



KAI !GARIB LOCAL MUNICIPALITY

(Registration number: NC082)

**AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2014

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

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Abbreviations

ASB	Accounting Standards Board
D.W.A.F.	Department of Water Affairs and Forestry
DBSA	Development Bank of South Africa
EPWPIG	Expanded Public Works Programme Incentive Grant
FMG	Finance Management Grant
GRAP	Generally Recognized Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LG SETA	Local Government Sector Education Training Programme
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
NCL	Non current liability
PAYE	Pay As You Earn
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation
WCA	Workers Compensation Administration

Relevant Legislation

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2014

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998)
Nature of business and principal activities	Kai !Garib Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996)
Demarcation code	NC082
Grading of local authority	Low capacity municipality
Chief Finance Officer (CFO)	Mr. J. Krapohl
Accounting Officer	Mr. J.G. Lategan (Acting)
Registered office	164 11th Avenue Kakamas 8870
Postal address	Private Bag X 6 Kakamas 8870
Bankers	ABSA Bank Limited Standard Bank Limited
Auditors	Auditor General of South Africa
Preparer	The unaudited annual financial statements were internally compiled by Kai !Garib Local Municipality
Telephone number	(054) 431 6300
Fax number	(054) 431 6301
Email address	admin@kaigarib.gov.za
Website	www.kaigarib.gov.za

Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2014

Members of the Municipal Council

Mayor	Cllr. J.J.J. Olyn	
Speaker	Cllr. S. Jacob	
Chief Whip	Cllr. W.D. Klim	
Proportional members	Cllr. A. van der Westhuizen	COPE
	Cllr. E. Mompe	COPE
	Cllr. M.M.J. Titus	COPE
	Cllr. A.M. van Wyk	DA
	Cllr. E. Meyer	DA
	Cllr. C. Markgraaf	DA
Ward councillors	Cllr. W.D. Klim	ANC
	Cllr. A.C. Snyers	ANC
	Cllr. B.M. Bock	ANC
	Cllr. A.M. Isaacs	ANC
	Cllr. A.V. du Plessis	ANC
	Cllr. F.J. Handona	ANC
	Cllr. W.B. Kampfer	ANC
	Cllr. D.W. Fienies	ANC
	Cllr. E Frits (Elected 7/7/2014)	ANC
Council committees		
1. Mayoral committee		
Chairperson:	Cllr. J.J.J. Olyn	
Members:	Cllr. D.W. Fienies	
	Cllr. E. Meyer	
2. Financial management committee		
Chairperson:	Cllr. J.J.J. Olyn	
Members:	Cllr. F. Handona	
	Cllr. E. Meyer	
3. Socio economic development committee		
Chairperson:	Cllr. D.W. Fienies	
Members:	Cllr. M.M.J. Titus	
	Cllr. A.M. van Wyk	
	Cllr. A.M. Isaacs	
4. Public participation and good governance committee		
Chairperson:	Cllr. F. Handona	
5. Institutional development committee		
Chairperson:	Cllr. A.V. du Plessis	
Members:	Cllr. B.M. Bock	
	Cllr. A. van der Westhuizen	
6. Infrastructure development committee		
Chairperson:	Cllr. W.D. Klim	
Members:	Cllr. A.V. du Plessis	
	Cllr. D.W. Fienies	
	Cllr. M.M.J. Titus	
7. Municipal public account committee:		
Chairperson:	Cllr B.M. Bock	
Members:	Cllr A.V. Du Plessis	
	Cllr. D.W. Fienies	
	Cllr. M.M.J. Titus	

Munisipaliteit Kai !Garib Municipality

Munisipale Gebou

11^{de} Laan

Tel 054 431 6300

Faks 054 431 6301

Privaatsak X 6

KAKAMAS

8870

BTW Nr. 4170193371



Municipal Building

11th Avenue

Tel 054 431 6300

Fax 054 431 6301

Private Bag X 6

KAKAMAS

8870

VAT No. 4170193371

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 audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited 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 that ended. The external auditors are engaged to express an independent opinion on the audited annual financial statements and was given unrestricted access to all financial records and related data.

The audited 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 audited 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 officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The audited annual financial statements set out on page 6 - 100, which have been prepared on the going concern basis, were approved by the accounting officer and were signed by him:

Mr. J.G. Lategan (Acting)
Municipal Manager (Accounting Officer)
Kai !Garib Local Municipality
29 August 2014

Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2014

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

Kai !Garib Municipality is a local municipality performing functions as set out in the Constitution (Act no 105 of 1996) and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached audited annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 51,477,076 (2013: deficit R 32,570,768).

2. Going concern

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The account officer has no interest in contracts awarded, either direct or indirect.

5. Accounting policies

The audited annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

6. Accounting Officer

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

Name	Changes
Mr. J.G. Lategan (Acting)	Appointed 01 April 2014
Mr. A. Vosloo	Resigned 31 March 2014

Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2014

Accounting Officer's Report

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King III Report on Corporate Governance for South Africa 2010. The accounting officer discuss the responsibilities of management in this respect, at council meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Audit committee

The audit committee was established with effect from 1 July 2014. The chairperson of the audit committee is Mr. H.C. Ogu (non executive director), who is an independent audit committee member. Other independent members of the audit committee are, Mr. N. Erasmus and Me. A. Viljoen.

Internal audit

The municipality established an internal audit unit on 1 April 2014. Since the establishment of the internal audit unit ZF Mgcawu District Municipality assists the municipality with their internal audit functions as required by legislation.

8. Bankers

The municipality's primary bank accounts are with ABSA Bank Limited and Standard Bank Limited and will continue to bank with them in the new financial year.

9. Auditors

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

Munisipaliteit Kai !Garib Municipality

Munisipale Gebou

11^{de} Laan

Tel 054 431 6300

Faks 054 431 6301

Privaatsak X 6

KAKAMAS

8870

BTW Nr. 4170193371



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Tel 054 431 6300

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Certification of Remuneration of Councillors

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 37281 dated 29/01/2014. This read with the Remuneration of Public Officer Bearers Act, Circular 40/2012 dated 10/12/2012 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. J.G. Lategan (Acting)
Municipal Manager (Accounting Officer)
Kai !Garib Local Municipality
29 August 2014

Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Notes	2014	2013 Restated*
Assets			
Current Assets			
Cash and cash equivalents	10	2,404,486	14,856,813
Consumer debtors	9	21,422,705	19,574,647
Inventories	8	1,022,887	886,583
Other financial assets	6	1,103,835	1,113,892
VAT receivable	16	5,678,933	14,663,789
Total Current Assets		31,632,846	51,095,724
Non-Current Assets			
Other financial assets	6	5,708,502	6,132,079
Intangible assets	5	100,117	59,564
Investment property	3	1,200,000	1,134,000
Property, plant and equipment	4	811,431,197	814,186,116
Total Non-Current Assets		818,439,816	821,511,759
Total Assets		850,072,662	872,607,483
Liabilities			
Current Liabilities			
Bank overdraft	10	40,147,304	297,853
Consumer deposits	17	1,592,148	1,536,426
Finance lease obligation	11	1,089,110	1,324,112
Other financial liabilities	13	1,585,490	1,657,478
Payables from exchange transactions	15	33,940,652	52,475,764
Provisions	14	5,598,356	620,592
Unspent conditional grants and receipts	12	4,829,684	6,921,538
Total Current Liabilities		88,782,744	64,833,763
Non-Current Liabilities			
Finance lease obligation	11	1,333,179	2,256,113
Other financial liabilities	13	6,403,647	7,989,135
Provisions	14	37,412,426	32,425,002
Employee benefit obligation	7	14,152,738	11,638,471
Total Non-Current Liabilities		59,301,990	54,308,721
Total Liabilities		148,084,734	119,142,484
Net Assets		701,987,928	753,464,999
Accumulated surplus		701,987,928	753,464,999

* See Note 47

Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Performance for the year ended 30 June 2014

Figures in Rand	Notes	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Income from agency services	32	774,095	425,086
Interest received	34	8,092,998	7,498,586
Rental of facilities and equipment	38	156,568	114,902
Service charges	22	73,300,933	71,471,517
Other income	27	551,125	353,503
Total revenue from exchange transactions		82,875,719	79,863,594
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	14,317,649	11,017,449
Property rates - penalties imposed	21	3,296,798	2,825,349
Transfer revenue			
Fines	23	83,781	139,351
Government grants and subsidies	24	80,272,203	73,651,714
Public contributions and donations	25	500	2,000
Total revenue from non-exchange transactions		97,970,931	87,635,863
Total revenue	19	180,846,650	167,499,457
Expenditure			
Bulk purchases	41	40,587,742	37,797,952
Contracted services	39	10,504,651	7,880,147
Debt impairment	33	5,623,291	13,759,057
Depreciation and amortisation	35	42,850,200	35,681,708
Employee related costs	30	75,168,472	62,611,932
Finance costs	36	2,319,927	996,556
General expenses	28	22,237,409	21,615,773
Grants and subsidies paid	40	20,498,556	11,120,643
Impairment losses	57	399,455	-
Remuneration of councillors	31	4,703,976	5,009,075
Repairs and maintenance	20	5,076,997	3,597,382
Total expenditure		229,970,676	200,070,225
Operating deficit	29	(49,124,026)	(32,570,768)
Investment property fair value adjustments	3	66,000	-
Loss on disposal of assets	4	(2,419,050)	-
Deficit for the year		(51,477,076)	(32,570,768)

* See Note 47

Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets for the year ended 30 June 2014

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2012	786,035,767	786,035,767
Changes in net assets		
Deficit for the year	(32,570,768)	(32,570,768)
Total changes	(32,570,768)	(32,570,768)
Restated* Balance at 01 July 2013	753,465,004	753,465,004
Changes in net assets		
Deficit for the year	(51,477,076)	(51,477,076)
Total changes	(51,477,076)	(51,477,076)
Balance at 30 June 2014	701,987,928	701,987,928

* See Note 47

Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2014

Cash Flow Statement for the year ended 30 June 2014

Figures in Rand	Notes	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Property rates		16,420,433	26,996,163
Service charges		72,646,889	49,487,696
Government grants and receipts		78,180,349	75,401,877
Interest income		8,092,998	7,498,586
Public contributions and donations		500	2,000
Other income		2,084,687	4,225,634
		177,425,856	163,611,956
Payments			
Employee related costs		(77,559,838)	(64,749,511)
Suppliers		(98,066,719)	(57,932,486)
Finance costs		(2,319,927)	(996,555)
		(177,946,484)	(123,678,552)
Net cash flows from operating activities	42	(520,628)	39,933,404
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(48,902,790)	(28,592,535)
Purchase of intangible assets	5	(62,948)	-
Net cash flows from investing activities		(48,965,738)	(28,592,535)
Cash flows from financing activities			
Repayment of Finance leases		(1,657,476)	(1,951,891)
Repayment of Other financial liabilities		(1,157,936)	-
Movement of Other financial liabilities		-	2,122,942
Net cash flows from financing activities		(2,815,412)	171,051
Net increase/(decrease) in cash and cash equivalents		(52,301,778)	11,511,920
Cash and cash equivalents at the beginning of the year		14,558,960	3,047,040
Cash and cash equivalents at the end of the year	10	(37,742,818)	14,558,960

* See Note 47

Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts as at 30 June 2014

Budget on Cash Basis

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

Statement of Financial Performance

Revenue

Revenue by source

Property rates	16,270,476	(883,301)	15,387,175	17,614,447	2,227,272
Service charges	81,794,022	1,428,157	83,222,179	73,300,933	(9,921,246)
Investment revenue	8,856,386	(645,059)	8,211,327	8,092,998	(118,329)
Transfers recognised - operational	53,232,000	-	53,232,000	50,936,027	(2,295,973)
Other own revenue	3,460,323	7,080,947	10,541,270	1,566,069	(8,975,201)
Total Revenue (excluding capital transfers and contributions)	163,613,207	6,980,744	170,593,951	151,510,474	(19,083,477)

Expenditure by type

Employee costs	(54,722,015)	(9,892,196)	(64,614,211)	(75,168,472)	(10,554,261)
Remuneration of councillors	(4,227,616)	(694,384)	(4,922,000)	(4,703,976)	218,024
Debt impairment	(5,918,930)	(14,661,070)	(20,580,000)	(5,623,291)	14,956,709
Depreciation & asset impairment	(711,452)	(8,543,655)	(9,255,107)	(43,249,655)	(33,994,548)
Finance charges	(2,899,613)	(341,387)	(3,241,000)	(2,319,928)	921,072
Materials and bulk purchases	(54,298,439)	(4,024,161)	(58,322,600)	(40,587,742)	17,734,858
Transfers and grants	(12,406,544)	8,186,544	(4,220,000)	(20,498,556)	(16,278,556)
Other expenditure	(11,841,275)	(14,141,354)	(25,982,629)	(37,819,056)	(11,836,427)
Total expenditure	(147,025,884)	(44,111,663)	(191,137,547)	(229,970,676)	(38,833,129)
Surplus	16,587,323	(37,130,919)	(20,543,596)	(78,460,202)	(57,916,606)
Transfers recognised - capital	618,500	19,951,500	20,570,000	29,336,176	8,766,176
Contributions recognised - capital & contributed assets	618,500	19,951,500	20,570,000	(2,353,050)	(22,923,050)
Surplus after capital transfers & contributions	17,824,323	2,772,081	20,596,404	(51,477,076)	(72,073,480)
Surplus for the year	17,824,323	2,772,081	20,596,404	(51,477,076)	(72,073,480)

Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts as at 30 June 2014

Budget on Cash Basis

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

Statement of Financial Position

Assets

Current Assets

Cash and cash equivalents	434,000	3,304,000	3,738,000	2,404,486	(1,333,514)	
Call investment deposits	3,265,000	(2,802,000)	462,000	-	(462,000)	
Consumer debtors	95,946,000	(86,289,000)	9,657,000	21,422,706	11,765,706	
Other debtors	-	58,000	58,000	1,103,835	1,045,835	
VAT Receivable	-	-	-	2,965,096	2,965,096	
Inventory	-	1,200,000	1,200,000	1,022,887	(177,113)	
	99,645,000	(84,529,000)	15,115,000	28,919,010	13,804,010	

Non-Current Assets

Long-term receivables	-	-	-	5,708,502	5,708,502	
Investment property	-	4,195,000	4,195,000	1,200,000	(2,995,000)	
Property, plant and equipment	822,067,000	(11,111,000)	810,956,000	810,247,406	(708,594)	
Intangible assets	659,000	(650,000)	9,000	100,117	91,117	
Other non-current assets	-	10,257,000	10,257,000	-	(10,257,000)	
	822,726,000	2,691,000	825,417,000	817,256,025	(8,160,975)	

