



Koukamma Municipality

ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

KOUKAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

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KOUKAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

GENERAL INFORMATION (Continued)

CHIEF FINANCIAL OFFICER

S Spellmann

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 6 to 34, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information on 12 December 2008.

M NDOKWENI
MUNICIPAL MANAGER
04 December 2008

S SPELLMANN
CHIEF FINANCIAL OFFICER
04 December 2008

**KOUKAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008**

FOREWORD

I submit these Annual Financial Statements very much aware that everything is not sound, but I will not allow our situation to dominate my life with fear and despair.

We do not pride ourselves for what is happening in Koukamma, but strongly believe that we shall overcome. Our challenges are characterised by the following serious constraints:

- Capacity and constitutional changes
- Weak departments and capacity problems
- Service Delivery challenges
- Lack of institutional discipline and commitment
- Low financial viability
- Infrastructure and Technical backlogs

We hereby declare our commitment to continuously strive towards advancing governance, financial discipline and efficient administration. Our wish is also to extend sound co-operative relations with all our spheres of government. We also need to unlock the economic potential of our municipality to attract strategic partners. Nobody and nothing will stop us from bringing change in the life of our people. My humble plea to all our leadership, communities and sector stakeholders is to join hands and strive towards building a better Koukamma where there will be place for all of us.

We have a long and steep road to go, but **“WE ARE HAPPY BECAUSE WE ARE GOING TO MAKE IT THIS TIME”**.

“FORWARD KOUKAMMA, FORWARD!!!!!!”

Sincere greetings

**NJ O’CONNEL
MAYOR**

KOUKAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
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REPORT OF THE AUDITOR-GENERAL

The 2007/2008 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. BASIS OF PRESENTATION

- 1.1 These Annual Financial Statements have been compiled to comply with the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice (1994) and the Report on the Standardisation of Financial Statements of Local Authorities (6th Edition – June 1996).
- 1.2 The accounting policies are consistent with those of the previous year in all material respects, except where otherwise stated.
- 1.3 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as explained in Accounting Policy 3.
- 1.4 The financial statements are prepared on the accrual basis:
- Income is accrued when collectable and measurable. Certain income is accounted for when received, such as traffic fines and certain licences.
 - Expenditure is accrued in the year it is incurred.

2. CONSOLIDATION

The balance sheet includes Rates and General Services, Housing Services, Trading Services as well as the various funds, reserves and provisions. All inter-departmental transactions have been offset against each other. Departmental assessment rates, electricity, refuse removal, sewerage and water have been shown as income and expenditure under the respective departments.

3. FIXED ASSETS

- 3.1 Fixed Assets are stated:
- at historical cost; or
 - at valuation (based on market price at the date of acquisition) where assets have been obtained by means of grants or donations;
- while they are in existence and fit for use. Certain replaceable assets acquired from loans, such as furniture and equipment, water reticulation, sewer reticulation, roads and drainage, vehicles and plant are stated at depreciated value and are written off at the end of the loan repayment period.

No revaluation of assets was made during the financial year.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

3. FIXED ASSETS (Continued)

3.2 Depreciation:

The balance shown against the heading “Loans Redeemed and Other Capital Receipts” in the notes to the balance sheet, is the equivalent to a provision for depreciation. In terms hereof assets financed from “Loans” are written off over their estimated useful life. In addition to the various municipal funds, assets can also be acquired as follows:

- Appropriations from income, where the total cost of an asset becomes an immediate and direct charge against the operating income, and it is therefore not necessary to make any further provision for depreciation.
- Grants, subsidies or donations, where the amount representing the value of such grant or donation is immediately credited to the “Loans Redeemed and Other Capital Receipts” account.

3.3 All net proceeds from the sale of fixed property are credited to the Revolving Fund. The net proceeds on the sale of all other assets are credited to the Operating Account.

3.4 Financing:

Capital Assets are financed from different sources, including external loans, internal advances, grants, subsidies, donations, provisions, reserves and operating income.

Loans and advances are repaid over the estimated useful life of the asset financed from such loan or advance in accordance with the guidelines issued by the Provincial Government. Internal advances are redeemed on annuity basis, which commences in the year following the financial year in which the advances were made.

3.5 Internal Advances are acquired at market related interest rates.

3.6 Major improvements to buildings, plant and equipment are capitalised. Maintenance and repairs are expensed when incurred.

4. INVENTORY

Inventories are reflected at cost. No stock is currently on hand in view that expenditure is directly allocated to each and every department when incurred.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

5. INVESTMENTS

Investments are reflected at cost and comprise securities as prescribed in terms of the Local Authorities Ordinance, Ordinance No 23 of 1935.

6. FUNDS AND RESERVES

6.1 Revolving Fund:

The Local Authorities Ordinance, No 23 of 1935, requires a minimum contribution of 7,5% of the defined income of the municipality to this fund. Expenditure is pooled in this fund so as to facilitate the control and management thereof. The fund is used to repay loans, finance capital expenditure and defray expenses incurred with the raising of loans. The surplus funds are partly invested.

6.2 Dog Tax Fund:

The Dog Tax Fund was established in terms of the Dog Tax Ordinance, Ordinance 19 of 1978, to obtain funding to enable the municipality to control dogs in the municipal area. The fund is not operational anymore and will be written off during the conversion to the GRAP-format of Annual Financial Statements.

6.3 Trust Funds:

The amounts reflected as Trust Funds are the unspent portion of grants received from various Departments. The purpose of these grants is either for capital or operating nature.

6.4 Reserves:

The amounts reflected as Reserves are provisions made from council's funds for future expenditure of which the amount and occurrence is unknown, and is funded by contributions from operating expenditure.

6.5 Provisions:

The amounts reflected as Provisions are provisions made from council's funds for expenditure relating to the current year of which the amount is unknown and the service still has to be rendered. Provisions are funded by contributions from operating expenditure.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

7. RETIREMENT BENEFITS

The municipality contributes to the Cape Joint Pension Fund (18% of basic salary) and the SALA Pension Fund (18.07% of basic salary), which provide retirement and unfitness benefits to its employees.

Full actuarial valuations for the funds are performed every three years.

Contributions by the Municipality are charged against operating income on the basis of the current service cost.

8. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD SERVICES

The costs of internal support services are transferred to the different services in accordance with the Institute of Municipal Finance Officers report on Accounting for Support Services (June 1990). Council has adopted a Charge-out Policy based on a percentage of actual cost.

9. SURPLUSES AND DEFICTS

Any surplus or deficits arising from the operation of the Electricity and Water services are transferred to the Accumulated Surplus Account for Rates and General Services.

10. LEASED ASSETS

- 10.1 Fixed assets held under finance leases are capitalised. Such leases are effectively amortised over the term of the lease agreement.
- 10.2 Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.
- 10.3 All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the asset concerned.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

11. INTEREST ALLOCATION

Interest is allocated to the Accumulated Funds and operating account according to the average balance of the fund and bank account during the year. All interest received are accrued in the revenue account and distributed after the closing down and balancing of the accounts. This practice differs from the previous year where only the balance at the start of the year was taken into consideration and interest on deposit accounts were credited to the particular fund.

12. REVENUE RECOGNITION

12.1 Assessment Rates:

The municipality applies a flat rating system whereby the same rate factor is applied to land and buildings. In terms of this system, Assessment Rates are levied on the value of land and improvements in respect of all properties.

Rebates are granted according to the use of the property concerned.

12.2 Electricity and Water Billings:

Meters on all properties are read monthly and billed accordingly on a monthly basis, except in the case where a pre-paid meter is installed. Due dates for payment are approximately six weeks after the meters were read.

KOUKAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It is with great pleasure for me to finally present the Annual Financial Statements for the year 2007/2008 to Council and Management. Please note that these statements could not be prepared and submitted to Auditor-General within two months after the end of the financial year in terms of the Section 126 of the MFMA.

The assistance of a service provider was necessary for the compilation of the statements due to a lot of accounting workload carried over from the previous years and having to address the audit report, which was a disclaimer, and the fact that the official who has been in charge of Finance was already on sick leave at the time of preparing these 2007/2008 AFS. Thus it became very difficult to substantiate some of the transactions that occurred during the year.

2. KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review.

Financial Statement Ratios:

| INDICATOR | 2008 | 2007 |
|---|------------|-------------|
| Surplus / (Deficit) before Appropriations | (828 802) | (4 453 760) |
| Accumulated Surplus / (Deficit) at the end of the Year | 10 854 203 | 10 605 992 |
| Expenditure Categories as a percentage of Total Expenses: | | |
| Salaries, Wages and Allowances | 43.38% | 37.59% |
| General Expenses | 26.29% | 41.84% |
| Repairs and Maintenance | 5.13% | 14.48% |
| Capital Charges | 0.00% | - |
| Contributions to Fixed Assets | 0.40% | 0.12% |
| Contributions to Funds, Provisions and Reserves | 24.80% | 5.97% |
| Current Ratio: | | |
| Creditors Days | 98 | 74 |
| Debtors Days | 372 | 426 |

The slight improvement in Debtors Days is because of additional provision for bad debts made during the year under review due to non-payment actually experienced, which renders a slightly more favourable ratio for the year.

3. OPERATING RESULTS

Details of the operating results are included in the Income Statement and Appendices "D" and "E".

The overall operating results for the year ended 30 June 2008 are as follows:

| DETAILS | Actual 2007/2008 R | Actual 2006/2007 R | Percentage Variance % | Budgeted 2007/2008 R | Variance actual/ budgeted % |
|------------------------------------|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| Income: | | | | | |
| Opening surplus / (deficit) | 10 605 992 | 14 749 732 | (28.09)% | - | - |
| Operating income for the year | 40 316 498 | 33 911 241 | 18.89% | 61 051 047 | (33.96)% |
| Appropriations for the year | 1 077 014 | 310 020 | 247.40% | - | - |
| | 51 999 503 | 48 970 992 | 6.18% | 61 051 047 | (14.83)% |
| Expenditure: | | | | | |
| Operating expenditure for the year | 41 145 300 | 38 365 001 | 7.25% | 61 051 047 | (32.61)% |
| Sundry transfers | - | - | - | - | - |
| Closing surplus / (deficit) | 10 854 203 | 10 605 992 | 2.34% | - | - |
| | 51 999 503 | 48 970 992 | 6.18% | 61 051 047 | (14.83)% |

3.1 All Services:

A deficit of R828 802 (2006/2007: Deficit of R4 453 760) was achieved for the financial year under review. This is due to budgeted revenue not realised exceeding savings realised in budgeted expenditure.

Although accruals for all services have been done, more attention will be given to monthly accruals and the reconciliation and collection thereof. Water meters have been read and accounts have been prepared. Accounts have been delivered monthly to the consumers during the year.

| DETAILS | Actual 2007/2008 R | Actual 2006/2007 R | Percentage Variance % | Budgeted 2007/2008 R | Variance actual/ budgeted % |
|--|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| Income | 40 316 498 | 33 911 241 | 18.89% | 61 051 047 | (33.96)% |
| Expenditure | 41 145 300 | 38 365 001 | 7.25% | 61 051 047 | (32.61)% |
| Surplus / (Deficit) | (828 802) | (4 453 760) | (81.39)% | - | - |
| Surplus / (Deficit) as % of total income | (2.06)% | (13.13)% | | - | |

3.2 Community Services:

Community Services are services rendered by the municipality to the community for which no charges are levied. The main income sources for these services are Assessment Rates and Sundry Fees levied.

| DETAILS | Actual 2007/2008 R | Actual 2006/2007 R | Percentage Variance % | Budgeted 2007/2008 R | Variance actual/ budgeted % |
|--|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| Income | 19 234 087 | 19 346 355 | (0.58)% | 44 930 567 | (57.19)% |
| Expenditure | 30 159 098 | 24 579 377 | 22.70% | 40 339 629 | (25.24)% |
| Surplus / (Deficit) | (10 925 011) | (5 233 022) | 108.77% | 4 590 938 | - |
| Surplus / (Deficit) as % of total income | (56.80)% | (27.05)% | | 10.22% | |

3.3 Subsidised Services:

Subsidised Services are services partially subsidised by National and Provincial Government. Apart from subsidies, the main income sources are Sundry Fees levied.

| DETAILS | Actual 2007/2008 R | Actual 2006/2007 R | Percentage Variance % | Budgeted 2007/2008 R | Variance actual/ budgeted % |
|--|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| Income | 470 866 | 184 945 | 154.60% | 1 759 064 | (73.23)% |
| Expenditure | 1 060 292 | 465 990 | 127.54% | 2 589 765 | (59.06)% |
| Surplus / (Deficit) | (589 426) | (281 045) | 109.73% | (830 701) | - |
| Surplus / (Deficit) as % of total income | (125.18)% | (151.96)% | | (47.22)% | |

3.4 Economic Services:

Economic Services are services rendered to the consumers at a rate which should cover the cost of the service in order that the service is not a burden to other streams of revenue. The main source of income is the levying of Service Charges.

| DETAILS | Actual 2007/2008 R | Actual 2006/2007 R | Percentage Variance % | Budgeted 2007/2008 R | Variance actual/ budgeted % |
|--|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| Income | 11 271 362 | 7 363 125 | 53.08% | 10 564 891 | 6.69% |
| Expenditure | 5 069 447 | 6 833 624 | (25.82)% | 11 252 979 | (54.95)% |
| Surplus / (Deficit) | 6 201 915 | 529 500 | 1071.28% | (688 088) | - |
| Surplus / (Deficit) as % of total income | 55.02% | 7.19% | | (6.51)% | |

3.5 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

| DETAILS | Actual 2007/2008 R | Actual 2006/2007 R | Percentage Variance % | Budgeted 2007/2008 R | Variance actual/ budgeted % |
|--|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| Income | 46 716 | - | - | 44 971 | 3.88% |
| Expenditure | 213 696 | 424 785 | (49.69)% | 222 995 | (4.17)% |
| Surplus / (Deficit) | (166 980) | (424 785) | (60.69)% | (178 024) | - |
| Surplus / (Deficit) as % of total income | (357.44)% | - | | (395.86)% | |

3.6 Trading Services:

Trading Services are services rendered to the consumers at a rate which should render a surplus on the service in order that the service is able to cross-subsidise other services. The main source of income is the levying of Service Charges.

The REDS (Regional Electricity Distribution Suppliers) will be introduced to South Africa in the near future, where electricity will be distributed a regional supplier. This will impact materially on the Annual Financial Statements of the municipality.

| DETAILS | Actual 2007/2008 R | Actual 2006/2007 R | Percentage Variance % | Budgeted 2007/2008 R | Variance actual/ budgeted % |
|--|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| Income | 9 293 467 | 7 016 816 | 32.45% | 3 751 554 | 147.72% |
| Expenditure | 4 642 767 | 6 061 225 | (23.40)% | 6 645 679 | (30.14)% |
| Surplus / (Deficit) | 4 650 700 | 955 591 | 386.68% | (2 894 125) | - |
| Surplus / (Deficit) as % of total income | 50.04% | 13.62% | | (77.14)% | |

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Fixed Assets during the year amounted to R10 613 136 (2006/2007: R1 534 858). Full details of Fixed Assets are disclosed in Note 5 and Appendix "C" to the Annual Financial Statements.

The capital expenditure of R10 613 136 was financed as follows:

| DETAILS | Actual 2007/2008 R | Actual 2006/2007 R | Percentage Variance % | Budgeted 2007/2008 R | Variance actual/ budgeted % |
|----------------------|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| External Loans | - | - | - | - | - |
| Revolving Fund | - | - | - | - | - |
| Grants and Subsidies | 9 838 115 | 1 534 858 | 540.98% | 13 784 000 | (28.63)% |
| Public Contributions | 650 000 | - | - | - | - |
| Revenue | 125 021 | - | - | 66 628 | 87.64% |
| | 10 613 136 | 1 534 858 | 591.47% | 13 850 628 | (23.37)% |

Source of funding as a percentage of Total Capital Expenditure:

| DETAILS | 2007 | 2006 |
|----------------------|---------|---------|
| External Loans | - | - |
| Revolving Fund | - | - |
| Grants and Subsidies | 92.70% | 100.00% |
| Public Contributions | 6.12% | - |
| Revenue | 1.18% | - |
| | 100.00% | 100.00% |

Fixed Assets are funded only from grants and subsidies because the municipality does not have the financial resources to finance capital from its own funds.

