ANNEXURE C

KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

INDEX

GENERAL INFORMATION

MAYOR / SPEAKER

Cllr. Vuso MS

OTHER MEMBERS OF THE COUNCIL

Cllr. Goni P
Cllr. Jacobs S
Cllr. Jantjies B
Cllr. Krige R
Cllr. Mntambo N
Cllr. Smith K
Cllr. Nelson L
Cllr. Pottie N
Cllr. Rheeders C
Cllr. Strydom F

ADDRESS OF THE KOU-KAMMA LOCAL MUNICIPALITY

5 Keet Street
Kareedouw
3170

Private Bag X11
Kareedouw
3170

GRADING OF THE LOCAL AUTHORITY

Grade 1

EXTERNAL AUDITORS

Office of the Auditor General (East London)
69 Frere Road
Vincent
East London

PRIMARY BANKER

ABSA Bank Ltd

Accounting Officer

Nkuhlu S

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting 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 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 controls provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can be proved only reasonable, and not absolute, assurance against material misstatement.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements have been prepared on the going concern basis, were approved and signed by the accounting officer on the 05th November 2014.

S. Nkunzi
MUNICIPAL MANAGER

Signature M.M

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE KOU-KAMMA MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Kou-Kamma Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No. 2 of 2013) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Revenue

6. The municipality did not charge all service debtors for water usage every month during the financial year ended 30 June 2014. Due to the lack of adequate systems in place, it was impracticable for me to determine the full extent of the understatement of the service charge revenue. I was unable to confirm the revenue by alternative means. Consequently, I was unable to determine whether any adjustments were necessary relating to the service charge revenue disclosed at R 22,0 million (2013: R 17,7 million) in note 19 to the financial statements.

Qualified opinion

7. In my opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Kou-Kamma Municipality as at 30 June 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Impairments

9. As disclosed in note 3 to the financial statements an amount of R 26,9 million (2013: R 19,6 million) in respect of receivables from exchange transactions has been impaired as a result of non payment of consumer debtor accounts.

10. As disclosed in note 4 to the financial statements an amount of R 8,2 million (2013: R 8,1 million) in respect of receivables from non-exchange transactions has been impaired as a result of non payment of consumer debtor accounts.

Material Losses

11. As disclosed in note 33 to the financial statements the municipality incurred material losses relating to electricity totalling R2,3 million during the year as a result of incomplete records and insufficient infrastructure to provide the necessary information in this regard.

Unauthorised expenditure

12. As disclosed in note 32 to the financial statements the municipality incurred unauthorised expenditure totalling R16, 2 million during the year mainly due to non - cash items.

Irregular expenditure

13. As disclosed in note 32 to the financial statements the municipality incurred irregular expenditure totalling R 29,8 million (2013: R 20,0 million) as a result of not adhering to supply change management (SCM) regulations.

Financial sustainability

14. The municipality's current liabilities exceeded its current assets. This situation, along with other matters as disclosed in note 42, indicates that the municipality may encounter difficulty realising its assets and discharging its liabilities during the normal course of business.

Additional matter

15. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

16. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with this legislation. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, non-compliance with legislation as well as internal control. I performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

17. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priority presented in the annual performance report of the municipality for the year ended 30 June 2014:

    KPA 2 – Basic Service Delivery and Infrastructure Investment (Technical and Community Services).

18. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

19. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

20. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

21. The material findings in respect of the selected development priority is as follows:

KPA 2 – Basic Service Delivery and Infrastructure Investment (Technical and Community Services)

Usefulness of reported performance information

Measures taken to improve performance not disclosed

22. Section 46 of the Municipal Systems Act (Act No. 32 of 2000) (MSA) requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Measures to improve performance for a total of 46% of the planned targets not achieved were not reflected in the annual performance report. This was due to the lack of review of the presentation of the annual performance report by management.

Reported indicators and targets not consistent with planned indicators and targets

23. Section 41(c) of the MSA requires the annual performance plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 93% of the reported indicators and targets were not consistent with those in the approved annual performance plan. This was due to a lack of review of the annual performance report by management.

Changes to indicators and targets not approved

24. Section 54(1)(c) of the MFMA determines that the service delivery and budget implementation plan adopted by the municipal council may be amended only if the council approves an adjustment budget. Changes to the service delivery and budget implementation plan in the year have to be made in accordance with the process as prescribed per section 28 of the MFMA. Material changes were made to the indicators and targets in the annual performance report, without following the process as prescribed in section 28 of the MFMA and without adoption by the municipal council. This was due to a lack of controls in place and lack of review by management to ensure consistency.

Performance targets not specific and measurable and indicators not well defined and verifiable

25. The FMPPI requires the following:

- Performance targets must be specific in clearly identifying the nature and required level of performance. A total of 40% of the targets were not specific.
- Performance targets must be measurable. I could not measure the required performance for 44% of the targets.
- Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. A total of 58% of the indicators were not well defined.
- Performance indicators must be verifiable, meaning that it must be possible to validate the processes and systems that produced the indicator. A total of 56% of the indicators were not verifiable. This was due to management not adhering to the requirements of the FMPPI due to a lack of technical indicator descriptions.

Reliability of reported performance information

26. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information.

Additional matter

27. I draw attention to the following matter.

Achievement of planned targets

28. Refer to the annual performance report on pages... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings expressed on reliability and usefulness and reliability of the reported performance information as reported above.

Compliance with legislation

29. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows.

Strategic planning and performance management

30. Measurable performance targets for the financial year with regard to each of the objectives and key performance indicators were not set in the IDP, as required by section 41(1)(b) of the MSA and the Municipal planning and performance management regulations 12(1) and 12(2)(e).

31. Revisions to the service delivery and budget implementation plan were not approved by the council after the approval of the adjustments budget, as required by section 54(1)(c) of the MFMA.

32. The annual performance report for the year under review did not include:

    - a comparison of the performance with the previous financial year and
    - measures taken to improve performance,

    as required by section 46 (1)(b) and (c) of the MSA.

33. The performance management system and its related controls were inadequate as it did not describe and represent the processes of performance (planning, monitoring, measurement, review, reporting and improvement) and how it is conducted, organised and managed, as required by sections 38 of the MSA and regulation 7 of the Municipal planning and performance management regulations.

Budgets

34. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

Annual financial statements and annual report

35. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Audit committee

36. The audit committee did not review all the quarterly internal audit reports on performance measurement, as required by Municipal planning and performance management regulation 14(4)(a)(i), as these were not provided to them timeously.

Procurement and contract management

37. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) & (c).

38. Contracts were extended/ modified without tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA.

39. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

Expenditure management

40. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Conditional grants and transfers

41. The municipality did not evaluate its performance in respect of programmes or functions funded by the Municipal Infrastructure Grant allocation, Municipal Systems Improvement Grant allocation, and Local Government Financial Management Grant allocation, as required by section 12(5) of the DoRA.

Revenue management

42. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

43. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Asset management

44. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

Consequences management

45. Unauthorised, irregular expenditure and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA, as R15 million of the unauthorised expenditure related to non-cash items, and R28 million of the irregular expenditure related to current year expenditure on a housing tender entered into in the prior year.

46. Council certified unauthorised, irregular expenditure and fruitless and wasteful expenditure as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(a)(ii) of the MFMA.

Internal control

47. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

Leadership

48. Leadership have not instituted all the disciplines necessary to enable effective oversight that promotes efficiency and effectiveness in financial management, service delivery reporting and compliance with laws and regulations, thus not setting the correct tone for the credibility of all reports generated by the administration. Consequently repeat audit findings occurred during the year under review.

49. Leadership have not implemented an effective performance management system that enables the leadership to monitor, oversee and hold all personnel accountable for the work that they perform through proper consequence management.

50. Leadership has not sufficiently exercised their oversight responsibility over performance information. This is as a result of inadequate reviews of documents pertaining to the performance information section.

Financial and performance management

51. The municipality did not fully implement and monitor controls over record management to ensure the maintenance of information that supports the reported performance. The lack of record management resulted in financial and performance reports not being accurate and complete. If not appropriately addressed by the municipality, this can impact the sustainability of the reported opinion. It is however noted that the financial statements were prepared internally in an effort to reduce the municipality's reliance on consultants.

52. There is a lack of processes in place to ensure compliance with laws and regulations. As a result management did not effectively monitor and address areas of non-compliance.

Governance

53. A risk register has been put in place and an internal audit unit has been appointed. However, the risk assessment which took place during the year was inadequate and risks identified in this assessment were not appropriately addressed within the control environment. The internal audit unit did not conduct all required audits per the internal audit plan. The audit committee was also not provided with required information in a timely manner to allow them to adequately report on this information. Due to these limitations the municipality could not be sufficiently guided regarding internal controls, financial, performance and risk management.

Auditor - General

East London

30 November 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

KOU-KAMMA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Note	Actual 2014 R	2013 R
ASSETS			
Current Assets		**25,812,486**	**22,235,204**
Inventories	2	762,427	846,972
Receivables from Exchange Transactions	3	5,491,872	3,544,845
Receivables from Non-exchange Transactions	4	8,979,536	12,038,344
VAT Receivable	5	2,290,373	234,141
Cash and Cash Equivalents	6	8,288,278	5,570,902
Non-Current Assets		**322,607,284**	**316,430,514**
Property, Plant and Equipment	7	296,493,055	290,350,203
Intangible Assets	8	737,721	668,852
Investment Property	9	25,376,508	25,411,459
Total Assets		**348,419,770**	**338,665,718**
LIABILITIES			
Current Liabilities		**32,360,092**	**23,687,630**
Consumer Deposits	10	104,700	104,700
Current Portion of Long-term Liabilities	14	238,354	260,444
Provisions	11	984,531	1,018,304
Payables from Exchange Transactions	12	26,452,178	16,702,037
Payables from Non-exchange Transactions			
Unspent Conditional Grants and Receipts	13	4,580,329	5,602,145
Non-Current Liabilities		**3,261,101**	**2,864,846**
Long-term Liabilities			
Employee Benefit Liabilities	14	2,094,050	1,747,619
Non-current Provisions	15	1,167,051	1,117,227
Total Liabilities		**35,621,193**	**26,552,476**
Net Assets		**312,798,577**	**312,113,242**
NET ASSETS		**312,798,577**	**312,113,242**
Accumulated Surplus	16	312,798,577	312,113,242
Total Net Assets		**312,798,577**	**312,113,242**

KOU-KAMMA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2014 R	Actual 2013 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	17	13,285,401	13,443,080
Fines		656,437	485,531
Income for Agency Services		-	-
Government Grants and Subsidies Received	18	95,740,215	74,523,182
Revenue from Exchange Transactions			
Service Charges	19	21,977,718	17,684,104
Rental of Facilities and Equipment	20	453,083	130,775
Interest Earned - External Investments	21	710,367	597,258
Other Revenue	22	693,075	1,735,838
Licences and Permits		1,548,462	1,361,505
Total Revenue		**135,064,758**	**109,961,273**
EXPENDITURE			
Employee Related Costs	23	(33,450,844)	(30,798,779)
Remuneration of Councillors	24	(2,768,281)	(2,538,907)
Depreciation and Amortisation	25	(18,907,196)	(19,853,506)
Bad debts		(10,331,914)	(5,969,453)
Repairs and Maintenance		(1,158,578)	(1,349,934)
Finance Costs	26	(346,188)	(466,314)
Bulk Purchases	27	(2,737,927)	(2,579,140)
Contracted Services	28	(2,845,179)	(2,853,560)
Grants and Subsidies Paid	29	(45,060,716)	(39,008,641)
General Expenses	30	(16,712,802)	(19,462,013)
Loss on Disposal of Property, Plant and Equipment		(59,798)	(464,136)
Debt impairment recognised		-	(13,032,002)
Total Expenditure		**(134,379,423)**	**(138,376,385)**
SURPLUS / (DEFICIT) FOR THE YEAR		**685,335**	**(28,415,112)**

Refer to Statement of Comparative and Actual Information for explanation of budget variances

KOU-KAMMA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

Description	Accumulated Surplus / (Deficit)	Total
	R	R
2013		
Balance at 30 June 2012	340,528,354	340,528,354
(Deficit) for the year	(28,415,112)	(28,415,112)
Balance at 30 June 2013	**312,113,242**	**312,113,242**
2014		
Balance at 30 June 2013	312,113,242	312,113,242
Surplus for the year	685,335	685,335
Balance at 30 June 2014	**312,798,577**	**312,798,577**

KOU-KAMMA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2014 R	2013 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		35,919,556	31,612,715
Government Grant and Subsidies	18	95,740,215	74,523,182
Licence and permits		1,548,462	1,361,505
Interest Received	21	710,367	597,258
Other Receipts		1,146,158	1,866,613
Payments			
Payments to Suppliers and employees			
Employee Related Costs	23	(33,450,844)	(30,798,779)
Remuneration of Councillors	24	(2,768,281)	(2,538,907)
Interest Paid	26	(346,188)	(466,314)
Suppliers Paid		(67,793,126)	(62,308,298)
Other Payments		(2,845,179)	(2,853,560)
NET CASH FLOWS FROM OPERATING ACTIVITIES	31	**27,861,140**	**10,995,415**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(25,116,533)	(11,668,797)
Purchase of Intangible Assets	8	(352,570)	(166,305)
Proceeds on Disposal of Property, Plant and Equipment		325,339	165,644
Movement in unspent conditional grants assets		-	979,836
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(25,143,764)**	**(10,689,622)**
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH FLOWS FROM FINANCING ACTIVITIES		**2,717,376**	**305,793**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	6	**2,717,376**	**305,793**
Cash and Cash Equivalents at Beginning of Period		5,570,902	5,265,109
Cash and Cash Equivalents at End of Period		8,288,278	5,570,902