Total Assets	922,371,000	(81,838,000)	840,532,000	846,175,035	5,643,035	
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Liabilities

Current Liabilities

Bank overdraft	-	-	-	40,147,304	40,147,304	
Borrowing	-	1,956,000	1,956,000	2,674,600	718,600	
Consumer deposits	3,127,000	(3,127,000)	1,568,000	1,592,148	24,148	
Trade and other payables	-	50,876,000	50,876,000	38,770,336	(12,105,664)	
Provisions	-	602,000	602,000	5,598,356	4,996,356	
	3,127,000	50,307,000	55,002,000	88,782,744	33,780,744	

Non-Current Liabilities

Borrowing	16,637,000	(4,720,000)	11,917,000	7,736,824	(4,180,176)	
Provisions	-	46,398,000	46,397,000	51,565,166	5,168,166	

	16,637,000	41,678,000	58,314,000	59,301,990	987,990	
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Total Liabilities	19,764,000	91,985,000	113,316,000	148,084,734	34,768,734	
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Net Assets	902,607,000	(173,823,000)	727,216,000	698,090,301	(29,125,699)	
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Community wealth/equity

Accumulated Surplus/(Deficit)	902,607,000	(173,823,000)	727,216,000	698,090,301	(29,125,699)	
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Total community wealth/equity	902,607,000	(173,823,000)	727,216,000	698,090,301	(29,125,699)	
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Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts as at 30 June 2014

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	109,930,200	(583,249)	109,346,951	89,526,340	(19,820,611)	
Government - operating	53,232,000	3,174,993	56,406,993	64,900,904	8,493,911	
Government - capital	618,500	19,951,500	20,570,000	7,094,341	(13,475,659)	
Interest	8,591,804	(576,804)	8,015,000	7,937,877	(77,123)	
	172,372,504	21,966,440	194,338,944	169,459,462	(24,879,482)	
Payments						
Suppliers and employees	(136,649,072)	(37,798,772)	(174,447,844)	(142,116,862)	32,330,982	
Finance charges	(2,899,613)	(341,387)	(3,241,000)	(1,925,299)	1,315,701	
Transfers and Grants	(12,406,544)	5,011,551	(7,394,993)	(13,952,518)	(6,557,525)	
	(151,955,229)	(33,128,608)	(185,083,837)	(157,994,679)	27,089,158	
Net cash flows from operating activities	20,417,275	(11,162,168)	9,255,107	11,464,783	2,209,676	
Cash flows from investing activities						
Receipts						
Decrease (Increase) in non-current debtors	-	-	-	241,491	241,491	
Payments						
Capital assets	(35,653,500)	14,492,385	(21,161,115)	(23,603,558)	(2,442,443)	
Net cash flows from investing activities	(35,653,500)	14,492,385	(21,161,115)	(23,362,067)	(2,200,952)	
Cash flows from financing activities						
Receipts						
Increase (decrease) in consumer deposits	-	-	-	55,722	55,722	
Payments						
Repayment of borrowing	-	-	-	(349,032)	(349,032)	
Net cash flows from investing activities	-	-	-	(293,310)	(293,310)	
Net increase/(decrease) in cash held	(15,236,225)	3,330,217	(11,906,008)	(12,190,594)	(284,586)	
Cash/cash equivalents at the year begin:	(7,517,145)	-	(7,517,145)	(7,517,145)	-	
Cash and cash equivalents at the end of the year	(22,753,370)	3,330,217	(19,423,153)	(19,707,739)	(284,586)	

Kai !Garib Local Municipality

(Registration number NC082)
Audited Annual Financial Statements for the year ended 30 June 2014

Appropriation Statement for the year ended 30 June 2014

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Property rates	16,270,000	(883,000)	15,387,000	-	-	15,387,000	17,614,447		2,227,447	114 %	108 %
Service charges	81,794,000	1,428,000	83,222,000	-	-	83,222,000	73,300,933		(9,921,067)	88 %	90 %
Investment revenue	8,592,000	(577,000)	8,015,000	-	-	8,015,000	8,092,998		77,998	101 %	94 %
Transfers recognised - operational	53,232,000	3,175,000	56,407,000	-	-	56,407,000	80,272,203		23,865,203	142 %	151 %
Other own revenue	11,866,000	(1,128,000)	10,738,000	-	-	10,738,000	1,566,069		(9,171,931)	15 %	13 %
Total revenue (excluding capital transfers and contributions)	171,754,000	2,015,000	173,769,000	-	-	173,769,000	180,846,650		7,077,650	104 %	105 %
Employee costs	(54,032,000)	(9,929,000)	(63,961,000)	-	-	(63,961,000)	(75,168,472)	(11,207,472)	(11,207,472)	118 %	139 %
Remuneration of councillors	(4,917,000)	(685,000)	(5,602,000)	-	-	(5,602,000)	(4,703,976)	-	898,024	84 %	96 %
Debt impairment	(5,919,000)	(14,661,000)	(20,580,000)			(20,580,000)	(5,623,291)	-	14,956,709	27 %	95 %
Depreciation and asset impairment	(711,000)	(8,544,000)	(9,255,000)			(9,255,000)	(43,249,655)	(33,994,655)	(33,994,655)	467 %	6,083 %
Finance charges	(2,900,000)	(341,000)	(3,241,000)	-	-	(3,241,000)	(2,319,927)	-	921,073	72 %	80 %
Materials and bulk purchases	(37,310,000)	(4,190,000)	(41,500,000)	-	-	(41,500,000)	(40,587,742)	-	912,258	98 %	109 %
Transfers and grants	(12,407,000)	5,012,000	(7,395,000)	-	-	(7,395,000)	(20,498,556)	(13,103,556)	(13,103,556)	277 %	165 %
Other expenditure	(34,471,000)	(8,334,000)	(42,805,000)	-	-	(42,805,000)	(37,819,643)	-	4,985,357	88 %	110 %
Total expenditure	(152,667,000)	(41,672,000)	(194,339,000)	-	-	(194,339,000)	(229,971,262)	(58,305,683)	(35,632,262)	118 %	151 %
Surplus/(Deficit)	19,087,000	(39,657,000)	(20,570,000)	-	-	(20,570,000)	(49,124,612)		(28,554,612)	239 %	(257)%

Kai !Garib Local Municipality

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Appropriation Statement

Figures in Rand											
	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	619,000	19,951,000	20,570,000	-	-	20,570,000	-	-	(20,570,000)	- %	- %
Loss on disposal and fair value adjustments	-	-	-	-	-	-	(2,353,050)	-	(2,353,050)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	19,706,000	(19,706,000)	-	-	-	-	(51,477,662)	-	(51,477,662)	DIV/0 %	(261)%
Surplus/(Deficit) for the year	19,706,000	(19,706,000)	-	-	-	-	(51,477,662)	-	(51,477,662)	DIV/0 %	(261)%
Capital expenditure and funds sources											
Total capital expenditure	35,654,000	(14,493,000)	21,161,000	-	-	21,161,000	23,604,000	-	2,443,000	112 %	66 %
Sources of capital funds											
Transfers recognised - capital	619,000	19,951,000	20,570,000	-	-	20,570,000	7,094,000	-	(13,476,000)	34 %	1,146 %

Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2014

Appropriation Statement for the year ended 30 June 2014

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2013				
Financial Performance				
Property rates				13,843,000
Service charges				72,935,000
Investment revenue				7,498,000
Transfers recognised - operational				57,157,000
Other own revenue				1,035,000
Total revenue (excluding capital transfers and contributions)				152,468,000
Employee costs	(7,973,134)	-	(7,973,134)	(58,342,000)
Remuneration of councillors	(1,062,625)	-	(1,062,625)	(4,320,000)
Debt impairment	(22,013,253)	-	(22,013,253)	(22,013,000)
Depreciation and asset impairment	(31,105,451)	-	(31,105,451)	(36,112,000)
Finance charges	(740,271)	-	(740,271)	(3,586,000)
Materials and bulk purchases	(7,557,005)	-	(7,557,005)	(37,798,000)
Transfers and grants	-	-	-	(10,452,000)
Other expenditure	-	-	-	(35,943,000)
Total expenditure	(70,451,739)	-	(70,451,739)	(208,566,000)
Surplus/(Deficit)				(56,098,000)
Transfers recognised - capital				20,977,000
Contributions recognised - capital and contributed assets				-
Surplus (Deficit) after capital transfers and contributions				(35,121,000)
Surplus/(Deficit) for the year				(35,121,000)

Kai iGarib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2014

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Capital expenditure and funds sources				
Total capital expenditure				35,352,000
Sources of capital funds				
Transfers recognised - capital				20,977,000
Cash flows				
Net cash from (used) operating				39,933,404
Net cash from (used) investing				(28,592,535)
Net cash from (used) financing				171,051
Net increase/(decrease) in cash and cash equivalents				11,511,920
Cash and cash equivalents at the beginning of the year				(34,130,076)
Cash and cash equivalents at year end				(22,618,156)

Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Audited Annual Financial Statements

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

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

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

A summary of the significant accounting policies, which have been consistently applied, except where otherwise indicated, in the preparation of these audited annual financial statements, are disclosed below.

For the years ended 30 June 2013 and 30 June 2014 the municipality has adopted the accounting framework as set out above. 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:

- is required by a Standard of GRAP; or
- 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.

1.1 Presentation currency

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

The amounts disclosed in the audited annual financial statements are rounded-off to the nearest Rand.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

Kai Igarib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives and residual values of property, plant and equipment and other assets

The municipality reassesses the useful lives and residual values of property, plant and equipment, investment property and intangible assets on an annual basis. In reassessing the useful lives and residual values of property, plant and equipment, investment property and intangible assets management considers the condition and use of the individual assets, and base it on industry knowledge, to determine the remaining period over which the asset can and will be used and the residual value.

Post retirement benefits

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

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

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

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Allowance for doubtful debts

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

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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Audited Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised 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.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

- Property intended for sale in the ordinary course of operations or in the process of construction or development from 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 developments and subsequent use as owner occupied property, property occupied by employees such as housing personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
- Property that is being constructed for future use as investment property;
- Property that is leased to another entity as investment property;
- 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.

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Accounting Policies

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site in which it is located.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The municipality has capitalised the provision for landfill rehabilitation as per GRAP 17 (Property, plant and equipment). In accordance with GRAP 17, this asset is depreciated over the estimated useful life of the landfill, as determined in the valuation of the landfill rehabilitation provision.

Depreciation only commences when the asset is ready for its intended use.

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

Item	Average useful life
Land	Indefinite
Buildings	10-50 years
Plant and machinery	2-80 years
Furniture and fixtures	3-15 years
Motor vehicles	3-15 years
Computer equipment	2-5 years
Infrastructure	5-60 years

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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Accounting Policies

1.7 Intangible assets (continued)

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Computer software, other	2 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Capitalised development costs are recorded as intangible assets and recognised from the point at which the asset is ready for use on a straight line basis over its useful life, which is between 3 and 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitude's obtained by the municipality give the municipality access to land for specific purposes for an unlimited period. However, such intangible assets are subject to an annual impairment test.

Development assets are tested for impairment annually in accordance with GRAP 102. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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Accounting Policies

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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1.8 Financial instruments (continued)

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

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

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

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

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1.8 Financial instruments (continued)

Classification

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

Class

Cash and cash equivalents
Consumer debtors
Other financial asset

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at fair value

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

Class

Consumer deposits
Finance lease obligations
Other financial liabilities (DBSA)
Trade and other payables from exchange transactions

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the statement of financial performance.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

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1.9 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance

- Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

- Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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Accounting Policies

1.10 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Consumer deposits

Consumer deposits are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.13 Value added tax (VAT)

The municipality accounts for value added tax on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services except where the suppliers are specifically zero rated in terms of section 11, exempt in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The municipality accounts for VAT on a monthly basis.

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Accounting Policies

1.14 Unspent conditional grants

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

Government grants and receipts are recognised as revenue when:

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

Revenue 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.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the statement of financial performance.

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

Recoverable 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.

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

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Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

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

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1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

1.16 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

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

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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Accounting Policies

1.16 Employee benefits (continued)

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

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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1.16 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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 has opted to treat its provision for leave pay as an accrual.

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 provision 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.

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

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. Not all medical aid funds, with which the municipality is associated, provide for continued membership.

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Accounting Policies

1.16 Employee benefits (continued)

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. 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 accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, 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.

Provincially-administered defined benefit plans

The municipality contributes to various national and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined benefit pension plans

The municipality has an obligation to provide post-retirement pension benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, 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.

Other post retirement obligations

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, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Kai Igarib Local Municipality

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Accounting Policies

1.17 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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Accounting Policies

1.17 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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 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.

Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital.

The municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which an municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- 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 stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest and investment income

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

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

Interest earned on investments is recognised in the statement of financial performance on the time-proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the statement of financial performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unspent conditional grants is allocated directly to the creditor: unspent conditional grants, if the grant conditions indicate that interest is payable to the funder.

Service charges

Service charges are levied in terms of approved tariffs. Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. 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 it 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.

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.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by council, and are levied monthly.

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

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Pre-paid electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Rentals received

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

- 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; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Measurement

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

1.19 Revenue from non-exchange transactions

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than property rates.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.20 Revenue

Turnover comprises of sales to consumers and service rendered to consumers. Revenue is stated at the invoice amount and is exclusive of value added taxation.

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Audited Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.21 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 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.

1.23 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where 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.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which 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.

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA states the following "Irregular expenditure in relation to a municipality or municipal entity ,means:

- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with ,a requirement of this Act and which has not been condoned in terms of section 170
- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with ,a requirement of the Municipal Systems Act and which has not been condoned in terms of this Act
- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with ,a requirement of the Public Office-Bearers Act 1998 (Act No 20 of 1998) or
- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with ,a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by –laws giving effect to such policy and which has not been condoned in terms of such policy or by-law

But excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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Audited Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.26 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

All expenditure relating to irregular 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.

1.27 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.28 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2013-07-01 to 2014-06-30.

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Audited Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.29 Budget information (continued)

The audited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.30 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

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

1.31 Offsetting

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

1.32 Events after 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 notes to the annual financial statements.

1.33 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance, but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

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

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Accounting Policies

1.34 Change on accounting policies estimates and errors

Changes in accounting policies that are affected 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 restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

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Audited Annual Financial Statements for the year ended 30 June 2014

Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise: Irregular expenditure as result of the Noncompliance with SCM regulations and policies

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

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;
- Termination benefits.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
 - Actuarial valuation method;
 - Attributing benefits to periods of service;
 - Actuarial assumptions;
 - Actuarial assumptions: Discount rate;
 - Actuarial assumptions: Salaries, benefits and medical costs;
 - Actuarial gains and losses;
 - Past service cost.
- Plan assets:
 - Fair value of plan assets;
 - Reimbursements;
 - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 audited annual financial statements.