5. ACCUMULATED FUNDS

Accumulated Funds amounted R2 665 315 as at 30 June 2008 (30 June 2007: R2 228 845) and is made up as follows:

| | |
|----------------|------------------|
| Dog Tax Fund | 55 203 |
| Revolving Fund | <u>2 610 112</u> |
| | <u>2 665 315</u> |

The Dog Tax Fund was established in terms of the Dog Tax Ordinance, Ordinance 19 of 1978, to obtain funding to enable the municipality to control dogs in the municipal area. The fund is not operational anymore and will be written off during the conversion to the GRAP-format of Annual Financial Statements.

The Revolving Fund is a fund established in terms of the Local Authorities Ordinance, Ordinance 23 of 1935, to enable the municipality to finance future capital expenditure. Contributions at 7,5% of assessment rates income are made annually to the fund in terms of the said Ordinance.

The municipality is dependent on external funds (external loans and grants) to finance its annual capital programme.

Refer to the Note 1 and Appendix "A" for more detail.

6. RESERVES

The outstanding amount of Reserves as at 30 June 2008 was R82 102 (30 June 2007: R82 102).

Reserves comprise the Renewals Fund which was established to provide funding for the replacement of exhausted furniture and equipment. Contributions are made from operating revenue to fund the reserve.

Refer to Note 2 and Appendix "A" for more detail.

7. TRUST FUNDS

The outstanding amount of Trust Funds as at 30 June 2008 was R19 905 498 (30 June 2007: R5 792 374).

These funds represent the unspent balances of grants and subsidies received from National, Provincial and Local Governments to assist the municipality in its operating and capital needs. The unspent balance should be cash-backed, which is not the case as the moneys were utilised for other purposes. Steps are taken to correct the situation.

Refer to Note 3 and Appendix "A" for more detail.

8. CONSUMER DEPOSITS

Consumer Deposits amounted to R104 700 at 30 June 2008 (30 June 2007: R104 700).

These deposits are collected upon the connection of consumers to the municipality's services networks and serve as 'collateral' for services consumed and not yet paid for.

Refer to Note 4 for more detail.

9. FIXED ASSETS

The net value of Fixed Assets was R3 693 718 as at 30 June 2008 (30 June 2007: R3 693 718).

The municipality is busy with an audit of all assets as part of the process of compiling a comprehensive and updated asset register.

Refer to Note 5 and Appendix "C" for more detail.

10. LONG-TERM DEBTORS

Long-term Debtors of R10 623 at 30 June 2008 (30 June 2007: R10 697) is made up as follows:

| | | |
|---|--|---------------|
| Vehicle Loans | | 26 315 |
| | | <u>26 315</u> |
| Less: Short-term portion included in Current Assets | | 15 692 |
| | | <u>10 623</u> |

In terms of the MFMA the municipality may not grant loans to staff and public anymore and these loans will reduce annually until they have been fully repaid.

Refer to Note 6 for more detail.

11. CURRENT ASSETS

Current Assets amounted R42 204 710 as at 30 June 2008 (30 June 2007: R24 890 089) and is made up as follows:

| | | |
|---|---------|-------------------|
| Consumer Debtors | Note 8 | 25 932 791 |
| Other Debtors | Note 9 | 3 721 193 |
| Short-term Investments | Note 10 | 10 827 716 |
| Cash and Bank | Note 11 | 1 723 010 |
| Short-term portion of Long-term Debtors | Note 6 | 15 692 |
| | | <u>42 220 402</u> |

The substantial increase is due to the increment in Consumer Debtors and is alarming. Council's Credit Control Policy will have to applied strictly and adhered to in all circumstances in order to recover monies due to the municipality.

Refer to the indicated Notes for more detail.

12. CURRENT LIABILITIES

Current Liabilities amounted R12 312 926 as at 30 June 2008 (30 June 2007: R9 780 492) and is made up as follows:

| | | |
|----------------|---------|-------------------|
| Provisions | Note 12 | 1 259 629 |
| Creditors | Note 13 | 11 052 775 |
| Bank Overdraft | Note 11 | 522 |
| | | <u>12 312 926</u> |

Non-current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). At this stage it is uncertain whether the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme and certain operational functions. Operating grants are also utilised to finance indigent assistance.

Refer to Note 29, and Appendices "A and D" for more detail.

14. POST BALANCE SHEET EVENTS

No events were identified to disclose.

15. GENERAL RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have to be converted to the so-called GRAP-format during the 2008/2009 financial year.

The unbundling process will be carried out as at 30 June 2007 in order to be able to have comparative figures available for the Annual Financial Statements presented in the new format. Consultants have been appointed to assist in the process.

16. EXPRESION OF APPRECIATION

We are grateful to the Mayor, Councillors, the Municipal Manager and Senior Officials for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

04 December 2008

KOUKAMMA MUNICIPALITY

BALANCE SHEET AT 30 JUNE 2008

| | Note | 2008 R | 2007 R |
|---|----------|---|-------------------|
| CAPITAL EMPLOYED | | | |
| FUNDS AND RESERVES | | 2 747 417 | 2 310 947 |
| Accumulated Funds | 1 | 2 665 315 | 2 228 845 |
| Reserves | 2 | 82 102 | 82 102 |
| ACCUMULATED SURPLUS / (DEFICIT) | 19 | 10 854 203 | 10 605 992 |
| | | 13 601 619 | 12 916 938 |
| TRUST FUNDS | 3 | 19 905 498 | 5 792 374 |
| CONSUMER DEPOSITS | 4 | 104 700 | 104 700 |
| | R | 33 611 817 | 18 814 012 |
| EMPLOYMENT OF CAPITAL | | | |
| FIXED ASSETS | 5 | 3 693 718 | 3 693 718 |
| LONG-TERM DEBTORS | 6 | 10 623 | 10 697 |
| | | 3 704 341 | 3 704 416 |
| NET CURRENT ASSETS / (LIABILITIES) | | 29 907 476 | 15 109 597 |
| CURRENT ASSETS | | 42 220 402 | 24 890 089 |
| Consumer Debtors | 8 | 25 932 791 | 23 563 659 |
| Other Debtors | 9 | 3 721 193 | 477 002 |
| Short-term Investments | 10 | 10 827 716 | 157 032 |
| Cash and Bank | 11 | 1 723 010 | 661 087 |
| Short-term portion of Long-term Debtors | 6 | 15 692 | 31 309 |
| CURRENT LIABILITIES | | 12 312 926 | 9 780 492 |
| Provisions | 12 | 1 259 629 | 1 259 629 |
| Creditors | 13 | 11 052 775 | 7 757 336 |
| Bank Overdraft | 11 | 522 | 763 527 |
| | R | 33 611 817 | 18 814 012 |
| 04/12/2008 | | | |
| M Ndokweni MUNICIPAL MANAGER | | S Spellmann CHIEF FINANCIAL OFFICER | |

KOUKAMMA MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED
30 JUNE 2008

| 2006/2007 Actual | 2006/2007 Actual | 2006/2007 Net Surplus/ (Deficit) | | 2007/2008 Actual | 2007/2008 Actual | 2007/2008 Net Surplus/ (Deficit) | 2007/2008 Budgeted Surplus/ (Deficit) |
|---------------------|---------------------|---|-----------------------------------|---------------------|---------------------|---|--|
| Income R | Expenditure R | R | | Income R | Expenditure R | R | R |
| 26 894 425 | 31 878 991 | (4 984 566) | RATES AND GENERAL SERVICES | 30 976 315 | 36 288 837 | (5 312 522) | 3 072 149 |
| 19 346 355 | 24 579 377 | (5 233 022) | Community Services | 19 234 087 | 30 159 098 | (10 925 011) | 4 590 938 |
| 184 945 | 465 990 | (281 045) | Subsidised Services | 470 866 | 1 060 292 | (589 426) | (830 701) |
| 7 363 125 | 6 833 624 | 529 500 | Economic Services | 11 271 362 | 5 069 447 | 6 201 915 | (688 088) |
| 0 | 424 785 | (424 785) | HOUSING SERVICES | 46 716 | 213 696 | (166 980) | (178 024) |
| 7 016 816 | 6 061 225 | 955 591 | TRADING SERVICES | 9 293 467 | 4 642 767 | 4 650 700 | (2 894 125) |
| <u>33 911 241</u> | <u>38 365 001</u> | <u>(4 453 760)</u> | TOTAL | <u>40 316 498</u> | <u>41 145 300</u> | <u>(828 802)</u> | <u>0</u> |
| | | Appropriations for the Year | | | | | |
| | | 310 020 (Refer to Note 19 for more detail) | | | | 1 077 014 | |
| | | (4 143 741) Net Surplus / (Deficit) for the Year | | | | 248 211 | |
| | | Accumulated Surplus / (Deficit) | | | | | |
| | | 14 749 732 beginning of the Year | | | | 10 605 992 | |
| | | ACCUMULATED SURPLUS/ (DEFICIT) END OF THE YEAR | | | | <u>10 854 203</u> | |

