CLIENT LOGO

Dr Kenneth Kaunda District Municipality
Financial statements
for the year ended 30 June 2018
Auditor General of South Africa
Registered Auditor

General Information

Mayoral committee

Executive Mayor	Alderman BE MOSIANE
Mayoral committee	DP Masui (Speaker)
	NM Koloti (Single whip)
	MM Mohaji (Corporate services and administration)
	ZE Mphafudi (Sports, Arts and Culture)
	SP Valiphathwa (Public Works and Transport)
	M Zephe (Financial Services)
	MI Martins (Health and Social Services & Disaster risk management)
	HN Mbele (District Economic Development)
	NG Adoons(Chairperson MPAC)
Part - Time Councillors	CJ Coetzer
	IM Groenewald
	EM Postma
	D Gwili
	B Tsbedze
	HF Saudi
	LM Lebenuya - kortjas
	LL Cutswa
	SL Moremi
	SL Mondlane
	K Ncincede
	JJ Le Grange
	CJ Bester
	ME Mosweu
	AS Motladile
	PZ Lesomo
	G Mosegnogi
	P Morulane
	SF Du Toit
	PT Mokgabi (till 7 June 2018)
	IR Dintwe (till 7 June 2018)
	LS Mokgalagadi
	GA Mohoemang
	MN Ntuli (From 7 June 2018)
	AO Phutiyagae (From 7 June 2018)
Directly Elected Councillors	KL van Zyl
	LS Motlhoiwa
	BAS Cambell-Cloete
	WA Mostert
	LN Dayiya
	SV Letshwiti
	FJ Botha

General Information

Acting Chief Finance Officer (Acting CFO)	J Brown
Accounting Officer	M Lesupi - 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	31 August 2018
Jurisdiction	Dr Kenneth Kaunda District Municipality includes the following areas: JB Marks local Municipality Matlosana Municipality Maquassi Hills Municipality
Relevant legislation	Municipal Finance Management Act No. 56 of 2003 Division of Revenue Act The Income Tax Act of South Africa Value Added Tax Act of South Africa Municipal Structures Act No. 117 of 1998 Municipal Systems Act No. 32 of 2000 Municipal Planning and Performance Management Regulations Water Services Act No.108 of 1997 Housing Act No. 107 of 1997 Municipal Property Rates Act No.6 of 2004 Electricity Act No. 41 of 1987 Skills Development Levies Act No. 9 of 1999 Employment Equity Act No. 55 of 1998 Unemployment Insurance Act No. 55 of 1966 Basic Conditions of Employment Act No. 75 of 1997 Supply Chain Management Regulations, 2005 SALGA Collective Agreements SALBC Leave Regulations
Grading of Municipal Council	Grade 4: Determination of Upper Limits Grade 10: Bargaining Council

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

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

The accounting officer is required by the MFMA no 56 OF 2003 as amended , to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the 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 financial statements.

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

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

The accounting officer acknowledges that 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 municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for at least the next financial year.

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

The finacial statements set out on pages 7 to page 93 which have been prepared on the going concern basis, were approved by the accounting officer.

Accounting Officer
S.M. Lesupi

Accounting officer's report

The accounting officer submits her report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

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

Net deficit of the municipality was R 2 450 397 (2017: surplus R 4 516 029).

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 9 966 447 and that the municipality's total assets exceed its liabilities by R 9 966 447.

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 ability of the municipality to continue as a going concern is dependent on a number of factors. It is highlighted that the municipality's assets exceed the liabilities of the municipality. The municipality prepared the financial statements under the going concern basis, based on the presumption that it receives grant funding from Government to ensure the settlement of liabilities as they become due.

3. Subsequent events

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

4. Accounting policies

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

5. Accounting Officer

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

Name: S Lesupi	Nationality: South African

6. Interest in subsidiaries

Dr Kenneth Kaunda District Economic Agency	100% Shareholding	-

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

7. Auditor

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

8. Non compliance with applicable legislation

Instances of non - compliance with laws and regulations and deviations from prescribed regulations have been identified and disclosed in note 46 and 45,48 to the financial statements.

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Receivables from non-exchange transactions	8	1 046 521	819 188
Receivables from exchange transactions	9	822 282	257 171
VAT receivable	10	5 986 382	5 712 268
Cash and cash equivalents	11	9 761 418	13 745 146
		17 616 603	**20 533 773**
Non-Current Assets			
Property, plant and equipment	2	30 165 954	33 968 745
Intangible assets	3	1 558 424	1 607 238
Investments in controlled entities	4	120	120
Other financial assets	5	-	62 857
		31 724 498	**35 638 960**
Total Assets		**49 341 101**	**56 172 733**
Liabilities			
Current Liabilities			
Finance lease obligation	12	48 180	485 391
Operating lease liability	32	148 800	3 433
Payables from exchange transactions	16	22 583 568	26 805 029
Payables from non exchange transactions	17	856 212	856 212
Post retirement medical aid liability	7	243 737	278 710
Unspent conditional grants and receipts	13	1 020 892	1 853 956
Long service awards liability	15	423 446	202 139
		25 324 835	**30 484 870**
Non-Current Liabilities			
Post retirement medical aid liability	7	11 046 317	10 683 432
Long service awards liability	15	3 003 502	2 587 590
		14 049 819	**13 271 022**
Total Liabilities		**39 374 654**	**43 755 892**
Net Assets		**9 966 447**	**12 416 841**
Accumulated surplus		**9 966 447**	**12 416 841**

* See Note 40 & 39

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Sale of tender documents		29 590	1 895
Commissions received		10 590	8 335
Other income	18	-	32 250
Licensing and permits		313 490	-
Interest received - investment	19	2 771 556	2 331 126
Gains on disposal of assets		510 363	39 442
Dividends received	19	2 250	2 080
Total revenue from exchange transactions		**3 637 839**	**2 415 128**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	179 654 322	174 536 135
In kind benefits received	22	117 480	-
Public contributions and donations	23	-	76 654
Other transfer income		195 319	-
Total revenue from non-exchange transactions		**179 967 121**	**174 612 789**
Total revenue		**183 604 960**	**177 027 917**
Expenditure			
Employee related cost	24	(87 581 740)	(83 018 024)
Remuneration of councillors	25	(9 620 365)	(8 597 537)
Depreciation and amortisation	26	(8 907 712)	(7 219 082)
Finance costs	27	(848 701)	(421 302)
Debt Impairment	28	(121 331)	(310 984)
Contracted services	29	(43 519 475)	(35 568 279)
Transfers and Subsidies	20	(5 379 990)	(5 553 058)
General Expenses	30	(29 411 603)	(32 097 612)
Total expenditure		**(185 390 917)**	**(172 785 878)**
Operating (deficit) surplus		**(1 785 957)**	**4 242 039**
Gains (Loss) on write-off of assets		(1 433 860)	(1 177 372)
Fair value adjustments	31	-	4 226
Actuarial gains/losses	7&15	769 420	1 447 136
		(664 440)	**273 990**
(Deficit) surplus for the year		**(2 450 397)**	**4 516 029**

* See Note 40 & 39

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	773 490	773 490
Adjustments		
Prior period errors	1 266 456	1 266 456
Prior period errors - PPE	6 022 604	6 022 604
Balance at 01 July 2016 as restated*	**8 062 550**	**8 062 550**
Changes in net assets		
Surplus/(Deficit) for the year	4 516 029	4 516 029
Transfer of functions within common control	1 515 000	1 515 000
Net income (losses) recognised directly in net assets	6 031 029	6 031 029
Adjustments		
Prior period errors - PPE at cost	(1 676 738)	(1 676 738)
Restated* Balance at 01 July 2017	**12 416 841**	**12 416 841**
Changes in net assets		
Surplus/(Deficit) for the year	(2 450 394)	(2 450 394)
Total changes	(2 450 394)	(2 450 394)
Balance at 30 June 2018	**9 966 447**	**9 966 447**

* See Note 40 & 39

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Government grants and subsidies		178 821 258	174 982 805
Interest income		2 771 556	2 331 126
Dividends received		2 250	2 080
Cash receipts from charges for goods and services		369 331	10 563 124
		181 964 395	187 879 135
Payments			
Employee costs		(86 616 609)	(82 607 693)
Remuneration of councillors		(9 620 365)	(8 597 538)
Suppliers		(39 744 247)	(44 680 090)
Csh payments to suppliers for goods and contracted services		(43 328 331)	(39 162 370)
		(179 309 552)	(175 047 691)
Net cash flows from operating activities	33	**2 654 843**	**12 831 444**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(5 846 238)	(2 155 815)
Proceeds from sale of property, plant and equipment	2	668 738	159 700
Purchase of intangible assets	3	(816 521)	(723 305)
Proceeds from sale of other financial assets		77 274	-
Net cash flows from investing activities		**(5 916 747)**	**(2 719 419)**
Cash flows from financing activities			
Finance lease payments		(721 824)	(746 278)
Net increase/(decrease) in cash and cash equivalents		**(3 983 728)**	**9 365 747**
Cash and cash equivalents at the beginning of the year		13 745 146	4 379 399
Cash and cash equivalents at the end of the year	11	**9 761 418**	**13 745 146**

* See Note 40 & 39

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
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	10 000	-	**10 000**	29 590	**19 590**	More received than budgeted for.
Commissions received	-	-	**-**	10 590	**10 590**	Additional income received for insurance commissions and garnish orders not budgeted for
Other income 1	-	-	**-**	-	**-**	
Licensing and permits	-	-	**-**	313 490	**313 490**	An amount for licensing received from Environmental Health Services not budgeted for
Interest received - investment	2 160 000	-	**2 160 000**	2 771 556	**611 556**	Revenue was adjusted during the adjustment budget, but the actuals was more due to the increase in interest rate.
Gains on disposal of assets	-	-	**-**	510 363	**510 363**	
Dividends received	-	-	**-**	2 250	**2 250**	Unsure of amounts that will be expected due to market conditions.
Total revenue from exchange transactions	**2 170 000**	**-**	**2 170 000**	**3 637 839**	**1 467 839**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	178 673 000	-	**178 673 000**	179 654 322	**981 322**	Revenue was increased during the adjustment budget that did not realised.

