	28 057
SEAKANE KS	-	-	-	-	6 734	6 734
MALETE NG	-	-	-	-	3 848	3 848
MULLER GJ	-	-	-	-	1 924	1 924
COETZER CJ	-	-	-	-	28 860	28 860
TAGAREE FI	-	-	-	-	6 734	6 734
POSTMA EM	-	-	-	-	52 910	52 910
LESIE SJ	-	-	-	-	4 810	4 810
RAMPHELE GA	-	-	-	-	6 734	6 734
MASEKO NM	-	-	-	-	1 924	1 924
GROENEWALD IM	-	-	-	-	51 948	51 948
GWILI D	-	-	-	-	33 670	33 670
SISHUBA MS	-	-	-	-	7 696	7 696
BONTSI MM	-	-	-	-	3 848	3 848
DAVEL DL	18 423	4 942	2 295	2 098	-	27 758
BOGATSU SJP	18 423	4 942	2 595	2 098	-	28 058
THELEJANE MA	-	-	-	-	3 848	3 848
HART T	-	-	-	-	2 886	2 886
MOLAPISI MS	-	-	-	-	5 772	5 772
MPUKWANA	-	-	-	-	3 848	3 848
MOKGOTHU	18 423	4 942	2 595	2 098	-	28 058
WILLEMSE AD	20 521	4 942	2 595	-	-	28 058
SP VALIPHATHWA	194 874	66 757	12 150	-	-	273 781
B TSABEDZE	-	-	-	-	41 366	41 366
HF SAUDI	-	-	-	-	34 632	34 632

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

45. Transactions with Councillors (continued)

LM LEBENUYA-KORTJAAS	-	-	-	-	23 088	23 088
LL CUTSWA	-	-	-	-	52 910	52 910
SL MOREMI	-	-	-	-	33 670	33 670
SL MONDLANE	-	-	-	-	30 784	30 784
JJ LE GRANGE	-	-	-	-	29 822	29 822
CJ BESTER	-	-	-	-	27 898	27 898
ME MOSWEU	-	-	-	-	7 696	7 696
AS MOTLADILE	-	-	-	-	21 164	21 164
PZ LESOMO	-	-	-	-	57 720	57 720
G MOSENOGI	-	-	-	-	46 176	46 176
P MORULANE	-	-	-	-	11 544	11 544
SF DU TOIT	-	-	-	-	12 506	12 506
PT MOKGABI	-	-	-	-	48 100	48 100
IR DINTWE	-	-	-	-	25 974	25 974
LS TATABANG	-	-	-	-	56 758	56 758
GA MOHOEMANG	-	-	-	-	9 620	9 620
LS MOTLHOIWA	150 777	50 212	28 964	20 372	-	250 325
BAS CAMPBELL-CLOETE	171 149	50 212	28 964	-	-	250 325
WA MOSTERT	179 373	29 652	28 964	12 336	-	250 325
LK SHUPING	-	-	-	-	2 886	2 886
SV LETSHWITI	159 673	50 212	28 964	11 476	-	250 325
FJ BOTHA	155 225	50 212	28 964	20 372	-	254 773
	5 055 922	**1 478 722**	**519 410**	**706 544**	**836 940**	**8 597 538**

45. Transactions with Councillors (continued)

Remuneration to Municipal Councillors for 2016

	Salary Allowance	Travelling	Telephone	Medical aid & Pension Contribution	Sitting Allownces	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
	5 119 750	**1 645 031**	**542 008**	**875 449**	**784 030**	**8 966 268**

Refer to note 28

Non-executive

2017

45. Transactions with Councillors (continued)

	Fees for board sittings	Audit & Risk committee sittings	Travel	Human resource,comn unications proj ects and investments	Total
D Daniel	70 200	-	37 603	14 000	121 803
J Douw	70 200	5 000	-	9 000	84 200
N Gabru	8 775	-	-	-	8 775
NJ Kali (Chairperson)	115 500	4 500	15 450	22 500	157 950
V Richards	87 750	-	717	28 000	116 467
	352 425	**9 500**	**53 770**	**73 500**	**489 195**

2016

	Fees for board sittings	Audit & Risk committee sittings	Travel	Accomodation	Total
D Daniel	146 575	32 500	54 552	1 751	235 378
J Douw	62 150	5 000	-	-	67 150
N Gabru	26 325	1 584	-	-	27 909
NJ Kali (Chairperson)	132 675	9 000	8 722	-	150 397
V Richards	61 425	4 500	2 707	1 751	70 383
	429 150	**52 584**	**65 981**	**3 502**	**551 217**