KOUKAMMA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED

30 JUNE 2008

| | Note | 2008 R | 2007 R |
|--|------|---------------------|-------------------|
| CASH RETAINED FROM OPERATING SERVICES: | | 23 108 749 | 1 321 741 |
| Cash generated by Operations | 20 | (13 896 380) | (18 606 629) |
| Investment Income | 18 | 575 221 | 73 994 |
| Decrease / (Increase) in Working Capital | 21 | (8 802 192) | (2 368 820) |
| | | (22 123 351) | (20 901 455) |
| Less: External Interest paid | 18 | 0 | 0 |
| Nett: Cash available from Operations | | (22 123 351) | (20 901 455) |
| Contributions from Government or Public | | 45 232 100 | 22 223 196 |
| CASH UTILISED IN INVESTING ACTIVITIES | | | |
| Investment in Fixed Assets | 5 | (10 613 136) | (1 534 858) |
| NET CASH FLOW | | 12 495 613 | (213 117) |
| CASH EFFECTS OF FINANCING ACTIVITIES: | | | |
| Decrease / (Increase) in Cash Investments | 22 | (10 670 684) | (7 559) |
| Decrease / (Increase) in Cash | 23 | (1 824 928) | 220 676 |
| NET CASH UTILISED / (GENERATED) | | (12 495 613) | 213 117 |



KOUKAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

| | 2008 R | 2007 R |
|--------------------------------|------------------|------------------|
| 1. ACCUMULATED FUNDS | | |
| Dog Tax Fund | 55 203 | 55 203 |
| Revolving Fund | 2 610 112 | 2 173 642 |
| Total Accumulated Funds | <u>2 665 315</u> | <u>2 228 845</u> |

(Refer to Appendix A for more detail)

Dog Tax Fund:

The Dog Tax Fund was established to obtain funding to enable the municipality to control dogs in the municipal area. The fund is not operational anymore and will be written off during the conversion to the GRAP-format of Annual Financial Statements.

Revolving Fund:

The purpose of this fund is to provide internal finance for projects and/or the purchase of equipment.

2. RESERVES

| | | |
|-----------------------|---------------|---------------|
| Renewals Fund | 82 102 | 82 102 |
| Total Reserves | <u>82 102</u> | <u>82 102</u> |

(Refer to Appendix A for more detail)

The purpose of the Renewals Reserve is to provide finance to replace equipment.

KOUKAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)

| | 2008 R | 2007 R |
|-----------------------------------|-------------------|------------------|
| 3. TRUST FUNDS | | |
| District Municipality: - | | |
| - Flood Relief / Damage - Housing | (953 798) | - |
| - LED Grant | 394 225 | - |
| DWAF: - | | |
| - General | 1 100 100 | - |
| - WSA | (55 445) | - |
| Housing: - | | |
| - Griekwa | (46 884) | (17 390) |
| - Joubertina | 755 015 | 747 148 |
| - Kareedouw | 21 150 | 21 150 |
| - Misgund | (1 405 679) | (1 124 660) |
| - Mountainview | (1 361 009) | (1 366 519) |
| - Town Planning | 100 000 | - |
| IDP | 157 807 | 150 000 |
| Library | 40 518 | 76 549 |
| MIG: - | | |
| - General | 4 865 789 | 5 031 942 |
| - Bucket Eradication Krakeel | 1 140 935 | 833 602 |
| - Bucket Eradication Woodlands | 1 635 555 | 1 113 000 |
| - Clarkson Reservoir | (2 048 848) | - |
| - Disaster Relief: Roads | 1 671 035 | - |
| - Financial Statements | 543 866 | 150 000 |
| - I C T | 50 000 | 50 000 |
| - Sewerage Stormsriver | (1 113 624) | - |
| MSP | 281 327 | 125 737 |
| MSIG - GAMAP/GRAP Implementation | 117 618 | - |
| Provincial Grant: - | | |
| - General | 14 085 487 | - |
| - Performance Management System | 23 884 | - |
| - Property Valuations Fund | (95 340) | - |
| Training | 1 815 | 1 815 |
| Total Trust Funds | 19 905 498 | 5 792 374 |

(Refer to Appendix A for more detail)

District Municipality:

These funds have been received for the repairs on damages caused by floods and for LED projects. No funds have been withheld.

DWAF:

These funds have been received for the indigent surveys, fixed asset register and drafting of water bylaws. No funds have been withheld.

Housing:

These funds have been received for the building of houses. No funds have been withheld.

IDP:

These funds have been received for the preparation of a development plan. No funds have been withheld.

Library:

These funds have been received for the purchase of library equipment. No funds have been withheld.

MIG:

These funds have been received for the development of infrastructure. No funds have been withheld.

KOUKAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)

MSP:

These funds have been received to obtain professional services to assist the municipality. No funds have been withheld.

MSIG:

These funds have been received for the operational support which includes website development, drafting of organogram & FMS. No funds have been withheld.

Provincial:

These funds have been received as bridging finance for the sewerage project, property valuation, acquiring of service delivery vehicles and paying of creditors.

Training:

These funds have been received for the training of staff to develop and increase skills. No funds have been withheld.

| | 2008 | 2007 |
|---|-------------------|-------------------|
| | R | R |
| 4. CONSUMER DEPOSITS | | |
| Consumer Services | 104 700 | 104 700 |
| | <u>104 700</u> | <u>104 700</u> |
| 5. FIXED ASSETS | | |
| Fixed Assets at the beginning of the Year | 45 151 734 | 43 616 875 |
| Capital Expenditure during the Year | 10 613 136 | 1 534 858 |
| | <u>55 764 870</u> | <u>45 151 734</u> |
| Less: Assets written off, transferred or disposed of during the Year. | - | - |
| Total Fixed Assets | <u>55 764 870</u> | <u>45 151 734</u> |
| Less: Loans Redeemed and other Capital Receipts | 52 071 151 | 41 458 015 |
| Net Fixed Assets | <u>3 693 718</u> | <u>3 693 718</u> |

(Refer to Appendix C for more detail)

Fixed Assets are disclosed at historical cost and no depreciation has been calculated.

The municipality did not engage into any guarantees whereby Fixed Assets of the municipality have been pledged to serve as collateral.

KOUKAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)

| | 2008 R | 2007 R |
|--|----------------------|----------------------|
| 6. LONG-TERM DEBTORS | | |
| Other Loans | 26 315 | 42 006 |
| | <u>26 315</u> | <u>42 006</u> |
| Less: Short-term portion transferred to Current Assets | 15 692 | 31 309 |
| Total Long-term Debtors | <u><u>10 623</u></u> | <u><u>10 697</u></u> |

Other Loans are in respect of Motor Loans granted to Managers. In terms of the MFMA no Loans are granted to officials anymore. The outstanding amount is in respect of loans granted before 01 July 2005 and will continue until all loans have been repaid.

7. STOCK

The municipality does not carry any stock items.

8. CONSUMER DEBTORS

| | | |
|-------------------------------|--------------------------|--------------------------|
| Services: | 38 193 438 | 29 369 770 |
| Assessment Rates | 11 346 795 | 9 197 817 |
| Electricity | 1 050 098 | 1 071 886 |
| Refuse Removal | 5 109 934 | 4 108 572 |
| Sewerage | 10 516 231 | 7 971 089 |
| Water | 10 134 326 | 6 984 324 |
| Sundry Service Charges | 36 054 | 36 081 |
| Sundries | 2 196 994 | 2 239 290 |
| Loans | 901 357 | 302 328 |
| Housing Rentals | 445 402 | 956 672 |
| | <u>41 737 191</u> | <u>32 868 060</u> |
| Less: Provision for Bad Debts | (15 804 401) | (9 304 401) |
| Total Consumer Debtors | <u><u>25 932 791</u></u> | <u><u>23 563 659</u></u> |

The ageing of debtors is as follows:

| | | |
|-------------------------------|--------------------------|--------------------------|
| Current | 1 139 910 | - |
| 30 days | 1 633 294 | - |
| 60 days | 2 134 275 | - |
| 90 Days | 713 597 | - |
| + 90 Days | 36 116 115 | 32 868 060 |
| Total Consumer Debtors | <u><u>41 737 191</u></u> | <u><u>32 868 060</u></u> |

No bad debts were written off during the year.