KOU-KAMMA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
as at 30 June 2014

Description	Original Budget	Budget Adjustments (i.e.. s28 & s31 Of The MFMA)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Variance percentage	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget	Notes
	1	2	4	5	6	7		8	9	
	R	R	R	R	R	R		R	R	
Financial Performance										
Property Rates	14,895,517	(500,000)	14,395,517	13,285,401		(1,110,116)	-8%	92%	89%	
Service Charges	20,907,483	412,070	21,319,553	21,977,718		658,165	3%	103%	105%	
Rental of Facilities and Equipment	108,047	28,695	136,742	453,083		316,341	231%	331%	419%	N1
Investment Revenue	705,030	(52,173)	652,857	710,367		57,510	9%	109%	101%	
Fines	4,000,000	(3,400,000)	600,000	656,437		56,437	9%	109%	16%	
Licences and Permits	4,160,674	(2,178,047)	1,982,627	1,548,462		(434,165)	-22%	78%	37%	N1
Government grants and subsidies	58,652,997	26,702,003	85,355,000	95,740,215		10,385,215	12%	112%	163%	
Other Own Revenue	4,558,931	5,914,600	10,473,531	693,075		(9,780,456)	-93%	7%	15%	N2
Total Revenue (Excluding Capital Transfers & Contributions)	107,988,679	26,927,148	134,915,827	135,064,758	-	148,931	0%	100%	125%	
Employee Costs	36,232,000	(3,569,000)	32,663,000	33,450,844	787,844	787,844	2%	102%	92%	
Remuneration Of Councillors	2,768,733	(1)	2,768,732	2,768,281		(451)	0%	100%	100%	
Debt Impairment	2,580,422	7,733,001	10,313,423	10,331,914	18,491	18,491	0%	100%	400%	N3
Depreciation & Asset Impairment	3,964,061	(17,978)	3,946,083	18,907,196	14,961,113	14,961,113	379%	479%	477%	N4
Finance Charges	150,113	(99,868)	50,245	346,188	295,943	295,943	589%	689%	231%	N1
Materials & Bulk Purchases	4,256,215	(1,408,804)	2,847,411	2,737,927		(109,484)	-4%	96%	64%	
Repairs and Maintenance	1,823,667	(756,425)	1,067,242	1,158,578	91,336	91,336	9%	109%	64%	
Contracted Services	3,539,090	(561,708)	2,977,382	2,845,179		(132,203)	-4%	96%	80%	
Transfers & Grants	15,683,000	30,971,835	46,654,835	45,060,716		(1,594,119)	-3%	97%	287%	
Other Expenditures	19,068,920	(1,430,214)	17,638,706	16,712,802		(925,904)	-5%	95%	88%	
Loss on disposal of asset	-	-	-	59,798	59,798	59,798	0%	0%	0%	
Total Expenditure	90,066,221	30,860,838	120,927,059	134,379,423	16,214,525	13,452,364	11%	111%	149%	
Surplus/(Deficit)	17,922,458	(3,933,690)	13,988,768	685,335	(16,214,525)	(13,303,433)	-95%	5%	4%	
Capital Expenditure	21,886,518	9,572,719	31,459,237	25,469,103		(5,990,134)	-19%	81%	116%	N6

Notes and Legends:

N1 This amount is not considered to be material hence no further explanation is required.

N2 The difference is due to provision made for the recoverability of long outstanding debt of R 4.6 million, together with a R 2 million budget for the sale of land which did not materialise. A Vat refund of R 3.4 million was budgeted for however the actual at refund was allocated to a government grant and subsidies. Therefore the total actual amount received exceeds the budgeted revenue after taking into account these changes.

N3 The total amount provided exceeded the budgeted amount due to the non recoverability of long outstanding debt recalculated at year end.

N4 Due to the unbundling of assets in the current year the true value of depreciation was not known at the date of drafting the budget.

N5 Disaster funding of R 8.4 million was received in February 2014, and could not be fully spent due to time constraints. Council applied for the roll over of funding to the value of R 2.2 million. Funding for housing of R 1.2 million and flood relief of R 1.9 million was received and not yet spent at year end due to the contractors not submitted their claims timeously.

N6 The Capital budget includes vat while the actual capital expenditure excludes vat. The value of the vat excluded from the reported expenditure amounts to R3 706 841. This does not represent an underexpenditure of the capital budget, but rather a difference in the reporting of vat between the budget (including vat) and additions (excluding vat).
Adding to this is the balance of the Disaster Grant of R 2 127 346 that remained unspend at year end (note 13). National Treasury transferred this funding to the municipality in February 2014, and this limited timeframe the expenditure of 75% can be considered an achievement.

1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) listed below including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 1.6 standards and interpretations effective and adopted in the current year.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below.

The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy on *Revenue from Exchange Transactions* and Accounting Policy on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 and GRAP 23. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate. At the time of initial recognition it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods or services will not occur, because the entity has an obligation to collect all revenue.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy on *Financial Assets Classification* and Accounting Policy on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments.*

1. 2. 3 Impairment of Financial Assets

Accounting Policy on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

This was performed per service-identifiable categories across all classes of debtors.

1. BASIS OF PRESENTATION (Continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (Continued)

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy on *PPE - Impairment of assets* and Accounting Policy on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing, write down of Inventories to the lowest of Cost and Net Realisable Values (NRV) and whether assets should be written down to current replacement cost.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management. During the year no impairments were made to PPE, intangible assets or inventory.

1. 2. 6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volumes based on the total capacity of the reservoir.

1. 2. 7 Defined Benefit Plan Liabilities

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the notes to the Annual Financial Statements.

1. 2. 8 Provisions and contingent liabilities

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. Additional disclosure of these estimates of provisions are included in Note 15 Provisions. A valuation report is prepared annually by the Province of the Eastern Cape Local Government and Traditional Affairs Department. This report is an effect to ensure that Kou-kamma Local Municipality complies with the Waste Act and the Generally Recognised Accounting Practice (GRAP) 17 and 19 requirements and standards. GRAP 17 requires the cost of rehabilitation of landfill sites to be capitalised as property, plant and equipment and within GRAP 17 the interest of this report is in the depreciation rate of the sites. GRAP 19 requires for costs of rehabilitation of landfill sites to be provided for.

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. BASIS OF PRESENTATION (Continued)

New Standards and Interpretations

1. 6 Standards and interpretations effective and adopted in the current year

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition. The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense. The effective date of the interpretation is for years beginning on or after 01 April 2013.

GRAP 1 (as revised 2010): Presentation of Financial Statements

Additional disclosure requirements have been added regarding the following areas: assets and liabilities included in disposal groups classified as held for sale, biological assets, deferred tax assets (liabilities), tax expense, post-tax surplus or deficit and the use of transitions provision in the accounting policy. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes. Paragraphs added to Changes in accounting policies A change from one basis of accounting to another basis of accounting is a change in accounting policy. A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies: The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC. Commentary on the selection of benchmark and alternative accounting policies has been deleted. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes. Dividends or similar distributions declared from pre-acquisition surpluses: Paragraph .36 has been amended to encompass not only securities, but any contributed capital. Various amendments, deletions and additions to examples included in the appendix. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 12 (as revised 2010): Inventories

Cost formulas: Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.
Recognition as an expense: Where reference has been made to 'net realisable value', 'current replacement cost' has been added. Fair value measurement: The appendix on how to determine fair value has been deleted. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

1. BASIS OF PRESENTATION (Continued)

1. 6 Standards and interpretations effective and adopted in the current year (Continued)

GRAP 13 (as revised 2010): Leases

Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights. Non-current Assets Held for Sale and Discontinued.

Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard. Guidance on accounting for finance leases by lessors: The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance. Guidance on operating lease incentives and substance over legal form: The guidance included in the original text on substance over legal form has been deleted. Classification of leases on land and buildings elements: The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

1. BASIS OF PRESENTATION (Continued)

1. 6 Standards and interpretations effective and adopted in the current year (Continued)

GRAP 16 (as revised 2010): Investment Property

Recognition of investment property: Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property. This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.

The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably. Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property. Disclosure: Entities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount. Amendments to be applied as follow: Paragraphs .10(e), .54, .59, .62 and .65 were amended, paragraphs .60 and .61 were added and paragraph .25 and .11 (d) of the original text (2004) was deleted by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. The related amendment to paragraph .05 in the Standard of GRAP on Property, Plant and Equipment is also applied earlier. Any other amendments to the Standards of GRAP shall be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 17 (as revised 2010): Property, Plant and Equipment

Scope: The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions. Investment properties under construction have been removed from the scope.
Measurement at initial recognition: Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value. Depreciable amount and depreciation period: An additional paragraph has been added to clarify that 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. Derecognition: The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed. Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories. Disclosures: The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used. The requirement to disclose the cost basis for revaluated assets was removed. Amendments to be applied as follow: Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. Any other amendments to the Standards of GRAP shall be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise: a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits. The standard states the recognition, measurement and disclosure requirements of: short-term employee benefits; all short-term employee benefits; short-term compensated absences; bonus, incentive and performance related payments; post-employment benefits: Defined contribution plans; other long-term employee benefits; an termination benefits. The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred. The effective date of the standard is for years beginning on or after 01 April 2013.

The adoption of these amendment is not expected to impact on the results of the municipality, but has resulted in more disclosures in the annual financial statements.

1. 7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued February 2011, effective date 15 April 2015
GRAP 20 Related Party Disclosures - issued June 2011
GRAP 32 Service concession arrangements grantor
GRAP 105 Transfers between entities under common control - issued November 2010, effective date 15 April 2015
GRAP 106 Transfers between entities not under common control - issued November 2010, effective date 15 April 2015
GRAP 107 Mergers - issued November 2010, effective date 15 April 2015

1. BASIS OF PRESENTATION (Continued)

1. 7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

All the other listed standards as listed above will only be effective when a date is announced by the Minister of Finance.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet effective, the municipality may elect to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

GRAP 18 - Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 32 Service concession arrangements grantor

The standard prescribes the accounting treatment for service concession arrangements by the grantor, a public sector entity. The effective date of the standard has not been determined yet.

No significant impact on the financial statements of the Municipality is expected.

GRAP 108 Statutory receivables

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The effective date of the standard has not been determined yet.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

2. PROPERTY, PLANT AND EQUIPMENT

2. 1 Initial Recognition

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, other than investment property, or for administrative purposes, and are expected to be used during more than one year.

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2. 1 Initial Recognition (Continued)

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

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset at acquisition date. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at cost less accumulated depreciation and impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2. 3 Depreciation

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. 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 shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The following is an indication of the maximum expected useful life of the assets:

	Years		Years
Infrastructure		***Buildings***	*30*
Roads and Paving	30		
Electricity	20	***Other***	
Water	20	Specialist Vehicles	20
Landfill Sites	7 - 50	Other Vehicles	7
		Office Equipment	10
Community		Furniture and Fittings	10
Recreational Facilities	30	Specialised Plant and Equipment	15
Security	5	Other Plant and Equipment	5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

2. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2. 6 Land & Buildings

Undeveloped Land is not depreciated as it is deemed to have an indefinite useful life, buildings and other structures situated on developed land are depreciated less their residual value over their useful life.

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

2. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2013, and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3.

3. INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3. 1 Initial Recognition

Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises 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.

3. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

3. INTANGIBLE ASSETS (Continued)

3. 2 Subsequent Measurement, Amortisation and Impairment (Continued)

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	2-10
Website	6

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3. 3 Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. INVESTMENT PROPERTY

4. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment property is recognized as an asset where, and only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

4. INVESTMENT PROPERTY (Continued)

4. 1 Initial Recognition (Continued)

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

4. 2 Subsequent Measurement

4. 2. 1 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 30 - 60 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The residual value of the investment properties been assumed to be zero.
The land is not depreciated as it has an indefinite useful life.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

5. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

5. 1. Impairment of Cash generating assets

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

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

5. IMPAIRMENT OF ASSETS (Continued)

5. 1. Impairment of Cash generating assets (Continued)

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

5. 2. Impairment of Non-Cash generating assets

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

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

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6. 1 Financial Assets - Classification

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

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

Financial assets at amortised cost

Financial assets at fair value

Financial assets at cost

6. FINANCIAL INSTRUMENTS (Continued)

6. 1 Financial Assets - Classification (Continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial Instruments at Amortised Cost
Bank Balances and Cash	Financial Instruments at Amortised Cost
Consumer Debtors	Financial Instruments at Amortised Cost
Other Debtors	Financial Instruments at Amortised Cost
Vat Receivable	Financial Instruments at Amortised Cost

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

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial liabilities measured at amortised cost
Other Creditors	Financial liabilities measured at amortised cost
Trade Creditors	Financial liabilities measured at amortised cost
Accruals	Financial liabilities measured at amortised cost
Consumer Deposits	Financial liabilities measured at amortised cost
Retention	Financial liabilities measured at amortised cost

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6. 3 Initial and Subsequent Measurement

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

6. 3 Initial and Subsequent Measurement

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate. Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due. Financial guarantee contract liabilities are initially measured at fair value. The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

6. **FINANCIAL INSTRUMENTS (Continued)**

6. 4 Impairment of Financial Assets (Continued)

Financial assets carried at amortised cost

Debtors encompasses long term debtors, consumer debtors and other debtors.