The impact of the standard is set out in note 1.34 Changes in Accounting Policy.

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Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets for the year ended 30 June 2014.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 audited annual financial statements.

The impact of the amendment is set out in note 1.34 Changes in Accounting Policy.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 audited annual financial statements.

The impact of the amendment is set out in note 1.34 Changes in Accounting Policy.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 audited annual financial statements.

The impact of the amendment is set out in note 1.34 Changes in Accounting Policy.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 audited annual financial statements.

The impact of the amendment is set out in note 1.34 Changes in Accounting Policy.

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Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 audited annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 audited annual financial statements.

The impact of the amendment is set out in note 1.34 Changes in Accounting Policy.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 audited annual financial statements.

The impact of the amendment is set out in note 1.34 Changes in Accounting Policy.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's audited annual financial statements.

IGRAP16: Intangible assets website costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annual reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

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Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's audited annual financial statements.

IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

- (a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and
- (b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's audited annual financial statements.

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Audited Annual Financial Statements for the year ended 30 June 2014

Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
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3. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,200,000	-	1,200,000	1,134,000	-	1,134,000

Reconciliation of investment property - 2014

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	1,134,000	-	-	66,000	1,200,000

Reconciliation of investment property - 2013

	Opening balance	Additions	Disposals	Total
Investment property	1,134,000	-	-	1,134,000

Details of property

Erf 1654, Kakamas

Title deed number T74252/198

- Purchase price: 20 July 1987

- Fair value adjustment

19,830

358,170

400,000

378,000

Erf 666, Keimoes

Title deed number G16/1942

- Fair value adjustment

200,000

189,000

Erf 667, Keimoes

Title deed number G16/1942

- Fair value adjustment

600,000

567,000

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.

Details of valuation

The effective date of the revaluations was 14 August 2014 as per valuation report. The valuation of investment property were done to reflect the fair value of investment properties as at 30 June 2014 and 30 June 2013. Revaluations were performed by an independent valuer, Mr D van Vuuren as a Professional Associated Valuer, of DDP Valuers. DDP Valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use.

Investment properties comprise residential and commercial properties that are rented out, as well as vacant land held for a currently undetermined use.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

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Audited Annual Financial Statements for the year ended 30 June 2014

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	96,032,341	(8,051,643)	87,980,698	85,821,182	(463,480)	85,357,702
Buildings	66,031,389	(9,412,056)	56,619,333	66,048,441	(7,216,340)	58,832,101
Infrastructure	693,522,982	(135,166,370)	558,356,612	682,527,107	(106,337,120)	576,189,987
Community	19,567,099	(5,533,011)	14,034,088	20,023,007	(4,475,055)	15,547,952
Other property, plant and equipment	35,315,186	(13,632,440)	21,682,746	34,619,716	(10,848,067)	23,771,649
Work in progress	72,757,720	-	72,757,720	54,486,725	-	54,486,725
Total	983,226,717	(171,795,520)	811,431,197	943,526,178	(129,340,062)	814,186,116

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation loss	Impairment	Total
Land	85,357,702	9,811,704	-	-	-	(7,188,708)	-	87,980,698
Buildings	58,832,101	-	(11,806)	-	-	(1,802,773)	(398,189)	56,619,333
Infrastructure assets	576,189,987	13,521,552	(2,013,117)	-	-	(27,632,721)	(1,709,089)	558,356,612
Community assets	15,547,952	-	(314,648)	-	-	(1,083,449)	(115,767)	14,034,088
Other property, plant and equipment	23,771,649	887,099	(79,481)	-	-	(2,896,521)	-	21,682,746
Work-in-progress	54,486,725	31,792,547	-	(13,521,552)	-	-	-	72,757,720
Total	814,186,116	56,012,902	(2,419,052)	(13,521,552)	-	(40,604,172)	(2,223,045)	811,431,197

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Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	57,175,552	28,645,630	-	-	(463,480)	85,357,702
Buildings	60,636,186	-	-	-	(1,804,085)	58,832,101
Infrastructure	580,638,960	22,666,471	-	-	(27,115,444)	576,189,987
Community	16,666,716	-	-	-	(1,118,764)	15,547,952
Other property, plant and equipment	16,569,221	11,060,701	-	-	(3,858,273)	23,771,649
Work-in-progress	54,486,725	-	-	-	-	54,486,725
	786,173,360	62,372,802	-	-	(34,360,046)	814,186,116

Pledged as security

The municipality did not pledge any of its assets as security.

All property, plant and equipment is being fully utilised by the municipality. There is therefore no idle property, plant and equipment. A register containing the information as required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Total
Opening balance	54,486,725	54,486,725
Additions/capital expenditure	31,792,547	31,792,547
Transferred to Infrastructure assets	(13,521,552)	(13,521,552)
	72,757,720	72,757,720

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.

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
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5. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	163,108	(62,991)	100,117	99,574	(40,010)	59,564

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	59,564	62,948	(22,395)	100,117

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	19,202	68,275	(27,913)	59,564

Pledged as security

All intangible assets are held under freehold interests and no intangible assets have been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the intangible assets of the municipality.

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
6. Other financial assets		
Designated at fair value		
Old Mutual - 1166 5522	66,978	66,978
The policy has reached the end of its term on 1 August 2003 and has been inactive since then. The maturity proceeds are not exposed to the market, thus the maturity value as at 1 August 2003 is still the same as at 30 June 2014.		
At amortised cost		
Long-term bad debt: Services	6,745,359	7,178,993
The consumers made arrangements with the municipality to pay off their long overdue rates and services accounts. The outstanding accounts will be settled interest free in equal installments over a period of 12 to 24 months. No new "payment arrangements" is granted by the municipality.		
Total other financial assets	6,812,337	7,245,971
Non-current assets		
At amortised cost	5,708,502	6,132,079
Current assets		
Designated at fair value	66,978	66,978
At amortised cost	1,036,857	1,046,914
	1,103,835	1,113,892

7. Employee benefit obligations

Defined benefit plan

The GRAP 25 Statement sets out the measurement recognition and disclosure requirements in accounting for postretirement "defined benefit" plans. It is recommended that the Municipality consult with their auditors in determining the appropriate approach for reflecting the results of this valuation in their Financial Statements.

Post retirement benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP 25 Statement places the responsibility on management to set these assumptions as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

Changes in the present value of the defined benefit obligation are as follows:

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
7. Employee benefit obligations (continued)		
Opening balance	11,638,471	11,038,052
Net expense recognised in the statement of financial performance	2,514,267	600,419
	14,152,738	11,638,471

Net expense recognised in the statement of financial performance

Current service costs: Post employment benefits	397,202	282,992
Contributions (benefits paid)	(658,365)	(567,538)
Interest cost: Post employment benefits	987,743	837,512
Actuarial losses: Post employment benefits	1,787,687	47,453
Included in employee related costs (Note 34)	2,514,267	600,419

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.91 %	8.65 %
Health care cost inflation rate	8.13 %	7.70 %
Net effective discount rate	0.72 %	0.59 %

Key demographic assumptions used at the report date:

Average retirement age:	63 years
Continuation of membership at retirement:	90.00%
Proportion assumed married at retirement:	95.00%
Proportion of eligible current non-member employees joining the scheme by retirement:	
Mortality during employment:	SA 85-90
Mortality post-retirement:	PA90-1 ultimate

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate:

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 8.91% per annum has been used. The corresponding index-linked yield at this term is 1.67%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2014.

Health Care Cost Inflation Rate:

This assumption is required to reflect 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 8.13% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.63%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.72% which derives from $((1+8.91\%)/(1+8.13\%))-1$.

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
7. Employee benefit obligations (continued)		
<p>The expected inflation assumption of 6.63% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.67%) and those of fixed interest bonds (8.91%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+8.91\%-0.50\%)/(1+1.67\%))-1$.</p> <p>The next contribution increase was assumed to occur with effect from 1 January 2015.</p> <p>Replacement ratio:</p> <p>This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.</p>		
8. Inventories		
Consumable stores	998,841	865,645
Water	24,046	20,938
	1,022,887	886,583
9. Consumer debtors		
Gross balances		
Rates	24,475,104	23,245,685
Electricity	24,293,349	27,992,592
Water	28,249,440	23,307,833
Sewerage	11,137,091	8,622,847
Refuse	10,166,099	8,259,262
Long-term bad debt: Services	3,268,483	2,894,715
Other	9,452,371	8,793,474
	111,041,937	103,116,408
Less: Allowance for impairment		
Rates	(18,220,624)	(18,185,219)
Electricity	(16,452,066)	(19,198,588)
Water	(24,413,452)	(20,233,582)
Sewerage	(9,396,841)	(7,403,103)
Refuse	(9,130,241)	(7,514,765)
Long-term bad debt: Services	(2,964,352)	(2,606,092)
Other	(9,041,656)	(8,400,412)
	(89,619,232)	(83,541,761)
Net balance		
Rates	6,254,480	5,060,466
Electricity	7,841,283	8,794,004
Water	3,835,988	3,074,251
Sewerage	1,740,250	1,219,744
Refuse	1,035,858	744,497
Long-term bad debt: Services	304,131	288,623
Other	410,715	393,062
	21,422,705	19,574,647

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
9. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	361,423	400,396
31 - 60 days	356,761	323,446
61 - 90 days	351,634	307,524
91 - 120 days	352,272	304,463
121 + days	23,053,014	21,909,856
Less: Allowance for impairment	(18,220,624)	(18,185,219)
	6,254,480	5,060,466
Electricity		
Current (0 -30 days)	1,262,165	1,612,559
31 - 60 days	789,443	1,330,190
61 - 90 days	537,814	1,202,563
91 - 120 days	559,422	741,604
121 + days	21,144,506	23,105,676
Less: Allowance for impairment	(16,452,067)	(19,198,588)
	7,841,283	8,794,004
Water		
Current (0 -30 days)	1,143,102	653,634
31 - 60 days	574,575	527,640
61 - 90 days	598,610	560,930
91 - 120 days	547,912	473,168
121 + days	25,385,241	21,092,461
Less: Allowance for impairment	(24,413,452)	(20,233,582)
	3,835,988	3,074,251
Sewerage		
Current (0 -30 days)	275,464	236,991
31 - 60 days	267,445	190,615
61 - 90 days	269,012	176,551
91 - 120 days	254,736	167,571
121 - 365 days	10,070,434	7,851,119
Less: Allowance for impairment	(9,396,841)	(7,403,103)
	1,740,250	1,219,744
Refuse		
Current (0 -30 days)	214,361	168,761
31 - 60 days	209,988	146,141
61 - 90 days	205,701	138,530
91 - 120 days	186,354	138,493
121 + days	9,349,696	7,667,336
Less: Allowance for impairment	(9,130,242)	(7,514,764)
	1,035,858	744,497

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
9. Consumer debtors (continued)		
Regional services levies		
Current (0 -30 days)	62,983	64,576
31 - 60 days	56,443	57,200
61 - 90 days	56,056	51,145
91 - 120 days	51,274	53,187
121 + days	3,041,728	2,668,607
Less: Allowance for impairment	(2,964,353)	(2,606,092)
	304,131	288,623
Other		
Current (0 -30 days)	60,117	71,102
31 - 60 days	61,075	57,713
61 - 90 days	59,538	55,432
91 - 120 days	60,613	55,949
121 + 365 days	9,211,028	8,553,279
Less: Allowance for impairment	(9,041,656)	(8,400,413)
	410,715	393,062

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
9. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	3,036,495	2,810,610
31 - 60 days	1,978,782	2,421,847
61 - 90 days	1,824,477	2,326,210
91 - 120 days	1,737,348	1,765,152
121 + days	89,523,083	84,714,940
	98,100,185	94,038,759
Less: Allowance for impairment	(87,890,181)	(83,002,773)
	10,210,004	11,035,986
Industrial/ commercial		
Current (0 -30 days)	136,631	108,675
31 - 60 days	73,952	95,198
61 - 90 days	58,969	52,735
91 - 120 days	71,662	49,649
121 + days	2,283,519	1,707,736
	2,624,733	2,013,993
Less: Allowance for impairment	(121,220)	(90,943)
	2,503,513	1,923,050
National and provincial government		
Current (0 -30 days)	184,574	282,724
31 - 60 days	241,095	107,249
61 - 90 days	173,719	108,311
91 - 120 days	181,999	114,434
121 + days	8,033,595	6,076,079
	8,814,982	6,688,797
Less: Allowance for impairment	(105,793)	(80,064)
	8,709,189	6,608,733
Other		
Current (0 -30 days)	21,915	6,010
31 - 60 days	21,901	8,651
61 - 90 days	21,199	5,420
91 - 120 days	21,574	5,200
121 + days	1,415,449	349,579
	1,502,038	374,860
Less: Allowance for impairment	(1,502,038)	(367,981)
	-	6,879
Total		
Current (0 -30 days)	3,379,615	3,208,019
31 - 60 days	2,315,730	2,632,945
61 - 90 days	2,078,364	2,492,676
91 - 120 days	2,012,583	1,934,435
121 + days	101,255,646	92,848,334
	111,041,938	103,116,409
Less: Allowance for impairment	(89,619,233)	(83,541,762)
	21,422,705	19,574,647

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
9. Consumer debtors (continued)		
Less: Allowance for impairment		
Current (0 -30 days)	(29,378)	(15,331)
31 - 60 days	(40,917)	(34,894)
61 - 90 days	(59,362)	(56,795)
91 - 120 days	(70,200)	(57,679)
121 + days	(89,419,375)	(83,377,062)
	(89,619,232)	(83,541,761)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(83,541,761)	(71,112,545)
Contributions to allowance	(6,077,471)	(12,429,216)
	(89,619,232)	(83,541,761)

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	664,261	13,840,897
Short-term deposits	1,740,225	1,015,916
Bank overdraft	(40,147,304)	(297,853)
	(37,742,818)	14,558,960
Current assets	2,404,486	14,856,813
Current liabilities	(40,147,304)	(297,853)
	(37,742,818)	14,558,960

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Current Accounts				
ABSA Bank Limited - 4051445435	(95,054)	671,295	(40,147,304)	13,840,897
Standard Bank Limited - 041790219	488,116	210,189	664,261	(297,853)
Short-term Investments				
ABSA Bank Limited - 9117271903	1,089,683	7,567	1,089,683	7,567
First National Bank - 62006983094	2,513	2,573	2,513	2,573
First National Bank - 62091336901	183,952	177,811	183,952	177,811
First National Bank - 62095763788	29,510	28,774	29,510	28,774
Stanlib - I53355021	327,013	333,298	327,014	333,297
Standard Bank Limited - 048643270002	50,903	410,570	50,903	410,570
Standard Bank Limited - 048904295004	56,650	55,324	56,650	55,324
Total	2,133,286	1,897,401	(37,742,818)	14,558,960

Kai !Garib Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
11. Finance lease obligation		
Minimum lease payments due		
- within one year	1,260,161	1,615,795
- in second to fifth year inclusive	1,422,379	2,502,810
	2,682,540	4,118,605
less: future finance charges	(248,322)	(493,192)
less: future insurance charges	(11,929)	(45,188)
Present value of minimum lease payments	2,422,289	3,580,225
Present value of minimum lease payments due		
- within one year	1,089,110	1,324,126
- in second to fifth year inclusive	1,333,179	2,256,099
	2,422,289	3,580,225
Non-current liabilities	1,333,179	2,256,113
Current liabilities	1,089,110	1,324,112
	2,422,289	3,580,225

The average lease term was 5 years and the average effective borrowing rate was 11% (2013: 11%).