Additional provision for bad debts to the amount of R6 500 000 (2007: R0) has been made during the year.

9. OTHER DEBTORS

| | | |
|----------------------------|-------------------------|-----------------------|
| Staff Advances | 109 570 | 109 570 |
| Sundry Debtors | 882 881 | 355 870 |
| Suspense Accounts in Debit | 2 728 742 | 11 562 |
| Total Other Debtors | <u><u>3 721 193</u></u> | <u><u>477 002</u></u> |

KOUKAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)

| | 2008 R | 2007 R |
|-------------------------------------|-------------------|----------------|
| 10. SHORT-TERM INVESTMENTS | | |
| Deposits | 10 827 716 | 157 032 |
| Total Short-term Investments | <u>10 827 716</u> | <u>157 032</u> |

The Local Authorities Ordinance No 23 of 1935 requires local authorities to invest funds, which are not immediately required, with prescribed institutions. The period of investment should be such that it will not be necessary to borrow funds against the investments at a plenary rate to meet commitments.

No Investments were written off during the year and they are carried at cost.

11. CASH AND BANK / (BANK OVERDRAFT)

| | | |
|---|------------------|------------------|
| Bank Account | 1 722 700 | 660 777 |
| Bank Overdraft | (522) | (763 527) |
| Cash on Hand | 310 | 310 |
| Total Cash and Bank / (Bank Overdraft) | <u>1 722 488</u> | <u>(102 440)</u> |

The municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Kareedouw Branch - Account Number 40 5280 5864:

| | | |
|---|------------------|------------------|
| Cash book balance at beginning of year | (102 750) | 117 926 |
| Cash book balance at end of year | <u>1 722 178</u> | <u>(102 750)</u> |
| Bank statement balance at beginning of year | (739 487) | (162 016) |
| Bank statement balance at end of year | <u>242 434</u> | <u>(739 487)</u> |

12. PROVISIONS

| | | |
|-------------------------|------------------|------------------|
| Audit Fees | 300 000 | 300 000 |
| Staff Leave | 959 629 | 959 629 |
| Total Provisions | <u>1 259 629</u> | <u>1 259 629</u> |

(Refer to Appendix A for more detail)

Audit Fees:

This provision is funded from contributions from operating income and was established to provide for the cost of the current year audit, which only will be carried out in the forthcoming financial year.

Staff Leave:

This provision is funded from contributions from operating income and was established to provide for the cost of leave to which the municipal staff is entitled at year-end.

13. CREDITORS

| | | |
|-----------------------------|-------------------|------------------|
| Trade Creditors | 3 654 591 | 3 575 706 |
| Sundry Creditors | 902 781 | 629 907 |
| Suspense Accounts in Credit | 6 495 403 | 3 551 723 |
| Total Creditors | <u>11 052 775</u> | <u>7 757 336</u> |

KOUKAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)

| | 2008 | 2007 |
|--|-------------|-------------|
| | R | R |
| 14. REMUNERATION: OFFICIALS | | |
| Salaries | 10 662 133 | 9 120 491 |
| Overtime | 944 468 | 1 081 517 |
| Bonuses | 752 863 | 678 737 |
| Other Bonuses: Performance | 145 059 | 44 090 |
| Contribution to Medical Aid Funds | 396 267 | 393 971 |
| Contribution to Pension and Retirement Funds | 1 061 731 | 961 946 |

| Official | Salary & Bonus | Allowances | Contributions | TOTAL |
|---|---------------------------|-------------------|----------------------|------------------|
| Municipal Manager: M Ndokweni | 338 234 | 185 846 | - | 524 080 |
| Manager Community Services: J Ruiters | 320 000 | - | - | 320 000 |
| Manager Corporate Services: R Herselman | 315 000 | 137 024 | - | 452 024 |
| Manager Financial Services: S Spellman | 122 226 | 71 410 | - | 193 636 |
| Manager Technical Services: C. Jonker | 218 676 | 91 401 | - | 310 077 |
| Manager Strategic Services: FF Gaushe | 96 250 | 34 750 | - | 131 000 |
| | 1 410 386 | 520 431 | - | 1 930 817 |

| | 2008 | 2007 |
|--|------------------|------------------|
| | R | R |
| 15. REMUNERATION: COUNCILLORS | | |
| Mayor's Allowance | 262 530 | 366 296 |
| Councillors' Allowances | 886 040 | 1 264 916 |
| Councillors' Medical Aid Contributions | - | 2 028 |
| Councillors' Pension Contributions | - | 1 783 |
| Councillors' Telephone Allowances | 96 836 | - |
| Councillors' Travelling Allowances | 351 820 | - |
| Total Councillors' Remuneration | 1 597 226 | 1 635 023 |

The salaries, allowances and benefits paid to political office-bearers and councillors are within the upper limits of the framework envisaged in section 219 of the Constitution.

16. ASSESSMENT RATES

| Valuations as at | Land R'000 | Buildings R'000 | Land Rate | Buildings Rate | Actual Income R |
|-----------------------------|-----------------------|----------------------------|----------------------|---------------------------|--------------------------------|
| | | | | 2006 | 3 504 905 |
| | | | | 2007 | 4 374 604 |
| 1 July 2007: | 10 260 650 | 89 534 312 | | 2008 | 4 840 305 |
| - Joubertina | 1 802 036 | 34 153 402 | 0.193648 c/R | 0.0411040 c/R | |
| - Kareedouw | 6 069 864 | 49 602 800 | 0.089540 c/R | 0.0144100 c/R | |
| - Stormriver | 2 388 750 | 5 778 110 | 0.165760 c/R | 0.0028224 c/R | |

Valuations on land and buildings are to be performed every four years. The last general valuation came into effect on 1 July 2000.

Interim valuations are processed once a year to take into account changes in individual property values due to alterations, consolidations and subdivisions.

Rates are levied on an annual basis with the final date of payment being 30 September. Collection charges are recovered from the owners at default when it becomes necessary to recover outstanding amounts.

No rebates are granted to property owners.

KOUKAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)

| | 2008 R | 2007 R |
|---|-------------|-----------|
| 17. NET SURPLUS / (DEFICIT) FOR THE YEAR | | |
| The following has been taken into account in determining the net surplus / (deficit) for the year:- | | |
| <u>Investment Income:</u> | * | |
| Interest Received | 575 221 | 73 994 |
| Rental Received | 74 193 | 40 001 |
| Total Investment Income | 649 414 | 113 995 |
| <u>Other Expenses:</u> | | |
| Auditors' Remuneration | * 1 101 303 | 1 212 843 |
| Contribution to Bad Debts Provision | * 6 500 000 | - |
| Contribution to Funds, Provisions and Reserves | * 436 470 | 141 283 |
| Depreciation | * - | - |
| Interest Paid | * - | - |
| Levies Paid: Bargaining Council | 4 890 | 4 476 |
| Levies Paid: District Municipality | - | 2 656 |
| Lease Charges | 187 611 | 182 651 |
| Profit / (Loss) on the disposal of property, plant and equipment | * | - |

* These items were allocated to respective funds, as the municipality did not convert to GAMAP yet.