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

46. Prior period errors

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

Statement of financial position				
Payables from exchange transactions 2015/2016	-	(841 115)	-	(841 115)
Payables from exchange transactions 2015/2016- WI-FI Assets	-	(8 398 208)	-	(8 398 208)
Receivables from non-exchange transactions 2015/2016	-	(460 857)	-	(460 857)
VAT receivable	-	1 892 017	-	2 322 805
VAT Payable	-	(2 000 383)	-	-
Property plant & equipment - Accumulated Depreciation Computer equipment	-	40 671	-	-
Property plant & equipment - Accumulated Depreciation Furniture & Fittings	-	56 438	-	-
Property plant & equipment - Cost Furniture & Fittings	-	(11 872)	-	-
Property plant & equipment - Accumulated Depreciation Telephone systems	-	8 792	-	-
Property plant & equipment - Depreciation	-	(393 709)	-	(393 709)
Property plant & equipment - Wi-FI assets	-	16 796 416	-	16 796 416
Accumulated surplus	-	(6 685 191)	-	(7 771 084)

The effect on the Statement of Financial Position as at 30 June 2016.	Balance oreviously reported as at 30 June 2016	Restatements before 1 July 2015	Restated balance 1 july 2015	New balance 30 june 2016	Restatements for 2016	Restated balance 30 June 2016
Receivables from exchange transactions	-	-	-	8 270 853	(460 857)	7 809 996
Property, plant & equipment	-	-	-	16 661 450	16 496 737	33 158 187
Payables from exchange transactions	-	-		24 924 132	9 239 324	34 163 456
VAT Receivable	4 493 682	1 155 175	5 648 857	5 648 857	736 842	6 385 699
VAT Payable	-	-	-	-	2 000 383	2 000 383
Accumulated surplus	-	-	-	(2 330 380)	6 685 187	4 354 807

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

46. Prior period errors (continued)

The effect on the Statement of Financial Performances at 30 June 2016

Opening Balance	-	(98 936 878)	-	(99 521 960)
General expenses: WI-FI district broadband network	-	(774 080)	-	(774 080)
Depreciation	-	(93 709)	-	(393 709)
Depreciation - Agency	-	(52 300)	-	-
Other income: Income overstated	-	(460 859)	-	(460 858)
Transfers and subsidies paid: Ventersdorp LED projects	-	(67 035)	-	(67 035)
Transfers and subsidies paid: Payment to Agency	-	-	-	736 842
General expenses - Agency	-	(158 486)	-	-
General expenses - WIFI assets	-	8 398 208	-	8 398 208
Adjusted deficit	-	(92 445 138)	-	(92 082 592)

The effect on the Statement of Financial Performance as at 30 June 2016.	2015/16 Expenditure / Revenue	Restated 2015/2016 Expenditure / Revenue	Restated 2015/2016 Balance
Other revenue from non-exchange transactions	(6 925 448)	460 859	(6 464 589)
Depreciation and amortisation	4 165 653	446 013	4 611 666
Operational cost / General expenditure	44 577 671	(158 486)	44 419 185
Contracted Services - WI-FI Broadband subscription	9 293 389	(7 624 128)	1 669 261
Transfers & subsidies paid - LED projects Ventersdorp	2 390 423	67 035	2 457 458
Change in net surplus		-	-

Transactions affecting the restatement of transfers and subsidies understated for the year 30 June 2016

Statement of changes in net assets	-	(67 035)	-	(67 035)
Statement of financial performance - Grants and subsidies paid: Ventersdorp LED projects	-	67 035	-	67 035
	-	-	-	-

Transfer and subsidies for Ventersdorp LED project understated to the amount of R 67 035 for the 2015/2016 financial year.

Restatement of depreciation not recognised as at 30 June 2016 regarding wi-fi broadband assets

Statement of financial performance - Depreciation	-	393 709	-	393 709
Statement of financial position - Property, Plant & Equipment Accumulated depreciation	-	(393 709)	-	(393 709)
	-	-	-	-

Depreciation on wi-fi broadband assets not recognised as at 30 June 2016.

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

46. Prior period errors (continued)

Transactions affecting the restatement of other income for the year 30 June 2016				
Statement of changes in net assets	-	(460 857)	-	(460 857)
Statement of financial performance - Other revenue from non-exchange transactions	-	460 857	-	460 857
	-	-	-	-

Restatement of other income overstated in the 2015/2016 financial year.