Dr Kenneth Kaunda District Municipality

Financial Statements for the year ended 30 June 2018

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
In kind benefits received	-	-	-	117 480	**117 480**	Rental of Offices from JB Marx at less than market related price.
Other transfer revenue	-	-	-	195 319	**195 319**	Not budget for . This was a refund from Provincial government for work done on their behalf.
Total revenue from non-exchange transactions	**178 673 000**	**-**	**178 673 000**	**179 967 121**	**1 294 121**	
Total revenue	**180 843 000**	**-**	**180 843 000**	**183 604 960**	**2 761 960**	
Expenditure						
Personnel	(87 434 836)	3 077 100	**(84 357 736)**	(87 581 740)	**(3 224 004)**	This is due to that that the forecasting during the adjustment budget were to low.
Remuneration of councillors	(9 476 900)	-	**(9 476 900)**	(9 620 365)	**(143 465)**	This is not material and in line with the budget.
Depreciation and amortisation	(4 715 476)	(5 976)	**(4 721 452)**	(8 907 712)	**(4 186 260)**	Restatements in Asset register resulted in variances.
Impairment loss/ Reversal of impairments	(200 000)	-	**(200 000)**	-	**200 000**	
Finance costs	-	-	-	(848 701)	**(848 701)**	Finance Cost differ from year to year due to discounting of creditors which is difficult to budget for.
Debt Impairment	-	-	-	(121 331)	**(121 331)**	No budget for impairment losses on receivables due to that the amount is unknown during the budget process.

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
Contracted Services	(38 582 499)	(1 896 654)	**(40 479 153)**	(43 519 475)	**(3 040 322)**	This is basically on legal fees as well as exp on the WI-FI network and on CCTV cameras
Transfers and Subsidies	(5 792 000)	(1 338 136)	**(7 130 136)**	(5 379 990)	**1 750 146**	Expenditure were in line with the original budget.
Loss on disposal of assets	(20 000)	-	**(20 000)**	-	**20 000**	
Other (taken out of General expenses)	(29 583 695)	(2 090 334)	**(31 674 029)**	(29 411 603)	**2 262 426**	
Total expenditure	**(175 805 406)**	**(2 254 000)**	**(178 059 406)**	**(185 390 917)**	**(7 331 511)**	
Operating deficit	**5 037 594**	**(2 254 000)**	**2 783 594**	**(1 785 957)**	**(4 569 551)**	
Actuarial gains/losses	-	-	**-**	769 420	**769 420**	
Loss on sale of assets	(20 000)	-	**(20 000)**	(1 433 860)	**(1 413 860)**	Loss on disposal of assets not accurately budget for.
	(20 000)	**-**	**(20 000)**	**(664 440)**	**(644 440)**	
Deficit	**5 017 594**	**(2 254 000)**	**2 763 594**	**(2 450 397)**	**(5 213 991)**	
Capital expenditure	(9 905 000)	2 200 000	**(7 705 000)**	(5 740 171)	**1 964 829**	Less was spend on Capital expenditure due to that the Solar implemtation.t

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
Statement of Financial Position						
Assets						
Current Assets						
Receivables from non-exchange transactions	-	-	**-**	1 046 521	**1 046 521**	Incorrectly budget.
Receivables from exchange transactions	219 072	-	**219 072**	822 282	**603 210**	Amount on Receivables more than budget for due to that amounts outstanding increase.
VAT receivable	5 482 524	-	**5 482 524**	5 986 382	**503 858**	Not budgeted in statement of financial position
Cash and cash equivalents	12 466 295	-	**12 466 295**	9 761 418	**(2 704 877)**	Cash more than budgeted for
	18 167 891	**-**	**18 167 891**	**17 616 603**	**(551 288)**	
Non-Current Assets						
Property, plant and equipment	21 787 294	-	**21 787 294**	30 165 954	**8 378 660**	The value of PPE more than budgeted for due to the capitalisation of WI-FI Assets.
Intangible assets	2 004 804	-	**2 004 804**	1 558 424	**-**	The value of Intangible assets less than budgted for due to the higher amortisation of Intangible assets
Other financial assets	-	-	**-**	120	**120**	The cost price of the Dr KKDM economic Agency not budgeted for.
Non current investments	58 631	-	**58 631**	-	**(58 631)**	Non current investments hold, sold in the year under review
	23 850 729	**-**	**23 850 729**	**31 724 498**	**8 320 149**	
Total Assets	**42 018 620**	**-**	**42 018 620**	**49 341 101**	**7 768 861**	

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
Liabilities						
Current Liabilities						
Finance lease obligation	388 313	-	**388 313**	48 181	**(340 132)**	Not budgeted for
Operating lease liability	-	-	**-**	148 800	**148 800**	Not budgeted for
Payables from exchange transactions	12 450 000	-	**12 450 000**	22 583 567	**10 133 567**	Incorrectly budget for.
Payables from non - exchange transactions	-	-	**-**	856 212	**856 212**	Amount not known during the budget process
Post retirement medical aid liability	496 014	-	**496 014**	243 737	**(252 277)**	Budget in line with actuals.
Unspent conditional grants and receipts	-	-	**-**	1 020 892	**1 020 892**	Not budgeted for. Amount not known during the budget process.
Long service awards liability	-	-	**-**	423 446	**423 446**	Incorrecty budget for.
	13 334 327	**-**	**13 334 327**	**25 324 835**	**11 990 508**	
Non-Current Liabilities						
Post retirement medical aid liability	11 501 453	-	**11 501 453**	11 046 317	**(455 136)**	Incorrectly budget for.
Long service awards liability	2 670 377	-	**2 670 377**	3 003 502	**333 125**	Not budgeted for
	14 171 830	**-**	**14 171 830**	**14 049 819**	**(122 011)**	
Total Liabilities	**27 506 157**	**-**	**27 506 157**	**39 374 654**	**11 868 497**	
Net Assets	**14 512 463**	**-**	**14 512 463**	**9 966 447**	**(4 099 636)**	
Net Assets						
Reserves						
Accumulated surplus	14 512 463	-	**14 512 463**	9 966 447	**(4 546 016)**	Variance due to the restatatement of assets and Deficit realised in the financial year under review.

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants and subsidies	178 673 000	-	**178 673 000**	178 821 258	**148 258**	Variance due to that amount not fully known by Management during the budget process.
Interest income	2 160 000	-	**2 160 000**	2 771 556	**611 556**	Variance due to that amount not fully known by Management during the budget process
Dividends received	-	-	**-**	2 250	**2 250**	Variance due to that amount not fully known by Management during the budget process
Other receipts	-	-	**-**	369 331	**369 331**	Variance due to that amount not fully known by Management during the budget process
	180 833 000	**-**	**180 833 000**	**181 964 395**	**1 131 395**	
Payments						
Employee costs	(85 000 000)	-	**(85 000 000)**	(86 616 609)	**(1 616 609)**	Budget in line with actual amounts.
Suppliers	(10 000 000)	-	**(10 000 000)**	(9 620 365)	**379 635**	Budget in line with actaul amounts
Finance costs	-	(909 867)	**(909 867)**	-	**909 867**	Finance cost not known to Management during the budget process.

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
Suppliers	(70 077 927)	(909 867)	**(70 987 794)**	(39 744 247)	**31 243 547**	More budgeted than actual amount The amount between suppliers and other payment cancelled out
Other payments	(5 792 000)	(1 338 136)	**(7 130 136)**	(43 328 331)	**(36 198 195)**	Less budgeted than actual amount.The amount between suppliers and other payment cancelled out.
	(170 869 927)	**(3 157 870)**	**(174 027 797)**	**(179 309 552)**	**(5 281 755)**	
Net cash flows from operating activities	**9 963 073**	**(3 157 870)**	**6 805 203**	**2 654 843**	**(4 150 360)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(9 905 000)	2 200 000	**(7 705 000)**	(5 846 238)	**1 858 762**	Expenditure on PPE less than budgeted for due to that the Solar Financial system was not fully implemented
Proceeds from disposal of PPE	-	-	**-**	668 738	**668 738**	Amount not known by Management during the budget process.
Purchase of other intangible assets	-	-	**-**	(816 521)	**(816 521)**	Amount not budget in the cashflow statement..
Proceeds from sale of financial assets	-	-	**-**	77 274	**77 274**	Amount not known by Management during the budget process.
Net cash flows from investing activities	**(9 905 000)**	**2 200 000**	**(7 705 000)**	**(5 916 747)**	**1 788 253**	
Net increase/(decrease) in cash and cash equivalents	58 073	(957 870)	**(899 797)**	(3 983 728)	**(2 362 107)**	Amount not correctly budgeted for.
Cash and cash equivalents at the beginning of the year	3 448 222	-	**3 448 222**	13 745 146	**10 296 924**	Amount Incorretly budgeted for.

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
Cash and cash equivalents at the end of the year	**3 506 295**	**(957 870)**	**2 548 425**	**9 761 418**	**7 934 817**	

Accounting Policies

1. Basis of Presentation of Annual Financial Statements

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018, as required by National Treasury through directives and guidelines issued
The 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 MFMA no 56 OF 2003 as amended,.
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.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Consolidation

Basis of consolidation

Consolidated financial statements are the financial statements of the municipality presented as those of a single entity.

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

Consolidated 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 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 financial statements at the acquisition date.

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

Adjustments are made when necessary to the 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

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

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

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

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

A transferor is the municipality that relinquishes control of a function.

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

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

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

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

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

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

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

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

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

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 reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality 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 municipality 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 municipality 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 municipality 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 municipality subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

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

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

1.5 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

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

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

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

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

The acquisition method

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

Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

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

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

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

All relevant facts and circumstances are considered in identifying the transfer date.

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.

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, a 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.

Contingent liabilities

Contingent assets and liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.6 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

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

The municipality 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.

Accounting Policies

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

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.

Fair value estimation

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 municipality 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 municipality 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 municipality 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 14 - 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 property , plant and equipment. 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 Municipality obtains actuarial valuations of its defined benefit obligations of the post retirement liabilities and long service awards, It 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.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

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

Accounting Policies

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

Allowance for doubtful debts

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 office equipment	3 - 5 years
• Air conditioners	10 years
Motor vehicles	
• Motor cars	4 years

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	
• Telecommunication 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 maintenance to the financial statements.

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

The assets capitalised on the finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the municipality or, where shorter, the term of the relevant lease if their is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.
Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the statement of financial performance and measured at cost against the attributing segments of the municipal standard chart of accounts (MSCOA).

2.1 Intangible assets

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognised an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably. An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly reognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

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.

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.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 municipality 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

2.1 Investments in controlled entities

In the municipality’s separate financial statements, investments in investments in controlled entities are carried .

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated financial statements, are accounted for in the same way in the controlling entity’s separate financial statements.

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
Non current assets held for sale	Financial asset measured at amortised cost
Investments in listed shares	Financial asset measured at fair value
Investments in controlled entities	Financial asset measured at cost

The entity has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

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

Accounting Policies

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 municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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 entity 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 entity 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.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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.

Accounting Policies

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 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

2.4.1. Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality 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 municipality 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 municipality 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.