Finance lease descriptions

All the vehicles are financed by ABSA Bank Ltd.

ABSA VF 0773 565 98 - VW Polo Classic 1.4L Trendline	-	2,831
ABSA VF 0773 569 70 - VW Sharan 1.8T	-	2,831
ABSA VF 0787 994 26 - Kubota L39 4x4 Backhoe Loader	21,720	103,686
ABSA VF 0788 115 07 - Toyota Hi-Lux 2.0 Vvti P/U S/U	8,829	42,147
ABSA VF 0788 126 19 - Toyota Hi-Lux 2.0 Vvti P/U S/U	8,829	42,147
ABSA VF 0788 119 14 - Toyota Hi-Lux 2.0 Vvti P/U S/U	8,829	42,147
ABSA VF 0788 748 51 - Nissan Ud 70A F/C C/C	44,935	171,613
ABSA VF 0789 155 58 - Nissan Ud 85A Tip C/C	59,842	194,283
ABSA VF 0789 156 20 - Nissan Ud 85A Tip C/C	59,842	194,283
ABSA VF 0791 179 57 - Ford Ranger 2.2L Lwb P/U S/U	19,996	51,770
Nashua	2,020,607	2,716,392
Vodacom	117,849	16,095
MTN	51,010	-

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	4,829,684	6,921,538
Movement during the year		
Balance at the beginning of the year	6,921,538	2,435,765
Additions during the year	17,370,000	20,977,000
Income recognition during the year	(19,461,854)	(16,491,227)
	4,829,684	6,921,538

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
13. Other financial liabilities		
At amortised cost		
1. Development Bank of Southern Africa Ltd	1,403,283	1,486,157
Loan number: 100498/1		
Product number: 61000080		
The loan is secured and is being repaid over a period of 20 years in equal installments of R130,186.67 every 6 months with a fixed interest rate of 12.100% per annum.		
Redemption date: 30/06/2023.		
2. Development Bank of Southern Africa Ltd	5,277,389	6,206,072
Loan number: 103723/2		
Product number: 61001016		
The loan is secured and is being repaid monthly over a period of 7 years in equal installments of R110,140.87 with a fixed interest rate of 6.750% per annum.		
Redemption date: 28/02/2019.		
3. Development Bank of Southern Africa Ltd	436,438	783,887
Loan Number: 103723/3		
Product number: 61001017		
The loan is secured and is being repaid monthly over a period of 5 years in equal installments of R32,506.21 with a fixed interest rate of 6.750% per annum.		
Redemption date: 31/08/2015		
4. Development Bank of Southern Africa Ltd	-	180,842
Loan number: 11202/102		
Product number: 61001442		
The loan was secured and was repaid over a period of 15 years in equal installments of R101,467.23 every 6 months with a fixed interest rate of 16.000% per annum.		
Redemption date: 31/03/2014.		
5. Development Bank of Southern Africa Ltd	321,139	360,069
Loan number: 13315/202		
Product number: 61003127		
The loan is secured and is being repaid over a period of 20 years in equal installments of R48,427.69 every 6 months with a fixed interest rate of 16.500% per annum.		
Redemption date: 31/03/2019.		

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Audited Annual Financial Statements for the year ended 30 June 2014

Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
13. Other financial liabilities (continued)		
6. Development Bank of Southern Africa Ltd		
	550,888	629,586
Loan number: 13702/101		
Product number: 61003256		
The loan is secured and is being repaid over a period of 20 years in equal capital installments of R39,349.17 every 6 months with a semi-floating interest rate of 9.800% per annum.		
Redemption date: 30/06/2021.		
Total other financial liabilities	7,989,137	9,646,613
Minimum loan payments due		
- within one year	2,199,767	2,405,555
- in second to fifth year inclusive	7,046,688	8,008,100
- later than five years	957,874	2,196,230
	10,204,329	12,609,885
less: future finance charges	(2,215,194)	(2,963,271)
Present value of minimum loan payments	7,989,135	9,646,614
Present value of minimum loan payments due		
- within one year	1,585,490	1,657,478
- in second to fifth year inclusive	5,764,724	5,938,613
- later than five years	638,921	2,050,523
	7,989,135	9,646,614
Non-current liabilities		
At amortised cost	6,403,647	7,989,135
Current liabilities		
At amortised cost	1,585,490	1,657,478

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Audited Annual Financial Statements for the year ended 30 June 2014

Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
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14. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	32,292,662	9,625,079	41,917,741
Long service awards	752,932	340,109	1,093,041
	33,045,594	9,965,188	43,010,782

Reconciliation of provisions - 2013

	Opening Balance	Additions	Reversed during the year	Reduction due to re-measurement	Total
Environmental rehabilitation	3,060,952	29,231,710	-	-	32,292,662
Long service awards	877,674	-	-	(124,742)	752,932
	3,938,626	29,231,710	-	(124,742)	33,045,594
Non-current liabilities				37,412,426	32,425,002
Current liabilities				5,598,356	620,592
				43,010,782	33,045,594

Environmental rehabilitation provision

Adjustment of unit costs:

The baseline for the unit costs used in the MLCCM was set in 2011. Unit costs are adjusted annually on 1 July. For the various cost elements relating to pre-closure planning as well as post-closure monitoring and maintenance, the 3-month average of the CPI was used to adjust the unit cost for each cost element. The unit cost of the various costs elements relating to rehabilitation and closure were adjusted using the Civil Engineering Indices and the Contract Price Adjustment Factors, using the coefficients for Earthworks as provided in the General Conditions of Contract. The price adjustment for 2014 resulting from these formulas amounted to 7.5305%.

CPI:

The CPI was used for the annual adjustment of unit costs as well as for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI was obtained from Statistics SA's website. The average of the CPI for the last three months as published on 30 June 2014 (reporting date) was used for the adjustment of unit costs, as well as for the determination of future value of current costs, i.e. 6.2663%.

Discount rate:

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. Where the liability in this case is determined for a government entity (municipality), government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used as published on the RSA Retail Savings Bond website. The rate most consistent with the remaining life of the landfill published on 30 June 2014 was used.

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
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14. Provisions (continued)

In the case of these landfills the following rates were used:

- Kakamas, Kenhardt, Keimoes and Currieskamp landfills – the rate associated with the maximum period of 10 years, i.e. 2.25% above CPI.
- Marchand and Lennertsville landfills – the rate associated with the minimum period of 3 years, i.e. 1.00% above CPI

Long service awards provision

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter, until 45 years of service (inclusive), to employees. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

15. Payables from exchange transactions

Trade payables	2,382,044	10,095,763
Accrual for employee bonuses	3,107,244	2,332,258
Accrual for leave pay	3,689,999	5,006,751
Accrual for creditors	4,997,254	-
Deposits received	166,939	137,177
Unallocated receipts	14,450,356	29,999,469
Consumer debtors with credit balances	5,146,816	4,904,346
	33,940,652	52,475,764

16. VAT receivable

South African Revenue Service	5,678,933	14,663,789
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VAT is payable on the payments basis.

17. Consumer deposits

Consumer deposits held by the municipality	1,592,148	1,536,426
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Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2014

Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
18. Financial instruments disclosure		
Categories of financial instruments		
2014		
Financial assets		
	At amortised cost	Total
Other financial assets	1,103,835	1,103,835
Consumer debtors	21,422,705	21,422,705
Cash and cash equivalents	2,404,486	2,404,486
Long-term debtors	5,708,502	5,708,502
	30,639,528	30,639,528
Financial liabilities		
	At amortised cost	Total
Consumer deposits	1,592,148	1,592,148
Finance lease liabilities	2,422,289	2,422,289
Other financial liabilities	7,989,137	7,989,137
Trade and other payables from exchange transactions	33,940,652	33,940,652
Bank overdraft	40,147,304	40,147,304
	86,091,530	86,091,530
2013		
Financial assets		
	At amortised cost	Total
Other financial assets	1,113,892	1,113,892
Consumer debtors	19,574,647	19,574,647
Cash and cash equivalents	14,856,813	14,856,813
Long-term debtors	6,132,079	6,132,079
	41,677,431	41,677,431
Financial liabilities		
	At amortised cost	Total
Consumer deposits	1,536,426	1,536,426
Finance lease liabilities	3,580,225	3,580,225
Other financial liabilities	9,646,613	9,646,613
Trade and other payables from exchange transactions	52,475,764	52,475,764
Bank overdraft	297,853	297,853
	67,536,881	67,536,881

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Audited Annual Financial Statements for the year ended 30 June 2014

Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
19. Revenue		
Fines	83,781	139,351
Government grants & subsidies	80,272,203	73,651,714
Income from agency services	774,095	425,086
Interest received - investment	8,092,998	7,498,586
Property rates	14,317,649	11,017,449
Property rates - penalties imposed	3,296,798	2,825,349
Public contributions and donations	500	2,000
Rental of facilities and equipment	156,568	114,902
Service charges	73,300,933	71,471,517
Other income	551,125	353,503
	180,846,650	167,499,457

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

Service charges	73,300,933	71,471,517
Rental of facilities and equipment	156,568	114,902
Income from agency services	774,095	425,086
Other income	551,125	353,503
Interest received - investment	8,092,998	7,498,586
	82,875,719	79,863,594

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

Taxation revenue

Property rates	14,317,649	11,017,449
Property rates - penalties imposed	3,296,798	2,825,349

Transfer revenue

Government grants & subsidies	80,272,203	73,651,714
Public contributions and donations	500	2,000
Fines	83,781	139,351

97,970,931 87,635,863

20. Repairs and maintenance

Tools and equipment	3,041	11,058
Buildings	943,572	458,120
Water distribution	1,763,931	736,338
Street and storm water drainage	1,606,403	312,235
Dams	37,389	40,611
Sewerage	19,867	90,006
Computer equipment	6,047	1,593
Dumping sites	1,453	7,685
Electrical components	506,994	1,814,607
Furniture and office equipment	188,300	125,129
	5,076,997	3,597,382

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
21. Property rates		
Rates received		
Residential	34,194,501	11,130,878
Small holdings and farms	3,172,774	-
Less: Rebates	(23,049,626)	(113,429)
	14,317,649	11,017,449
Property rates - penalties imposed	3,296,798	2,825,349
	17,614,447	13,842,798

Property rates are levied monthly on a fair market value on properties and are payable the 1st working day of each month. Property owners can request to pay in full for the year in which case the amount has to be paid on or before 30 September, whereby the owner will qualify for a 5% discount on his property rates if the property owner pays the outstanding amount in full. Interest is levied at a rate determined by council on outstanding rates amounts.

A rate in the rand for domestic and business properties of R 0.008785 was charged on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R20,000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

Valuations

Residential	644,382,804	644,382,804
Agricultural	3,347,506,859	3,347,506,859
State	100,796,069	100,796,069
Municipal	34,879,425	34,879,425
Exempted valuations	34,905,637	34,905,637
	4,162,470,794	4,162,470,794

Valuations on land and buildings are performed every four years in terms of the Municipal Property Rates Act. The last general valuation came into effect on 1 July 2009. No interem valuations were performed during the year.

The new general valuation will be implemented on 01 July 2014.

22. Service charges

Sale of electricity	49,793,827	50,114,598
Sale of water	11,897,839	11,134,352
Sewerage and sanitation charges	6,906,919	6,100,952
Refuse removal	4,702,348	4,121,615
	73,300,933	71,471,517

23. Fines

General	70,591	41,100
Library	4,037	5,376
Traffic	9,153	92,875
	83,781	139,351

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
24. Government grants and subsidies		
Operating grants		
Equitable share	48,286,027	46,071,000
Local Government Financial Management Grant (FMG)	1,650,000	1,500,000
Expanded Public Works Programme (EPWP)	1,000,000	1,000,000
	50,936,027	48,571,000
Capital grants		
Municipal Infrastructure Grant (MIG)	17,025,854	16,491,227
Cooperative Governance and Traditional Affairs - Housing	8,783,755	4,137,368
Department of Public Works - Roads	-	2,627,112
Department of Sport & Recreation - Sport for change	2,006,567	-
Municipal Systems Improvement Grant (MSIG)	890,000	1,200,000
Department of Sport, Arts and Culture - Library	630,000	625,007
	29,336,176	25,080,714
	80,272,203	73,651,714
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	31,986,176	27,580,714
Unconditional grants received	48,286,027	46,071,000
	80,272,203	73,651,714
Reconciliation of grants from National/Provincial Government		
Operating grants		
National Government	50,936,027	48,571,000
Capital grants		
National Government	17,915,854	17,691,227
Provincial Government	11,420,322	7,389,487
	29,336,176	25,080,714
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Executive and council	2,350,999	700,120
Corporate services	34,520,907	60,505,512
Electricity	10,192,977	2,449,476
Community and social services	630,000	625,007
Sport and recreation	2,006,567	-
Water	10,192,977	2,448,493
Waste water management	11,594,021	2,785,739
Housing	8,783,755	4,137,367
	80,272,203	73,651,714

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

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Audited Annual Financial Statements for the year ended 30 June 2014

Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
24. Government grants and subsidies (continued)		
Municipal infrastructure grant (MIG)		
Balance unspent at beginning of year	6,921,538	2,435,765
Current-year receipts	17,370,000	20,977,000
Conditions met - transferred to revenue	(17,025,854)	(16,491,227)
Unspent 2011/2012 transfer to Equitable Share	(2,436,000)	-
	4,829,684	6,921,538
MIG is used to construct roads and other infrastructure assets.		
Municipal systems infrastructure grant (MSIG)		
Current-year receipts	890,000	1,200,000
Conditions met - transferred to revenue	(890,000)	(1,200,000)
	-	-
MSIG is used to build capacity in the district and local municipalities to ensure that the new development system of local government is fully implemented.		
Financial management grant (FMG)		
Current-year receipts	1,650,000	1,500,000
Conditions met - transferred to revenue	(1,650,000)	(1,500,000)
	-	-
This grant was used to promote and support reforms to financial management practices, including the modernisation of budgeting, financial management, accounting, monitoring systems and implementing of the Municipal Finance Management Act.		
Expanded Public Works Programme (EPWP)		
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	-	-
The EPWP grant is mainly used for cleaning and security.		
Cooperative Governance and Traditional Affairs		
Current-year receipts	8,783,755	4,137,368
Conditions met - transferred to revenue	(8,783,755)	(4,137,368)
	-	-
The housing grant was used for the project in Lennertsville.		
Department of Sports - Library		
Current-year receipts	630,000	625,007
Conditions met - transferred to revenue	(630,000)	(625,007)
	-	-
The library grant is used for library activities.		