Transactions effecting expenditure understated on general expenditure as at 30 June 2016				
Statement of changes in net assets	-	(774 080)	-	(774 080)
Statement of financial performance - General expenses	-	774 080	-	774 080
	-	-	-	-

Restatement of broadband wi-fi subsription not recognised for 2015/2016 financial year .

Reclassifying of expenditure previously disclosed as transfers and subsidies reclassify as general expenditure for the 2015/2016 financial year				
Grants and subsidies paid	-	(73 845 657)	-	(73 845 657)
General expenditure based on projects	-	55 174 149	-	55 174 149
Contracted services	-	18 671 508	-	18 671 508
	-	-	-	-

Reclassifying of expenditure previously disclosed as Grants and subsidies reclassify as general expenditure for the 2015/2016 financial year.

Restatement of Property, plant & equipment as at 30 June 2016				
Statement of financial position - Property, plant and equipment	-	16 796 416	-	16 796 416
Statement of Financial position - Payables from exchange transactions	-	(8 398 208)	-	(8 398 208)
Statement of financial performance - General expenses	-	(8 398 208)	-	(8 398 208)
	-	-	-	-

Restatement wi-fi broadband asstes not recognised in the 2015/2016 financial year.

Restatement of VAT receivables as at 30 June 2016.				
Statement of financial position - VAT Receivables	-	2 322 804	-	2 322 804
Statement of financial performance - Grants & Subsidies - Agency	-	(736 842)	-	(736 842)
Opening Accumulated surplus	-	(1 585 962)	-	(1 585 962)
	-	-	-	-

Restatement of VAT understated due to Payments to Agency in the prior financial years

		Group		Municipality	
Figures in Rand		2017	2016	2017	2016

46. Prior period errors (continued)

Restatement of accumulated surplus as at 30 June 2016.				
Accumulated surplus	158 486	1 389 420	-	-
Computer equipment - Accumulated depreciation	-	40 671	-	-
Furniture & fittings - Accumulated depreciation	-	56 438	-	-
Furniture & fittings - Cost	-	(11 872)	-	-
Telephone system- accumulated depreciation	-	8 792	-	-
VAT Payables	(14 000)	(2 431 171)	-	-
Statement of financial performance - Depreciation	-	52 394	-	-
- Grants received	-	736 842	-	-
- General expenditure	(144 486)	158 486	-	-
	-	**-**	**-**	**-**

Correction errors regarding the Agency as at 30 June 2016t

47. Risk management

Capital risk management

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

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

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

Gearing ratio:
The gearing ratios at 2017 and 2016 respectively were as follows:

Payables from Exchange transactions		27 229 499	34 163 456	26 805 024	33 126 642
Less: Cash and cash equivalents	12	(18 696 934)	(10 717 777)	(13 745 146)	(4 379 399)
Net debt		8 532 565	23 445 679	13 059 878	28 747 243
Total equity		7 051 218	4 354 930	6 070 693	773 490
Total capital		15 583 783	27 800 609	19 130 571	29 520 733
Gearing ratio		82,64 %	18,57 %	46,5 %	2,7 %

Financial risk management

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

47. Risk management (continued)

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

Liquidity risk

Liquidity risk is the risk that the Municipality difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality’s reputation.
Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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

Group

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	27 229 499	-	-	-
Payables from non-exchange transctions	856 212	-	-	-
Finance lease obligations	485 391	-	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	34 163 456	-	-	-
Payables from non-exchange transctions	871 823	-	-	-
Finance lease obligations	644 558	485 391	-	-

Municipality

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Over 5 years
Payables from exchange transactions	26 805 024	-	-
Payables from non-exchange transctions	856 212	-	-
Finance lease obligations	485 391	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Over 5 years
Payables from exchange transactions	33 126 642	-	-
Payables from non-exchange transctions	871 823	-	-
Finance lease obligations	644 558	485 391	-

47. Risk management (continued)

Interest rate risk

As the economic entity has no significant interest-bearing assets, the economic entity’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 %	4 120 004	-	-	-	-
Call investment deposits	8,00 %	14 568 313	-	-	-	-

Credit risk

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

Each class of financial instrument is disclosed separately.

Maximum exposure to credit risk not covered by collateral is specified.
Financial instruments covered by collateral are specified.