Accounting Policies

2.4.1. Impairment of cash-generating assets (continued)

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);
- 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 municipality 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

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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 service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

Value in use

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

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

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 current 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 municipality 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.

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

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 municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

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

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

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.

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

2.5.1. Employee benefits (continued)

- 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;
- 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

2.5.1. Employee benefits (continued)

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.
The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.
The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

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

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

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

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

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

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

2.5.1. Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

Accounting Policies

2.5.1. Employee benefits (continued)

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

Accounting Policies

2.6.1. Provisions, Contingent liabilities and Assets (continued)

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 36.

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.

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 municipality,
- 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.

Accounting Policies

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

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.

2.9.1 Investment income

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

2.9.2 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

2.9.3 Comparative figures

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

'With the adoption of mSCOA the municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

2.10.1 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a main division within a vote; and
- expenditure 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.

Accounting Policies

2.11.1 Use of Estimates

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

2.12.1 Accumulated surplus

Included in the accumulated surplus are the following reserves:

Capital replacement reserve (CRR)

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

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

2.13.1 Statutory receivables

Identification

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

Accounting Policies

2.13.1. Statutory receivables (continued)

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;

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

2.13.1. Statutory receivables (continued)

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 2017/07/01 to 2018/06/30.

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.

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 capital 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

Accounting Policies

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

1.1 Changes in accounting policy

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

'With the adoption of mSCOA the municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

Notes to the Financial Statements

Figures in Rand	2018	2017

Notes to the Financial Statements

1. New standards and interpretations

1.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Grap 20: Related party disclosures	No effective date determine	Unlikely there will be a material impact
• Grap 32: Service consession arrangement: grantor	No effective date determine	Unlikely there will be a material impact
• Grap 108: Statutary receivables	No effective date determine	Unlikely there will be a material impact
• Grap 109: Accounting by principles and agents	No effective date determine	Unlikely there will be a material impact
• Grap 18: Segment reporting	No effective date determine	Unlikely there will be a material impact
• IGrap 17: Interpretation of service consession arrangements	No effective date determine	Unlikely there will be a material impact

Notes to the Financial Statements

Figures in Rand	2018	2017

2. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 278 500	-	1 278 500	1 278 500	-	1 278 500
Furniture and office equipment	6 523 538	(4 097 900)	2 425 638	8 492 425	(4 939 863)	3 552 562
Transport assets	9 769 387	(4 137 151)	5 632 236	11 304 690	(3 884 419)	7 420 271
Computer equipment	3 615 145	(2 173 107)	1 442 038	4 314 384	(2 257 775)	2 056 609
Community assets	6 158 128	(2 657 405)	3 500 723	6 158 128	(2 411 080)	3 747 048
Machinery & equipment	4 531 790	(2 739 557)	1 792 233	4 507 299	(1 698 140)	2 809 159
Infrastructure assets	21 556 379	(7 461 793)	14 094 586	16 852 602	(3 748 005)	13 104 597
Total	**53 432 867**	**(23 266 913)**	**30 165 954**	**52 908 028**	**(18 939 282)**	**33 968 746**

Reconciliation of property , plant and equipment - Municipality - 2018

	Opening balance	Additions	Disposals(Cost - Acc Depreciation)	Nett transfers	Depreciation	Total
Land	1 278 500	-	-	-	-	1 278 500
Machinery & equipment	2 809 159	25 600	(89)	-	(1 042 437)	1 792 233
Furniture and Office equipment	3 552 561	151 195	(350 445)	-	(927 673)	2 425 638
Motor vehicles	7 420 271	-	(766 415)	106 066	(1 127 686)	5 632 236
Computer Equipment	2 056 609	167 073	(77 650)	-	(703 994)	1 442 038
Infrastructural assets	13 104 598	5 396 303	(412 053)	-	(3 994 262)	14 094 586
Community assets	3 747 048	-	-	-	(246 325)	3 500 723
	33 968 746	**5 740 171**	**(1 606 652)**	**106 066**	**(8 042 377)**	**30 165 954**

2. Property, plant and equipment (continued)

Reconciliation of property , plant and equipment - Municipality - 2017: Restated

	Opening balance	Additions	Disposals	Depreciation	Total
Land	1 278 500	-	-	-	1 278 500
Buildings	3 993 373	-	-	(246 325)	3 747 048
Furniture and office equipment	2 623 731	332 665	(1 654)	(488 643)	2 466 099
Motor vehicles	10 139 996	-	(1 261 743)	(1 600 192)	7 278 061
Office equipment	3 732 469	778 620	(31 649)	(995 253)	3 484 187
CCTV Camera's	1 494 796	96 924	-	(209 813)	1 381 907
Other emergency equipment	11 228	104 863	-	(8 067)	108 024
Other property, plant and equipment	17 031 679	842 743	(2 584)	(3 227 287)	14 644 551
	40 305 772	**2 155 815**	**(1 297 630)**	**(6 775 580)**	**34 388 377**

Reclassification of PPE 2016/2017 according to Mscoa	Carrying value 2017	Correction cost	Correction depreciation	Reclassification cost	Cost per Mscoa	Accumulated depreciation Mscoa
Office buildings	3 747 048	-	2 411 079	(6 158 128)	-	-
Land	1 278 500	-	-	-	1 278 500	-
Emergency equipment	108 024	-	18 543	(126 567)	-	-
Furniture & fittings	2 466 099	(99 916)	2 605 755	(4 971 938)	-	-
Motor vehicles	7 278 061	-	4 045 429	(11 323 490)	-	-
Office equipment	3 484 187	-	3 873 426	(7 357 613)	-	-
Other property, plant & equipment	14 644 551	-	4 531 134	(19 175 685)	-	-
CCTV Camera's	1 381 907	-	1 057 789	(2 439 696)	-	-
Subtotal	34 388 377	(99 916)	18 543 155	(51 553 117)	1 278 500	-
Transport assets	-	-	(3 884 419)	11 304 690	11 304 690	(3 884 419)
Community assets	-	-	(2 411 080)	6 158 128	6 158 128	(2 411 080)
Computer equipment	-	2 999	(2 257 775)	4 311 385	4 314 384	(2 257 775)
Furniture & Office equipment	-	60 966	(4 939 864)	8 431 459	8 492 425	(4 939 864)
Infrastructure	-	-	(3 748 005)	16 852 602	16 852 602	(3 748 005)
Machinery & equipment	-	6 745	(1 698 140)	4 500 554	4 507 299	(1 698 140)
	34 388 377	**(29 206)**	**(396 128)**	**5 701**	**52 908 028**	**(18 939 283)**

The PPE opening balance, additions, depreciation and impairment loss has been restated in the 2016/2017 financial year.(Refer to note 39)

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

	2018	2017 Restated*

2. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

	2018	2017 Restated*
Machinery & Equipment	6 745	-
Motor vehicles	27 291	398 413
Samsung DSC PABX System	-	28 575
	34 036	**426 988**

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

	2018	2017 Restated*

2. Property, plant and equipment (continued)

Details of properties

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

	2018	2017 Restated*
- Cost / Valuation - buildings	6 158 128	6 158 128
- Cost / Valuation - Land	1 278 500	1 278 500
- Accumulated depreciation	(2 657 405)	(2 411 080)
Total carrying value at year end	**4 779 223**	**5 025 548**

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

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintainance property, plant and equipment included in Statement of Financial Performance	2018	2017 Restated*
Contracted services	710 987	567 699
Sale of goods/Inventory	-	183 669
	710 987	**751 368**

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.

3. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 462 898	(2 904 474)	1 558 424	3 646 377	(2 039 139)	1 607 238

Reconciliation of intangible assets - Municipality - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	1 607 238	816 521	(865 335)	1 558 424

3. Intangible assets (continued)

Reconciliation of intangible assets - Municipality - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 328 503	723 305	(443 501)	1 608 307

Reclassification of Intangible assets 2016/2017 according to Mscoa	Carrying value	Corrections cost	Correction Depreciation	Reclassifications Cost	Reclassification Cost Mscoa	Reclassification Accumulated depreciation Mscoa
Computer software	1 608 307	-	4 633	(5 702)	3 646 377	(2 039 138)
Subtotal	1 608 307	-	4 633	(5 702)	3 646 377	(2 039 138)
	1 608 307	**-**	**4 633**	**(5 702)**	**3 646 377**	**(2 039 138)**

The intangibles loss has been restated in the 2016/2017 financial year.(Refer to note 39)

Pledged as security

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

4. Investments in controlled entity at cost

Name of company	Held by	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Dr Kenneth Kaunda Economic Agency	Dr Kenneth Kaunda District Municipality	100,00 %	100,00 %	120	120

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

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

5. Other financial assets

	2018	2017
Designated at fair value		
Listed shares Sanlam shares, 970 shares was sold during the year under review.	-	62 857
Non-current assets		
At fair value	-	62 857

Financial assets at cost

Nominal value of financial assets at cost

	2018	2017
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

	2018	2017
Listed shares - Class 1 **Methods used to determine fair value is as follow:** Fair value are bases on the quoted market price on the Johannesburg stock exchange for this instrument. Sanlam shares closed at a market price in 2017at R64.80 per share.	-	62 857
Class 3 Methods used to determine fair value are as follow: Assumptions used in determining fair value with valuation technique.	6 600	6 600
	6 600	**69 457**

	2018	2017 Restated*

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

	2018	2017 Restated*
Deposits: Eskom	-	1 130 529
	-	(1 130 529)
Total receivables from non-exchange transactions	**-**	**-**

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

	2018	2017 Restated*
Opening balance	-	1 130 529
Movement in impairment	-	(1 130 529)
	-	**-**

	2018	2017 Restated*

7. Employee benefit obligations

Post retirement medical aid benefit liability

	2018	2017 Restated*
Post-Employment Health Care Benefit Liability	11 290 054	10 962 142
Total: Post-Employment Health Care Benefit Liability	**11 290 054**	**10 962 142**
Less: Transfer to current provisions	(243 737)	(278 710)
Net Post-Employment Health Care Benefit Liability	**11 046 317**	**10 683 432**

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 2018 by Arch Actuarial consulting, a member of the Actuarial Society of South Africa.
The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

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

Member category		
In-service (employee) members	95	96
Continuation (retiree and widow) members	5	6
	100	**102**

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

Member category - Unfunded liability		
In-service members	8 054 716	7 173 837
Continuation members	3 235 338	3 788 305
	11 290 054	**10 962 142**
Current service cost		
Year ending 30 June 2018 (Current period)	669 000	674 358
Year ending 30 June 2019 (ensuing period)	685 585	669 000

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 R685 585 whereas the interest-cost for the next year is estimated to be R 1 083 588

Notes to the Financial Statements

	2018	2017 Restated*

7. Employee benefit obligations (continued)

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

	2018	2017 Restated*
Discount rate %	9,70	9,80
Health Care Cost Inflation Rate %	7,45	8,07
Maximum subsidy inflation rate	5,21	5,68
Net discount rate - health care cost inflation %	2,09	1,61
Continuation of membership at retirement %	90	90
Proportion assumed married at retirement %	90	90
Average retirement age	63	63
Mortality during employment	SA 85-90	SA 85-90

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

	2018	2017 Restated*
Balance at the beginning of the year	10 962 142	10 679 390
Current service cost	669 000	854 753
Interest cost	1 061 461	1 013 023
Benefits paid	(278 710)	(263 581)
Actuarial loss/(gain) on the obligation	(1 078 501)	(1 321 443)
Subsidy rate change	(45 338)	-
Balance at end of year	**11 290 054**	**10 962 142**

The total liability has increased by 3% (or R 0,328 million) since the last valuation. The reasons are as follows;

In-service members The average in-service member liability has increased by12% since the last valuation :
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 an increase in the average future employer contribution..
The total in-service member liability has increased by 12% due to the above, partially offset by a decrease in the number of members .