Initially Debtors are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Debtors within 12 months from the date of reporting are classified as current.

A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of debtors are assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

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 through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. **INVENTORIES**

7. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7. INVENTORIES (Continued)

7. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

Water Inventory

Water is regarded as inventory when the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

8. REVENUE RECOGNITION

8. 1 General

Revenue, excluding value-added taxation where applicable, 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. 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. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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.

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.

8. 1 Revenue from Exchange Transactions

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

8. 1. 1 Service Charges

Service charges relating to sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

8. REVENUE RECOGNITION (Continued)

8. 1. 1 Service Charges (Continued)

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

8. 1. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

8. 1. 3 Finance income

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

Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

8. 1. 4 Tariff Charges

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

8. 1. 5 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.

8. 1. 6 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

8. 2 Revenue from Non-exchange Transactions

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.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

8. 2. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

8. 2. 2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

8. REVENUE RECOGNITION (Continued)

8. 2 Revenue from Non-exchange Transactions (Continued)

8. 2. 3 Revenue from conditional grants, building and funding

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

8. 2. 4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

9. PROVISIONS

Provisions 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 judgement 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.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

10. EMPLOYEE BENEFITS

10. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

10. EMPLOYEE BENEFITS

10. 1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

10. 2 Post employment benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

10. 2. 1 Post-retirement Health Care Benefits:

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.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

10. 2. 2 Long-service Allowance

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 has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

11. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases other than finance leases are classified as operating leases.

11. 1 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 at lower of fair value of the asset or the PV of the minimum lease payments, 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.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, Plant and 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 in the Statement of Financial Performance 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.

11. LEASES

11. 1 The Municipality as Lessee

Operating leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

11. 2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

11. 3 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.

12. BORROWING COSTS

Borrowing costs are expensed as they occur.

13 GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

14 VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991. Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

15. UNAUTHORISED EXPENDITURE

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

16. IRREGULAR EXPENDITURE

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

17. 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. All expenditure relating to fruitless and wasteful 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of changes in accounting policies where applicable.

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

19. RELATED PARTIES

Individuals as well as their close family members, and/or entities 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. Related parties include key management personnel such as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and close family members of key management personnel.

20. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

21. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

22. COMPARATIVE INFORMATION

22. 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 24, been provided to these financial statements and forms part of the Annual Financial Statements.

22. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified, unless a standard of GRAP does not require the restatements of comparative information. The nature and reasons for the reclassification are disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

22 COMPARATIVE INFORMATION

22. 3 Budget Information

The annual budget figures for the period 1 July 2013 to 30 June 2014 have been prepared and presented in accordance with the GRAP standard under the accrual basis of accounting for budgets approved by Council by nature classification, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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 entity.

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

24. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

25. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

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

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R

1. GENERAL INFORMATION

Kou-Kamma Municipality (the municipality) is a local government institution in the Eastern Cape, and is one of nine local municipalities under the jurisdiction of the Cacadu District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2014 R	2013 R
Consumable Store	726,142	819,400
Water - at cost	36,285	27,572
Total Inventories	**762,427**	**846,972**

All inventory at year end is carried at cost.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2014 R	2013 R
Service Debtors:	31,081,048	23,052,817
Electricity	184,585	202,967
Refuse	5,695,477	4,333,216
Sewerage	12,008,384	8,894,843
Water	13,192,601	9,621,791
Other Receivables	133,088	116,574
Housing	120,166	98,000
Loan instalments	12,923	18,574
Less: Provision for Impairment	(25,722,264)	(19,624,546)
Electricity	(175,356)	(190,553)
Water	(10,650,981)	(7,999,684)
Sewerage	(10,105,303)	(7,701,819)
Refuse	(4,690,776)	(3,652,846)
Housing rental	(80,168)	(68,871)
Loan instalments	(19,680)	(10,773)
Total Receivables from Exchange Transactions	**5,491,872**	**3,544,845**

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and debtors as well as the current payment ratio's of the municipality's debtors.

3.1 Ageing of Receivables from Exchange Transactions

	2014 R	2013 R
Electricity		
Current (0 -30 days)	4,104	7,578
31 - 60 days	8,272	3,833
61 - 90 days	3,038	3,646
91 - 120 days	3,560	4,067
+120 days	165,611	183,843
Allowance for debt impairment	(175,356)	(190,553)
	9,229	**12,414**
Water		
Current (0 -30 days)	416,211	637,720
31 - 60 days	1,079,519	368,950
61 - 90 days	662,230	342,413
91 - 120 days	346,469	320,898
+120 days	10,688,173	7,951,810
Allowance for debt impairment	(10,650,981)	(7,999,684)
	2,541,620	**1,622,107**
Sewerage		
Current (0 -30 days)	315,354	602,133
31 - 60 days	586,660	341,554
61 - 90 days	285,718	286,090
91 - 120 days	282,686	286,540
+120 days	10,537,966	7,378,526
Allowance for debt impairment	(10,105,303)	(7,701,819)
	1,903,081	**1,193,024**

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

3.1 Ageing of Receivables from Exchange Transactions (Continued)

	2014 R	2013 R
Refuse		
Current (0 -30 days)	163,931	291,589
31 - 60 days	292,937	162,042
61 - 90 days	140,098	140,884
91 - 120 days	137,575	140,555
+120 days	4,960,937	3,598,145
Allowance for debt impairment	(4,690,776)	(3,652,845)
	1,004,701	**680,370**
Housing rental		
Current (0 -30 days)	10,141	926
31 - 60 days	14,228	378
61 - 90 days	378	378
91 - 120 days	369	378
+120 days	95,049	95,939
Allowance for debt impairment	(80,168)	(68,870)
	39,998	**29,129**
Loan instalments		
Current (0 -30 days)	761	-
31 - 60 days	1,521	-
61 - 90 days	761	-
91 - 120 days	761	-
+120 days	9,120	18,574
Allowance for debt impairment	(19,680)	(10,773)
	(6,757)	**7,801**

	2014 R	2013 R
3.2 Reconciliation of the Provision for Impairment		
Balance at beginning of year	(19,624,546)	(11,321,719)
(Allowance raised) reversal of allowance	(11,377,262)	(8,302,827)
Amounts written off as uncollectable	4,107,368	-
Balance at end of year	**(26,894,440)**	**(19,624,546)**

Receivables from exchange transactions past due but not impaired

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. Individually significant debtors have been considered for impairment, in terms of GRAP 104, however none were impaired. At 30 June 2014, R 3 478 798 (2013: R 3,307,591) were past due but not impaired.

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

	2014	2013
1 month past due	1,159,049	1,226,188
2 months past due	1,325,331	1,055,288
3 months past due	994,419	1,026,115
	3,478,798	**3,307,591**

No debtors were pledged as security.

3.3 Ageing of impaired Receivables from Exchange Transactions

As at 30 June 2014	**Current**	**Past Due**			**Total**
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	910,501	1,983,138	1,092,222	27,228,275.09	31,214,136
Less: Provision for Impairment	-	-	-	(26,894,440)	(26,894,440)
Net Balances	**910,501**	**1,983,138**	**1,092,222**	**333,835**	**4,319,696**

As at 30 June 2013	**Current**	**Past Due**			**Total**
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

3.3 Ageing of impaired Receivables from Exchange Transactions (Continued)

				2014 R	2013 R
All Receivables:					
Gross Balances	1,539,946	876,757	773,411	19,979,275	23,169,389
Less: Provision for Impairment				(19,624,544)	(19,624,544)
Net Balances	**1,539,946**	**876,757**	**773,411**	**354,731**	**3,544,845**

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2014	**Gross Balances** **R**	**Provision for Impairment** **R**	**Net Balances** **R**
Assessment Rates Debtors	17,007,765	(8,213,773)	8,793,992
Other receivables from non exchange transactions	185,544		185,544
Total Receivables from Non-exchange Transactions	**17,193,309**	**(8,213,773)**	**8,979,536**

As at 30 June 2013	**Gross Balances** **R**	**Provision for Impairment** **R**	**Net Balances** **R**
Assessment Rates Debtors	15,466,393	(8,095,710)	7,370,682
Other receivables from non exchange transactions	4,667,661	-	4,667,661
Total Receivables from Non-exchange Transactions	**20,134,054**	**(8,095,710)**	**12,038,343**

	2014	2013
	R	R

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2014	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	388,780	546,382	233,109	15,839,494	17,007,765
Less: Provision for Impairment	-	-	-	(8,213,773)	(8,213,773)
Net Balances	**388,780**	**546,382**	**233,109**	**7,625,721**	**8,793,992**
Other receivables from non exchange transactions:					
Gross Balances	185,544	-	-	-	185,544
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**185,544**	-	-	-	**185,544**

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

4.1 Ageing of Receivables from Non-exchange Transactions (Continued)

As at 30 June 2013	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	528,281	349,430	281,876	14,306,805	15,466,392
Less: Provision for Impairment				(8,095,710)	(8,095,710)
Net Balances	**528,281**	**349,430**	**281,876**	**6,211,095**	**7,370,682**

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

				2014 R	2013 R
Other receivables from non exchange transactions:					
Gross Balances	4,667,661	-	-	-	4,667,661
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**4,667,661**	-	-	-	**4,667,661**

	2014 R	2013 R
Other receivables from non exchange transactions:		
Current (0 -30 days)	185,544	4,667,661
31 - 60 days		
61 - 90 days		
91 - 120 days		
+120 days		
Allowance for debt impairment		-
	185,544	**4,667,661**
Rates		
Current (0 -30 days)	388,780	528,281
31 - 60 days	546,382	349,430
61 - 90 days	233,109	281,876
91 - 120 days	223,000	273,676
+120 days	15,616,494	14,033,129
Allowance for debt impairment	(8,213,773)	(8,095,710)
	8,793,992	**7,370,682**

4.2 Reconciliation of Provision for Impairment

	2014 R	2013 R
Balance at beginning of year	8,095,710	2,820,718
Impairment Losses recognised	118,063	5,274,992
Impairment Losses reversed		
Balance at end of year	**8,213,773**	**8,095,710**

	2014	2013
	R	R

The Provision for Impairment on debtors exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

Furthermore, no Provision for Impairment was calculated on Receivables from Non-Exchange Transactions other than Assessment Rates Debtors as the management is of the opinion that all other Receivables are recoverable within normal credit terms.

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. Individually significant debtors have been considered for impairment, in terms of GRAP 104, however none were impaired. At 30 June 2014, R 984 376 (2013: R 1 216 836) were past due but not impaired.

	2014	2013
1 month past due	493,751	422,625
2 months past due	234,118	419,316
3 months past due	256,507	374,895
	984,376	**1,216,836**

5. VAT RECEIVABLE

	2014	2013
Vat Receivable	**2,290,372**	**234,141**

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

6. CASH AND CASH EQUIVALENTS

	2014	2013
Current investment deposits	10,719	498,037
Bank Accounts	8,277,249	5,072,555
Total bank balances	**8,287,968**	**5,570,592**
Cash on hand	310	310
Total Bank, Cash and Cash Equivalents	**8,288,278**	**5,570,902**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

	2014	2013
	R	R

6. **CASH AND CASH EQUIVALENTS (Continued)**

The total bank balances at year end are all cash accounts and the money is available immediately on request. Therefore there are no call deposit accounts that need to be separately disclosed.

The Municipality has the following bank and investment deposit accounts:

Restrictions relate to unspent conditional grants, only if the condition of the grant is met can transfers from cash be done. Refer to note 13.

Account number / description	**Bank statement balances**		**Cash book balances**	
	30-Jun-14	**30-Jun-13**	**30-Jun-14**	**30-Jun-13**
Bank accounts				
ABSA Bank Ltd - Current Account (Primary account) - 405 280 5864	2,435,015	347,578	2,539,296	394,294
ABSA Bank Ltd - Cheque Account - 19 4015 8695	132,237	81	132,237	81
ABSA Bank Ltd - Cheque Account - 40 5774 2120	1,985,982	734	1,985,982	734
ABSA Bank Ltd - Call Account - 90 7906 4583	172,923	76,423	183,472	90,050
ABSA Bank Ltd - Cheque Account - 19 4015 8687	3,425,941	4,576,514	3,425,941	4,576,514
ABSA Bank Ltd - Savings Account - 91 0220 9606	10,321	10,882	10,321	10,882
ABSA Bank Ltd - Savings Account - 91 9914 8641	10,719	498,037	10,719	498,037
Total	8,173,138	5,510,249	8,287,968	5,570,592

6.1 Cash on hand

	2014	2013
Cash Floats and Advances	310	310
Total Cash on hand in Cash Floats, Advances and Equivalents	310	310

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

7. PROPERTY, PLANT AND EQUIPMENT

	2014			2013		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	4,903,499	-53,430	4,850,069	4,903,499	-53,430	4,850,069
Buildings	6,152,145	-2,085,919	4,066,226	6,152,145	-1,835,566	4,316,579
Other property, plant and equipment	22,691,207	-9,093,594	13,597,613	15,341,498	-8,331,530	7,009,968
Infrastructure	353,963,204	-104,373,654	249,589,549	348,917,220	-88,134,928	260,782,292
Community	21,512,865	-8,314,636	13,198,229	18,614,377	-7,714,717	10,899,660
Infrastructure - WIP	11,191,368	-	11,191,368	2,491,635	-	2,491,635
Total	**420,414,287**	**(123,921,233)**	**296,493,055**	**396,420,374**	**(106,070,171)**	**290,350,203**

Reconciliation of property, plant and equipment - 2014

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment	Total
Land	4,850,069	-		-	-	-	4,850,069
Buildings	4,316,579	-	-	-	-250,353	-	4,066,226
Other property, plant and equipment	7,009,968	8,420,273	(341,184)	-	-1,491,444	-	13,597,613
Infrastructure	260,782,292	5,098,038	(36,953)	-	-16,253,827	-	249,589,550
Community	10,899,660	2,898,489	-	-	-599,919	-	13,198,230
Infrastructure - WIP	2,491,635	8,699,733	-	-	-	-	11,191,368
	290,350,203	**25,116,533**	**(378,137)**	**-**	**(18,595,544)**	**-**	**296,493,055**

Reconciliation of property, plant and equipment - 2013

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment	Total
Land	4,860,935	-	-	-	(10,866)	-	4,850,069
Buildings	5,145,407	58,546	(624,943)	-	(262,431)	-	4,316,579
Other property, plant and equipment	6,626,739	2,188,846	(4,806)	-	(1,800,811)	-	7,009,968
Infrastructure	257,098,308	7,174,567	-	13,515,921	(15,444,941)	(1,561,563)	260,782,292
Community	11,499,739	-	-	-	(600,079)	-	10,899,660
Infrastructure - WIP	13,760,718	2,246,838	-	(13,515,921)	-	-	2,491,635
	298,991,846	**11,668,797**	**(629,749)**	**-**	**(18,119,128)**	**(1,561,563)**	**290,350,203**

7. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

None of the above assets are held for security.