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
24. Government grants and subsidies (continued)		
Department of Public Works - Roads		
Current-year receipts	-	2,627,112
Conditions met - transferred to revenue	-	(2,627,112)
	-	-
This grant was used to assist with the building of roads.		
Department of Sport & Recreation - Sport for change		
Current-year receipts	2,006,567	-
Conditions met - transferred to revenue	(2,006,567)	-
	-	-
This grant is used to build sport facilities.		
25. Public contributions and donations		
Contributions and donations received from the public	500	2,000
The donation was received for the annual christmas lights function.		
26. Other revenue		
Other income - (rollup)	551,125	353,503
27. Other income		
Administration income	10,679	652
Books	2,386	35
Buildingplan fees	19,258	21,720
Call out fees	1,211	-
Cemetery fees	19,063	19,976
Clearance certificates	26,930	16,984
Commision: Policies and other	66,423	28,922
Connection fees	291,714	152,663
Number plate applications	8,204	5,973
Photocopies	4,304	7,220
Posters and banners	11,284	12,504
Property border exceedings	18,307	16,109
Re-connection fees	34,554	17,391
Rezoning applications	11,315	20,501
Telephone fees reclaimed	9,228	12,797
Tender fees	7,061	4,342
Testing of instalations - Meters	2,202	8,262
Valuation certificates	5,437	2,913
Other income	1,565	4,539
	551,125	353,503

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
28. General expenses		
Advertising	176,654	218,620
Auditors fees	3,525,468	2,699,594
Bank charges	455,320	426,948
Cleaning materials	78,980	86,629
Community development and training	22,745	55,082
Conferences and seminars	1,125	-
Consulting and professional fees	3,001,508	2,912,194
Consumables	1,232,529	1,397,234
Donations	61,010	32,768
Entertainment	15,854	4,672
IT expenses	33,167	29,758
Insurance	1,256,024	1,138,166
Lease rentals on operating lease	129,059	653,593
Licence fees	-	914
Motor vehicle expenses	5,367,676	5,366,545
Postage and courier	311,502	277,186
Printing and stationery	369,641	287,163
Protective clothing	71,982	209,018
Refuse	223,768	192,453
Subscriptions and membership fees	430,755	418,362
Telephone and fax	245,138	807,591
Tourism development	13,158	54,505
Training	81,179	27,644
Travel - local	2,111,220	3,083,925
Valuation roll expenses	2,058,499	-
Water purification chemicals	963,448	1,235,209
	22,237,409	21,615,773

29. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Premises		
• Contractual amounts	129,059	653,593
Loss on sale of property, plant and equipment	(2,419,050)	-
Impairment on property, plant and equipment	399,455	-
Amortisation on intangible assets	22,980	4,933
Depreciation on property, plant and equipment	42,827,220	35,676,775
Employee related costs (Including councillors remuneration)	79,872,448	67,621,007

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
30. Employee related costs		
Acting allowances	982,305	636,301
Allowance: Uniforms	1,774	189
Basic salaries and wages	43,629,292	37,749,384
Bonus	6,106,280	4,348,039
Contributions: Industrial Council	20,928	20,217
Leave pay provision charge	4,042,893	2,283,895
Long-service awards	1,093,041	752,931
Medical aid contributions	915,917	734,789
Nightshift allowances	372,801	134,426
Overtime payments	5,821,698	5,162,410
Defined contribution plans	5,760,739	5,442,893
Current service costs: Post employment benefits	397,202	282,992
Actuarial losses: Post employment benefits	1,787,687	47,453
Interest cost: Post employment benefits	987,743	837,512
Skills development levy (SDL)	592,566	468,960
Standby allowances	1,070,265	872,825
Telephone and cellphone allowances	54,529	44,438
Travel, motor car, accommodation, subsistence and other allowances	954,199	1,470,811
Unemployment insurance fund contributions (UIF)	481,029	409,869
Workmen compensation administration contributions (WCA)	95,584	911,598
	75,168,472	62,611,932

Remuneration of Municipal Manager

Annual Remuneration	1,128,217	958,333
Travel Allowance	90,000	102,131
Contributions to UIF	(1,785)	(1,785)
Termination Benefits	87,400	-
	1,303,832	1,058,679

Mr. J.G. Lategan was appointed as the acting municipal manager on 1 April 2014.

Mr. A. Vosloo resigned as municipal manager on 30 March 2014.

Remuneration of Chief Finance Officer

Annual Remuneration	440,000	492,529
Travel Allowance	15,000	83,911
Contributions to UIF	(1,041)	(1,785)
Medical Aid Contributions	-	10,138
Pension Fund Contributions	-	45,020
Termination Benefits	-	96,425
	453,959	726,238

Mr. J. Krapohl was permanently appointed as the Chief Financial Officer on 1 December 2013.

Mr. C.E. Visagie was acting as Chief Financial Officer until 30 November 2013.

Mr. J.J. Husselmann was acting as Chief Financial Officer until 30 September 2013.

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
30. Employee related costs (continued)		
Remuneration of director: Corporate Services		
Annual Remuneration	455,000	620,187
Telephone Allowance	-	1,600
Acting Allowance	17,631	-
Contributions to UIF	(1,041)	(1,785)
Travel Allowance	-	6,553
	471,590	626,555

Me. R.S. Neethling was permantly appointed as the Director: Corporate Services on 1 December 2013.

Mr. J. MacKay was acting as the coporate services director until 30 November 2013.

Remuneration of acting director: Technical Services

Annual Remuneration	333,209	316,946
Transport Allowance	131,134	172,381
Telephone Allowance	9,600	9,600
Contributions to UIF	(1,785)	(1,785)
Housing Subsidy	7,500	7,500
Bonuses	28,289	26,346
Contributions to Industrial Council	76	-
Medical Aid Contributions	11,624	7,073
Pension Fund Contributions	59,978	56,761
	579,625	594,822

Mr. J. MacKay is the acting Director: Technical Services form 1 April 2014.

Mr. M. Clarke was acting as director untill 30 March 2014.

Remuneration of director: Development and Planning

Annual Remuneration	716,628	-
Contributions to UIF	(1,785)	-
	714,843	-

Mr. J. MacKay was permantly appointed as Director: Development and Planning on 1 December 2013.

The director's position was vacant untill 30 November 2013.

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
31. Remuneration of councillors		
Mayor	682,558	682,747
Mayoral Committee Members	566,981	574,500
Speaker	550,214	573,540
Councillors	2,904,223	2,967,237
	4,703,976	4,798,024

In-kind benefits

The Mayor and Speaker of the municipality serve in a fulltime capacity. Each is provided with an office at the municipal buildings.

The Mayor is provided with secretarial support at the cost of the Council.

The Mayor has use of Council owned vehicles for official duties.

The Mayor and the Speaker has use of Council owned laptops.

Councillor remuneration is in line with the upper limits as per the Government Gazette.

32. Income from agency services

Driver licenses applications and renewals	774,095	425,086
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33. Debt impairment

Provision for doubtful debts: Long-term debtors	333,389	1,329,840
Consumer debtors	5,289,902	12,429,217
	5,623,291	13,759,057

IAS 39 tells us that an impairment of a financial asset is calculated as being the difference between the expected future cash flows and their present (discounted) value. This means another discounting calculation, distinct from any discounting calculations that may have been required to determine fair value at initial recognition.

An impairment calculation is forward-looking and the municipality therefore used the number of days that the particular consumer debtor is still expected to be outstanding based on the best information available at year-end.

34. Interest received

Interest revenue

Other financial assets	185,927	17,105
Interest charged on trade and other receivables	7,907,071	7,481,481
	8,092,998	7,498,586

The amount included in Investment revenue arising from exchange transactions amounted to R 7,907,071.

The amount included in Investment revenue arising from non-exchange transactions amounted to R 185,927.

35. Depreciation and amortisation

Property, plant and equipment	42,827,220	35,676,775
Intangible assets	22,980	4,933
	42,850,200	35,681,708

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
36. Finance costs		
Bank	7,663	(325)
Environmental rehabilitation	597,711	586,080
Finance leases	284,153	141,711
Non-current borrowings	886,525	269,090
Trade and other payables	543,875	-
	2,319,927	996,556
37. Auditors' remuneration		
Fees	3,525,468	2,699,594
38. Rental of facilities and equipment		
Facilities owned by the Municipality		
Premises	156,568	114,902
39. Contracted services		
Information technology services	2,131,076	2,317,650
Consulting Services	1,217,864	2,447,649
Insurance	1,286,639	734,856
Refuse and sewerage removal	257,841	132,105
Security Services	5,611,231	2,247,887
	10,504,651	7,880,147
40. Grants and subsidies paid		
Other subsidies		
MSIG qualifying expenditure	1,234,361	1,356,371
FMG qualifying expenditure	1,783,287	1,178,055
Sport development grant expenditure	3,806,453	93,054
Special Projects	2,283,118	87,719
Other	322,453	199,460
MIG administration cost	382,025	475,833
Indigent support	8,130,740	6,220,792
Expanded public works programme	2,384,377	1,317,004
Housing grant expenditure	171,742	192,355
	20,498,556	11,120,643
41. Bulk purchases		
Electricity	37,783,955	36,740,521
Water	2,803,787	1,057,431
	40,587,742	37,797,952

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
42. Cash (used in) generated from operations		
Deficit	(51,477,076)	(32,570,768)
Adjustments for:		
Depreciation and amortisation	42,850,200	35,681,708
Gain on sale of assets and liabilities	2,419,050	-
Fair value adjustments	(66,000)	-
Finance costs - Finance leases	-	-
Debt impairment	5,623,291	13,759,057
Changes in working capital:		
Decrease/(Increase) in Inventories	(136,304)	1,089,332
Decrease/(Increase) in Consumer debtors	(1,848,058)	(8,830,456)
Decrease/(Increase) in Other financial assets	433,634	3,158,477
Decrease/(Increase) in VAT receivable	9,772,424	(12,737,520)
(Decrease)/Increase in Retirement benefit liabilities	2,514,267	600,419
(Decrease)/Increase in Provisions	9,965,188	29,106,968
(Decrease)/Increase in Payables from exchange transactions	(18,535,112)	9,901,978
(Decrease)/Increase in VAT payable	-	(991,639)
(Decrease)/Increase in Unspent conditional grants and receipts	(2,091,854)	1,750,163
(Decrease)/Increase in Consumer deposits	55,722	15,685
	(520,628)	39,933,404

43. Commitments

Authorised capital expenditure

Approved and contracted for

• Infrastructure	33,932,258	23,382,699
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This committed expenditure relates to infrastructure and will be financed by the Municipal Infrastructure Grant as well as the municipalities own funding.

MIG Projects

Community High Mast Light: Ward 1 & Ward 2	497,162	599,299
Community High Mast Lightning: Blocuso	362,996	390,356
Keimoes: Access & Collector Roads Phase 1	15,361,891	-
Lennertsville: Extention/Upgrading of External Water Supply	3,654,777	4,472,242
Alheit: Extention/Upgrading of External Water Supply	2,907,918	6,408,699
Augrabies: Upgrading of Water Network	6,145,326	-
Marchand: Extention/Upgrading of External Water Supply	2,238,206	4,043,347
Warmsand: Extention/Upgrading of External Water Supply with Distribution Network	2,187,307	6,409,856
Kai! Garib Municipality: Project Management Unit (PMU)	155,825	1,058,900
Augrabies: Feasibility study on Cemeteries	15,341	-
Lennertsville: Feasibility study on Cemeteries	12,984	-
Kai !Garib Local Municipality municipal area: Feasibility study on Solid Waste	392,525	-
	33,932,258	23,382,699

44. Contingencies

Party and particulars

PT Dykman & Triple D Farms, order of court against council: Development of land	127,364	127,364
HC Turner, CJG Turner & DJ Turner: Flood damage	664,100	664,100
JG van Niekerk & N Van Niekerk: Flood damage	250,041	250,041
	1,041,505	1,041,505

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Audited Annual Financial Statements for the year ended 30 June 2014

Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
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45. Related parties

Relationships

Accounting Officer

No related parties transactions noted except for remuneration as disclosed in note 28.

Joint venture of key management

No related parties transactions noted.

Associate of close family member of key management

No related parties transactions noted.

Post employment benefit plan for employees of a related party of a close family member of key management

No related parties transactions noted.

Compensation to councillors and other key management (refer to note 30 & 31).