18. FINANCE TRANSACTIONS

| | | |
|---|---------|--------|
| Total External Interest paid or earned: | | |
| Earned | 575 221 | 73 994 |
| Paid | - | - |

19. APPROPRIATIONS

Appropriation Account

| | | |
|--|------------|-------------|
| Accumulated Surplus at the beginning of the Year | 10 605 992 | 14 749 732 |
| Operating Surplus/(Deficit) for the Year | (828 802) | (4 453 760) |
| Appropriations for the Year: | 1 077 014 | 310 020 |
| Current Year Adjustments | 1 077 014 | 310 020 |

| | | |
|--|------------|------------|
| Accumulated Surplus (Deficit) at the end of the Year | 10 854 203 | 10 605 992 |
|--|------------|------------|

Operating Account

| | | |
|---------------------|-----------|---------|
| Capital Expenditure | 125 021 | - |
| Contributions to: | | |
| Statutory Funds | 436 470 | 141 283 |
| Reserve Funds | - | - |
| Provisions | 6 500 000 | 150 000 |
| | 6 936 470 | 291 283 |

KOUKAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)

| | 2008 R | 2007 R |
|---|---------------------|---------------------|
| 20. CASH GENERATED BY OPERATIONS | | |
| Surplus / (Deficit) for the Year | (828 802) | (4 453 760) |
| Adjustments in respect of: | | |
| Previous Years' Operating Transactions | 1 077 014 | 310 020 |
| Appropriations charged against Income: | (4 532 930) | (13 201 995) |
| Grants and Subsidies Received | (11 594 421) | (13 493 277) |
| Contributions to Provision for Bad Debts | 6 500 000 | - |
| Contributions to Funds, Reserves and Provisions | 436 470 | 291 282 |
| Fixed Assets | 125 021 | - |
| Investment Income | (575 221) | (73 994) |
| Non-operating Income | - | 62 371 |
| Non-operating Expenditure: | | |
| Expenditure charged against Provisions and Reserves | (9 036 440) | (1 249 270) |
| | <u>(13 896 380)</u> | <u>(18 606 629)</u> |
| 21. DECREASE / (INCREASE) IN WORKING CAPITAL | | |
| Decrease / (Increase) in Long-term Debtors | 15 692 | 33 948 |
| Decrease / (Increase) in Service Debtors | (8 869 132) | (5 937 460) |
| Decrease / (Increase) in Other Debtors | (3 244 191) | 807 194 |
| Increase / (Decrease) in Consumer Deposits | - | - |
| Increase / (Decrease) in Creditors | 3 295 439 | 2 727 498 |
| | <u>(8 802 192)</u> | <u>(2 368 820)</u> |
| 22. DECREASE / (INCREASE) IN EXTERNAL CASH INVESTMENTS | | |
| Investment Balances at the Beginning of the Year | 157 032 | 149 472 |
| Less: Investment Balances at the End of the Year | (10 827 716) | (157 032) |
| | <u>(10 670 684)</u> | <u>(7 559)</u> |
| 23. DECREASE / (INCREASE) IN CASH ON HAND | | |
| Cash Balance at the Beginning of the Year | (102 440) | 118 236 |
| Less: Cash Balance at the End of the Year | 1 722 488 | (102 440) |
| | <u>(1 824 928)</u> | <u>220 676</u> |

KOUKAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)

2008
R

2007
R

24. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

24.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

24.2 Fruitless and Wasteful Expenditure

To management's best of knowledge instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review were not revealed.

24.3 Irregular Expenditure

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

| | | |
|--|---|---|
| Reconciliation of Irregular Expenditure: | - | - |
| Opening balance | - | - |
| Irregular Expenditure current year | - | - |
| Condoned or written off by Council | - | - |
| To be recovered – contingent asset (see Note 53) | - | - |
| Transfer to receivables for recovery (see Note 20) | - | - |
| Irregular Expenditure awaiting condonement | - | - |
| | - | - |

| Incident | Disciplinary Steps / Criminal Proceedings |
|--|---|
| <i>Performance Bonuses paid before approval of Annual Report and the affordability of such expense</i> | None |

25. COUNCILLOR'S ARREAR CONSUMER ACCOUNTS

Amounts due in excess of 90 days:

| | | |
|---------------|--------|---|
| Jacobs, Susie | 4 414 | - |
| Wogane, MW | 6 379 | - |
| | 10 793 | |

26. CAPITAL COMMITMENTS

Due to cashflow constraints no Capital Commitments were entered into at year-end.

KOUKAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)

| | 2008 R | 2007 R |
|---|-----------|-----------|
| 27. OTHER COMPULSARY DISCLOSURES | | |
| 27.1 Municipal entities under control of this council | None | None |
| 27.2 Amount of contributions to organised local government | R - | - |
| 27.3 Contingent Liabilities: | | |
| (a) A claim, estimated to be R500 000, was lodged against the municipality for the contractual payment of a year's remuneration upon termination of service by a former Chief Financial Officer. The municipality paid a full and final settlement during August 2008 in the amount of R150 000. The outcome of the claim is still uncertain. | | |
| (b) Claims in the region of R118 200 have been submitted to the municipality for the cleaning and rehabilitation of the Stormsriver dumping site. The outcome is not known at this stage. | | |
| (c) A claim of approximately R12 000 for a telephone cable that was damaged by one of the municipality's heavy duty equipment, has been lodged. The outcome is not certain at this stage. | | |
| (d) There is a possibility of a claim for the non-awarding of tenders for the removal of refuse in Joubertina. The amount of the claim and the outcome is not certain at this stage. | | |
| (e) Costs, of which the amount is not known, might have to be incurred by the municipality to defend a court case with regard to review the rezoning of a golf estate. The outcome is not certain at this stage. | | |
| (f) Costs, of which the amount is not known, might have to be incurred by the municipality to defend a court case with regard to the transfer of property in Coldstream. The outcome is not certain at this stage. | | |
| (g) Costs, estimated to be approximately R18 000, will have to be incurred by the municipality to deregister a Section 21 Company, KEDC. The outcome is not certain at this stage. | | |
| 27.4 Contingent Assets: | | |
| To management's best of knowledge there were no Contingent Assets as at year-end which should be disclosed. | | |
| 27.5 (a) Material losses through criminal conduct (estimated) | R 250 000 | - |
| (b) Criminal or disciplinary steps taken | None | None |
| (c) 1. Material losses recovered | None | None |
| (c) 2. Material losses written off | None | None |

Losses were incurred when it was broken into the municipal offices during the strike for the period April to June 2008.

28. RETIREMENT BENEFITS

No information on the Cape Joint Pension Fund was available at year-end.

No information on the Cape Joint Retirement Fund was available at year-end.

No information on the Municipal Councillors Pension Fund was available at year-end.

KOUKAMMA MUNICIPALITY

APPENDIX A

ACCUMULATED FUNDS, TRUST FUNDS, RESERVES AND PROVISIONS

| | Balance at 2007/06/30 | Contributions during the Year | Interest on Investments | Other Income | Expenditure during the Year | Balance at 2008/06/30 |
|---|--------------------------|-------------------------------------|----------------------------|----------------|-----------------------------------|--------------------------|
| | R | R | R | R | R | R |
| ACCUMULATED FUNDS | | | | | | |
| Dog Tax Fund | 55 203 | 0 | 0 | 0 | 0 | 55 203 |
| Revolving Fund | 2 173 642 | 436 470 | 0 | 0 | 0 | 2 610 112 |
| | 2 228 845 | 436 470 | 0 | 0 | 0 | 2 665 315 |
| RESERVE FUNDS | | | | | | |
| Renewals Fund | 82 102 | 0 | 0 | 0 | 0 | 82 102 |
| | 82 102 | 0 | 0 | 0 | 0 | 82 102 |
| PROVISIONS | | | | | | |
| Audit Fees | 300 000 | 0 | 0 | 0 | 0 | 300 000 |
| Staff Leave | 959 629 | 0 | 0 | 0 | 0 | 959 629 |
| Total as per Note 12 | 1 259 629 | 0 | 0 | 0 | 0 | 1 259 629 |
| Bad Debts | 9 304 401 | 6 500 000 | 0 | 0 | 0 | 15 804 401 |
| | 10 564 030 | 6 500 000 | 0 | 0 | 0 | 17 064 030 |
| TRUST FUNDS | | | | | | |
| District Mun - Flood Relief / Damage: H | 0 | 798 844 | 0 | 0 | 1 752 642 | (953 798) |
| District Mun - LED | 0 | 394 225 | 0 | 0 | 0 | 394 225 |
| DWAF - General | 0 | 1 100 100 | 0 | 0 | 0 | 1 100 100 |
| DWAF - WSA | 0 | 0 | 0 | 0 | 55 445 | (55 445) |
| Housing - Griekwa | (17 390) | 0 | 0 | 0 | 29 494 | (46 884) |
| Housing - Joubertina | 747 148 | 0 | 0 | 8 100 | 233 | 755 015 |
| Housing - Kareedouw | 21 150 | 0 | 0 | 0 | 0 | 21 150 |
| Housing - Misgund | (1 124 660) | 0 | 0 | 219 155 | 500 174 | (1 405 679) |
| Housing - Mountainview | (1 366 519) | 0 | 0 | 18 450 | 12 940 | (1 361 009) |
| Housing - Town Planning | 0 | 100 000 | 0 | 0 | 0 | 100 000 |
| IDP | 150 000 | 0 | 0 | 50 000 | 42 193 | 157 807 |
| Library | 76 549 | 34 242 | 0 | 4 000 | 74 273 | 40 518 |
| MIG - General | 5 031 942 | 4 162 624 | 0 | 0 | 4 328 777 | 4 865 789 |
| MIG - Bucket Eradication Krakeel | 833 602 | 2 000 000 | 0 | 0 | 1 692 667 | 1 140 935 |
| MIG - Bucket Eradication Woodlands | 1 113 000 | 1 848 320 | 0 | 220 000 | 1 545 765 | 1 635 555 |
| MIG - Clarkson Reservoir | 0 | 0 | 0 | 0 | 2 048 848 | (2 048 848) |
| MIG - Disaster: Roads | 0 | 2 540 761 | 0 | 0 | 869 726 | 1 671 035 |
| MIG - Financial Statements | 150 000 | 500 000 | 0 | 0 | 106 134 | 543 866 |
| MIG - I C T | 50 000 | 0 | 0 | 0 | 0 | 50 000 |
| MIG - Sewerage Stormsriver | 0 | 0 | 0 | 0 | 1 113 624 | (1 113 624) |
| MSP | 125 737 | 220 000 | 0 | 0 | 64 410 | 281 327 |
| MSIG - GRAP Implementation | 0 | 150 000 | 0 | 0 | 32 382 | 117 618 |
| Province - General | 0 | 18 500 000 | 0 | 0 | 4 414 513 | 14 085 487 |
| Province - Performance Management S | 0 | 0 | 0 | 118 858 | 94 974 | 23 884 |
| Province - Property Valuations | 0 | 0 | 0 | 0 | 95 340 | (95 340) |
| Training | 1 815 | 0 | 0 | 0 | 0 | 1 815 |
| | 5 792 374 | 32 349 116 | 0 | 638 563 | 18 874 555 | 19 905 498 |