Continuation members
The average continuation member liability has increased by 2% due to the following;
a decrease in the average number of spouse dependants;
an increase in the net discount rate; and
a increase in the average age.
The total continuation member liability has decreased by 15% due to the above being more than offset by the exit of one continuation memebr.
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:

	2018	2017 Restated*
Increase of 1%		
Effect on the accrued liability in millions	11 915	11 448
	11 915	**11 448**
Decrease of 1%		
Effect on the accrued liability in millions	(10 340)	(10 176)
	(10 340)	**(10 176)**

Multi-Employer Pension Scheme Arrangements

7. Employee benefit obligations (continued)

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 Councillors 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 2015,The valuation performed as at 30 June 2015 revealed that the fund's net assets were R 2,551.9 million (2012: R 1,371.3) with a total of 6,973 members (30 June 2012: 6,839). As at 30 June 2015 the fund showed an excess of R 27.7 million before allowing for reserves and was certified to be in an sound financial condition by the actuaries, Moruba Consultants and Actuaries. 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 scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2014. The valuation performed as at 30 June 2014 revealed that the market value of the fund was R17 651 (30 June 2013: 14 565) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2014..

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 valuation was done on 30 June 2015 (30 June 2014).The statutory valuation performed as at 30 June 2015 revealed that the fund had a surplus of R 41,8 (30 June 2014: R9,3) million, with a funding level of 100,42% (30 June 2014: 100,10%). The contribution rate paid by the members (minimum of 2,00% to 7,00%) and the municipalities (minimum of 2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future. The net assets available for benefits amounts to R 10,050,029,000 as at 30 June 2014 (June 2014: R 9,031,759,000.

Defined Contribution (DC) Multi-Employers Pension scheme

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

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

	2018	2017
Municipal Councillors Pension Fund - No of members: 11 (2017:12)	614 063	481 317
Municipal Gratuity Fund - No of members 47 (2017:46)	3 375 411	3 155 408
National Fund for mun workers- No of members 46 (2017:44)	2 660 712	2 389 834
National Fund for mun workers-No of members for 2% 68 (2017:68)	404 811	375 590
SAMWU Provident Fund - No of members: 2 (2017:2)	184 420	171 774
The amount recognised as an expense for defined contribution plans is	7 239 417	6 573 923

	2018	2017 Restated*

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

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	1 285 745	1 285 745
The amount recognised as an expense for defined contribution plans	**1 285 745**	**1 285 745**

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

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

Notes to the Financial Statements

	2018	2017 Restated*

8. Receivables from non-exchange transactions

	2018	2017 Restated*
Prepaid expenses	873 412	795 188
Payments on behalf of local councils	410 550	313 984
Salaries and bank clearing acounts	173 109	24 000
Less; Allowance for doubtful debts	(410 550)	(313 984)
	1 046 521	**819 188**

Reconciliation of provision for impairment of trade and other receivables

	2018	2017 Restated*
Opening balance	(313 984)	(3 000)
Provision for impairment	(96 566)	(310 984)
	(410 550)	**(313 984)**

The effect of discounting on Receivables from non-exchange transactions are deemed to be immaterial for the 2017/2018 financial year.

9. Receivables from exchange transactions

	2018	2017 Restated*
Other debtors	776 208	-
Accruals - Interest on call deposits	70 839	257 171
Less: Allowance for doubtful debt	(24 765)	-
	822 282	**257 171**

Other debtors includes amounts regarding incorrect VAT calculation done by a service provider.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are past due are not considered to be impaired. At 30 June 2018, R822282 (2017: R257171) were past due but not impaired.

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

		2018	2017 Restated*
Ageing 90+ days			
Other debtors	At amortised cost	751 443	-
Ageing 30 to 60 days			
Interest - Call investment deposits-	At amortised cost	70 839	257 171
		822 282	257 171

10. VAT receivable

	2018	2017 Restated*
VAT	5 986 382	5 712 268

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.

	2018	2017 Restated*

11. Cash and cash equivalents

Cash on hand	6 600	6 600
Bank balances	3 754 818	3 738 546
Short-term deposits	6 000 000	10 000 000
Cash and cash equivalents	**9 761 418**	**13 745 146**

Call investment deposits

Call investment deposits are invested with the following banks :

At Amortised Cost		
Call Investment Deposits: ABSA Bank	-	10 000 000
Call Investment Deposits: Nedbank	6 000 000	-
	6 000 000	**10 000 000**

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 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Current Account (Primary Bank Account ABSA Klerksdorp Account no 950 000 627)	4 393 407	2 176 508	4 591 352	2 799 761	1 625 318	2 336 085
Current Account (Local Government Support Grant) ABSA Klerksdorp Account no 405 643 8304	955 057	2 113 228	2 100 253	955 057	2 113 228	2 036 713
Total	**5 348 464**	**4 289 736**	**6 691 605**	**3 754 818**	**3 738 546**	**4 372 798**

	2018	2017 Restated*

12. Finance lease obligation

	2018	2017 Restated*
Minimum lease payments due		
- within one year	54 874	508 658
	54 874	508 658
less: future finance charges	(6 694)	(23 267)
Present value of minimum lease payments	**48 180**	**485 391**

	2018	2017 Restated*
Present value of minimum lease payments due		
- within one year	48 180	485 391

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

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2018	2017 Restated*
Local government support grant	955 057	917 748
Rural road asset management system	208	936 208
Fire support grant	65 626	-
	1 020 891	**1 853 956**

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 21 for reconciliation of grants from National / Provincial Government.

The prior year amount for unspent grants has been restated due to that the LG Seta mandatory grant which is not regarded as a conditional grant and transfer to revenue Refer to correction of Error See note 39 .

14. Provisions

Reconciliation of provisions - Municipality - 2018

	Opening Balance	Additions	Utilised during the year	Total
Current portion: Post retirement medical aid liability	278 710	189 407	(224 380)	243 737
Current portion: Long service awards liability	202 139	573 098	(351 791)	423 446
	480 849	**762 505**	**(576 171)**	**667 183**

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**

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.

	2018	2017 Restated*

15. Long service awards liability

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

The provision represents a limitation of the awards to which employees in the service of the municipality at 30 June 2018 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 2018 by Arch actuarial consulting, a member of the Actuarial Society of South Africa.
The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

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

The salaries used in the valuation include an assumed increase on 1 July 2018 of 7,0% negotiated by SALGA which was budgeted for by the municipality. The next salary increase was assumed to take place in July 2019.

Long service awards liability		
Provision for Long Service Awards	3 426 948	2 789 733
Total Provision for Long Service Awards	**3 426 948**	**2 789 733**
Less: Transfer to Current Liabilities	(423 446)	(202 143)
Net Long Service Awards liability	**3 003 502**	**2 587 590**

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate %	8,5	8,52
General Salary inflation (long-term) %	6,1	6,34
Consumer Price Index (CPI)	5,18	5,34
Net Effective Discount Rate %	2,26	2,05
Average Retirement Age	63	63
Mortality during employment	SA 85-90	SA 85-90

The movement in the long service awards obligation over the year is as follows:		
Balance at beginning of year	2 789 733	2 662 150
Current service cost	301 159	304 928
Interest cost	229 118	218 586
Benefits paid	(202 143)	(270 238)
Actuarial (gain)/loss on the obligation	309 081	(125 693)
Balance at end of year	**3 426 948**	**2 789 733**

The average liability has increased by 21% due to an increase in the average salary and an increase in the average past service, partially offset by an increase in the net discount rate. The total liability has also increased by 23% (or R637,215) due to the above, and because there are two more eligible employees than at the last valuation.

Notes to the Financial Statements

	2018	2017 Restated*

16. Payables from exchange transactions

Accounts payables	7 640 548	11 623 636
Retention Creditors	1 596 949	2 783 138
Other Creditors: Accruals-Compensation Commissioner	2 400 445	1 934 081
Staff leave & bonuses	10 944 762	10 464 174
Salary clearing account	864	-
	22 583 568	**26 805 029**

17. Payables from non exchange transactions

Bank reconciliation clearing accounts	856 212	856 212

18. Other revenue

Other revenue	-	32 250

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

Insurance claims	-	23 750
Commission on debit orders	-	8 335
	-	**32 085**

19. Investment revenue

Dividend revenue		
Listed financial assets - Local	2 250	2 080
Interest revenue		
Investments and call deposits	2 322 874	1 856 291
Bank	448 682	474 835
	2 771 556	**2 331 126**
Total investment revenue	**2 773 806**	**2 333 206**

Notes to the Financial Statements

	2018	2017 Restated*

20. Transfers and subsidies

Allocations

Grants paid - Dr kenneth Kaunda District Municipality	5 418 740	5 184 303
Grants and donations - Ventersdorp	-	336 750
Completed projects transfer to Municipalities	-	54 550
Less:Fair value adjustments - Credit purchases	(38 750)	(22 545)
	5 379 990	**5 553 058**

Grants and subsidies - Dr Kenneth Kaunda District Municiplity		
Dr Kenneth Kaunda Economic Agency	3 000 000	2 631 579
Merit Burssries Community	2 285 600	2 552 724
Bursaries non - employee cost	133 140	-
	5 418 740	**5 184 303**

Projects - Ventersdorp		
Paupers funerals	-	336 750

	2018	2017 Restated*

21. Government grants and subsidies

Equitable share	20 039 000	19 609 000
Other grants and subsidies received	883 656	1 072 200
LG Seta mandatory grant	97 666	110 143
Expanded Public Work Program	1 292 000	1 479 000
Finance management Grant	1 250 000	1 250 000
Levy replacement Grant	153 637 000	149 710 000
Rural road asset management system	2 455 000	1 305 792
	179 654 322	**174 536 135**

The prior year amount for grant revenue has been restated due to that the LG Seta mandatory grant which is not regarded as a conditional grant and transfer to revenue and LG Seta expenditure which were incorrectly debited against other rants and subsidies received.(Refer to correction of Error See note 39) .