Details of properties

The municipality did not pledge any of its assets as security. No restrictions apply to any of the Property, Plant and Equipment of the municipality.

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

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.

8. INTANGIBLE ASSETS

	2014			2013		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Computer software	1,590,560	(852,839)	737,721	1,237,990	(569,138)	668,852

Reconciliation of intangible assets - 2014	Opening	Additions	Amortisation	Total
Computer software	668,852	352,570	(283,701)	737,721

Reconciliation of intangible assets - 2013	Opening	Additions	Amortisation	Total
Computer software	647,409	166,305	(144,862)	668,852

Pledged as security

None of the intangible assets are pledged as security.

9. INVESTMENT PROPERTY

	2014				2013		
	Cost	Disposal	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Investment property - Land	25,101,100	(7,000)	-	25,094,100	25,101,100	-	25,101,100
Investment property - Buildings	869,937	-	(587,529)	282,408	869,937	(559,578)	310,359
	25,971,037	(7,000)	(587,529)	25,376,508	25,971,037	(559,578)	25,411,459

Reconciliation of investment property - 2014

	Opening	Disposal	Depreciation	Total
Investment property - Land	25,101,100	(7,000)	-	25,094,100
Investment property - Buildings	310,359	-	(27,951)	282,408
	25,411,459	(7,000)	(27,951)	25,376,508

Reconciliation of investment property - 2013

	Opening	Disposal	Depreciation	Total
Investment property - Land	25,101,100	-	-	25,101,100
Investment property - Buildings	338,341		(27,982)	310,359
	25,439,441	-	(27,982)	25,411,459

Details of property

No investment property has been given as security.

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.

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

10. CONSUMER DEPOSITS

	2014 R	2013 R
Electricity and Water	104,700	104,700
Total Consumer Deposits	104,700	104,700

11. PROVISIONS

	2014 R	2013 R
Balance at beginning of Year	1,018,304	566,963
Expenditure incurred		106,373
Provision for performance bonus	311,195	344,968
Performance bonus provision utilised	-344,968	
Total Provisions	984,531	1,018,304

Provision for workmen's compensation has not been paid for the 2011/2012 financial year. A provision has been raised for the amount outstanding.

No invoice has yet been received for the 2011/2012 financial year. The amount of R 673 336 has been estimated based on the invoice received for the 2012/2013 financial year. The amount will be settled when the invoice is received.

12. PAYABLES FROM EXCHANGE TRANSACTIONS

	2014 R	2013 R
Trade payables	9,499,212	8,146,258
Other payables	13,932,628	5,930,222
Accrued Expenses	3,020,338	2,625,557
Total Payables	26,452,178	16,702,037

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

	2014 R	2013 R
Local Government: Cacadu District Municipality (IDP Grant)	-	-
Provincial: IDP	4,697	120,760
Provincial: LED	237,824	103,333
Cacadu: Flood relief	-	261,713
DPLG Library	207,207	31,278
Housing rectification	1,240,922	-
National - Department of Water Affairs Grant	762,333	
Disaster Relief Grant	2,127,346	-
MIG grant	-	5,085,061
Total Unspent Conditional Grants	4,580,329	5,602,145

Grants spent during the financial year is in accordance with the conditions thereof.

14. EMPLOYEE BENEFIT LIABILITIES

	2014 R	2013 R
Non current liability		
Post-retirement Health Care Benefits Liability	1,070,620	842,284
Provision for Long Service Awards	1,023,430	905,335
	2,094,050	1,747,619
Current portion of long term liability		
Post-retirement Health Care Benefits Liability	109,530	60,908
Provision for Long Service Awards	128,824	199,536
	238,354	260,444

14.1 Post-retirement Health Care Benefits Liability

	2014 R	2013 R
Balance at beginning of Year	903,192	1,110,194
Net actuarial (losses)/profits	270,236	(222,564)
Increase due to Discounting	67,630	49,717
Benefits paid	(60,908)	(34,155)
Reduction due to Re-measurement	-	-
Total Post-retirement Health Care Benefits Liability	1,180,150	903,192
Transfer to Current Provisions	(109,530)	(60,908)
Non-current portion of post-retirement Health Care Benefits Liability	1,070,620	842,284

The assumptions used are based on statistics and market data as at 30 June 2014. The following assumptions, in line with GRAP 25, have been used. Assumptions used at the reporting date:

	2014	2013
Discount rates used	8.14%	7.71% #
General inflation	6.14%	6.19% #
Medical inflation	7.64%	7.69% #
Real rate (GAP)	0.46%	0.02% #

Discount rate assumption:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8.14% per annum has been used. The corresponding index-linked yield at this term is 1.41%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2014.

Health care cost inflation assumption

This assumption is required to reflect the estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective. A health care cost inflation rate of 7.64% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.14%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.46%.

Future inflation assumption:

The expected inflation assumption of 6.14% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.41%) and those of fixed interest bonds (8.14%). The next contribution increase was assumed to occur with effect from 1 January 2015.

14. EMPLOYEE BENEFIT LIABILITIES (Continued)

14.1 Post-retirement Health Care Benefits Liability (Continued)

Net discount rate:

Even though the actual values used for the discount rate and the expected increase in medical subsidies are important, the "gap" between the two assumptions are more important. This "gap" is referred to as the net discount rate. The net discount rate has increased from 0.02% p.a. to 0.46% p.a. (Derived from a discount rate of 8.14% and the expected medical inflation rate of 7.64%)

Post-retirement mortality:

The post-retirement mortality assumptions are based on the PA(90) mortality tables rated down by 1 year. This assumption is in line with the previous assumptions used.

Family profile:

It has been assumed that husbands will be 4 years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future events. The actual cost of the subsidy will however be dependent on the actual experience. The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results.

Real rate of return	Assumption 0.02%	0.5% decrease in gap (0.48%)	0.5% increase in gap (0.52%)
Liability	1,180,150	1,239,157	1,121,142
Cost / (Saving)	-	-59,007	59,007

Mortality	Current Assumption PA(90)-1	PA(90)	PA(90)-2
Liability	1,180,150	1,125,509	1,243,524
Cost / (Saving)	-	54,641	-63,374

The amounts recognised in the Statement of Financial Position are as follows:	2014 R	2013 R
Balance at the beginning of the year	903,192	1,110,194
Net actuarial (losses)/profits	270,236	(222,564)
Interest cost	67,630	49,717
Benefits paid	(60,908)	(34,155)
Total Recognised Benefit Liability	1,180,150	903,192

The amounts recognised in the Statement of Financial Performance are as follows:	2014 R	2013 R
Current service cost	-	-
Interest cost	67,630	49,717
Actuarial losses / (gains)	270,236	(222,564)
Total Post-retirement Benefit included in Employee Related Costs (Note 23)	337,866	-172,847

14. EMPLOYEE BENEFIT LIABILITIES (Continued)

The history of experienced adjustments is as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Obligation	(1,180,150)	(903,912)	(1,110,194)	(610,131)	(612,447)
Deficit	(1,180,150)	(903,912)	(1,110,194)	(610,131)	(612,447)

In accordance with the transitional provisions for the amendments to GRAP 25 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

14.2 Post-retirement Long Service Awards liability

	2014 R	2013 R
Balance at beginning of Year	1,104,871	1,076,680
Actuarial Gain	(4,352)	(26,533)
Increase due to Discounting	74,918	62,137
Benefits paid	(199,536)	(193,977)
Current service cost	176,353	186,564
Balance at end of Year	**1,152,254**	**1,104,871**
Transfer to Current Provisions	(128,824)	(199,536)
Total Post-retirement Long Service Awards liability	1,023,430	905,335

The assumptions used are based on statistics and market data as at 30 June 2014. The following valuation assumptions are consistent with the requirements of GRAP 25.

	2014	2013
Discount rate	7.81%	7.44%
General inflation	6.06%	5.80%
Salary inflation	7.06%	6.80%
Real rate (Gap)	0.70%	0.60%

Discount rate Assumption

The discount rate required by GRAP 25 should be set with reference to a high quality corporate bond. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used. A discount rate of 7.81% per annum has been used. this is derived by using a liability - weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability weighted index-linked yield is 1.18%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2014.

14.2 Post-retirement Long Service Awards liability (Continued)

Future Inflation Assumption

This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employees salary at the date of award. General salary Inflation in most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation. Thus a general salary inflation of 7.06% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. The assumption reflects a net discount rate of 0.70%. It has been assumed that the next salary increase will take place on 1 July 2015.

14. EMPLOYEE BENEFIT LIABILITIES (Continued)

	2014	2013
	R	R

Net Discount Rate

Even though the actual values used for the discount rate and the expected increase in salaries are important, the "gap" between the two assumptions are more important. This "gap" is referred to as the net discount rate. The net discount rate is 0.70% per annum. (Derived from a discount rate of 7.81% and the expected salary inflation rate of 7.06%).

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future experience. The actual cost of the subsidy will however be dependent on the actual experience.

Discount rate	Current Assumption 7.81%	Decrease of 0.5%: 7.31%	Increase of 0.5%: 8.31%
Liability	1,152,254	1,078,486	1,226,022
Cost / (Saving)	-	73,768	-73,768

Retirement	Current Assumption Retire at average age 60	Retire at average age	Retire at average age 57
Liability	1,152,254	1,267,479.40	1,037,028.60
Cost / (Saving)	-	(115,225)	115,225.40

The amounts recognised in the Statement of Financial Position are as follows:

	2014	2013
Balance at the beginning of the year	(1,104,871)	(1,076,680)
Current service costs	(176,353)	(186,564)
Interest cost	(74,918)	(62,137)
Benefits paid	199,536	193,977
Actuarial (losses) / gains	4,352	26,533
Total Recognised Benefit Liability	(1,152,254)	(1,104,871)

The amounts recognised in the Statement of Financial Performance are as follows:

	2014	2013
Current service cost	(176,353)	(186,564)
Interest cost	(74,918)	(62,137)
Actuarial (losses) / gains	4,352	26,533
Total Long service award included in Employee Related Costs (Note 23)	(246,919)	(222,168)

The history of experienced adjustments is as follows:

	2014	2013	2012	2011	2010
	R	R	R	R	R
Obligation	(1,152,254)	(1,104,871)	(1,076,680)	(706,242)	(552,215)
Deficit	(1,152,254)	(1,104,871)	(1,076,680)	(706,242)	(552,215)

In accordance with the transitional provisions for the amendments to GRAP 25 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R

14. EMPLOYEE BENEFIT LIABILITIES (Continued)

The municipality operates an unfunded defined benefit plan for all it's employees. Under the plan a long-service award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long-service benefits are payable to employees.

Actuarial valuations are performed annually. The most recent valuations of the present value of the defined benefit obligation was carried out at 30 June 2014 by C Weiss of Arch Actuarial Consulting, a member of the Actuarial Society of South Africa.

The defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Expenses recognised in the statement of financial performance.

15. NON-CURRENT PROVISIONS

Reconciliation of non-current provisions

	2014 R	2013 R
Environmental rehabilitation		
Opening Balance	1,117,227	1,072,445
discounting	49,824	44,782
Expenditure incurred	-	-
Total Non-Current Provision	1,167,051	1,117,227

Assumptions for landfill site provision
The most critical assumptions for estimating the life expectancy and rehabilitation costs of a landfill are:

- Available permitted airspace (typically expressed in cubic metres (m3). The sites will ultimately be used from one side of the fence to the other along the sites' perimeter. However, the final land use has not been determined for all these sites which would indicate the height that is useful for the sites hence the report assumes that, for the sake of calculations, the height of the sites will be between 3 and 5 meters from the lowest level reached by the waste.

- Airspace utilization factor commonly referred to as the in-place waste density (typically expressed as tons of waste placed per cubic meter of airspace consumed (tons/m3). The average density of the waste is between 0, 75 T/m3 to 1, 20 T/m3, depending on waste type and compaction efficiency, as prescribed by DWAF Minimum Requirements for Waste Disposal by Landfill (Second Edition, 1998). In this report it has been assumed that it is 0.75T/m.