KOUKAMMA MUNICIPALITY

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

No External Loans and Internal Advances

KOUKAMMA MUNICIPALITY

APPENDIX C

ANALYSIS OF FIXED ASSETS

| Expenditure | Services | Budget | Balance at | Expenditure | Written Off, Transferred or Redeemed | Balance at |
|------------------|--|-------------------|-------------------|-------------------|--|-------------------|
| 2006/2007 | | 2007/2008 | 2007/06/30 | 2007/2008 | 2007/2008 | 2008/06/30 |
| R | | R | R | R | R | R |
| 1 484 594 | RATE AND GENERAL SERVICES | 13 845 628 | 27 334 600 | 5 667 337 | 0 | 33 001 937 |
| 20 000 | COMMUNITY SERVICES | 10 345 628 | 13 593 533 | 2 089 847 | 0 | 15 683 380 |
| 0 | Health | 0 | 0 | 0 | 0 | 0 |
| 20 000 | Properties and Sundries | 11 628 | 3 090 620 | 2 089 847 | 0 | 5 180 467 |
| 0 | Public Works / Services | 10 284 000 | 9 328 581 | 0 | 0 | 9 328 581 |
| 0 | Traffic | 50 000 | 1 174 333 | 0 | 0 | 1 174 333 |
| 33 980 | SUBSIDISED SERVICES | 0 | 6 443 897 | 0 | 0 | 6 443 897 |
| 0 | Buildings | 0 | 3 022 951 | 0 | 0 | 3 022 951 |
| 0 | Cemeteries | 0 | 120 872 | 0 | 0 | 120 872 |
| 0 | Fire Services | 0 | 5 872 | 0 | 0 | 5 872 |
| 0 | Halls | 0 | 912 205 | 0 | 0 | 912 205 |
| 33 980 | Libraries | 0 | 83 721 | 0 | 0 | 83 721 |
| 0 | Parks and Open Spaces | 0 | 1 835 469 | 0 | 0 | 1 835 469 |
| 0 | Sport and Recreation | 0 | 462 807 | 0 | 0 | 462 807 |
| 1 430 614 | ECONOMIC SERVICES | 3 500 000 | 7 297 169 | 3 577 490 | 0 | 10 874 659 |
| 0 | Refuse | 0 | 21 298 | 0 | 0 | 21 298 |
| 1 430 614 | Sewerage | 3 500 000 | 7 275 871 | 3 577 490 | 0 | 10 853 361 |
| 0 | HOUSING SERVICES | 5 000 | 6 472 070 | 501 169 | 0 | 6 973 239 |
| 0 | Sub-economic Schemes | 5 000 | 6 472 070 | 501 169 | 0 | 6 973 239 |
| 50 264 | TRADING SERVICES | 0 | 11 252 164 | 4 444 630 | 0 | 15 696 794 |
| 0 | Electricity | 0 | 3 769 707 | 3 268 520 | 0 | 7 038 228 |
| 50 264 | Water | 0 | 7 482 457 | 1 176 109 | 0 | 8 658 566 |
| 1 534 858 | TOTAL FIXED ASSETS | 13 850 628 | 45 058 833 | 10 613 136 | 0 | 55 671 970 |
| | LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS | | 41 458 015 | 10 613 136 | 0 | 52 071 151 |
| | Loans Redeemed and Advances Repaid | | 6 347 172 | 0 | 0 | 6 347 172 |
| | Contributions ex Operating Income | | 4 248 528 | 125 021 | 0 | 4 373 549 |
| | Grants and Subsidies | | 30 059 306 | 9 838 115 | 0 | 39 897 422 |
| | Public Donationss | | 0 | 650 000 | 0 | 650 000 |
| | Contributions ex Revolving Fund | | 803 009 | 0 | 0 | 803 009 |
| | NET FIXED ASSETS | | 3 600 818 | 0 | 0 | 3 600 818 |

KOUKAMMA MUNICIPALITY

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2008

| Actual 2006/2007 R | | Actual 2007/2008 R | Budget 2007/2008 R |
|--------------------------|--------------------------------|--------------------------|--------------------------|
| INCOME | | | |
| 13 493 277 | Grants and Subsidies | 11 594 421 | 37 742 635 |
| 0 | Housing | 0 | 44 971 |
| 218 419 | Sundry Income | 3 311 094 | 797 556 |
| 20 199 544 | Operating Income: | 25 410 982 | 22 465 885 |
| 5 819 604 | Assessment Rates | 4 846 154 | 8 149 440 |
| 1 958 003 | Cleansing / Refuse Removal | 3 541 956 | 2 435 294 |
| 2 837 533 | Sale of Electricity | 1 499 792 | 1 413 141 |
| 4 179 283 | Sale of Water | 7 793 675 | 2 338 413 |
| 5 405 122 | Sewerage | 7 729 405 | 8 129 597 |
| 33 911 241 | | 40 316 498 | 61 051 047 |
| EXPENDITURE | | | |
| 14 420 954 | Salaries, Wages and Allowances | 17 848 412 | 19 723 217 |
| 16 051 856 | General Expenses: | 10 818 607 | 24 490 004 |
| 2 043 654 | Purchase of Electricity | 845 557 | 992 048 |
| 14 008 202 | Other General Expenses | 9 973 050 | 23 497 956 |
| 5 555 949 | Repairs and Maintenance | 2 111 581 | 3 105 198 |
| 0 | Capital Charges | 0 | 0 |
| 46 772 | Contributions to Fixed Assets | 162 534 | 6 685 000 |
| 2 289 470 | Contributions | 10 204 165 | 7 047 628 |
| 38 365 001 | Gross Expenditure | 41 145 300 | 61 051 047 |
| 0 | Less: Amounts charged out | 0 | 0 |
| 38 365 001 | Net Expenditure | 41 145 300 | 61 051 047 |