Equitable Share

Current year receipts	20 039 000	19 609 000
	20 039 000	**19 609 000**

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

RSC Levy Replacement Grant

Current year receipts	153 637 000	149 710 000
	153 637 000	**149 710 000**

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	429 000	1 072 200
Conditions met - transferred to revenue	(429 000)	(1 072 200)
Conditions still to be met- transferred to liabilities	**-**	**-**

Conditions still to be met - remain liabilities (see note 13)

Fire support grant

Current-year receipts	520 282	-
Conditions met - transferred to revenue	(454 656)	-
Conditions still to be met- transferred to liabilities	**65 626**	**-**

Conditions still to be met - remain liabilities (see note 13)

LG SETA Mandatory grant

Notes to the Financial Statements

	2018	2017 Restated*

21. Government grants and subsidies (continued)

Current-year receipts	97 666	110 143
Conditions met - transferred to revenue	(97 666)	(110 143)
Conditions still to be met- transferred to liabilities	**-**	**-**

Balance of R 1 376 599 for LG Seta Mandatory Grant not regarded as a conditional grant. Grant transfer to revenue 13)

Local Government Support Grant

Balance unspent at beginning of year	917 747	1 483 940
Current-year receipts	37 310	77 763
Conditions met - transferred to revenue	-	(643 956)
Conditions still to be met- transferred to liabilities	**955 057**	**917 747**

Conditions still to be met - remain liabilities (see note 13)

Finance Management Grant

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

Conditions still to be met - remain liabilities (see note 13)

Rural road asset management system

Balance unspent at beginning of year	936 208	-
Current-year receipts	2 455 000	2 242 000
Conditions met - transferred to revenue	(2 455 000)	(1 305 792)
Transfer back to Nat Treasury	(936 000)	-
Conditions still to be met- transferred to liabilities	**208**	**936 208**

Expanded Public Works Program Grant

Current year receipt	1 292 000	1 479 000
Conditions met - transferred to revenue	(1 292 000)	(1 479 000)
	-	**-**

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.

22. In kind benefits received

In kind benefits received - rental of buildings	117 480	-

The District Municipality occupied office space from JD Marx municipality for R 100 per month (exl Vat), which is not market related . The market related price per square meter was obtained from an Estate agent in the Jurisdiction area of the JD Marx municipality.

Notes to the Financial Statements

	2018	2017 Restated*

23. Public contributions and donations

Public contributions & donations	-	76 654

Assets donated to the municipality during the 2016/2017 financial year.

	2018	2017 Restated*

24. Employee related costs

Basic Salaries	55 544 057	51 895 237
Medical aid - Councils' contributions	2 991 167	2 981 761
UIF	240 928	233 515
Bargaining Council contributions	11 224	10 099
Redemption of Leave	3 362 233	2 867 965
Contribution to leave reserve	-	666 367
Cell Phone Allowances	920 158	893 292
Defined contribution plans	1 685 123	1 867 776
Overtime payments	160 410	149 769
Post- retirement medical aid contributions	530 277	523 514
13th Cheques	3 952 079	3 729 307
Acting allowances	1 585 064	1 226 192
Car allowance	8 199 702	7 473 379
Housing benefits and allowances	394 913	442 862
Volunteer stipends	-	548 802
Standby Allowances	92 042	103 519
Group Life Insurance - Councils' Contributions	404 811	375 590
Pension Fund - Councils' Contributions	7 499 637	7 002 762
Allowances Uniforms	7 915	26 316
	87 581 740	**83 018 024**

The prior year amount for employee related cost has been restated to correctly classified and present the expenditure according to Mscoa. Refer to note 39)

Remuneration of Municipal Manager

Annual Remuneration	682 137	1 123 383
Car Allowance	-	110 000
Other allowances	11 250	79 750
13th Cheque	-	146 715
Acting allowances	78 340	-
Statutory contributions	1 408	187 550
	773 135	**1 647 398**

T Chanda was appointed as acting Municipal Manager Manager as from 1 June 2017 till 30 Sept 2017. S Lesupi was appointed as Municipal Manager from the 1st October 2017.

Remuneration of Chief Finance Officer

Annual Remuneration	584 955	1 364 590
Leave sold	217 375	-
Other Allowances	5 250	12 600
Acting Allowance	201 546	-
Statutory contributions	25 904	43 667
	1 035 030	**1 420 857**

LJ Mononela was appointed from 01 Jan 2014 till 30 November 2017. M Daffue act as acting CFO from 1Dec 2017 to May 2018 and J Brown was appointed as acting CFO as from 1 June 2018.

Remuneration of Director Corporate Services

Annual Remuneration	1 011 260	936 074
Car Allowance	180 000	180 000

	2018	2017 Restated*

24. Employee related costs (continued)

Leave sold	41 029	-
Other allowances	12 600	12 600
13th Cheque	161 920	96 695
Statutory contributions	68 169	36 726
	1 474 978	**1 262 095**

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

Remuneration of Director Infrastructure

Annual Remuneration	1 309 548	1 294 017
Leave sold	43 396	-
Other allowances	15 000	12 600
Acting Allowance	217 796	22 587
Statutory contributions	1 877	41 408
	1 587 617	**1 370 612**

T Tshukudu acted from the 1 July 2017 to Feb 2018 as acting director Infrastructure.

Remuneration of Director District Economic Development

Annual Remuneration	1 088 517	1 120 274
Leave sold	143 602	-
Other allowances	11 550	12 600
Acting Allowance	26 720	-
13th Cheque	127 339	88 200
Cellphone allowance & leave encashment	69 233	39 149
	1 466 961	**1 260 223**

ML Makheta was appointed from 01 February 2014 as Director District Economic Development till 30 May 2018.and W Sokupa was appointed as acting director from 1 June 2018 .

Remuneration of Director Disaster Management

Annual Remuneration	297 008	1 131 728
Leave sold	102 573	-
Other allowances	3 150	12 600
Acting allowance	272 988	-
13th Cheque	54 897	94 109
Statutory contributions	469	39 149
	731 085	**1 277 586**

SI Lesupi was appointed as director till October 2017. R Lesar act in the position as Director Disaster Management as from 1 Nov 2017.

Remuneration of the Director Environmental Health

Annual Remuneration	-	542 390
	-	8 904
Acting Allowance	348 406	451 570
13th Cheque	-	35 022
Statutory contributions and leave encashment	-	33 845

Notes to the Financial Statements

	2018	2017 Restated*

24. Employee related costs (continued)

	348 406	**1 071 731**

Mosebi was appointed as acting director as from 1July 2017 and Matlhakola was appointed as from March 2018.

25. Remuneration of councillors

Executive Mayor	833 760	823 862
Single whip	561 816	616 131
Mayoral Committee Members	3 224 621	3 186 968
Speaker	620 897	594 546
Councilors	2 947 447	2 118 712
Councillors’ pension contribution	849 555	705 544
Chairperson MPAC	535 379	551 776
Ad hoc subsistence & travel	46 891	-
	9 620 365	**8 597 539**

Refer to note 38 where details of councillors remuneration are disclosed.

Notes to the Financial Statements

	2018	2017 Restated*

26. Depreciation and amortisation

	2018	2017 Restated*
Property, plant and equipment	8 042 377	6 775 581
Intangible assets	865 335	443 501
	8 907 712	**7 219 082**

Restatement of depreciation regarding correction of depreciation 2016/2017 for the amount of R 466289.

27. Finance costs

	2018	2017 Restated*
Finance leases	284 613	101 716
Fair value adjustments on credit purchases	564 088	319 586
	848 701	**421 302**

28. Debt impairment

	2018	2017 Restated*
Contributions / (Reversal) of debt impairment - Non exchange transactions	96 566	310 984
Contributions / (Reversal) of debt impairment - Exchange transactions	24 765	-
Net reversal	-	(1 130 529)
Bad debts written off	-	1 130 529
Movement in debt impairment	**121 331**	**310 984**

29. Contracted services

	2018	2017 Restated*
Outsourced services	9 923 052	8 279 281
Consultants and Professional Services	13 198 339	11 282 103
Other contractors	20 711 564	16 015 517
Fair value adjustment - Contracted services	(313 480)	(8 622)
	43 519 475	**35 568 279**

The prior year amount for contracted services has been restated to correctly classified and present the expenditure according to Mscoa..(Refer to note 39)

Notes to the Financial Statements

	2018	2017 Restated*

30. General expenses

Advertising	369 310	646 048
Assessment rates & municipal charges	1 303 374	975 612
EPWP - Skills development & training	2 832 868	1 479 000
Auditors remuneration	3 063 964	3 488 924
Bank charges	123 312	92 110
Business expenses councillors and directors	103 873	36 909
Compensation Commissioner	466 364	462 209
Conferences and seminars	1 309 927	1 364 949
Donations	1 278 280	2 030 439
Entertainment	559 118	917 900
Events and campaigns	1 713 684	6 100 152
Hire charges	515 286	572 016
Insurance	779 643	649 661
Licence fees - Other	59 873	135 832
IT expenses	2 387 416	780 253
Motor vehicle expenses	1 137 847	1 059 915
Office rentals	3 884 496	2 966 388
In Kind benefit expenses	117 480	-
Municipal public accounts committee expenses	96 889	98 019
Pest control	-	202 856
Postage and courier	-	19 647
Printing and stationery	937 831	1 391 078
Protective clothing	93 450	151 978
Skills development levy	676 057	651 698
Subscriptions and membership fees	917 155	865 799
Accommodation, Subsistence and travel	1 453 734	2 071 270
Telephone and fax	1 227 563	809 625
Skill development training	710 818	1 736 654
Travel - Municipal events	258 967	189 304
Toll road fees	15 952	77 405
Consumables	1 228 931	359 520
Fair value adjustment - Credit purchases	(211 858)	(285 558)
	29 411 604	**32 097 612**

The prior year amount for general expenditure has been restated to correctly classified and present the expenditure according to Mscoa..(Refer to note 39)

31. Fair value adjustments

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

	2018	2017 Restated*

32. Operating leases

	2018	2017 Restated*
Details of leases - liability		
Lease office space - JD Marx Municipality	-	2 153
Lease office space - Orkney	148 800	-
Lease office space - Ventersdorp	-	1 280
	148 800	**3 433**
Minimum lease payments due		
Within one year	1 584 000	116 007
In the second to fifth year inclusive	1 742 400	-
	3 326 400	**116 007**

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 Columbia Falls properties 80 (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. Columbia Falls properties 80 (PTY) LTD shall insure the building.
4.The agreement was effective from the 1 July 2017 and the period for the lease was 36 months.
5.The monthly lease amount as per the agreement is R120 000 (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 instalments 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.