- Waste acceptance rate (typically expressed in tons per year (tpy). Daily deposition of waste is about 10 Tons/per day (estimates given by municipal staff and there were no proper records kept).

- The sites have been in existence for the following periods:

Kareedouw	23
Joubertina	53
Krakeelrivier	24
Louterwater	47
Coldstream	41
Woodlands	32
Clarkson	11

- the methodology prescribed by DWAF assumes that landfilling is done instead of waste dumping.

16. ACCUMULATED SURPLUS

	2014 R	2013 R
Total Accumulated Surplus	312,798,577	312,113,242

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

	2014 R	2013 R

17. PROPERTY RATES

Rates received	2014	2013
Residential	7,945,725	7,505,000
Municipal	3,303,229	3,091,707
Agricultural	1,967,748	2,844,666
Medical	8,142	8,401
Schools	60,557	56,409
Less: Income forgone		(63,103)
	13,285,401	13,443,080

Valuations		
Residential	1,055,056,750	1,055,056,750
Commercial	298,668,915	298,668,915
State	242,931,390	242,931,390
Agriculture	2,088,128,800	2,088,128,800
Exempted properties	102,060,850	102,060,850
	3,786,846,705	3,786,846,705

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Council obtained a condonation from the MEC to extend the validation period of the current valuation role to 1 July 2014. There has therefore been no movement in the valuation from prior year.

A general rate of 0.6361c is applied to property valuations to determine assessment rates. Rebates of 20% are granted to state property owners.

Rates are levied on an annual basis, with the option of paying the rates on a monthly basis.

18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED

National Equitable Share	31,313,000	28,111,000
Financial Management Grant (FMG)	1,650,000	1,500,000
EPWP	1,000,000	2,400,000
Grant: District municipality	-	145,000
PMU- Expenditure Accounted for	204,094	
District Municipality Cacadu	756,071	1,448,360
MIG Grant	21,959,779	11,698,103
Flood Relief Cacadu	1,946,841	1,260,874
Local Government: Cacadu District Municipality	1,172,100	76,864
Provincial: IDP	116,063	61,971
Municipal Systems Improvement Grant (MSIG)	890,000	800,000
Provincial: Department of Housing Grant	28,325,828	24,960,579
Province Public Works	-	50,000
Provincial: LED	94,784	40,486
National: DWAF	-	250,000
Disaster Relief Grant	6,311,654	-
Department of local government - audit fees	-	1,719,945
Total Government Grants and Subsidies	**95,740,215**	**74,523,182**

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)

National: Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy based on monthly billing, towards the consumer account, which is determined annually by council. All residential households receive 6kl water and some poor areas 50kWh electricity free every month.

During the year National Treasury withheld R 71 000 from the municipality's equitable share due to unspent funds on the EPWP grant, resulting in the municipality receiving R 31 313 000 in equitable share for the year instead of R 31 384 000.

	2014 R	2013 R
Financial Management Grant (FMG)		
Balance unspent at beginning of year	-	-
Current year receipts	1,650,000	1,500,000
Conditions met - transferred to Revenue	(1,650,000)	(1,500,000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

	2014 R	2013 R
Local Government: Cacadu District Municipality		
Balance unspent at beginning of year	-	26,864
Current year receipts	1,095,053	50,000
Transferred to Revenue	(1,172,100)	(76,864)
Other Adjustments/Refunds	-	-
	(77,047)	-

Grant purpose: To provide funding to support the strategic planning and IDP functions within the municipality.

	2014 R	2013 R
Municipal System Improvement Grant (MSIG)		
Balance unspent at beginning of year	-	-
Current year receipts	890,000	800,000
Conditions met - transferred to Revenue	(890,000)	(800,000)
Other Adjustments		-
Transferred to Receivables (see Note 4)	-	-

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

	2014 R	2013 R
Provincial: IDP		
Balance unspent at beginning of year	120,760	182,731
Transferred to Revenue	(116,063)	(61,971)
	4,697	120,760

Grant purpose: To provide funding to support the strategic planning and IDP functions within the municipality.

	2014 R	2013 R
Provincial: LED		
Balance unspent at beginning of year	103,333	55,829
Current year receipts	229,275	87,990
Transferred to Revenue	(94,784)	(40,486)
	237,824	103,333

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)

	2014 R	2013 R

Grant purpose: To provide funding for the employment of a LED assistant to assist with LED programmes within the municipality.

Flood relief Cacadu

	2014 R	2013 R
Balance unspent at beginning of year	261,713	-
Current year receipts	1,685,128	1,522,587
Transferred to Revenue	(1,946,841)	(1,260,874)
	-	261,713

Grant purpose: The purpose of the grant was for rectification and repairs to infrastructure as a result of flood damages in Kou-kamma district.

PMU- Expenditure Accounted for

	2014 R	2013 R
Balance unspent at beginning of year	-	
Current year receipts recognised	204,094	
Transferred to Revenue	(204,094)	
	(0)	-

Unspent balances included other creditors.

CACADU Local economic development (LED)

	2014 R	2013 R
Balance unspent at beginning of year	-	
Current year receipts	-	145,000
Transferred to Revenue	-	(145,000)
	-	-

Grant purpose: The purpose of the grant is to provide support to the Local tourism organisations within the Kou-kamma area with regards to website and brochure development.

National - Department of Water Affairs Grant

	2014 R	2013 R
Balance unspent at beginning of year	-	-
Current year receipts	762,333	250,000
Transferred to Revenue		(250,000)
	762,333	-

Grant purpose: The purpose of the grant is for the purchasing of water quality monitoring equipment.

District municipality Cacadu

	2014 R	2013 R
Balance unspent at beginning of year	31,278	-
Current year receipts	932,000	1,479,637
Transferred to Revenue	(756,071)	(1,448,359)
	207,207	31,278

Grant purpose: The purpose of the grant is a subsidy for library services in the Kou-kamma district. The subsidy covers salaries, operation and maintenance costs.

18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)

MIG Grant

	2014 R	2013 R
Balance unspent at beginning of year	5,085,061	(979,836)
Current year receipts	16,864,000	17,763,000
Transferred to Revenue	(21,959,779)	(11,698,103)
	(10,718)	5,085,061

Grant purpose: The purpose of the MIG grant is to provide capital funding for the upgrading, maintenance of the municipal infrastructure in order to provide basic services to the community.

Housing rectification

	2014 R	2013 R
Balance unspent at beginning of year	(4,525,908)	(1,659,085)
Current year receipts	34,092,658	22,093,756
Transferred to Revenue	(28,325,828)	(24,960,579)
	1,240,922	(4,525,908)

Grant purpose: To provide funding for the creation of sustainable RDP houses.

Province Public Works Grant

	2014 R	2013 R
Balance unspent at beginning of year	-	-
Current-year receipts	-	50,000
Conditions met - transferred to revenue	-	(50,000)
	-	-

Grant purpose:
To provide employment to improve the quality of life of poor people through the use of labour intensive delivery methods in the following areas:

Road Maintenance and the maintenance of buildings;
Maintenance of social infrastructure
Beautification and cleansing of the municipal areas.

Disaster Relief Grant

	2014 R	2013 R
Balance unspent at beginning of year	-	-
Current year receipts	8,439,000	
Transferred to Revenue	(6,311,654)	
	2,127,346	-

Grant purpose: Disaster funding granted to the municipality for the repairs and rehabilitation of roads damaged due to flooding in the 2010 financial year.

EPWP

	2014 R	2013 R
Balance unspent at beginning of year	-	-
Current year receipts	1,000,000	1,000,000
Transferred to Revenue	(1,000,000)	(1,000,000)
	-	-

Grant purpose: To provide employment to improve the quality of life of unemployed people through the appointment of them to do labour intensive projects for example: Road Maintenance and the maintenance of buildings; Maintenance of social infrastructure; Beautification and cleansing of the municipal areas.

18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)

Department of local government - audit fees

	2014 R	2013 R
Balance unspent at beginning of year		1,719,945
Conditions met - transferred to revenue		(1,719,945)
	-	-

19. SERVICE CHARGES

	2014 R	2013 R
Sale of Electricity	1,773,333	1,676,520
Sale of Water	9,690,901	6,871,955
Refuse Removal	3,401,238	2,952,396
Sewerage and Sanitation Charges	7,112,246	6,183,233
Total Service Charges	21,977,718	17,684,104
Attributable to:		
Continuing Operations	21,977,718	17,684,104
	21,977,718	17,684,104

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

20. RENTAL OF FACILITIES AND EQUIPMENT

	2014 R	2013 R
Operating Lease Rental Revenue:		
Premises	342,642	41,849
Halls	101,661	75,117
Houses	8,780	8,780
Facilities and equipment	453,083	125,746
Rental other	-	5,029
Total Rental of Facilities and Equipment	453,083	130,775
Attributable to:		
Continuing Operations	453,083	130,775
	453,083	130,775

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

21. INTEREST EARNED

	2014 R	2013 R
External Investments:		
Bank Account	165,332	269,680
Short-term deposits	545,035	327,578
Total Interest Earned	710,367	597,258

22. OTHER REVENUE

	2014 R	2013 R
Connection fees	63,457	62,641
Valuation certificates	7,440	5,830
Building plan fees	103,171	73,683
Land use application fees	7,584	3,481
Information fees	21,905	59,935
Cemetery fees	69,290	70,378
Recovery	36,816	-
Donations received	30,000	164,023
Sundry other fees	352,272	1,290,337
Refuse site	1,140	5,530
Total Other Revenue	**693,075**	**1,735,838**
Attributable to:		
Continuing Operations	693,075	1,735,838
	693,075	1,735,838

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 19 to 21, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

23. EMPLOYEE RELATED COSTS

	2014 R	2013 R
Employee Related Costs - Salaries and Wages	16,911,846	16,680,859
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	4,527,316	4,081,899
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2,175,586	1,322,434
Housing Benefits and Allowances	232,009	713,596
Overtime Payments	1,997,642	1,517,702
Performance Bonuses	1,382,914	1,455,656
Other employee related costs	675,153	(109,774)
WCA	-	106,373
Long-service awards	442,745	39,034
Total Employee Related Costs	**28,345,211**	**25,807,779**
Attributable to:		
Continuing Operations	28,345,211	25,807,779
	28,345,211	25,807,779

Included in Employee Related Costs is an amount of R 191 401 (2013: R 39 321) paid by the municipality to Defined Contribution Plans at rates specified by the rules of the plans. As at 30 June 2014, contributions due in respect of the 2013/2014 reporting period has been paid over to the plans.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager (Nkuhlu S)

	2014 R	2013 R
Annual Remuneration	692,741	634,020
Performance Bonus	89,172	79,264
Car and Other Allowances	298,056	201,600
Company Contributions to UIF, Medical and Pension Funds	1,785	98,169
Total	**1,081,754**	**1,013,053**

23. EMPLOYEE RELATED COSTS (Continued)

	2014 R	2013 R
Remuneration of the Chief Financial Officer (Venter N)		
Annual Remuneration	658,539	611,545
Performance Bonus	55,506	39,647
Car and Other Allowances	134,400	120,000
Company Contributions to UIF, Medical and Pension Funds	1,785	16,113
Total	850,230	787,305
Remuneration of the Manager: Corporate Services (Zenzile M.)		
Annual Remuneration	606,939	625,945
Performance Bonus	55,506	55,506
Car and Other Allowances	186,000	120,000
Company Contributions to UIF, Medical and Pension Funds	1,785	1,713
Total	850,230	803,164
Remuneration of the Manager: Technical Services (Fenn L)		
Annual Remuneration	432,621	418,793
Performance Bonus	-	-
Car and Other Allowances	189,000	87,656
Company Contributions to UIF, Medical and Pension Funds	1,338	1,414
Total	622,959	507,863
Resigned in April 2014		
Remuneration of the Manager: Technical Services (Dliwayo D)		
Annual Remuneration	-	227,635
Performance Bonus	-	23,247
Car and Other Allowances	-	71,866
Company Contributions to UIF, Medical and Pension Funds	-	4,336
Total	-	327,084
Remuneration of the Manager: Strategic Services (Mpumlwana M)		
Annual Remuneration	502,539	745,945
Performance Bonus	55,506	15,859
Car and Other Allowances	290,400	-
Company Contributions to UIF, Medical and Pension Funds	1,785	1,713
Total	850,230	763,517
Remuneration of the Manager: Community Services (Sompani T)		
Annual Remuneration	553,863	512,285
Performance Bonus	55,506	39,647
Car and Other Allowances	239,076	123,600
Company Contributions to UIF, Medical and Pension Funds	1,785	113,483
Total	850,230	789,015

	2014 R	2013 R
23. EMPLOYEE RELATED COSTS (Continued)		
Employee costs		
Employee related costs	28,345,211	25,807,779
Directors	5,105,633	4,991,000
	33,450,844	30,798,779
24. REMUNERATION OF COUNCILLORS		
Mayor	655,551	586,077
Councillors	1,904,050	1,813,380
Councillors' allowances	208,680	139,450
Total Councillors' Remuneration	2,768,281	2,538,907
Councillors' remuneration		
Goni P	190,405	181,338
Jacobs S	190,405	181,338
Jantjies B	190,405	181,338
Krige R	190,405	181,338
Mntambo N	190,405	181,338
Mohr T	-	151,115
Nelson L	190,405	181,338
Pottie N	190,405	181,338
Rheeders C	190,405	181,338
Strydom F	190,405	181,338
Smit K	190,405	30,223
	1,904,050	1,813,380

In-kind Benefits

The Executive Mayor is full-time and is provided with an office and secretarial support at the cost of the Council.