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

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

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

Financial instrument	Group - 2017	Group - 2016	Municipality - 2017	Municipality - 2016
Investments	62 857	58 631	62 857	58 631

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

47. Risk management (continued)

Call investment deposits	14 568 313	-	10 000 000	-
Investments in associates	-	-	120	120
Receivables from non-exchange transactions	819 188	7 809 996	819 188	7 809 996
Receivables from exchange transactions	260 108	173 354	257 171	151 440
Bank balances and cash	4 128 621	5 946 003	3 745 146	4 379 399

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

Price risk

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

48. Going concern

We draw your attention that at 30 June 2017, the group had accumulated surplus of R 8 407 615 and that the group's total assets exceed its liabilitiess by R 8 407 615. The net surplus of the group amounts to R 2 696 290 against a deficit of R 92 445 138 in the 2016 financial year.
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 district municipality as a creature of statuettes and due to its powers and function is wholly dependent on Government Grants for continued funding of operations.
While the group remains viable, the tightening financial position of the group cannot be underestimated. The gap between the increase in equitable share and the actual increase in the cost of operating the group (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 this means that the municipality is losing R10 million in terms of buying power per year.
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. In that regard five PPP’s (Public Private Partnership) registered with National Treasury are in the feasibility stages and it is expected that final approvals for project implementation will be received in the 4th quarter of 2017/18 and the 1st quarter of 2018/19.
These PPPs will be catalytic game changers that will substantially diversify and augment the group’s revenue base.
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 8-10 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 constraints that the equitable share over the last 8-10 years was reduced far less than the CPI for each financial period. In addition salary increases from the South African Local Bargaining Council have more than the equitable share growth allocated to municipalities over the last 8 years –unsustainable to municipalities.
The reduction has been reported to Council and Provincial Treasury as our revenue source diminished.
The group 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 have been ring-fenced and are adequately apportioned for its main purpose. The group adopted a pro-poor budgeting approach and followed National Treasury budget guide as a principle for provision on depreciation and employee cost 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 group.
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.
Further note, that not all the group's reserves and liabilities are cash-backed.
The financial statements are prepared on the basis that the group is a going concern.

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

49. Unauthorised expenditure

Opening balance	37 848 620	-	37 848 620	-
current year	12 620 301	37 848 620	12 620 301	37 848 620
	50 468 921	**37 848 620**	**50 468 921**	**37 848 620**

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

50. Fruitless and wasteful expenditure

Opening Balance	10 652 677	10 607 737	10 388 222	10 357 980
Fruitless and wasteful expenditure	48 052	44 940	39 542	30 242
	10 700 729	**10 652 677**	**10 427 764**	**10 388 222**

Details of Fruitless & wastefull expenditure – Current year				
Interest: Assesment Compensation commissioner	39 542	30 242	39 542	30 242
Interest and penalty charges: SARS	7 990	8 320	-	-
Interest: Telkom	455	1 578	-	-
Interest : Auditor General	65	4 800	-	-
	48 052	**44 940**	**39 542**	**30 242**

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

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

Details of fruitless and watefull expenditure - to be addressed by MPAC				
Opening Balance	10 652 677	-	10 388 222	-
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	-	754	-	-
Interest: Telkom 2015/2016: Agency	-	1 578	-	-
Interest: Telkom 2016/2017: Agency	455	-	-	-
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	-	1 823	-	-
Interest and penalty charges: SARS: 2015/2016 - Agency	-	8 320	-	-
Interest and penalty charges: SARS: 2016/2017 - Agency	7 990	-	-	-
Interest : Auditor General: 2015/2016 - Agency	-	4 800	-	-
Interest : Auditor General: 2016/2017 - Agency	65	-	-	-
Interest: Assesment Compensation commissioner 2015/2016	-	30 242	-	30 242

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
50. Fruitless and wasteful expenditure (continued)				
Interest: Assesment Compensation commissioner 2016/2017	39 542	-	39 542	-
	10 700 729	**10 652 677**	**10 427 764**	**10 388 222**

Analysis of expenditure awaiting condonation per age classification

Opening balance	10 652 677	-	10 388 222	-
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
Prior Years: 2015/2016	-	44 940	-	30 242
Current year	48 052	-	39 542	-
	10 700 729	**10 652 677**	**10 427 764**	**10 388 222**