	2018	2017 Restated*

Lease of office building - Environmental Health
The municipality lease office space JD Marx 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.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.JD Marx municipality shall maintain the building and insure it.
4.The agreement was effective from the January 2018 and the period for the lease is for 60 months up to 30 June 2023..
5.The monthly lease amount as per the agreement is R100 (Excl VAT),no escalation was agreed on in the lease.

Lease of office building - Environmental Health. The municipality lease office space from Ventersdorp Municipality.
The lease was classified as a operating lease on the following grounds:
1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2.Ventersdorp Municipality shall maintain and insure the building.
4.The agreement was effective from the 1July 2015 and the period for the lease was 3 years up to 30 June 2018
5.The monthly lease amount as per the agreement is R R 1000, a10% escalation was agreed on in the lease.

33. Cash generated from operations

	2018	2017 Restated*
(Deficit) surplus	(2 450 399)	4 516 035
PPE Correction; Additions 2017	-	(1 676 738)
PPE Correction; Depreciation 2017	-	(1 841 606)
Transfer of functions under common control	-	1 515 000
Adjustments for:		
Depreciation and amortisation	8 907 712	7 219 082
Gain on disposal of assets	(495 946)	(39 442)
Loss on disposal of assets	1 433 860	1 177 372
Provision for leave reserve	480 588	692 195
Actuarial gains	(769 420)	(1 447 136)
Fair value adjustments - shares	(14 417)	(4 226)
Finance costs - Finance leases	284 613	101 716
Impairment losses - Provision for doubtful debt: Exchange transactions	24 765	-
Impairment losses - Provision for doubtful debt: Non exchange transactions	96 566	310 985
Movements in operating lease liabilities	145 367	(137 375)
Movements in post - retirement medical aid liability and long service awards liability -current	186 334	22 790
Movements in post - retirement medical aid liability and long service awards liability - non current	1 548 217	1 834 676
Changes in working capital:		
Receivables from non-exchange transactions	(323 899)	6 679 824
Other receivables from exchange transactions	(589 876)	(105 731)
Payables from exchange transactions	(4 702 044)	(7 013 813)
VAT	(274 114)	673 431
Payables from non-exchange transactions	-	(15 611)
Unspent conditional grants and receipts	(833 064)	370 016
	2 654 843	**12 831 444**

34. Financial instruments disclosure

Categories of financial instruments

Municipality - 2018

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	822 282	-	822 282
Other receivables from non-exchange transactions	1 046 521	-	1 046 521
Cash and cash equivalents	9 761 418	-	9 761 418
Investment in controlled entities	-	120	120
	11 630 221	**120**	**11 630 341**

Other receivables includes an amount where VAT calculation were done incorrectly by a service provider.

Financial liabilities

	At amortised cost	Total
Finance lease liabilities	48 180	48 180
Operating leases liabilities	148 800	148 800
Trade and other payables from exchange transactions	22 583 568	22 583 568
Trade and other payables (non-exchange)	856 212	856 212
	23 733 120	**23 636 760**

Municipality - 2017

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	257 171	-	257 171
Other receivables from non-exchange transactions	-	819 188	-	819 188
Cash and cash equivalents	-	13 745 146	-	13 745 146
Investment in controlled entities	-	-	120	120
Listed investments	62 857	-	-	62 857
	62 857	**14 821 505**	**120**	**14 884 482**

Financial liabilities

	At amortised cost	Total
Finance lease liabilities	485 391	485 391
Operating lease liabilities	3 433	3 433
Trade and other payables from exchange transactions	26 805 029	26 805 029
Trade and other payables from non - exchange transactions	856 212	856 212
	28 150 065	**28 150 065**

Notes to the Financial Statements

	2018	2017 Restated*

35. Commitments

Authorised capital expenditure

	2018	2017 Restated*
Total approved and contracted for (VAT exclusive)		
• Infrastructure - Other	-	1 926 617
• Broadband WI-FI	-	5 278 162
	-	**7 204 779**
This expenditure will be financed from:		
Own resources	-	7 204 779

Notes to the Financial Statements

	2018	2017 Restated*

36. Contingencies

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

Disclosure of contingent liabilities and assets

The following contingent liabilities liabilities and assets exist.

Figures in Rand	2018	2017
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.	5 280 585	5 280 585
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:	1 962 097	2 012 097
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	660 000	567 000
MB Molefe against Dr KKDM An application for leave to appeal has been filed at the labour court Case no JR 2702/2014	660 000	597 000
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.	575 099	575 099
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 R4 000 000.00	800 000	800 000
Nalko against Dr KKDM The plaintiff (Nalko) has issued summons on 1 June 2018 from the North west High Court, mahikeng against the institution in the amount of R 6 348 625	6 348 626	-

	2018	2017 Restated*
36. 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.	518 461	518 461
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	558 720	558 720

Contingent Assets

	2018	2017 Restated*
DR KKDM against Amadeka Trading Enterprise CC Various payments were made to Amadeka trading Enterprises totalling 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
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
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
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

	2018	2017 Restated*

37. Related parties

Relationships	
Controlled entity	Dr Kenneth Kaunda District Economic Agency (Note 4)
Post retirement employment benefit plan for employees of the municipality and/or other related parties	Refer to note 7
Members of Council	Refer to General Information page to the financial statements and note 38
Members of Key Management	Refer to note 24 S Lesupi - Municipal Manager as from 1st October 2017: T Chanda - Acting Municipal Manager from July 2017 - Sept 2017 J Mononela - CFO resigned 30 November 2017; MB Daffue acting CFO from 1Nov 2017 - 30 May 2018; J Brown acting CFO from 1 June 2018 L Ralegetho - Director Corporate Services T Chanda - Director Infrastructure till 31 May 2017: T Tshukudu - Acting Director Infrastructure from 1 July 2017 to Feb 2018 R Lesar- Acting Director Disaster Management as from 1 March 2017 till 30 June 2018 ML Makheta - Director District Economic Development resigned 30 May 2018; W Sukupa acted from 1 June 2018 Mosebi - Acting Director Health Services as from 1 July 2017 till 31 Jan 2018; Matlhakola acted from Feb 2018

Related party balances

	2018	2017
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 rental of office space paid. 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 month.

Service in kind revenue received from JB Marks municipality to the value of R 117480. Service in kind expense with regards to the benefit consumed amounted to R 117480.

Key management information

Class	Description	Number
Executive Mayor	Executive Authority	1
Members of Mayoral Committee	Executive Authority	6
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

38. 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

	2018	2017 Restated*

38. 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	-	254 774
	5 055 922	**1 478 722**	**519 410**	**706 544**	**836 940**	**8 597 539**

	2018	2017 Restated*

38. Transactions with Councillors (continued)

Remuneration to Municipal Councillors for 2018

	Salary Allowance	Travelling	Telephone	Medical aid & Pension Contribution	Sitting Allowances	Total
BE MOSIANE SEGOTSO - Executive mayor	801 359	-	32 400	25 053	-	858 812
DP MASUI - Speaker	427 157	161 340	32 400	72 606	-	693 503
'NM KOLOTI - Single whip'	378 161	151 254	32 400	90 395	-	652 210
MARTINS MI	367 365	151 254	32 400	101 191	-	652 210
ADOONS NG	356 159	146 820	32 400	98 631	-	634 010
ZEPHE M	375 434	151 254	32 400	93 122	-	652 210
MOJAHI MM	380 574	151 254	32 400	87 982	-	652 210
MBELE HH	375 092	151 254	32 400	93 464	-	652 210
MPHAFUDI ZE	433 918	151 254	32 400	34 638	-	652 210
VALIPATI SP	268 080	89 688	16 200	-	-	373 968
OTHER COUNCILLORS - VAN ZYL KL	197 998	63 528	32 400	-	-	293 926
DAYIYA LN	169 406	63 531	32 400	28 589	-	293 926
LETSHWITI SV	169 409	63 528	32 400	28 589	-	293 926
CLOETE BC	197 998	63 528	32 400	-	-	293 926
MOTLOIWA LS	169 409	63 528	32 400	28 589	-	293 926
BOTHA FJ	169 406	63 531	32 400	28 589	-	293 926
MOSTERT WA	223 407	-	32 400	38 119	-	293 926
COETZER CJ	-	-	-	-	33 660	33 660
POSTMA EM	-	-	-	-	48 960	48 960
GIWILI D	-	-	-	-	40 800	40 800
MOTLADI AS	-	-	-	-	27 540	27 540
MORULANE P	-	-	-	-	7 140	7 140
GROENEWALD IM	-	-	-	-	44 880	44 880
SAUDI HF	-	-	-	-	40 800	40 800
TABEDZ B	-	-	-	-	63 240	63 240
DU TOIT SF	-	-	-	-	14 280	14 280
M0KGALAG LS	-	-	-	-	86 700	86 700
MOREMI SL	-	-	-	-	36 720	36 720
MOSENOGI G	-	-	-	-	75 480	75 480
NDINCEDE K	-	-	-	-	45 900	45 900
CUTSWA LL	-	-	-	-	83 640	83 640
MONDLANE SL	-	-	-	-	42 840	42 840
PZ LESOMO	-	-	-	-	74 460	74 460
LEBENYA LM	-	-	-	-	34 680	34 680
LE GRANGE JJ	-	-	-	-	31 620	31 620
MOHOEMANG GA	-	-	-	-	38 760	38 760
MOSWEU ME	-	-	-	-	45 900	45 900
PHUTIYAGA AO	-	-	-	-	1 020	1 020
NTULI MN	-	-	-	-	1 020	1 020
BESTER CJ	-	-	-	-	37 740	37 740
PT MOKGADI	-	-	-	-	57 120	57 120
IR DINTWE	-	-	-	-	27 540	27 540
Ad hoc travel & subsistence	-	46 891	-	-	-	46 891
	5 460 332	**1 733 437**	**534 600**	**849 557**	**1 042 440**	**9 620 366**

Refer to note 25

	2018	2017 Restated*

39. Changes in classification due to MSCOA

The chanes n the classification of MSCOA resulted in:

	2018	2017 Restated*

39. Changes in classification due to MSCOA (continued)

	-	1

The effect on the Statement of Financial Performance as at 30 June 2016.	Comparative figures previously reported as at 30 June 2017	Change in classification	Restated Balance 2016/2017
Revenue from exchange transactions			
Other income	(42 480)	42 480	-
Sale of goods	-	(1 895)	(1 895)
Commissions received	-	(8 335)	(8 335)
Other income	-	(32 250)	(32 250)
Interest received - investments	(2 331 126)	-	(2 331 126)
Dividends received	(2 080)	-	(2 080)
Revenue from non-exchange transactions			
Government grants & subsidies	(174 306 765)	-	(174 306 765)
Public contributions and donations	(76 654)	-	(76 654)
Expenditure			
Employee related cost	81 802 855	1 215 169	83 018 024
Remuneration of councillors	8 597 538	-	8 597 538
Depreciation and amortization	7 685 371	-	7 685 371
Impairment loss	157 400	-	157 400
Finance costs	421 302	-	421 302
Debt impairment	310 984	-	310 984
Repairs & maintenance	751 367	(751 367)	-
Contracted Services	24 987 802	10 580 477	35 568 279
Transfers and subsidies	5 553 058	-	5 553 058
Contribution to leave reserve	666 367	(666 367)	-
General expenses	42 356 290	(10 377 912)	31 978 378
Loss on write-off of assets	1 177 372	-	1 177 372
Gains on disposal of assets	(39 442)	-	(39 442)
Fair value adjustments	(4 226)	-	(4 226)
Actuarial gains /losses	(1 447 136)	-	(1 447 136)
Change in net surplus	**(3 782 203)**	**-**	**(3 782 203)**

Figures in Rand	2018	2017

General expenses 2016/17 Reported:	Previously	Previously reported	Change in classification	Restated amount	MSCOA reclassificatic n
Audit committee members - remuneration		678 194	(678 194)	-	Consultants & professional services
Cleaning		36 469	(36 469)	-	Outsourced services
Community based planning		731 694	(731 694)	-	Consultants & professional services
Consulting & professional fees		1 223 305	(1 223 305)	-	Consultants & professional services
General expenses - other		**2 500 118**	**(2 500 118)**	-	
		-	(780 253)	-	General - MSCOA

39. Changes in classification due to MSCOA (continued)

	-	(77 405)	-	General - Toll fees
	-	(58 966)	-	General - Protective clothing
	-	(16 272)	-	General - Insurance
	-	(1 365 731)	-	Consultants & professional services
	-	(50 000)	-	Skills development training
	-	(151 491)	-	Events & Campaigns
Gifts	13 835	(13 835)	-	Events & Campaigns
IDP review expenses	42 500	(42 500)	-	Printing & Stationery
Legal fees	2 771 985	(2 771 985)	-	Consultants & professional services
Public Participation expenses	94 660	(94 660)	-	Events & Campaigns
Testing of samples	452 346	(452 346)	-	Consultants & professional services
Training and development - councillors	50 000	(50 000)	-	Skills development training
Training and development - employees	470 000	(470 000)	-	Skills development training
Expenditure based on projects	**13 397 862**	**(13 188 364)**	209 498	
Skills development training	-	(759 853)	-	Skills development training
EPWP - Skill development training	-	(1 479 000)	-	EPWP - Skills development training
Consultants & proff services	-	(2 753 055)	-	Consultants & Prof Services
Accommodation Travel & subsistence	-	(1 212 223)	-	Accomodation Travel & subsistance
Printing & Stationery	-	(1 931)	-	Printing & Stationery
Events and campaigns - Catering	-	(96 960)	-	Events and campaigns - Catering
Events and campaigns	-	(3 567 897)	-	Events and campaigns
Salaries & wages	-	(548 802)	-	Salaries & wages
Travel municipal events	-	(189 304)	-	Travel municipal events

	2018	2017 Restated*

39. **Changes in classification due to MSCOA (continued)**

Conference and seminars	-	(307 030)	-	Conference and seminars
License fees - other	-	(84 497)	-	License fees - other
Donations	-	(2 030 439)	-	Donations
Advertisement	-	(157 373)	-	Advertisement
Subtotal	22 462 968	(22 253 470)	209 498	
General expenses 2016/17 (restated)				
Events and campaigns	**2 175 309**	**3 924 843**	**6 100 152**	-
Gifts	-	13 835	-	-
Public Participation expenses	-	94 660	-	-
General expenses - Other	-	151 491	-	-
Expenditure based on projects	-	3 664 857	-	-
Insurance	**633 389**	**16 272**	**649 661**	-
General expenses - Other	-	16 272	-	-
IT Expenses	**-**	**780 253**	**780 253**	-
General expenses - Other (Mscoa)	-	780 253	-	-
Protective clothing	**93 012**	**58 966**	**151 978**	-
General expenses - other (Uniforms)	-	58 966	-	-
Skills Development training	**287 574**	**1 329 853**	**1 617 427**	-
Expenditure based on projects	-	759 853	-	-
Training and development - councillors	-	50 000	-	-
Training and development - employees	-	470 000	-	-
General expenses - other	-	50 000	-	-
Toll fees	**-**	**77 405**	**77 405**	-
General expenses other (toll fees)	-	77 405	-	-
Consumables	**175 851**	**183 669**	**359 520**	-
Repairs and maintenance	-	183 669	-	-
Printing and stationery	**1 346 647**	**44 431**	**1 391 078**	-
IDP review expenses	-	42 500	-	-
Expenditure based on projects	-	1 931	-	-
EPWP - Skills development training	**-**	**1 479 000**	**1 479 000**	-
Expenditure based on projects	-	1 479 000	-	-
Accomodation, subsistence and travel	**859 047**	**1 212 223**	**2 071 270**	-
Expenditure based on projects	-	1 212 223	-	-
Auditors remuneration	**3 279 426**	**-**	**3 279 426**	-
Travel - Municipal events	**-**	**189 304**	**189 304**	-
Expenditure based on projects	-	189 304	-	-
Conferences and seminars	**1 057 919**	**307 030**	**1 364 949**	-
Expenditure based on projects	-	307 030	-	-
License fees - Other	**51 335**	**84 497**	**135 832**	-
Expenditure based on projects	-	84 497	-	-
Donations	**-**	**2 030 439**	**2 030 439**	-
Expenditure based on projects	-	2 030 439	-	-
Advertising	**488 675**	**157 373**	**646 048**	-
Expenditure based on projects	-	157 373	-	-
	32 911 152	**10 377 912**	**22 533 240**	

Restatements regarding the abovementioned votes were done regarding the reclassification of general expenditure according the MSCOA classification framework.

Contracted services 2016/2017: Previously reported	Previously reported	Change in classification	Restated amount	MSCOA reclassification

39. Changes in classification due to MSCOA (continued)

Information technology	705 4	(705 416)	-	Other contractors
Other contractors	1 312 790	(1 312 790)	-	Other contractors
WI - FI district broadband network	4 306 302	(4 306 302)	-	Other contractors
District call centre operations	8 242 812	(8 242 812)	-	Outsourced services
CCTV Security system	9 123 312	(9 123 312)	-	
Rural Asset management system	1 305 792	(1 305 792)	-	Consultants & Proff services
Fair value adjustment - Contracted services	(8 622)	-	(8 622)	-
Subtotal	24 987 802	(24 996 424)	(8 622)	-
Restated:				
Outsourced services	-	**8 279 281**	**8 279 281**	-
District call centre operations	-	8 242 812	-	-
Cleaning	-	36 469	-	-
Consultants & professional services	-	**11 282 102**	**11 282 103**	-
Rural Asset management system	-	1 305 792	-	-
Audit committee members - remuneration	-	678 195	-	-
Community based planning	-	731 694	-	-
Consulting & professional fees	-	1 223 305	-	-
General expenses - other	-	1 365 731	-	-
Testing of samples	-	452 346	-	-
Legal fees	-	2 771 985	-	-
Expenditure based on projects	-	2 753 055	-	-
Other contractors	-	**16 015 518**	**16 015 518**	-
Information Technology	-	705 416	-	-
Other Contractors	-	1 312 790	-	-
WiFi District broadband network	-	4 306 302	-	-
CCTV Security system	-	9 123 312	-	-
Repairs and maintenance	-	567 698	-	-
	24 987 802	**10 580 477**	**35 568 280**	**-**

Repairs & Maintenance 2016/2017	Preciously reported	Change in classification	Restated amount
Repairs and maintenance	751 367	-	-
Other contractors	-	(567 698)	-
Consumables	-	(183 669)	-
Subtotal	751 367	(751 367)	-
	751 367	**(751 367)**	**-**

Employee related cost 2016/2017 restated	Previously reported	Change in classification	Restated amount
Employee related cost volunteer stipends	81 802 855	548 802	83 018 024
Contribution to leave reserve	-	666 367	-
Subtotal	81 802 855	1 215 169	83 018 024
	81 802 855	**1 215 169**	**83 018 024**

Restatements regarding the abovementioned votes were done regarding the reclassification of Contracted Services, Repair and Maintenace and Employee related cost according the MSCOA classification framework.

39. Changes in classification due to MSCOA (continued)

40. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance t that have been affected by prior-year adjustments:

Statement of financial position

Restatement on the Statement of financial position 30 June 2017		
Unspent conditional grant	-	1 376 599
Statement of changes in net assets - LG Seta grant	-	(1 266 456)
Statement of changes in net assets - Opening Balances 30 June 2016	-	4 969 566
PPE - Opening balances and additions	-	(6 022 604)
PPE - Additions 2017	-	1 676 727
Statement of financial peformance - Revenue LG Seta	-	(110 143)
Statement of financial peformance - PPE depreciation and impairment loss	-	(623 689)
	-	-

Municipality - 2017

	ʿs previously reported 2017	Prior year errors	ʾestated 2017
Property, Plant and Equipment	29 833 115	4 135 630	33 968 745
Intangible Assets	773 314	833 924	1 607 238
Unspent Grants	(3 230 555)	1 376 599	(1 853 956)
Payables from exchange transactions	(26 805 024)	(5)	(26 825 029)
Accumuated surplus	(6 070 693)	(6 346 148)	(12 416 841)

Statement of finanical performance

	2018	2017 Restated*

40. Prior-year adjustments (continued)

Municipality - 2017

	As previously reported 2017	Prior year errors	Restated 2017
Revenue from non - exchange transactions - Government grants and subsidies	(174 306 765)	(229 370)	174 536 135
Expenditure - Depreciation and amortization	7 685 371	(466 289)	7 219 082
- Impairment loss	157 400	(157 400)	-
- General expenditure	31 978 378	119 227	32 097 605
Corrections within General expenses:	-	119 227	-
Expenditure based on projects	209 498	(209 498)	-
Auditors remuneration	3 279 426	209 498	3 488 924
Skills development training	1 617 427	119 227	1 736 654

Restatements on the statement of financial performance 30 June 2017

Statement of financial peformance - Revenue LG Seta	-	(110 143)
Statement of financial peformance - PPE depreciation and impairment loss	-	(623 689)
Statement of financial peformance - Accumualted surplus	-	733 832
	-	-

The following prior period errors adjustments occurred:

Restatement of government grant and subsidies received

Other grants and subsidies received - Previously reported	-	4 987 765
LG seta mandatory grant expenditure incorrectly expensed against revenue	-	119 227
Seperately disclosed - Finance management grant	-	(1 250 000)
- Rural road asset management system	-	(1 305 792)
- Expanded public works program grant	-	(1 479 000)
- Tirelo Bosha grant	-	(1 072 200)
	-	-

This restatement was due to that LG Seta Mandatory not be regarded as a conditional grant. Rural road asset management grant, Expanded public work program and Tirelo Bosha grant is seperately disclosed in for more clarity of the amounts received for each grant. year in the 2016/2017 financial year.