The councillor salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution

	2014 R	2013 R
25. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	18,595,544	19,680,661
Amortisation: Intangible Assets	283,701	144,862
Depreciation: Investment Property	27,951	27,983
Total Depreciation and Amortisation	18,907,196	19,853,506
Attributable to:		
Continuing Operations	**18,907,196**	**19,853,506**
	18,907,196	19,853,506

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
26 FINANCE COSTS		
Other interest paid		
Suppliers	49,840	163,936
Finance Charges	266,580	302,378
Creditors Overdue	29,768	
	346,188	466,314
Attributable to:		
Continuing Operations	346,188	466,314
	346,188	466,314
27 BULK PURCHASES		
Electricity	2,702,111	2,556,676
Water	35,816	22,464
Total Bulk Purchases	2,737,927	2,579,140
28 CONTRACTED SERVICES		
Professional Fees	7,112	58,785
Security Services	1,661,277	1,751,727
General contract expenses	1,176,791	1,043,048
Total Contracted Services	2,845,180	2,853,560
Attributable to:		
Continuing Operations	2,845,180	2,853,560
Discontinued Operations	-	-
	2,845,180	2,853,560
29 GRANTS AND SUBSIDIES PAID		
Low income subsidy/ Free basic services	11,120,717	9,411,209
Community projects	33,939,999	29,597,432
Total Grants and Subsidies	45,060,716	39,008,641

The low income subsidy/ free basic services is in respect of providing basic service levels.

Community Projects are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

30 GENERAL EXPENSES

Included in General Expenses are the following:

	2014 R	2013 R
Adverts, Printing & Stationary	266,557	352,141
Audit Fees - External	1,975,077	2,331,027
Bank Charges	239,504	197,028
Cemetery fees	25,650	-
Cleaning	37,991	918
Conferences and delegations	91,738	163,552
Consumables	2,051,879	1,956,981
Debt collection	611,488	1,423,379
Entertainment	3,500	-
Electricity purchases	2,716,924	2,538,538
Refreshments	49,469	2,755
Fuel and oil	1,676,665	2,273,090
Insurance	494,720	377,607
Legal expenses	2,236,853	1,531,694
Levies paid	-	256,697
Licence fees - vehicles	109,421	112,693
Medical tests	5,263	-
Other expenses	364,154	1,302,602
Other rentals	71,441	163,480
Postage	21,319	2,902
Printing and stationery	418,296	622,138
Rental of office equipment	258,202	575,328
SPU programs	146,324	-
Subscription and publications	15,722	12,673
Telephone cost	1,644,050	1,515,275
Training	199,865	245,229
Travel and subsistence	967,308	1,321,677
Tourism and publicity	13,421	-
Uniforms and overalls	-	182,609
Total General Expenses	16,712,802	19,462,013

31 CASH GENERATED BY OPERATIONS

	2014 R	2013 R
(Deficit) / Surplus for the Year	685,335	(28,415,112)
Adjustment for:		
Investment income		
Depreciation and Amortisation	18,907,196	19,853,506
Impairment Losses on Property, Plant and Equipment	-	-
Losses / (Gains) on Disposal of Property, Plant and Equipment	59,798	464,136
Movements in retirement benefit assets and liabilities	324,341	(178,811)
Movements in provisions	16,051	151,155
Changes in working capital:		
(Increase) / Decrease in Inventories	84,545	(311,726)
(Increase) / Decrease in receivables from exchange transactions	(1,947,027)	7,813,232
(Increase) / Decrease in other receivables from non-exchange transactions	3,058,808	3,225,237
Increase / (Decrease) in payables from exchange transactions	9,750,141	1,731,863
(Increase) / Decrease in VAT receivable	(2,056,232)	1,575,214
Increase / (Decrease) in unspent conditional grants and receipts	(1,021,816)	5,086,721
Cash generated by / (utilised in) Operations	27,861,140	10,995,415

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

32 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

32.1 Unauthorised Expenditure

	2014 R	2013 R
Opening balance	(5,491,518)	7,660,590
Prior year expenditure approved/condoned council (Rescinded)	5,491,518	(7,660,590)
Expenditure relating to audit committee	-	-
Employee costs	787,844	-
Repairs and Maintenance	91,336	
Depreciation	14,961,113	16,113,826
Remuneration of councillors	-	-
Allowance for debt impairment	18,491	16,567,095
General expenditure	-	1,169,681
Finance costs	295,943	305,830
Loss on disposal of asset	59,798	
Approved by Council or condoned		(39,647,950)
	16,214,525	(5,491,518)

32.2 Fruitless and Wasteful Expenditure

	2014 R	2013 R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	305,830	517,863
Fruitless and Wasteful Expenditure current year	296,364	305,830
Written off by Council		(517,863)
	602,194	305,830

32.3 Irregular Expenditure

	2014 R	2013 R
Opening balance	20,011,302	11,470,985
Expenditure approved by Council		(11,470,985)
Add: Irregular Expenditure - prior year		-
Bridging of the supply chain policy	29,800,966	20,011,302
Condoned by National Treasury		
	49,812,268	20,011,302

Irregular expenditure to be reported to National Treasury as prescribed by section 170 of the MFMA

	R
2012/13 Financial year	20,011,302
2013/14 Financial year	29,800,966
Total	49,812,268

33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2014	2013
Material losses		
Distribution losses on electricity	2,340,675	880,156
Distribution losses on water	2,601,815	2,656,754
	4,942,490	3,536,910

	2014	2013
Accounting for unaccounted for water losses:		
Total water usage as per standard norm (CSRI)	Litres per annum	Litres per annum
Households	586,482	586,482
Non households	48,107	48,107
Total accounted for water	634,589	634,589

Distribution losses could not be recovered by the municipality, due to imcomplete records and insufficient infrastructure to provide information in this regard.

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

	2014 R	2013 R
Audit fees		
Opening balance	2,786,648	3,541,553
Current year audit fee	2,251,587	2,449,241
Current year Interest	249,261	
Interest paid	(94,063)	288,711
Amount paid - previous years	(415,306)	(3,492,857)
	4,778,128	2,786,648

The balance unpaid represents the audit fees that could not be paid due to financial constraints endured by the municipality. An agreement was reached with the Auditor General with regards to the settlement of the debt.

	2014 R	2013 R
PAYE and UIF		
Current year payroll deductions	4,638,133	4,258,192
Amount paid - current year	(4,317,697)	(3,925,513)
	320,437	332,679
Pension and medical aid deductions		
Current year payroll deductions and Council contributions	6,535,350	6,227,095
Amount paid - current year	(5,957,024)	(5,730,872)
	578,326	496,223
VAT		
VAT receivable	2,290,372	234,141

34 COMMITMENTS FOR EXPENDITURE

34.1 Capital Commitments

	2014 R	2013 R
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	72,366,204	103,954,834
Infrastructure	62,528,504	102,658,280
Community	9,837,700	-
Other	-	1,296,554
Total Capital Commitments	72,366,204	103,954,834
This expenditure will be financed from:		
Government Grants	72,366,204	103,954,834
Own Resources	-	-
	72,366,204	103,954,834

34 COMMITMENTS FOR EXPENDITURE (continued)

34.2 Lease Commitments - Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

	2014 R	2013 R
Operating leases - Municipality as lessee (expense)		
Minimum lease payments due		
- within one year	104,000	124,800
- in second to fifth year inclusive	-	104,000
	104,000	228,800

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Sky Metro Office Automation
The municipality has entered into an operating lease agreement with Sky Metro Automation (Pty) Ltd for the rental of 4 bizhub machines for a period of three (3) years. The lease period commenced on the 10 May 2012.

The following restrictions have been imposed on the municipality in terms of the lease agreements on office equipment:

(i) The equipment shall remain the property of the lessor;
(ii) The lessee shall not sell, sublet, cede, assign or delegate any of it's rights or obligations on the office equipment; and
(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

	2014 R	2013 R
Operating leases - Municipality as lessor (income)		
Minimum lease payments due		
- within one year	73,644	53,040
- in second to fifth year inclusive	355,412	334,337
- later than five years	356,548	403,317
	785,604	790,694

The amount of the prior year lease commitment has increase due to the Operating lease Commitment relating to Vodacom which was not disclosed in the prior year financial statements

Operating leases relate to property being leased out to Cacadu District Municipality to operate as clinics for the community. The Municipality has leased four clinics to the Cacadu District Municipality. The Municipality earns R1 per annum for each clinic. The leases have expired in 2011 and 2012 and have not been renewed in anticipation of the transfer of these assets to the EC Department of Health. The transfer of Primary Health Care Services is consistent with the Health Act, which classifies the services as the responsibility of the Provincial Authority.

The municipality has entered into a lease agreement with Cell C (Pty) Ltd who is a licensed operator of an electronic communications network. Cell C (Pty) Ltd is leasing a site for the installation of certain infrastructure assets required for the operation of its network. The initial lease period is 9 years and 11 months with two renewal options of 5 years each. There are no contingent rentals and no subleases.

The Municipality has entered into a lease agreement with Vodacom PTY (Pty) Ltd who is a licensed operator of an electronic communications network.
Vodacom (Pty) Ltd is leasing a site for the installation of certain infrastructure assets required for the operation of its network. The initial lease period is 9 years and 11 months with two renewal options of 5 years each. There are no contingent rentals and no subleases.

The Municipality has entered into a lease agreement with Vodacom PTY (Pty) Ltd who is a licensed operator of an electronic communications network.
Vodacom (Pty) Ltd entered into a lease agreement in order to install antennae and equipment on the building situated at Joubertina. The lease contract expired in 2005

The Municipality has entered into a lease agreement with MTN(Pty) Ltd who is a licensed operator of an electronic communications network.
MTN (Pty) Ltd is leasing the Storm River Water Tower. The initial lease period is 9 years and 11 months with two renewal options of 5 years each. There are no contingent rentals and no subleases.
The lease contract has expired in May 2013.

The Municipality has entered into a lease agreement with Sentech Soc Ltd to hire a portion of certain property situated off R62 in Joubertina and the unimpeded use of the access road for the purpose of site access.
Interest rate increase is in line with a published index("increases in line with CPI") at the time the lease is entered into, thus no straight lining is required

The Municipality has leased portion 250 of Krakeelrivier no, 314 to Strydom Vrugteboerdery for R3,500 per annum with an escalation of 10%. The lease is for an indefinite period.

35 FINANCIAL INSTRUMENTS

Categories of financial instruments

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

	At amortised cost 2014 R	Total 2013 R
Financial Assets - 2014		
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:		
Receivables from Exchange Transactions	5,491,872	5,491,872
Receivables from Non-exchange Transactions	8,979,536	8,979,536
Cash and Cash Equivalents	8,288,278	8,288,278
VAT receivable	2,290,373	2,290,373
	25,050,059	25,050,059
Financial Liabilities - 2014		
Payables from exchange transactions	26,452,178	26,452,178
Customer deposits	104,700	104,700
Unspent conditional grants	4,580,329	4,580,329
	31,137,207	31,137,207
Financial Assets - 2013		
Receivables from Exchange Transactions	3,544,845	3,544,845
Receivables from Non-exchange Transactions	12,038,345	12,038,345
Cash and Cash Equivalents	5,570,901	5,570,901
VAT receivable	234,141	234,141
	21,388,232	21,388,232
Financial Liabilities - 2013		
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:		
Payables from exchange transactions	17,047,005	17,047,005
Customer deposits	104,700	104,700
Unspent conditional grants	5,602,144	5,602,144
	22,753,849	22,753,849

Risk management

35.1 Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the 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 Department 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 risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. 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 periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

	2014	2013
	R	R

35 FINANCIAL INSTRUMENTS (Continued)

35.2 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:
- Market Risk.
- Liquidity Risk; and
- Credit Risk;

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an on going review of future commitments and credit facilities.

The municipality intends to pay creditors within 30 days.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

35.3 Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to 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.

35.3 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

35.4 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

35.5 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

	2014	2013
	R	R

35 FINANCIAL INSTRUMENTS (Continued)

Long-term Receivables and Other Debtors are individually evaluated annually at Reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

<u>Interest Rate Sensitivity Analysis</u>

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out below:

Cash and Cash Equivalents:
If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

Surplus for the year ended 30 June 2014 would have increased / decreased by R82 879.68 (30 June 2013: increased / decreased by R50 725.55). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

Bank balance held with Absa bank Limited is R 8 287 968 (2012: R5 072 555).

35.6 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. 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.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

<u>Investments/Bank, Cash and Cash Equivalents</u>

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank, Investec and Standard Bank. No investments with a tenure exceeding twelve months are made.

<u>Trade and Other Receivables</u>

Trade and Other Receivables 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 on going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

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, with exposure spread over a large number of consumers, 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 trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an on going customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2014 R	2013 R

35 FINANCIAL INSTRUMENTS (Continued)

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing.

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

	2014	2013
Trade and other receivables from exchange transactions	5,491,873	3,544,845
Other receivables from non-exchange transactions	8,902,489	12,038,345
Cash and cash equivalents	8,287,968	5,570,902
VAT receivable	2,290,373	234,141
	24,972,703	21,368,233

36 IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

Secondment of International Finance Advisor by National Treasury for two years. The contract expired in March 2014.