KOUKAMMA MUNICIPALITY

APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED
30 JUNE 2003

| 2006/2007 Actual Income R | 2006/2007 Actual Expenditure R | 2006/2007 Surplus/ (Deficit) R | | 2007/2008 Budgeted Income R | 2007/2008 Actual Income R | 2007/2008 Budgeted Expenditure R | 2007/2008 Actual Expenditure R | 2007/2008 Surplus/ (Deficit) R | Budgeted Surplus/ (Deficit) R |
|--|---|---|---------------------------------|--------------------------------------|------------------------------------|---|---|---|--|
| RATE AND GENERAL SERVICES | | | | 57 254 522 | 30 976 315 | 54 182 373 | 36 288 837 | (5 312 522) | 3 072 149 |
| 19 346 355 | 24 579 377 | (5 233 022) | COMMUNITY SERVICES | 44 930 567 | 19 234 087 | 40 339 629 | 30 159 098 | (10 925 011) | 4 590 938 |
| 5 819 604 | 1 543 845 | 4 275 759 | Assessment Rates | 8 149 440 | 4 846 154 | 4 029 824 | 149 763 | 4 696 391 | 4 119 616 |
| 1 256 350 | 2 247 660 | (991 310) | Council's General Expenses | 907 477 | 913 890 | 2 096 612 | 8 893 510 | (7 979 620) | (1 189 135) |
| 4 130 359 | 4 414 786 | (284 427) | Financial Services | 12 361 912 | 3 048 542 | 9 743 387 | 4 426 205 | (1 377 662) | 2 618 525 |
| 230 909 | 7 819 208 | (7 588 299) | Managerial Services | 3 678 743 | 2 255 104 | 6 099 534 | 8 809 182 | (6 554 078) | (2 420 791) |
| 5 981 300 | 6 539 564 | (558 264) | Protection and Traffic Services | 8 040 109 | 6 832 253 | 5 937 956 | 4 385 752 | 2 446 501 | 2 102 153 |
| 1 927 834 | 2 014 315 | (86 481) | Technical Services | 11 792 886 | 1 338 144 | 12 432 316 | 3 494 686 | (2 156 542) | (639 430) |
| 184 945 | 465 990 | (281 045) | SUBSIDISED SERVICES | 1 759 064 | 470 866 | 2 589 765 | 1 060 292 | (589 426) | (830 701) |
| 18 847 | 9 916 | 8 931 | Cemeteries | 54 232 | 38 695 | 75 288 | 46 504 | (7 809) | (21 056) |
| 0 | 1 830 | (1 830) | Fire and Rescue Services | 637 225 | 22 164 | 897 988 | 563 842 | (541 678) | (260 763) |
| 99 021 | 4 303 | 94 718 | Health Services | 434 899 | 225 119 | 163 213 | 168 340 | 56 779 | 271 686 |
| 31 444 | 293 996 | (262 552) | Libraries | 394 421 | 119 709 | 259 311 | 48 571 | 71 137 | 135 110 |
| 35 633 | 155 945 | (120 311) | Parks and Recreation | 238 287 | 65 180 | 1 193 965 | 233 036 | (167 855) | (955 678) |
| 7 363 125 | 6 833 624 | 529 500 | ECONOMIC SERVICES | 10 564 891 | 11 271 362 | 11 252 979 | 5 069 447 | 6 201 915 | (688 088) |
| 1 958 003 | 2 886 732 | (928 729) | Cleansing | 2 435 294 | 3 541 956 | 3 253 194 | 1 804 156 | 1 737 801 | (817 900) |
| 5 405 122 | 3 946 893 | 1 458 230 | Sewerage | 8 129 597 | 7 729 405 | 7 999 785 | 3 265 291 | 4 464 114 | 129 812 |
| 0 | 424 785 | (424 785) | HOUSING SERVICES | 44 971 | 46 716 | 222 995 | 213 696 | (166 980) | (178 024) |
| 0 | 424 785 | (424 785) | Housing Administration | 44 971 | 46 716 | 222 995 | 213 696 | (166 980) | (178 024) |
| 7 016 816 | 6 061 225 | 955 591 | TRADING SERVICES | 3 751 554 | 9 293 467 | 6 645 679 | 4 642 767 | 4 650 700 | (2 894 125) |
| 2 837 533 | 2 872 169 | (34 636) | Electricity | 1 413 141 | 1 499 792 | 1 416 982 | 1 065 893 | 433 899 | (3 841) |
| 4 179 283 | 3 189 056 | 990 227 | Water | 2 338 413 | 7 793 675 | 5 228 697 | 3 576 873 | 4 216 801 | (2 890 284) |
| 33 911 241 | 38 365 001 | (4 453 760) | TOTAL | 61 051 047 | 40 316 498 | 61 051 047 | 41 145 300 | (828 802) | 0 |
| (4 453 760) GROSS SURPLUS / (DEFICIT) FOR THE YEAR | | | | | | | (828 802) | | |
| (Refer to Income Statement and Note 18 for Appropriations) | | | | | | | | | |



APPENDIX F

STATISTICAL INFORMATION

| | | 2003 | 2002 | 2001 |
|--|-----|---------------|---------------|-------------|
| (1) General Statistics | | | | |
| (a) Population. | ± | 150 000 | 92 000 | |
| (b) Valuation | | R '000 | R '000 | R '000 |
| (i) Taxable | | | | |
| Land | | 392 682 815 | 361 561 730 | |
| Improvements | | 1 599 610 693 | 1 535 857 286 | |
| (ii) Non Taxable | | | | |
| Land | | 0 | 28 565 093 | |
| Improvements | | 0 | 39 637 340 | |
| (iii) Date of Last General Valuation | | 1996/07/01 | 1996/07/01 | 1996/07/01 |
| (c) Number of properties | | | | |
| Residential | | 16 118 | 15 655 | |
| Commercial | | 1 348 | 1 348 | |
| Other | | 1 225 | 1 225 | 16 587 |
| (d) Assessment Rate: Cent in the Rand | | 1.6707 | 1.3694 | 1.2012 |
| (e) Number of Employees | | | | |
| Employed | | 780 | 692 | 714 |
| Vacancies | ± | 60 | 148 | 150 |
| (2) Electrical Statistics | | | | |
| (a) Number of users | ± | 18 000 | 17 900 | 17 000 |
| (b) Units bought | kWh | 233 513 602 | 228 914 991 | 221 884 202 |
| (c) Units sold | kWh | 215 228 214 | 201 499 626 | 190 081 702 |
| (d) Units lost in distribution | kWh | 18 285 388 | 27 415 365 | 31 802 500 |
| (e) Percentage of units lost in distribution | | 7.831% | 11.976% | 14.333% |
| (f) Cost per unit bought | R | 0.004565 | 0.012547 | 0.225678 |
| (g) Loss in distribution | R | 83 465 | 343 977 | 7 177 114 |
| (h) Cost per unit sold | R | 0.004952 | 0.014254 | 0.263436 |
| (i) Income per unit sold | R | 0.006968 | 0.014082 | 0.314051 |
| (3) Water Statistics | | | | |
| (a) Number of users | ± | 17 000 | 16 000 | 15 640 |
| (b) Units supplied | Kl | 14 513 000 | 12 412 666 | 12 143 048 |
| (c) Units sold | Kl | 10 462 130 | 10 404 774 | 9 485 665 |
| (d) Units lost in distribution | Kl | 4 050 870 | 2 007 892 | 2 657 383 |
| (e) Percentage of units lost in distribution | | 27.9120% | 16.1762% | 21.8840% |
| (f) Cost per unit supplied | R | 0.246460 | 0.256919 | 1.471584 |
| (g) Loss in distribution | R | 998 377 | 515 867 | 3 910 563 |
| (h) Cost per unit sold | R | 0.341888 | 0.306499 | 1.883845 |
| (i) Income per unit sold | R | 0.744941 | 0.401670 | 2.036725 |
| (4) Sundry Statistics | | | | |
| (a) Area in km ² | | 2295.00 | 2295.00 | 2295.00 |
| (b) Previous election | | | | |
| Number of registered voters | | 60 625 | 60 625 | 60 625 |
| % poll | | | | |
| (c) Building survey: | | | | |
| (i) Building plans | | | | |
| Number passed | | 563 | 610 | 395 |
| Value passed | | 135 752 | 55 730 | 41 425 |
| (ii) Inspections performed | | 2 252 | 1 440 | 1 266 |
| (d) Housing | | | | |
| (i) Number of dwelling units | | 2 739 | 2 770 | 2 770 |
| (ii) Number of people accommodated | ± | 30 540 | 30 500 | 30 470 |
| (iii) Number of people on waiting list | | 5 834 | 6 133 | 6 072 |
| (e) Fire service stations | | 2 | 2 | 2 |