Restatement unspend conditional LG Seta mandatory grant transfer to revenue as at 30 June 2017

Unspend balance previously reported	-	1 376 599
Recognised against accumulated surplus as at 30 June 2016	-	(1 266 456)
Recognised against grant revenue - for the year ended 30 June 2017	-	(110 143)
	-	-

	2018	2017 Restated*

40. Prior-year adjustments (continued)

The prior year amount for grant revenue has been restated due to that the LG Seta mandatory grant which is not regarded as a conditional grant and transfer to revenue and LG Seta expenditure which were incorrectly debited against other grants and subsidies received.]

Transactions affecting the restatement of depreciation for the year 30 June 2017		
Statement of financial performance - Depreciation	-	(466 289)
Statement of financial performance - Impairment loss	-	(157 400)
Statement of nett assets	-	623 689
	-	-

Restatement of depreciation due to adjustments made on asset register for the prior financial years.

Transactions affecting the restatement of PPE additions for the year ended 30 June 2017		
Statement of financial position - PPE at cost	-	(1 676 738)
Statement of nett assets	-	1 676 738
	-	-

Restatement of PPE aditions for the year ended 30 June 2017.

Restatement of PPE Opening balance as at 30 June 2016.		
Statement of financial position - PPE at cost	-	1 630 643
Statement of financial position - PPE accumulated depreciation	-	4 391 961
Statement of changes in net assets 30 June 2016	-	(6 022 604)
	-	-

Restatement of PPE aditions for the year ended 30 June 2016.

41. Risk management

Capital risk management

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

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

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

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

There are no externally imposed capital requirements.

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

Notes to the Financial Statements

41. Risk management (continued)

Gearing ratio:
The gearing ratios at 2018 and 2017 respectively were as follows:

Payables from exchange transactions		22 583 568	26 805 029
Less: Cash and cash equivalents	11	(9 761 418)	(13 745 146)
Net debt		12 822 150	13 059 883
Total equity		9 966 447	12 416 841
Total capital		22 788 597	25 476 724
Gearing ratio		77,7 %	46,5 %

Financial risk management

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

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

Liquidity risk

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

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

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Over 5 years
Trade and other payables	22 583 568	-	-
Payables from non - exchange transactions	856 212	-	-
Finance lease obligations	48 180	-	-

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Over 5 years
Trade and other payables	26 805 029	-	-
Payables from non - exchange transactions	856 212	-	-
Finance lease obligations	485 391	-	-

Interest rate risk

41. Risk management (continued)

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

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	1,20 %	3 754 818	-	-	-	-
Call investment deposits	8,00 %	6 000 000	-	-	-	-

Credit risk

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

Each class of financial instrument is disclosed separately.

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

Credit risk consists mainly of cash deposits, cash equivalents.
The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. 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 non - exchange transactions.
Financial assets exposed to credit risk at year end were as follows:

Financial instrument	Municipality - 2018	Municipality - 2017
Investments	-	62 857
Call investment deposits	6 000 000	10 000 000
Investments in associates	120	120
Receivables from non-exchange transactions	1 046 521	819 188
Receivables from exchange transactions	822 282	257 171
Bank balances and cash	3 761 418	3 745 146

41. Risk management (continued)

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

Price risk

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

42. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 9 966 447 and that the municipality's total assets exceed its liabilities by R 9 966 447.., 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 ability of the municipality to continue as a going concern is dependent on a number of factors. It is highlighted that the municipality's assets exceed the liabilities of the municipality. The municipality prepared the financial statements under the going concern basis, based on the presumption that it receives grant funding from Government to ensure the settlement of liabilities as they become due to the municipality.

The cost containment program is in place, and it is regarded by Council as a high priority in order to contain cost and improve service delivery.

Four PPP's (Public private partnerships) is registered with National Treasury and are in the feasibility stages and it is expected that final approval for project implementation will be received in the near future. It is expected that these PPP's will enhanced the municipality's revenue base.

43. Events after the reporting date (30 June 2018)

Assets with a cost price of R 2 843 595 which were fully depreciated could not be verified during the annual verification process, These assets were removed from the asset register, but Councils still needs to approve the write-off.

44. Unauthorised expenditure

Unauthorised expenditure	50 468 921	37 848 620
Unauthorised expenditure: current year	17 497 853	12 620 301
	67 966 774	**50 468 921**

45. Fruitless and wasteful expenditure

Opening Balance	10 427 764	10 388 222
Fruitless and wasteful expenditure - current year	157 971	39 542
	10 585 735	**10 427 764**

Details of Fruitless & wastefull expenditure – Current year

Interest: Assesment Compensation commissioner	42 397	39 542
Interest: Sars	2 574	-
Consultant advice on SCM processes	113 000	-
	157 971	**39 542**

Details of Fruitless & wastefull expenditure – recoverable (not write off)

Penalties - Late for flights - Prior years	-	2 803
Penalties - Late for flights - Prior years; Recovered	(950)	-
Loss of petty cash - Prior years	-	594
	(950)	**3 397**

Reconciliation of fruitless and watefull expenditure

	10 427 764	-
Absa lease - Samsung telephone system 2011/2012	-	56 018
Absa lease - Samsung telephone system 2012/2013	-	56 018
Penalty fee - Postponement of strategic planning session	-	19 762
Loss of petty cash	-	2 203
Interest: Late payment to SARS - 2014/2015	-	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
Interest: Assesment Compensation commissioner 2015/2016	-	30 242
Interest: Assesment Compensation commissioner 2016/2017	-	39 542
Current year	157 971	-
	10 585 735	**10 427 764**

Analysis of expenditure awaiting condonation per age classification

Prior years: 2011/2012	56 018	56 018
Prior Years: 2012/2013	77 983	77 983
Prior Years: 2014/2015	10 223 979	10 223 979
Prior Years: 2015/2016	30 242	30 242
Prior Years: 2016/2017	39 542	39 542
Current year	157 971	-
	10 585 735	**10 427 764**

That the amount of R10 million for prepaid expendidure made in regards to the television production industry also be regarded as fruitless and wasteful expenditure.

Notes to the Financial Statements

46. Irregular expenditure

Opening balance	101 823 533	56 374 787
Add: Irregular Expenditure - current year	27 963 824	45 448 746
Amounts not yet write off	**129 787 357**	**101 823 533**

Analysis of expenditure awaiting condonation per age classification

Opening BalanceCurrent year	101 823 533	-
Prior year: 2011/2012	-	26 422
Prior year: 2012/2013	-	29 500
Prior year: 2013/2014	-	480 397
Prior year: 2014/2015	-	8 625 776
Prior year: 2015/2016	-	8 668 284
Prior year restated: 2014/2015 - 2015/2016	-	38 544 408
Prior year restated: 2016/2017	-	45 448 746
Current year	27 963 82	-
	129 787 357	**101 823 533**

Details of Irregular Expenditure – Current year

Contract renewed on a month to month basis	(Contrary to section 36 1 (a)(v) of SCM regulations	1 864 184
Tenders approved under regulations 32 - Non compliance senior member of SCM not present	(Contrary to supply chain regulation 32)	17 224 671
Tenders in contradiction with SCM Regulations	(In contradiction with SCM regulations 29 (2) (ii))	2 953 116
Flight, travelling and accommodation arrangements for the DR.Kenneth Kaunda District Municipality	Contrary to supply chain regulation 36, 1 (a) (v)	2 852 138
Awarded contracts outside the normal SCM process - Variarion orders	(Contrary to supply chain regulation 36 & 37	72 994
Deviations from bid adjudication recommendations-	(Contrary to section 114(1) of the MFMA) and SCM regulations 36	2 996 721
		27 963 824

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 disciplinary action)

Prior years: Training of fire fighters	-	824 010

46. Irregular expenditure (continued)

Reconciliation of Irregular Expenditure

Opening Balance	101 823 533	-
Prior years 2011/2012:Printing of agendas for Council in an emergency situation	-	26 422
Prior years 2012/2013:Boitshoki roofing - Double payment	-	29 500
Prior years 2013/2014: Printing annual Reports 2012/2013 Agency	-	113 161
Prior years 2013/2014: Flight, travelling and accommodation arrangements - Portion not condoned (R1 137 987 - 770 751)	-	367 236
Prior year 2014/2015: Installing a 12 Seater customer call centre - Ikangeng Solutions cc	-	8 625 776
Prior year 2015/2016: Installing a 12 Seater customer call centre - Ikangeng Solutions cc	-	8 242 812
Prior year 2015/2016: Over payment on upperlimits	-	27 296
Prior year 2015/2016: Procurement of laptops, desktops and related peripherals for employees	-	398 176
Prior year 2015/2016: misstatement procurement panels	-	38 544 408
Prior year 2016/2017: misstatement procurement panels	-	45 448 746
Current year: Irregular expenses	27 963 824	-
	129 787 357	**101 823 533**

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(795 188)	(746 971)
Current year subscription / fee	795 188	746 971
Amount paid - previous years	(873 412)	(795 188)
	(873 412)	**(795 188)**

Audit fees

Current year subscription / fee	3 063 964	3 279 426
Restatement	-	209 498
Amount paid - current year	(3 063 964)	(3 488 924)
	-	-

An amount of R 209 498 was incorrectly paid against expenditure based on projects and not against auditors remuneration in the 2016/2017 financial year.

PAYE and UIF

Current year subscription / fee	17 666 243	16 842 304
Amount paid - current year	(17 666 243)	(16 842 304)
	-	-

Pension and Medical Aid Deductions

Opening balance	11 075 411	9 984 522
Current year subscription / fee	(11 075 411)	(9 984 522)
	-	-

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

VAT

VAT receivable	5 986 382	5 712 268

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

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

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Deviations set under this note were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. See the attached schedule (A) for detail refer to as in note 48.