37. CONTINGENT LIABILITIES

Mr Cherry

Cherry was dismissed by the municipality for fraudulent misrepresentation, the cost at the Bargaining council and is now subjecting to the Labour law court for review.

Probable loss	-	200,000

Gerber (Uitkyk tip site)

The applicant instituted an application against Kou-Kamma for the closure of the Uitkyk waste disposal site. The site is currently illegal and permit is being solicited.

Probable loss	300,000	300,000

Boqwana Ntlabezo Inc.

Instituted action via summons against Kou-Kamma for services rendered	-	231,038

Dernand Eiendomme - veld fire

Third party caused fire which damaged a farm and the municipality is being included in the proceedings for failure to properly extinguish fire.

Probable loss	-	3,200,000

Jora

Damage of motor vehicle due to pothole.

Probable loss	-	58,000

T Mohr and Oudshoorn

These employees were employed by the municipality and are claiming benefits which according to them were not given/paid out to them.

Probable loss	700,000	1,400,000

37. CONTINGENT LIABILITIES (Continued)

	2014 R	2013 R
MTO - Forestry		
Reckless issuing of a fire permit by the municipality, which caused fire damage. This case has currently been taken off the trial roll pending the liquidation of the first defendant.		
Probable loss	-	5,817,290
Spellman		
SALGBC rules against Kou-Kamma municipality and ordered reinstatement with pay back		
Probable loss	900,000	900,000
Gobo Gcora Construction and Projects CC		
Cancellation/repudiation of the agreement, claim for damages suffered by the applicant.		
Probable loss	-	5,000,000

38. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

38.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation
Members of key management	
Municipal Manager	S Nkhulu
Chief Financial Officer	N Venter
Manager: Community Services	TM Sompani
Manager: Corporate Services	M Zenzile
Manager: Strategic Services	M Mpumlwana
Manager: Technical Services	L Fenn
Mayor	Vuso MS
Councillors	Goni P
	Jacobs S
	Jantjies B
	Krige R
	Mntambo N
	Nelson L
	Pottie N
	Rheeders C
	Strydom F
	Smith K

Compensation to key management

Individuals as well as their close family members, and/or entities are related parties if one party has the ability , directly or indirectly, to control or jointly control the other party to 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.

39 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R

40 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2014

41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

41.1 Non-Compliance with the Municipal Finance Management Act

Instance of non-compliance with the MFMA relate to Irregular, Fruitless and Wasteful Expenditure.

41.2 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Applicable SCM policy guideline	Date	Supplier	Amount	Reason
39.1(v)	Year 2013/2014	ABANTU INNOVATION & SOLUTIONS PTY LTD	29,999.99	Any exceptional case where it is impractical or impossible to follow the official procurement processes.
39.1(v)	Year 2013/2014	ALGOA NISSAN HUMANSDORP	2,076.20	Any exceptional case where it is impractical or impossible to follow the official procurement processes.
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	2,246.65	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	2,485.90	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	3,268.85	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	3,786.15	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	3,962.10	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	4,689.45	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	5,521.00	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	5,667.60	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	6,888.15	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	8,341.95	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	10,876.40	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	13,957.55	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	26,238.35	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	30,555.25	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	30,555.25	
	Year 2013/2014	ALGOA NISSAN HUMANSDORP	58,528.55	
	Year 2013/2014	ALTELEKKER	2,640.00	
	Year 2013/2014	ALTELEKKER	3,710.00	
	Year 2013/2014	ALTELEKKER	4,400.00	
	Year 2013/2014	ALTELEKKER	6,630.00	
	Year 2013/2014	ALTELEKKER	7,200.00	
39.1(i)	Year 2013/2014	B&P TECHNICAL SERVICES	3,465.60	In an Emergency
	Year 2013/2014	B&P TECHNICAL SERVICES	4,557.72	
	Year 2013/2014	B&P TECHNICAL SERVICES	5,848.20	
	Year 2013/2014	B&P TECHNICAL SERVICES	9,233.55	
	Year 2013/2014	B&P TECHNICAL SERVICES	11,742.00	
	Year 2013/2014	B&P TECHNICAL SERVICES	21,335.10	
	Year 2013/2014	B&P TECHNICAL SERVICES	29,645.13	
	Year 2013/2014	B&P TECHNICAL SERVICES	38,429.40	
	Year 2013/2014	B&P TECHNICAL SERVICES	44,346.00	
	Year 2013/2014	B&P TECHNICAL SERVICES	50,121.47	
	Year 2013/2014	B&P TECHNICAL SERVICES	65,892.00	
	Year 2013/2014	B&P TECHNICAL SERVICES	66,238.92	
	Year 2013/2014	B&P TECHNICAL SERVICES	195,142.00	

					2014 R	2013 R
	Year 2013/2014	BEACH CABANAS	6,000.00	impractical or impossible to follow the official procurement processes.		
	Year 2013/2014	BEACH CABANAS	7,017.54			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	8,000.00			
	Year 2013/2014	BEACH CABANAS	14,000.00			
	Year 2013/2014	BEACH CABANAS	40,000.00			
	Year 2013/2014	BIDVEST PAPERPLUS PTY LTD T/A LITHOTECH	2,052.00			
	Year 2013/2014	BILSON TRUCKS PORT ELIZABETH (	4,715.34			
	Year 2013/2014	BILSON TRUCKS PORT ELIZABETH (	5,648.38			
	Year 2013/2014	BILSON TRUCKS PORT ELIZABETH (	5,745.98			
	Year 2013/2014	BILSON TRUCKS PORT ELIZABETH (	7,214.50			
	Year 2013/2014	BRAAMS MOTORS (EDMS) BPK	4,706.60			
	Year 2013/2014	BRAAMS MOTORS (EDMS) BPK	81,633.70			
	Year 2013/2014	BROKEN LINE MS	25,752.90			
	Year 2013/2014	BURWANA ASPHALT COLD MIX	24,010.00			
39.1 (ii)	Year 2013/2014	CONLOG SOLUTIONS FROS UTILITIE	18,387.06	(ii) If such good or services are produced or available from a single or sole provider only in circumstances when such supplier: (a) Manufactures or provides goods and services which satisfies the unique requirements of procurement		
	Year 2013/2014	CONLOG SOLUTIONS FROS UTILITIE	19,631.03			
39.1(v)	Year 2013/2014	CTU TRAINING SOLUTIONS EC (PTY) LTD	29,000.00	Any exceptional case where it is impractical or impossible to follow the official procurement processes.		
	Year 2013/2014	DATACOL cc T/A SYSTEMS SERVICE	2,074.80			
	Year 2013/2014	DE JAGER VERVOER	2,280.00			
	Year 2013/2014	DE JAGER VERVOER	2,500.00			
	Year 2013/2014	DE JAGER VERVOER	7,500.00			
	Year 2013/2014	DIE PLAASWERF	2,340.00			
	Year 2013/2014	DIE PLAASWERF	2,376.00			
	Year 2013/2014	DIE PLAASWERF	2,500.00			
	Year 2013/2014	DIE PLAASWERF	2,590.00			
	Year 2013/2014	DNA AUTO	2,640.00			
	Year 2013/2014	DNA AUTO	4,740.00			
39.1 (ii)	Year 2013/2014	DR A VAN GREUNEN	6,000.00	(ii) If such good or services are produced or available from a single or sole provider only in circumstances when such supplier: (a) Manufactures or provides goods and services which satisfies the unique requirements of procurement		
39.1(v)	Year 2013/2014	DUMISA DESIGN & ADVERTISING (P	16,026.12	Any exceptional case where it is		

				2014 R	2013 R
Year 2013/2014	EMS-WERKE	2,131.80	impractical or impossible to follow the official procurement processes.		
Year 2013/2014	EMS-WERKE	6,384.00			
Year 2013/2014	FASTVENTS TWENTY TWO (PTY) LTD T/A SIYAY	13,330.00			
Year 2013/2014	FIRST TECHNOLOGY (PTY) LTD	24,718.85			
Year 2013/2014	FREDDIES BODY WORKS	2,000.00			
Year 2013/2014	JOLA`S TOURS	2,500.00			
Year 2013/2014	KAREEDOUW MOTORS BK	2,015.83			
Year 2013/2014	KAREEDOUW MOTORS BK	2,025.73			
Year 2013/2014	KAREEDOUW MOTORS BK	2,036.94			
Year 2013/2014	KAREEDOUW MOTORS BK	2,054.15			
Year 2013/2014	KAREEDOUW MOTORS BK	2,061.61			
Year 2013/2014	KAREEDOUW MOTORS BK	2,067.27			
Year 2013/2014	KAREEDOUW MOTORS BK	2,081.93			
Year 2013/2014	KAREEDOUW MOTORS BK	2,108.77			
Year 2013/2014	KAREEDOUW MOTORS BK	2,152.85			
Year 2013/2014	KAREEDOUW MOTORS BK	2,156.39			
Year 2013/2014	KAREEDOUW MOTORS BK	2,161.62			
Year 2013/2014	KAREEDOUW MOTORS BK	2,248.51			
Year 2013/2014	KAREEDOUW MOTORS BK	2,269.74			
Year 2013/2014	KAREEDOUW MOTORS BK	2,274.09			
Year 2013/2014	KAREEDOUW MOTORS BK	2,288.55			
Year 2013/2014	KAREEDOUW MOTORS BK	2,308.03			
Year 2013/2014	KAREEDOUW MOTORS BK	2,363.62			
Year 2013/2014	KAREEDOUW MOTORS BK	2,385.43			
Year 2013/2014	KAREEDOUW MOTORS BK	2,407.66			
Year 2013/2014	KAREEDOUW MOTORS BK	2,455.67			
Year 2013/2014	KAREEDOUW MOTORS BK	2,466.47			
Year 2013/2014	KAREEDOUW MOTORS BK	2,554.18			
Year 2013/2014	KAREEDOUW MOTORS BK	2,558.08			
Year 2013/2014	KAREEDOUW MOTORS BK	2,558.49			
Year 2013/2014	KAREEDOUW MOTORS BK	2,562.33			
Year 2013/2014	KAREEDOUW MOTORS BK	2,571.61			
Year 2013/2014	KAREEDOUW MOTORS BK	2,625.14			
Year 2013/2014	KAREEDOUW MOTORS BK	2,694.24			
Year 2013/2014	KAREEDOUW MOTORS BK	2,761.06			
Year 2013/2014	KAREEDOUW MOTORS BK	2,765.17			
Year 2013/2014	KAREEDOUW MOTORS BK	2,800.00			
Year 2013/2014	KAREEDOUW MOTORS BK	2,826.66			
Year 2013/2014	KAREEDOUW MOTORS BK	2,837.05			
Year 2013/2014	KAREEDOUW MOTORS BK	2,838.35			
Year 2013/2014	KAREEDOUW MOTORS BK	2,839.36			
Year 2013/2014	KAREEDOUW MOTORS BK	2,947.26			
Year 2013/2014	KAREEDOUW MOTORS BK	2,953.62			
Year 2013/2014	KAREEDOUW MOTORS BK	2,957.96			
Year 2013/2014	KAREEDOUW MOTORS BK	3,014.46			
Year 2013/2014	KAREEDOUW MOTORS BK	3,035.30			
Year 2013/2014	KAREEDOUW MOTORS BK	3,095.80			
Year 2013/2014	KAREEDOUW MOTORS BK	3,121.17			
Year 2013/2014	KAREEDOUW MOTORS BK	3,146.88			
Year 2013/2014	KAREEDOUW MOTORS BK	3,148.96			
Year 2013/2014	KAREEDOUW MOTORS BK	3,169.07			
Year 2013/2014	KAREEDOUW MOTORS BK	3,174.57			
Year 2013/2014	KAREEDOUW MOTORS BK	3,191.76			
Year 2013/2014	KAREEDOUW MOTORS BK	3,199.21			
Year 2013/2014	KAREEDOUW MOTORS BK	3,208.50			
Year 2013/2014	KAREEDOUW MOTORS BK	3,228.14			
Year 2013/2014	KAREEDOUW MOTORS BK	3,230.75			
Year 2013/2014	KAREEDOUW MOTORS BK	3,234.57			
Year 2013/2014	KAREEDOUW MOTORS BK	3,264.87			