Key management information

Class	Remuneration	Number
Section 57 Managers	Refer to note 30	5
Mayor	Refer to note 31	1
Councillors	Refer to note 31	15
Municipal Managers	Refer to note 30	1

46. Accounting Officer's emoluments

Executive

2014

	Emoluments	Other benefits*	Total
Mr. J.G. Lategan (Acting)	210,000	90,000	300,000
Mr. A. Vosloo	1,005,617	-	1,005,617
	1,215,617	90,000	1,305,617

2013

	Emoluments	Other benefits*	Total
Mr. A. Vosloo	863,939	-	863,939

* Other benefits comprise travel allowance and medical benefits

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Notes to the Audited Annual Financial Statements

Figures in Rand		2014	2013
47. Prior period errors			
47.1	<i>Correction of Depreciation on Infrastructure Assets</i>		
	The municipality reconciled the Fixed Asset Register to the system. Differences was noted between the Fixed Asset Register/Infrastructure and the Financial system. These differences was corrected accordingly in the 2012/13 financial year. The effect of the correction of this error on the financial statements is as follows:		
	Dr: Accumulated Depreciation: Infrastructure	894 028	
	Cr: Depreciation and amortisation	(894 028)	
47.2	<i>Correction of Completed Projects</i>		
	The municipality did not add the 2013 completed projects to the asset register when these projects were completed. The municipality rectified this error in the prior year. The effect of the correction of this error on the financial statements is as follows:		
	Dr: Work-in-progress	(35 513 975)	
	Cr: Infrastructure assets	35 513 975	
47.3	<i>Correction of Movable assets Carrying value</i>		
	The municipality compiled a new asset register to ensure that all movable asset is captured in the asset register. The municipality rectified the errors. The effect of the correction of this error on the financial statements is as follows:		
	Dr: Property, Plant and Equipment - Movable assets	38 868 257	
	Dr: Property, Plant and Equipment - Movable assets	8 416 645	
	Cr: Accumulated surplus	47 284 902	
47.4	<i>Correction of Immovable assets: Accumulated depreciation</i>		
	The municipality recalculated the Accumulated depreciation on its Fixed Asset Register. The differences were rectified accordingly. The effect of the correction of this error on the financial statement is as follows:		
	Dr: Accumulated surplus	90 420 612	
	Cr: Accumulated Depreciation: Immovable assets	(90 420 612)	
47.5	<i>Correction of Investment properties</i>		
	The municipality rectified its Investment property register. DDP Valuers did the valuation of these Properties. The municipality rectified this error. The effect of the correction of this error on the financial statement is as follows:		
	Dr: Property, Plant and Equipment - Land	5 616 843	
	Cr: Investment property	(3 210 979)	
	Cr: Accumulated surplus	(2 405 864)	
47.6	<i>Account for Movable assets transferred from Siyanda District Municipality</i>		
	The municipality did not account for the assets received from Siyanda District Municipality. The municipality rectified this error. The effect of the correction of this error on the financial statements is as follows:		
	Dr: Property, Plant and Equipment - Other	90 248	
	Cr: Accumulated surplus	(90 248)	
47.7	<i>Reclassification of Intangible assets</i>		
	Refer to 48.3		
47.8	<i>Reclassification of Intangible assets</i>		
	The municipality compiled a new Movable asset register and Intangible asset register during 2012/14. It was noted there is Intangible assets in included in the Movable asset register. These errors was rectified and the disclosure is adjusted. The effect of the correction of this error on the financial statements is as follows:		
	Dr: Intangible assets	45 294	
	Cr: Property, plant and equipment	(45 294)	

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Notes to the Audited Annual Financial Statements

Figures in Rand		2014	2013
47. Prior period errors (continued)			
47.9	<i>Disclosure and recognition of Leased assets from Vodacom and MTN</i>		
	The municipality did not account for the assets under their Vodacom and MTN finance leases, nor did they disclosed the liability. The error was corrected. The effect of the correction of this error on the financial statements is as follows:		
	Dr: Property, Plant and Equipment		26 113
	Cr: Finance lease obligation		(16 095)
	Dr: Finance costs		1 579
	Cr: General expenses		(11 596)
47.10	<i>Disclosure and recognition of Leased assets from Nashua</i>		
	The municipality did not account for the assets under their Nashua finance leases, nor did they disclosed the liability. The error was corrected. The effect of the correction of this error on the financial statements is as follows:		
	Dr: Property, Plant and Equipment		3 655 589
	Cr: Finance lease obligation		(2 716 392)
	Cr: Accumulated surplus		(939 196)
47.11	<i>Account and Disclosure of Municipal Land not included in the 2013 AFS</i>		
	The municipality adjusted their asset register with properties not accounted for during 2013.		
	The effect of the correction of this error on the financial statement is as follows:		
	Dr: Property, Plant and Equipment		18 525 000
	Cr: Accumulated surplus		(18 525 000)
47.12	<i>Provision for bad debts and Opening Balance corrections: Long-term debtors</i>		
	2013: The long-term debtors have not been measured and disclosed correctly. No provision for doubtful debts have been raised. There is no distinction of the current and non-current portion of the receivable. The municipality adjusted the disclosure for Credit balances accordingly The municipality adjusted the opening balance accordingly to the reports generated from Sebata. The effect of the correction of this error on the financial statement is as follows:		
	Dr: Debt impairment		3 256 109
	Dr: Accumulated surplus		26 757
	Dr: Other financial assets: Long-term debtors		3 669
	Cr: Other financial assets: Long-term debtors		(3 282 866)
	Cr: Payables from exchange transactions		(3 669)
47.13	<i>Correction of Grants received</i>		
	The municipality rectified Grant money received and allocated to creditors. The effect of the correction of this error on the financial statement is as follows:		
	Dr: Payables from exchange transactions		13 090 222
	Cr: Accumulated surplus		(13 090 222)
47.14	<i>Correction of Long service award provision</i>		
	The municipality didn't calculated a Provision for Long Services Awards during 2013. The calculation was done for the 2013 Provision during 2014. The municipality adjusted their disclosure of this provision during the current financial year. The effect of the correction of this error on the financial statements is as follows:		
	Dr: Provisions		124 742
	Cr: Employee related costs		(124 742)
47.15	<i>Correction of Long service award provision</i>		
	Refer to 48.14		

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
47. Prior period errors (continued)		
47.16 Account for Grant Income		
The municipality reallocated the subsidies received from Public works to the correct vote and accounted for a shortfall of their equitable share. The effect of the correction of this error on the financial statements is as follows:		
Dr: Accumulated surplus		580 811
Dr: Government grants and receipts		2 050 008
Cr: Government grants and receipts		(3 707)
Cr: Government grants and receipts		(2 627 112)
47.17 Account for Grant Income		
Refer to 48.16		
47.18 Correction of Bonus provision		
The municipality recalculated the Bonus provision disclosed in the 2013 AFS. The municipality adjusted the provision on the AFS accordingly. The effect of the correction of this error on the financial statements is as follows:		
+ Dr: Employee related costs		865 878
+ Cr: Payables (13th cheque accrual).		(865 878)
47.19 Correction of Bonus provision		
See 48.18		
47.20 Correction of disclosure of Unspent Conditional Grants		
After inspection of the DoRA document, it was noted that the municipality still have an Unspent portion of MIG money. The municipality adjusted their disclosure of the Unspent portion of the MIG Grant. The effect of the correction of this error on the financial statements is as follows:		
Dr: Government grants and subsidies received		2 435 765
Cr: Unspent conditional grants and receipts		(2 435 765)
47.21 Correction of disclosure of Unspent Conditional Grants		
Refer to 48.16		
47.22 DBSA Loan corrections		
With the inspection of the 2013 DBSA Loan calculation it was noted that a Loan 103723/1 was included in the calculation. After consulting with DBSA the municipality was notified that this Loan is NOT for their profile and should not be included in Kai !Garib's calculations. The municipality therefor recalculated the DBSA Loan liabilities and made the necessary adjustments in the prior year. The effect of the correction of this error on the financial statements is as follows:		
Dr: Other financial liabilities		4 202 651
Dr: Accumulated surplus		88 967
Cr: Payables from exchange transactions		(2 309 948)
Cr: Finance costs		(1 981 670)
47.23 ABSA Finance leases corrections		
The municipality recalculated the ABSA Finance lease obligations during the compilation of the 2013/14 AFS. The municipality adjusted the Disclosure of the ABSA Finance leases to reconcile with the Audit certificates received from ABSA. The effect of the correction of this error on the financial statements is as follows:		
Dr: Finance lease obligation		609 546
Cr: Finance costs		(609 546)

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
47. Prior period errors (continued)		
47.24 Consumer deposits opening balance corrected		
The municipality adjusted the opening balance of Consumer deposits according to Sebata report:		
Dr: Consumer deposits		350
Cr: Accumulated surplus		(350)
47.25 Consumer debtors disclosure and impairment corrections		
The municipality recalculated the debtors impairment and adjusted the disclosure accordingly. Management is of meaning that the figure disclosed during 2013/14 is a fair representation of the Consumer debtors. The effect of the correction of this error on the financial statements is as follows:		
Dr: Consumer debtors	9 458 882	
Dr: Accumulated surplus	436 555	
Cr: Payables from exchange transactions	(311 401)	
Cr: Debt impairment	(9 584 036)	
47.26 Oranje Koöperasie Beperk shares impaired		
Oranje Koöperasie Beperk was liquidated in 2010, and according to Auditors of OKB, the shareholders won't get any further returns on their investments. The municipality impaired these shares retrospectively from 2010. The effect of the correction of this error on the financial statements is as follows:		
Dr: Accumulated surplus	8 579	
Cr: Other financial assets	(8 579)	
47.27 General ledger corrections		
The municipality assessed the General Ledger and identified votes that are no longer in used. These votes was cleared and closed during the 2014 financial year. The effect of the correction of this error on the financial statements is as follows:		
Dr: Accumulated surplus	386 806	
Cr: Other debtors	(49 940)	
Cr: Payables from exchange transactions	(336 866)	
47.28 Long-term bad debt: Services opening balance corrections		
Refer to 48.12		
47.29 Long-term bad debt: Services with credit balances		
Refer to 48.12		
47.30 Cash and cash equivalents		
The municipality adjusted the opening balances of the cash book according to the bank sub system, and the municipality accounted for the movement on the investments as this wasn't done during 2013 The effect of the correction of this error on the financial statements is as follows:		
Dr: Cash and cash equivalents	22 076 104	
Cr: Accumulated surplus	(22 076 104)	
47.31 Post-Employment Medical Aid Provision corrections		
The municipality corrected the provision for the PEMA according to the report done by ARCH Consulting. The provision disclosed last year wasn't aligning to the report. The effect of the correction of this error on the financial statements is as follows:		
Dr: Employee related costs	1 167 957	
Cr: Payables from exchange transactions	(567 538)	
Cr: Accumulated surplus	(600 419)	

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
47. Prior period errors (continued)		
47.32 Depreciation on Landfill Sites		
The municipality accounted for depreciation on its Landfill sites as this wasn't done during 2012/13. The effect of the correction of this error on the financial statements is as follows:		
Dr: Depreciation and amortisation		463 480
Cr: Accumulated depreciation of Landfill Sites		(463 480)
47.33 VAT Disclosure adjustment		
The municipality reconciled the SARS Statements of accounts to the SEBATA System and adjusted the disclosure of Value Added Tax (VAT) to reconcile with the South African Revenue Service (SARS). The effect of the correction of this error on the financial statements is as follows:		
Dr: VAT payable		13 211 235
Cr: Payables from exchange transactions		(7 547 849)
Cr: Accumulated surplus		(5 663 386)
47.34 Commitments disclosure adjustment		
The municipality adjusted the disclosure of Commitments to account for the Commitments of the 2013 financial year (Refer to note 43)		
Commitments: Infrastructure		23 382 699
47.35 Contingent liabilities disclosure adjustment		
The municipality adjusted the disclosure of Contingent liabilities to account for the Contingent liabilities of the 2013 financial year (Refer to note 44)		
Contingent liabilities		1 041 505

The NETT effect of the corrections of these errors on the financial statements is as follows:

Statement of financial position

Cash and cash equivalents	-	11,210,084
Consumer debtors	-	9,408,942
Other financial assets	-	(3,287,777)
Intangible assets	-	45,294
Investment property	-	(3,210,979)
Property, plant and equipment	-	(16,020,454)
Bank overdraft	-	10,866,021
Consumer deposits	-	350
Finance lease obligation - Current portion	-	(625,026)
Finance lease obligation - Non-current portion	-	(1,497,916)
Other financial liabilities - Current portion	-	(290,621)
Other financial liabilities - Non-current portion	-	4,493,272
Payables from exchange transactions	-	1,147,072
Unspent conditional grants and receipts	-	(2,435,765)
Value Added Tax (VAT)	-	13,211,235
Provisions	-	124,742
Accumulated surplus	-	(24,322,174)

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Audited Annual Financial Statements for the year ended 30 June 2014

Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
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47. Prior period errors (continued)

Statement of Financial Performance

Government grants and subsidies received	-	4,482,066
Debt impairment	-	(6,327,927)
Depreciation and amortisation	-	(430,548)
Employee related costs	-	4,253,147
Finance cost	-	(2,589,638)
General expenses	-	(11,596)

Notes to Financial Statements

Commitments: Infrastructure	-	23,382,699
Contingent liabilities	-	1,041,505

48. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial position

Property, plant and equipment: Infrastructure	-	35,513,975
Property, plant and equipment: WIP	-	(35,513,975)
Other financial assets: Current portion	-	1,046,914
Other financial assets: Non-current portion	-	(1,046,914)

Statement of Financial Performance

Rental of facilities and equipment	-	41,051
Other income	-	(41,051)
Property rates	-	(2,825,349)
Property rates - penalties	-	2,825,349
Employee Related Costs	-	1,283,903
Remuneration of councillors	-	(1,283,903)
Contracted services	-	7,880,147
General expenses	-	(7,880,147)

49. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Risk management plans are developed and monitored to ensure councils the policies and systems are reviewed regularly to reflect changes in the municipalities operations.

The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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Notes to the Audited Annual Financial Statements

Figures in Rand	2014	2013
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49. Risk management (continued)

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 ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1,585,490	5,764,724	638,921	-
Trade and other payables	34,010,874	-	-	-
Finance leases	1,089,110	1,333,179	-	-

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1,657,478	5,938,613	2,050,523	-
Trade and other payables	45,401,630	-	-	-
Finance leases	1,324,126	2,256,099	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end are shown in the relevant note for cash and cash equivalents, trade receivables and other financial assets.

Financial instrument	2014	2013
Consumer debtors	21,422,705	19,574,647
Bank	664,261	(297,853)
Old mutual	66,978	66,978

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

50. Going concern

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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50. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from Treasury. Funding will be received from National Treasury as long as the municipality submit their reports on time. The collection of outstanding consumer debtor accounts are also a priority for the next twelve months.

51. Events after the reporting date

a New valuation roll was compiled during the 2013/14 financial year that came into affect on 1 July 2014. The valuations of the municipal properties increased with R 3,076,421,046. That will retrospectively increase the billable property rates with approximately with R10,000,000.

52. Unauthorised expenditure

Opening balance	99,491,898	94,329,488
Additions during the year	58,305,683	5,162,410
Closing balance	157,797,581	99,491,898

53. Fruitless and wasteful expenditure

Opening balance	261,199	261,199
Additions during the year	543,875	-
Closing balance	805,074	261,199

54. Irregular expenditure

Opening balance	16,681,735	13,136,868
Add: Irregular Expenditure - current year	11,183,868	3,544,867
Irregular expenditure awaiting approval	27,865,603	16,681,735

Analysis of expenditure awaiting condonation per age classification

Not submitting the minimum quotations for acquiring goods and services	1,759,930	-
Competitive bidding process not followed	9,423,938	-
Irregular expenditure awaiting approval	11,183,868	-

Details of irregular expenditure - previous years

Irregular expenditure as result of the Non-compliance with SCM regulations and policies	16,681,735
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The recoverability of the expenditure will be determined by the Council after an investigation by a Council Committee in terms of Section 32 of the MFMA.

At yearend no investigations regarding the recoverability of the Irregular expenditure has been conducted by the Municipality.