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

51. Irregular expenditure

Opening balance	64 557 069	12 122 288	61 400 334	9 162 095
Add: Irregular Expenditure - current year	1 692 016	8 864 826	-	8 668 284
Add: Irregular Expenditure - Correction of mistatement	15 152 615	43 569 955	15 152 615	43 569 955
Amounts not yet write off	**81 401 700**	**64 557 069**	**76 552 949**	**61 400 334**

Analysis of expenditure awaiting condonation per age classification

Opening Balance	64 557 069	2 381 813	61 400 334	-
Current year	1 692 016	-	-	-
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	-	9 204 156	-	8 625 776
Prior year: 2015/2016	-	8 864 826	-	8 668 284
Prior year: 2015/2016 - mistatement	-	43 569 955	-	43 569 955
Prior year: 2016/2017 - mistatement	15 152 615	-	15 152 615	-
	81 401 700	**64 557 069**	**76 552 949**	**61 400 334**

Details of Irregular Expenditure – Current year

No competitive bidding process followed for procurement exceeding R 200 000 (Agency)	(Contrary to supply chain regulation 36 1(a)(v)	860 077
Capital expenditure incurred, without being appropriately classified on the approved budget (Agency)	Contrary to approved budget	142 684
Service provider was appointed through a procured panel of attorneys by the parent municipality (Agency)	(Contrary to supply chain regulation 36 1(a)(v)	397 081
Declaration of interest nor properly disclosed (Agency)	(Contrary to supply chain regulation 36 1(a)(v)	292 174
		1 692 016

Details of Irregular Expenditure recoverable - not write off

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

Details of Irregular Expenditure write off (outcome dissplinary action)

Prior years: Training of fire fighters	-	-	-	824 010

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

51. Irregular expenditure (continued)

Details of Irregular Expenditure - Not addressed by MPAC				
Opening Balance	64 557 069	2 381 813	61 400 334	-
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
Prior year 2014/2015: Installing a 12 Seater customer call centre	-	8 625 776	-	8 625 776
Advertising for less than 14 days - Agency	-	280 000	-	-
Expenditure with a transaction value between R 2000 and R 200 000 - Agency	-	55 915	-	-
No competitive bidding process followed for procurement exceeding R 200 000 (Agency)	-	242 465	-	-
Expenditure with a transaction value between R 2000 and R 200 000 - Agency	-	196 542	-	-
Prior year 2015/2016: Installing a 12 Seater customer call centre	-	8 242 812	-	8 242 812
Prior year 2015/2016: Over payment on upperlimits	-	27 296	-	27 296
Prior year 2015/2016: Procurement of laptops, desktops and related peripherals for employees	-	398 176	-	398 176
Prior year 2015/2016: mistatements procurement panels	-	43 569 955	-	43 569 955
Current year 2016/2017: mistatements procurement panels	15 152 615	-	15 152 615	-
Current year	1 692 016	-	-	-
	81 401 700	**64 557 069**	**76 552 949**	**61 400 334**

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

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(746 971)	(876 962)	(746 971)	(876 962)
Current year subscription / fee	746 971	876 962	746 971	876 962
Amount paid - previous years	(795 188)	(746 971)	(795 188)	(746 971)
	(795 188)	**(746 971)**	**(795 188)**	**(746 971)**

Audit fees

Opening balance	537 412	-	-	-
Current year subscription / fee	3 279 426	3 534 200	3 279 426	3 534 200
Current year subscription / fee - Agency	509 689	537 412	-	-
Amount paid - current year	(3 789 115)	(3 534 200)	(3 279 426)	(3 534 200)
Amount paid - previous years	(537 412)	-	-	-
	-	**537 412**	**-**	**-**

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

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

PAYE and UIF

Opening balance	54 622	1 641	-	-
Current year subscription / fee	16 842 304	15 500 573	16 842 304	15 500 573
Current year subscription / fee - Agency	187 189	149 948	(16 842 304)	(15 500 573)
Amount paid - current year	(16 993 966)	(15 595 899)	-	-
Amount paid - previous years	(54 622)	(1 641)	-	-
	35 527	**54 622**	**-**	**-**

Pension and Medical Aid Deductions

Opening balance	9 984 522	9 157 381	9 984 522	9 157 381
Current year subscription / fee	(9 984 522)	(9 157 381)	(9 984 522)	(9 157 381)
	-	-	-	-

VAT

VAT receivable	5 712 268	6 385 699	5 712 268	6 385 699
VAT payable	(2 509 204)	(2 000 383)	-	-
	3 203 064	**4 385 316**	**5 712 268**	**6 385 699**

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

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

53. 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 consolidated annual 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.