Year 2013/2014	KAREEDOUW MOTORS BK	3,273.26
Year 2013/2014	KAREEDOUW MOTORS BK	3,331.44
Year 2013/2014	KAREEDOUW MOTORS BK	3,363.44
Year 2013/2014	KAREEDOUW MOTORS BK	3,394.68
Year 2013/2014	KAREEDOUW MOTORS BK	3,412.32
Year 2013/2014	KAREEDOUW MOTORS BK	3,419.97
Year 2013/2014	KAREEDOUW MOTORS BK	3,435.61
Year 2013/2014	KAREEDOUW MOTORS BK	3,456.59
Year 2013/2014	KAREEDOUW MOTORS BK	3,529.49
Year 2013/2014	KAREEDOUW MOTORS BK	3,545.72
Year 2013/2014	KAREEDOUW MOTORS BK	3,601.14
Year 2013/2014	KAREEDOUW MOTORS BK	3,625.27
Year 2013/2014	KAREEDOUW MOTORS BK	3,628.26
Year 2013/2014	KAREEDOUW MOTORS BK	3,652.85
Year 2013/2014	KAREEDOUW MOTORS BK	3,724.30
Year 2013/2014	KAREEDOUW MOTORS BK	3,744.79
Year 2013/2014	KAREEDOUW MOTORS BK	3,757.43
Year 2013/2014	KAREEDOUW MOTORS BK	3,771.49
Year 2013/2014	KAREEDOUW MOTORS BK	3,785.14
Year 2013/2014	KAREEDOUW MOTORS BK	3,797.11
Year 2013/2014	KAREEDOUW MOTORS BK	3,826.68
Year 2013/2014	KAREEDOUW MOTORS BK	3,874.34
Year 2013/2014	KAREEDOUW MOTORS BK	3,899.35
Year 2013/2014	KAREEDOUW MOTORS BK	4,020.44
Year 2013/2014	KAREEDOUW MOTORS BK	4,054.33
Year 2013/2014	KAREEDOUW MOTORS BK	4,111.41
Year 2013/2014	KAREEDOUW MOTORS BK	4,166.55
Year 2013/2014	KAREEDOUW MOTORS BK	4,183.42
Year 2013/2014	KAREEDOUW MOTORS BK	4,186.25
Year 2013/2014	KAREEDOUW MOTORS BK	4,193.92
Year 2013/2014	KAREEDOUW MOTORS BK	4,200.05
Year 2013/2014	KAREEDOUW MOTORS BK	4,231.09
Year 2013/2014	KAREEDOUW MOTORS BK	4,325.14
Year 2013/2014	KAREEDOUW MOTORS BK	4,389.30
Year 2013/2014	KAREEDOUW MOTORS BK	4,410.00
Year 2013/2014	KAREEDOUW MOTORS BK	4,413.34
Year 2013/2014	KAREEDOUW MOTORS BK	4,449.17
Year 2013/2014	KAREEDOUW MOTORS BK	4,501.66
Year 2013/2014	KAREEDOUW MOTORS BK	4,741.48
Year 2013/2014	KAREEDOUW MOTORS BK	4,743.76
Year 2013/2014	KAREEDOUW MOTORS BK	4,780.19
Year 2013/2014	KAREEDOUW MOTORS BK	4,866.21
Year 2013/2014	KAREEDOUW MOTORS BK	4,906.04
Year 2013/2014	KAREEDOUW MOTORS BK	4,950.43
Year 2013/2014	KAREEDOUW MOTORS BK	5,022.73
Year 2013/2014	KAREEDOUW MOTORS BK	5,053.98
Year 2013/2014	KAREEDOUW MOTORS BK	5,176.50
Year 2013/2014	KAREEDOUW MOTORS BK	5,208.90
Year 2013/2014	KAREEDOUW MOTORS BK	5,265.57
Year 2013/2014	KAREEDOUW MOTORS BK	5,285.87
Year 2013/2014	KAREEDOUW MOTORS BK	5,449.07
Year 2013/2014	KAREEDOUW MOTORS BK	5,646.87
Year 2013/2014	KAREEDOUW MOTORS BK	5,682.13
Year 2013/2014	KAREEDOUW MOTORS BK	5,683.18
Year 2013/2014	KAREEDOUW MOTORS BK	5,702.39
Year 2013/2014	KAREEDOUW MOTORS BK	5,719.46
Year 2013/2014	KAREEDOUW MOTORS BK	5,825.39
Year 2013/2014	KAREEDOUW MOTORS BK	5,920.96
Year 2013/2014	KAREEDOUW MOTORS BK	5,957.84

					2014 R	2013 R
	Year 2013/2014	KAREEDOUW MOTORS BK	6,021.86			
	Year 2013/2014	KAREEDOUW MOTORS BK	6,088.40			
	Year 2013/2014	KAREEDOUW MOTORS BK	6,158.80			
	Year 2013/2014	KAREEDOUW MOTORS BK	6,294.78			
	Year 2013/2014	KAREEDOUW MOTORS BK	6,372.25			
	Year 2013/2014	KAREEDOUW MOTORS BK	6,494.82			
	Year 2013/2014	KAREEDOUW MOTORS BK	6,563.34			
	Year 2013/2014	KAREEDOUW MOTORS BK	6,564.45			
	Year 2013/2014	KAREEDOUW MOTORS BK	6,568.51			
	Year 2013/2014	KAREEDOUW MOTORS BK	6,859.44			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,065.63			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,073.81			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,239.58			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,319.99			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,333.86			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,392.95			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,428.91			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,475.46			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,596.33			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,751.69			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,788.17			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,801.17			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,892.54			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,917.83			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,931.92			
	Year 2013/2014	KAREEDOUW MOTORS BK	7,951.31			
	Year 2013/2014	KAREEDOUW MOTORS BK	8,204.31			
	Year 2013/2014	KAREEDOUW MOTORS BK	8,222.84			
	Year 2013/2014	KAREEDOUW MOTORS BK	8,270.01			
	Year 2013/2014	KAREEDOUW MOTORS BK	8,280.12			
	Year 2013/2014	KAREEDOUW MOTORS BK	8,306.44			
	Year 2013/2014	KAREEDOUW MOTORS BK	8,570.82			
	Year 2013/2014	KAREEDOUW MOTORS BK	8,588.63			
	Year 2013/2014	KAREEDOUW MOTORS BK	8,950.86			
	Year 2013/2014	KAREEDOUW MOTORS BK	9,388.20			
	Year 2013/2014	KAREEDOUW MOTORS BK	9,394.23			
	Year 2013/2014	KAREEDOUW MOTORS BK	9,581.90			
	Year 2013/2014	KAREEDOUW MOTORS BK	9,882.82			
	Year 2013/2014	KAREEDOUW MOTORS BK	10,000.00			
	Year 2013/2014	KAREEDOUW MOTORS BK	10,788.12			
	Year 2013/2014	KAREEDOUW MOTORS BK	10,915.57			
	Year 2013/2014	KAREEDOUW MOTORS BK	11,200.00			
	Year 2013/2014	KAREEDOUW MOTORS BK	11,426.50			
	Year 2013/2014	KAREEDOUW MOTORS BK	21,716.80			
	Year 2013/2014	KAREEDOUW MOTORS BK	24,671.97			
	Year 2013/2014	KAREEDOUW MOTORS BK	48,795.57			
	Year 2013/2014	KAREEDOUW MOTORS BK	92,111.11			
	Year 2013/2014	KEMP MOTORS	3,391.50			
	Year 2013/2014	KEMP MOTORS	4,845.00			
	Year 2013/2014	KEMP MOTORS	10,525.62			
39.1(ii)	Year 2013/2014	KOUKAMMA VERKEER	10,216.40	(ii) If such good or services are produced or available from a single or sole provider only in circumstances when such supplier: (a) Manufactures or provides goods and services which satisfies the unique requirements of procurement		
	Year 2013/2014	KOUKAMMA VERKEER	14,964.00			
	Year 2013/2014	LEXIS NEXIS – LEX PATRIA	5,736.61			
	Year 2013/2014	LOUTERWATER INGENIEURSWERKE	5,700.00			
	Year 2013/2014	LOUTERWATER INGENIEURSWERKE	21,802.50			
39.1(v)	Year 2013/2014	M BAY TRAING CC	5,643.00	Any exceptional case where it is impractical or impossible to follow the		
	Year 2013/2014	M BAY TRAING CC	12,825.00			

					2014 R	2013 R
39.1(ii)	Year 2013/2014	SA POST OFFICE	6,700.00	(ii) If such good or services are produced or available from a single or sole provider only in circumstances when such supplier: (a) Manufactures or provides goods and services which satisfies the unique requirements of procurement		
	Year 2013/2014	SABC	3,206.50			
39.1(v)	Year 2013/2014	Sprinter Zone Commercial PTY LTD Port Elizabeth	3,960.36	Any exceptional case where it is impractical or impossible to follow the official procurement processes.		
	Year 2013/2014	Sprinter Zone Commercial PTY LTD Port Elizabeth	8,381.91			
	Year 2013/2014	Sprinter Zone Commercial PTY LTD Port Elizabeth	8,772.30			
	Year 2013/2014	Sprinter Zone Commercial PTY LTD Port Elizabeth	59,407.68			
	Year 2013/2014	SW WALTERS	5,985.00			
	Year 2013/2014	SW WALTERS	8,493.00			
	Year 2013/2014	THE LEADERSHIP DEVELOPMENT INSTITUTE	47,880.00			
	Year 2013/2014	TKS PROJECTS (PTY) LTD	10,545.00			
	Year 2013/2014	TRUE TECHNOLOGIES	14,122.34			
	Year 2013/2014	TRUVELLO MANUFACTURERS (PTY) L	7,971.97			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	2,191.45			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	2,323.35			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	2,714.75			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	3,339.30			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	3,650.35			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	4,042.65			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	4,279.15			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	4,491.15			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	4,567.65			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	5,015.85			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	7,013.10			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	8,141.55			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	8,215.10			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	8,578.00			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	8,630.15			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	10,504.05			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	11,237.15			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	11,408.35			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	15,499.05			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	18,300.00			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	19,334.85			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	19,347.70			
	Year 2013/2014	TSITSIKAMMA TOTAL VILLAGE	25,000.00			
	Year 2013/2014	TUINROETE AGRI	2,005.50			
	Year 2013/2014	TUINROETE AGRI	2,085.60			
	Year 2013/2014	TUINROETE AGRI	2,094.40			
	Year 2013/2014	TUINROETE AGRI	2,143.30			
	Year 2013/2014	TUINROETE AGRI	2,144.20			
	Year 2013/2014	TUINROETE AGRI	2,185.10			
	Year 2013/2014	TUINROETE AGRI	2,207.10			
	Year 2013/2014	TUINROETE AGRI	2,508.90			
	Year 2013/2014	TUINROETE AGRI	2,599.70			
	Year 2013/2014	TUINROETE AGRI	2,743.30			
	Year 2013/2014	TUINROETE AGRI	2,783.65			
	Year 2013/2014	TUINROETE AGRI	2,830.00			
	Year 2013/2014	TUINROETE AGRI	2,837.60			
	Year 2013/2014	TUINROETE AGRI	2,851.60			
	Year 2013/2014	TUINROETE AGRI	2,870.40			
	Year 2013/2014	TUINROETE AGRI	3,144.00			
	Year 2013/2014	TUINROETE AGRI	3,319.10			
	Year 2013/2014	TUINROETE AGRI	3,336.40			
	Year 2013/2014	TUINROETE AGRI	3,529.70			
	Year 2013/2014	TUINROETE AGRI	3,572.70			
	Year 2013/2014	TUINROETE AGRI	3,729.10			

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Year 2013/2014	TUINROETE AGRI	3,732.80
Year 2013/2014	TUINROETE AGRI	3,783.10
Year 2013/2014	TUINROETE AGRI	3,790.80
Year 2013/2014	TUINROETE AGRI	3,804.20
Year 2013/2014	TUINROETE AGRI	3,859.60
Year 2013/2014	TUINROETE AGRI	3,944.50
Year 2013/2014	TUINROETE AGRI	3,967.70
Year 2013/2014	TUINROETE AGRI	4,040.20
Year 2013/2014	TUINROETE AGRI	4,077.70
Year 2013/2014	TUINROETE AGRI	4,861.70
Year 2013/2014	TUINROETE AGRI	4,987.90
Year 2013/2014	TUINROETE AGRI	5,030.00
Year 2013/2014	TUINROETE AGRI	5,223.60
Year 2013/2014	TUINROETE AGRI	5,533.40
Year 2013/2014	TUINROETE AGRI	5,547.70
Year 2013/2014	TUINROETE AGRI	6,308.80
Year 2013/2014	TUINROETE AGRI	8,621.40
Year 2013/2014	TUINROETE AGRI	14,572.80
Year 2013/2014	TUINROETE AGRI	18,677.56
Year 2013/2014	TUINROETE AGRI	22,383.70
Year 2013/2014	UMSENGE STRATEGIC DEVELOPMENT AND CC	58,000.00
Year 2013/2014	VOLKSWAGEN (PTY) LTD	358,029.70
Year 2013/2014	VOLVO SOUTHERN AFRICA	38,160.53
Year 2013/2014	VOLVO SOUTHERN AFRICA	342,509.60
Year 2013/2014	WANDILE TRANSPORT	2,100.00
Year 2013/2014	WATER PUMPING	19125
Year 2013/2014	WATER TECHNOLOGY CAPE (PTY) LTD	7,752.00
Year 2013/2014	WILCO ENGINEERING	4,800.00
Year 2013/2014	WILLIAMS HUNT HUMANSDORP	265,435.22

42. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

There are a number of other events and conditions that individually or collectively may cast significant doubt on the going concern assumption and place the municipality's financial sustainability under threat. These indicators include amongst others:

Revenue is not being collected and debtor's recoverability days have worsened from 182 days in 2012-2013 compared to 507 days in 2013-2014 financial year.

The municipality developed a Financial Recovery Plan to address the cash flow challenges experienced at the beginning of the 2013/14 financial year and is currently implementing stringent debt collection and credit control procedures. This plan has resulted in the municipality improving its cash and cash equivalents position from a balance of R 5 570 902 for the 2012/2013 financial year to R 8 288 282 as at the end of June 2014. The municipality has also secured a bank overdraft in the amount of R5 million to cover short term cash shortfalls as and when the need arises – to date this facility has not been used.

Certain suppliers only provide services on the cash basis now due to problems receiving payments in the past.

The community is refusing to pay for services due to incorrect accounts, faulty water meters and a delay in receiving statements.

Inability of the municipality to pay creditors as creditors days were 79 days in 2012-2013 compared to 155 days in the 2013- 2014 financial year.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis. 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.