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55. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government (SALGA)		
Current year subscription / fee	481,743	473,652
Amount paid - current year	(481,743)	(473,652)
	-	-
Material losses		
Distribution losses - Water	930,456	316,335
Distribution losses - Electricity	8,851,266	6,627,624
	9,781,722	6,943,959
Electricity losses for the current year amounted to 17% of total electricity purchased. These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network, account for 10%. Non-technical losses, being theft, faults, billing errors account for 7%. The Municipality will work towards improving control over non-technical losses. A register of distribution losses is available at the municipal offices.		
Audit fees		
Current year subscription / fee	2,783,763	2,699,594
Amount paid - current year	(2,783,763)	(2,699,594)
	-	-
PAYE and UIF		
Current year subscription / fee	7,379,643	5,472,766
Amount paid - current year	(7,379,643)	(5,472,766)
	-	-
Value Added Tax (VAT)		
VAT receivable	5,678,933	14,663,789

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr: J.J.J. Olyn	775	2,331	3,106
Cllr: D.W. Fienies	195	462	657
	970	2,793	3,763

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr: J.J.J. Olyn	651	3,194	3,845
Cllr: D.W. Fienies	239	232	471
	890	3,426	4,316

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2014	Highest outstanding amount	Aging (in days)
Cllr: J.J.J. Olyn	3,106	240
Cllr: D.W. Fienies	657	210
	3,763	450

30 June 2013	Highest outstanding amount	Aging (in days)
Cllr: J.J.J. Olyn	3,845	365
Cllr: D.W. Fienies	471	120
Cllr: S Jacob	665	90
Cllr: WJ van Wyk	825	90
	5,806	665

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56. Deviation from supply chain management regulations

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

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

Deviations made for the year are as follows:

Number	Date	Vendor	Amount	Reasons for the Deviation from the Supply Chain Management Regulations
DEV001	07 September 2013	Bell Equipment Sales SA Ltd	5,244	Only 1 quote could be obtained as the required parts are only available from that manufacturer.
DEV002	16 July 2013	Gordonia Verkoelingsdienste BK	10,774	Repairs: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV003	17 July 2013	NC Electrowinding	21,047	Repairs & Replacement of Faulty Parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV004	17 July 2013	Upington Alternators & Rewinds CC	2,896	Strip, Inspection, Repairs & Replacement of Faulty Parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV005	19 July 2013	Kamas Staalwerke	11,796	Only 1 quote could be sourced.
DEV006	22 July 2013	W Fortuin t/a Morning Glory Security	427,800	Extension of contract with the current service provider: There's a pending tender process for the appointment of a service provider for the security services and the municipality cannot shoulder the risk of operating without a security service.
DEV007	23 July 2013	Oranje Nissan	16,046	The required parts are only available from the manufacturer. Only 1 quote could be obtained.
DEV008	23 July 2013	Bell Equipment Sales SA Ltd	13,624	The required parts are only available from the manufacturer. Only 1 quote could be obtained.
DEV009	24 July 2013	Gordonia Verkoelingsdienste BK	16,731	Strip, repairs & replacement of faulty parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV010	24 July 2013	R Nieuwenhuizen t/a Kai! Weld & Trade	32,000	The required RFQ processes cannot be followed due to an urgent requirement to improve safety and security around the Kakamas Library after a recent break-in. 3 quotes have been obtained, and the lowest 1 accepted.
DEV011	25 July 2013	MBR Electrical Suppliers	119,700	Strip, Inspection, Rewiring, Rewinding, Repairs & Replacement of Faulty Parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV012	25 July 2013	Conlog (Pty)Ltd	540,360	This is the only brand compatible to our existing electricity network and the additions of other brands to the network are avoided to prevent complications. Recent inspections revealed that there's about 150 meters by-passed and it will be in the best interest of the Municipality to deviate from the required RFQ process and replace the identified meters as soon as possible to avoid further revenue losses.
DEV013	31 July 2013	Sebata Municipal Solutions (Pty)Ltd	137,906	Sole supplier of the required items and services
DEV014	01 August 2013	Upington Industrieel	4,543	Only 1 quote could be obtained due to a lack of local suppliers of the required oil.

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56. Deviation from supply chain management regulations (continued)

DEV015	01 August 2013	PA Stationers (Pty)Ltd	63,611	Quotations have been previously advertised for the required furniture and there was no response. To fast-track this process, 3 quotes have been obtained and the lowest of the 3 is accepted.
DEV016	05 August 2013	Spectrum Communications	196,722	This is the only supplier with the telemetry system that is compatible to the existing communication system on the water network
DEV017	05 August 2013	Gariep Besproeiing BK	7,766	Only 1 quote could be sourced, other suppliers stock a slightly different pipe that the one required.
DEV018	07 August 2013	Vacuum & Fluid Technology	54,330	This is the only supplier with parts that are compatible to the model vehicle that the parts are required for. All other supplier can only supply parts for newer models.
DEV019	07 August 2013	Uppington Alternators & Rewinds CC	2,516	Strip, Inspection, Repairs & Replacement of Faulty Parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV020	07 August 2013	Bray's Foodmarket (Pty)Ltd	4,782	Goods requested at short notice, only 1 quote could be sourced.
DEV021	08 August 2013	Bray's Foodmarket (Pty)Ltd	9,493	Only 1 quote could be sourced.
DEV022	08 August 2013	Kaap Agri Bedryf Bpk	18,109	Only 2 quotes could be sourced.
DEV023	08 August 2013	Build Zone	12,618	Only 2 quotes could be sourced.
DEV024	14 August 2013	CA Bruwer Konstruksie BK	7,547	Only 2 quotes could be sourced.
DEV025	14 August 2013	W Fortuin t/a Morning Glory Security	451,200	Extension of contract with the current service provider: There's a pending tender process for the appointment of a service provider for the security services and the municipality cannot shoulder the risk of operating without a security service.
DEV026	15 August 2013	Bray's Foodmarket (Pty)Ltd	2,924	Goods requested at short notice, only 1 quote could be sourced.
DEV027	15 August 2013	MBR Electrical Suppliers	181,843	Strip, Inspection, Rewiring, Rewinding, Repairs & Replacement of Faulty Parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV028	19 August 2013	Notba Trading (Pty)Ltd	160,000	The required training is a matter of urgency, and due to time constraints, formal quotations cannot be solicited through advertising as policy development as a serious concern that requires immediate attention as we approach reviewing processes of both the budget and IDP. Noted, it also forms part of compliance with the redress of the audit recovery plan
DEV029	22 August 2013	Bell Equipment Sales SA Ltd	104,780	Sole supplier of the required parts.
DEV030	22 August 2013	Andrag Agrico	8,459	Only two quotes could be sourced.
DEV031	26 August 2013	AAS Operations	29,192	Only one quote could be sourced.
DEV032	26 August 2013	Oranje Nissan	9,000	The required parts are only available from the manufacturer. Only 1 quote could be obtained.
DEV033	02 September 2013	MBR Electrical Suppliers	96,900	Strip, Inspection & Repairs of a Transformer: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV034	02 September 2013	Bell Equipment Sales SA Ltd	4,606	The required parts are only available from the manufacturer. Only 1 quote could be obtained.
DEV035	02 September 2013	Poort Beton(Pty)Ltd	58,571	Only 1 quote could be sourced.
DEV036	02 September 2013	Kamas Staalwerke	7,640	Only 1 quote could be sourced.

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56. Deviation from supply chain management regulations (continued)

DEV037	02 September 2013	Gariep Besproeiing BK	5,996	Emergency: Damaged water network parts and further delays in replacement can result in an interruption of service delivery as no interim measures can be put in place. The lower of the 2 quote sourced, has been accepted.
DEV038	02 September 2013	Elster Kent Metering (Pty)Ltd	3,158	The required parts are only available from the manufacturer. Only 1 quote could be obtained.
DEV039	09 February 2013	Daffodil Trading 71 BK	22,500	The required RFQ process cannot be followed due to time constraints as the requested services and items are needed for a project that needs to be completed before the end of October 2013.
DEV040	09 February 2013	Van Zyl Nieuwoudt Boerdery BK	36,000	The required RFQ process cannot be followed due to time constraints as the requested services and items are needed for a project that needs to be completed before the end of October 2013.
DEV041	09 February 2013	Namakwaland Konstruksies BK	7,610	The required RFQ process cannot be followed due to time constraints as the requested services and items are needed for a project that needs to be completed before the end of October 2013.
DEV042	09 May 2013	PolyBox (Pty)Ltd	121,342	This is the only brand compatible to our existing electricity network and the additions of other brands to the network are avoided to prevent complications. Recent inspections revealed that there's about 150 meters by-passed and it will be in the best interest of the Municipality to deviate from the required RFQ process and replace the identified meters as soon as possible to avoid further revenue losses.
DEV043	16 September 2013	Kamas Staalwerke	127,922	The required RFQ process cannot be followed due to time constraints as the requested services and items are needed for a project that needs to be completed before the end of October 2013.
DEV044	16 September 2013	Namakwaland Konstruksies BK	54,948	The required RFQ process cannot be followed due to time constraints as the requested services and items are needed for a project that needs to be completed before the end of October 2013.
DEV045	16 September 2013	Sivukile Engineering t/a Stima Trading Engineering (Pty)Ltd	60,192	The required RFQ process cannot be followed due to time constraints as the requested services and items are needed for a project that needs to be completed before the end of October 2013.
DEV046	16 September 2013	Masshire Upington	14,380	Only 1 quote could be obtained
DEV047	16 September 2013	Poort Beton(Pty)Ltd	5,002	Only 1 quote could be obtained
DEV048	16 September 2013	Van Zyl Nieuwoudt Boerdery BK	16,800	Only 1 quote could be obtained
DEV049	16 September 2013	Improchem (Pty)Ltd	78,660	The required RFQ processes cannot be followed due to an urgent requirement to improve water safety by the department
DEV050	18 September 2013	CA Bruwer Konstruksie BK	7,068	Only 1 quote could be obtained
DEV051	18 September 2013	Kamas Staalwerke	7,640	Only 1 quote could be obtained
DEV052	20 September 2013	W Fortuin t/a Morning Glory Security	502,740	Extension of contract with the current service provider: There's a pending tender process for the appointment of a service provider for the security services and the municipality cannot shoulder the risk of operating without a security service.
DEV053	20 September 2013	Bell Equipment Sales SA Ltd	9,942	The required parts are only available from the manufacturer. Only 1 quote could be obtained.
DEV054	23 September 2013	Southey Street Motors (pty) ltd	2,873	REPAIRS & REPLACEMENT OF FAULTY PARTS:The vehicle is still under warranty and therefore can only be repaired by the manufacturer.ONE QUOTE.

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56. Deviation from supply chain management regulations (continued)

DEV055	23 September 2013	GMS Randall Trust	68,400	Only one quote could be obtained.
DEV056	25 September 2013	Ryno skrynwerke	6,307	REFUND.ADDITIONAL MATERIAL NECESSARY FOR RENOVATIONS.
DEV057	25 September 2013	Build Zone	19,843	ONLY ONE QUOTE OBTAINED DUE TO CLOSE ACCOUNTS.
DEV058	27 September 2013	Vac-cent Services(pty)ltd	26,253	This is the only supplier with parts that are compatible to the model vehicle that the parts are required for. All other supplier can only supply parts for newer models.
DEV059	30 September 2013	Mayfair Gearbox	3,209	This is the only supplier with parts that are compatible to the model vehicle that the parts are required for. All other supplier can only supply parts for newer models.
DEV060	07 October 2013	D Hydraulic Centre	11,702	Strip, Inspection,Repairs & Replacement of Faulty Parts:Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV061	07 October 2013	Gariap Besproeiing BK	4,714	Emergency: Damaged water network parts and further delays in replacement can result in an interruption of service delivery as no interim measures can be put in place.Only one quote was obtained.
DEV062	09 October 2013	KGB Clutch and Brake (Pty) Ltd	3,180	This is the only supplier with parts that are compatible to the model vehicle that the parts are required for. All other supplier can only supply parts for newer models.
DEV063	11 October 2013	Keimoes Bakkie Sentrum	4,633	This is the only supplier with parts that are compatible to the model vehicle that the parts are required for. All other supplier can only supply parts for newer models.
DEV064	11 October 2013	AAS Operations	29,640	Sole supplier of the required chemicals.Only one quote could be sourced.
DEV065	17 October 2013	KLK Landbou Ltd	6,934	ONLY ONE QUOTE OBTAINED DUE TO CLOSE ACCOUNTS.
DEV066	17 October 2013	Oranje Nissan	7,584	Only 1 quote could be obtained as the required parts are only available from the manufacturer.
DEV067	17 October 2013	AAS Operations	29,640	Sole supplier of the required chemicals.Only one quote could be sourced.
DEV068	25 October 2013	W Fortuin t/a Morning Glory Security	519,498	Extension of contract with the current service provider: There's a pending tender process for the appointment of a service provider for the security services and the municipality cannot shoulder the risk of operating without a security service.
DEV069	25 October 2013	W Fortuin t/a Morning Glory Security	167,580	Annual Price Increase(September2013)
DEV070	29 October 2013	Redira Clothing CC	47,853	There's a pending tender process for the appointment of a supplier for the supply of safty clothes and the municipality cannot shoulder the risk of operating without the saftey clothing.
DEV071	29 October 2013	Improchem (Pty)Ltd	199,048	Sole supplier of the required chemicals.Only one quote could be sourced.
DEV072	31 October 2013	W Fortuin t/a Morning Glory Security	173,166	Annual Price Increase(October 2013)
DEV073	15 November 2013	Voltex Upington	47,901	Items needed ugent and it is the only supplier that have all the items in stock
DEV074	15 November 2013	Dempco Trading Enterprise	24,547	Sole Suppliers
DEV075	19 November 2013	Voltex Upington	16,154	Only 1 quote could be obtained
DEV076	20 November 2013	Megazone 182CC T/A Bokkie Sport	11,200	Only 1 quote could be obtained due to a lack of local suppliers of the required items.
DEV077	20 November 2013	Top Gear	17,400	Only 1 quote could be obtained due to a lack of local suppliers of the required items.

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56. Deviation from supply chain management regulations (continued)

DEV078	01 January 2014	Andrag Agrico	3,799	Only 1 quote could be obtained due to a lack of local suppliers of the required items.
DEV079	22 January 2014	BB Spares	2,350	The part is urgently needed because service is delayed due to the vehicle. This is the only account open than can supply the part.
DEV080	22 January 2014	Uppington Enjinwerke	2,997	Strip, Inspection, Rewiring, Rewinding, Repairs & Replacement of Faulty Parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV081	22 January 2014	Zelco Motors	6,459	This is the only supplier where a quote could be obtained due to accounts which are closed.
DEV082	24 January 2014	Micro Cape Town	199,908	Only one quote could be sourced due to lack of local suppliers who does not have specific equipment needed to improve the telephone system.
DEV083	24 January 2014	NB Mechanical Sales	57,200	Only two quotes could be sourced
DEV084	27 January 2014	Bell Equipment Sales SA Ltd	6,072	The required parts are only available from the manufacturer. Only 1 quote could be obtained
DEV085	27 January 2014	Oranje Nissan	9,353	The required parts are only available from the manufacturer. Only 1 quote could be obtained
DEV086	27 January 2014	Oranje Nissan	13,002	The required parts are only available from the manufacturer. Only 1 quote could be obtained
DEV087	28 January 2014	Morning Glory Security	319,200	Extension of contract with the current service provider: There's a pending tender process for the appointment of a service provider for the security services and the municipality cannot shoulder the risk of operating without a security service.
DEV088	29 January 2014	Uppington Enjinwerke	10,022	Strip, Inspection, Rewiring, Rewinding, Repairs & Replacement of Faulty Parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV089	29 January 2014	Poort Beton	17,808	Only 1 quote could be obtained due to lack of local suppliers who does not have the required items
DEV090	29 January 2014	Voltex Uppington	25,079	Only one quote could be sourced
DEV091	05 February 2014	Redira Clothing CC	33,674	3 Quotes was obtained but the amount is more than R30 000. The reason why we could not follow the RFQ processes is : 1 The process will take too long. 2 The safety of the workers are priority and they can not wait any longer.
DEV092	07 February 2014	Build Zone	47,365	This is the only supplier with the required length of poles required. Only one quote was obtained.
DEV093	10 February 2014	NB Mechanical Sales	40,242	Vandals attempted to steal this transformer which supplies power to a grape farmer in Kiemoes on the weekend of 8 February 2014 from a pole in Kiemoes. It was cut open and the copper coils removed from inside. We had to replace this transformer as soon possible as the farmer had to water his young grapes. NB Mechanical Sales was the only company that could supply the transformer at such short notice.
DEV094	10 February 2014	F.J Verwant Contractors	30,000	The truck was hired due to municipality trucks that were out of service and could not work. Only one quote was obtained due to lack of time and service delivery that could not wait any longer.
DEV095	10 February 2014	MBR Electrical suppliers	37,050	Emergency: Damaged transformer and further delays in replacement can result in an interruption of service delivery. Only one quote was obtained.
DEV096	14 February 2014	Rodinson Distribution	14,224	a firewall was bought from Robinson Distribution and the licence needs to be renewed yearly. Only one quote was sourced.

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56. Deviation from supply chain management regulations (continued)

DEV097	14 February 2014	Madasen (EDMS) BPK	-	This software is not available in SA. This is the only suppliers that is willing to supply us with this specific software on credit. Only one quote was sourced
DEV 098	10 February 2014	SD van Wyk	7,751	One quote was sourced . This is part of the development of the local small business sector.
DEV099	18 February 2014	MBR Electrical suppliers	101,129	REPORT ATTACHED
DEV100	18 February 2014	MBR Electrical suppliers	18,012	REPORT ATTACHED
DEV101	18 February 2014	FTT 383(PTY) LTD T/A Noord-Kaap Diesel	3,861	Strip, repairs & replacement of faulty parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV102	18 February 2014	FTT 383(PTY) LTD T/A Noord-Kaap Diesel	4,513	Strip, repairs & replacement of faulty parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV103	18 February 2014	Motolek & Battery Centre	2,553	Strip, repairs & replacement of faulty parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV104	19 February 2014	SEBATA	118,560	Training on the high level support on accounting ork on the sebata system. This training can only be provided by sebata for they provide the system to us..
DEV105	19 February 2014	SEBATA	205,200	Training on the caseware reporting tool provided by sebata. This system is provided to us by sebata therefore they are responsible to provide us with this spesific training.
DEV106	24 February 2014	W FORTUIN	446,880	Extension of contract with the current service provider: There's a pending tender process for the appointment of a service provider for the security service and the municipality cannot shoulder the risk of operating without a security service.
DEV107	24 February 2014	Andrag Agrico	17,134	There are certain types of pipes needed to complet the sport ground in Lenardsville. Only Andrag can supply us with the type and length of pipes needed. Only one quote was sourced.
DEV108	24 February 2014	F.J Verwant Contractors	16,500	The truck was hired due to municipality trucks that were out of service and could not work. Only one quote was obtained due to lack of time and service delivery that could not wait any longer.
DEV109	24 February 2014	THEMBA	19,500	Therre was a crisis at the traffic department for they cannot operate without an aircon due to the machines in the building. Only one quote was sourced.
DEV110	24 February 2014	Andrag Agrico	5,597	This is part needed for the lawnmower and can only be found at Andrag because of the type and model of the lawnmower. Only one quote was sourced due to lack of suppliers who only have parts of newer models.
DEV111	24 March 2014	MAT - TYRE	28,000	This is the only supplier who is willing to supply us with this type of rims on credit. Only one quote was sourced.
DEV112	26 February 2014	DDP Valuers	1,256,032	This was the only validators available to handle the evaluation process for us as soon as possible at such short notice. Only one quote was sourced.
DEV113	03 March 2014	WOODROW ENGINEERING SALES	23,518	Strip, repairs & replacement of faulty parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV114	05 March 2014	Oranje Nissan	2,868	This item is only available at the agent due to the size of the cap. Only one quote was sourced.
DEV115	05 March 2014	Oranje Nissan	6,066	This part is only available at the manufacturer therefor only one quote was sourced. This truck is currently out of service.

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56. Deviation from supply chain management regulations (continued)

DEV116	06 March 2014	NEW HEAVENS ENTERPRISE AND ALL RELATED SERVICES	185,000	Water chemicals are urgently needed and this is the only supplier that can supply us with the specific items immediately. Only one quote was sourced.
DEV117	06 March 2014	MARTIQ 1345 CC H/A UPINGTON ENJINWERKE	5,831	Strip, repairs & replacement of faulty parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV118	06 March 2014	CHRISTIE JORDAAN BOERDERY TRUST	7,064	Strip, repairs & replacement of faulty parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV119	06 March 2014	ANDRAG AGRICO	9,644	This part of the lawnmower and due to the model and type of lawnmower the parts is only available at Andrag. Only one quote was sourced.
DEV120	06 March 2014	BB Spares	3,600	Strip, repairs & replacement of faulty parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV121	07 March 2014	BB Spares	7,070	This oil is urgently needed at the workshop for vehicles and trucks to be serviced to make sure that service delivery continues. Only one quote was sourced due to short time
DEV122	10 March 2014	Poort Beton	98,040	Poort Beton is the only supplier that sells z interlinks and fig 4 conerstones. Only one quote was sourced.
DEV123	10 March 2014	Silver falls trading 118 t/a yonwabo-o-loo toilet hire service	21,067	This is the only suppliers wiling to rent us the toilet and also transport it to the different locations. They will also maintain the toilets for the hiring period. Only 2 quotes was sourced
DEV124	10 March 2014	CA Bruwer Konstruksie BK	8,367	This is the only supplier that sells loose cement per truck load. This could be very cost consuming due to the amount of cement that are used. Only one quote was sourced.
DEV125	10 March 2014	CONLOG	62,035	REPORT ATTACHED
DEV126	10 March 2014	UPINGTON INDUSTRIEEL	20,315	This is spesific equipment to be used for the project and only 2 of our suppliers have this item. Only 2 quotes was sourced.
DEV127	10 March 2014	F.J VERWANT CONTRACTORS	10,500	The truck was hired due to municipality trucks that were out of service and could not work. Only one quote was obtained due to lack of time and service delivery that could not wait any longer.
DEV128	10 March 2014	COLIN'S CONCRETE PRODUCT CC	59,941	Only 2 suppliers have this fig 11 kerbs and only 1 supplier will deliver this kerbs to the different location. Only 2 quotes was sourced.
DEV 129	12 March 2014	BUILDERS TRADE DEPOT UPINGTON	83,068	Only one quote was sourced due to accounts that are closed and the amount of equipment need for the project.
DEV130	12 March 2014	MBR Electrical suppliers	85,087	Attached Report
DEV131	12 March 2014	CHRISTIE JORDAAN BOERDERY TRUST	6,878	Strip, repairs & replacement of faulty parts: Estimates could not be provided prior to commencement of repairs, making it impractical to obtain multiple quotes.
DEV132	17 March 2014	LM Shaw	2,700	This is the only supplier that can cover the seats. Only one quote was sourced.
DEV133	18 March 2014	Bell Equipment Sales SA Ltd	25,469	Only 1 quote could be obtained as the required parts are only available from the manufacturer.
DEV134	18 March 2014	Bell Equipment Sales SA Ltd	30,022	Only 1 quote could be obtained as the required parts are only available from the manufacturer.
DEV135	18 March 2014	Bell Equipment Sales SA Ltd	5,211	Only 1 quote could be obtained as the required parts are only available from the manufacturer.
DEV136	18 March 2014	SEBATA	114,912	Sole service provider of our financial system. Only one quote was sourced.

Kai !Garib Local Municipality

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56. Deviation from supply chain management regulations (continued)

DEV137	24 March 2014	W Fortuin t/a Morning Glory Security	495,760	Extension of contract with the current service provider: There's a pending tender process for the appointment of a service provider for the security service and the municipality cannot shoulder the risk of operating without a security service.
DEV138	26 March 2014	POORT BETON	22,308	This is the only supplier that can supply us with the fig 8 kerbs. This specific kerbs is needed for the project. Only one quote was sourced.
DEV139	26 March 2014	JUST TREES	109,691	This is spesific trees needed in the park and can only be found at Just Trees in the Western Cape.Only one quote was sourced.
DEV140	26 March 2014	Oranje Nissan	13,005	This is a Nissan truck and the part is only available at the manufacturer.Only one quote was sourced.
DEV141	26 March 2014	FJ VER WANT CONTRACTORS	35,000	The truck was hired due to municipality trucks that were out of service and could not work.Only one quote was obtained due to lack of time and service delivery that could not wait any longer.
DEV142	25 March 2014	Inter tekens	25,182	Only one vendor available,specialise equipment.
DEV143	26 March 2014	MBR Electrical suppliers	-	Attached are a report.
DEV144	27 March 2014	Beka Schreders	95,563	See attached report.
DEV145	02 April 2014	K2014018519(PTY)L TD	200,000	EMERGENCY:Roads are in proses to be fixed and this is the only supplier that can supply us immediately without stoping the whole proses
DEV146	02 April 2014	REDIRA CLOTHING CC	37,874	Three qoutations were sourced but we were not able to compile a RFQ due to time constrains.Project running only for 4 fortnights and delivery normally takes 3 weeks.
DEV147	04 April 2014	Carlas Catering	140,000	Emergency:Only one quote was obtained due to a lack of available suppliers with the necessary funds to undertake such a big event.This was the only supplier available and registered on the database to undertake the contract on such short notice.
DEV148	08 April 2014	PA Stationers	4,649	This is the only supplier that was able to print the A3 books as required.Only one quote ws sourced.
DEV149	15 April 2014	FJ VERWANT CONTRACTOR	16,800	The truck was hired due to municipality trucks that were out of service and could not work.Only one quote was obtained due to lack of time and service delivery that could not wait any longer.
DEV150	15 April 2014	Upington Alternators & Rewinds cc	7,406	Strip,repairs & replacement of faulty parts:Estimates could not be provided prior to commencement of repairs,making it impractical to obtainmultiple quotes.
DEV151	15 April 2014	Improchem	113,457	Sole supplier of this spesific water chemicals.Only one quote was sourced.
DEV152	15 April 2014	Andrag Agrico	8,457	Andrag is the only supplier that is able to give a quotation due to the fact that the main suppliers supply to Andrag,therefor the main supplier will not give us quotations for the pump.We must buy from andrag for they supply for Andrag
DEV153	15 April 2014	Yonke Dosing & Fluid Technology CC	42,364	This is the only supplier of this hydraulic pipe which absorb the water chemicals as required.Only one quote was sourced.
DEV154	29 April 2014	Dross	2,110	ETE VIR RIEMVASMAAK MENSE VIR VERGADERING MET DIE PUBLIC PROTECTOR
DEV155	30 April 2014	W FORTUIN t/a MORNING GLORY SECURITY	478,800	Extension of contract with the current service provider: There's a pending tender process for the appointment of a service provider for the security services and the municipality cannot shoulder the risk of operating without a security service.

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56. Deviation from supply chain management regulations (continued)

DEV156	30 April 2014	AAS Operations	16,441	This is the only 2 suppliers that sells CHLORINE GASS.Only 2 quotes was sourced.
DEV157	30 April 2014	FJ VERWANT CONTRACTORS	14,250	The truck was hired due to municipality trucks that were out of service and could not work.Only one quote was obtained due to lack of time and service delivery that could not wait any longer.
DEV158	05 May 2014	Bell equipment sales SA limited	155,325	Only 1 quote could be obtained as the required parts are only available from the manufacturer.This is a service for all the machines.
DEV159	05 May 2014	LIDIA MAJIEDT	5,000	This was the only supplier to help on such short notice when the municipality was approced.Only one quote was sourced due to time.
DEV160	05 May 2014	SEBATA	31,920	Sole supplier of our financial system.Only one quote was sourced.
DEV161	05 May 2014	Bell equipment sales SA limited	2,719	Only 1 quote could be obtained as the required parts are only available from the manufacturer
DEV162	08 May 2014	EMC Electrical Reticulaion	6,886	Emergency:A electrical cable in the location has burned and the was no power available for a part of Langverwag.So the cable needed fixing immediately.Only one quote was sourced.
DEV163	14 May 2014	BLINDS FOR AFRICA	3,070	This is the only supplier in the Kakamas area and to avoid unnecessary cost it is best to make use of Blinds for Africa.Only one quote was sourced.
DEV164	14 May 2014	Andrag Agrico	7,038	This is the only supplier with the size and tipe of valves needed.Only one quote was sourced.
DEV165	16 May 2014	SEBATA	566,466	Sole supplier of our financial system.Only one quote was sourced.
DEV166	21 May 2014	AAS Operations	36,423	We are deviating from the RFQ proses due to time and service delivery that can not wait and the RFQ proses will take too long.3 Quotation was sourced but exceeds the amount of R30 000.
DEV167	21 May 2014	JCG Watertreatment	54,720	We are deviating from the RFQ proses due to time and service delivery that can not wait and the RFQ proses will take too long.3 Quotation was sourced but exceeds the amount of R30 000.
DEV168	28 May 2014	FJ VERWANT CONTRACTORS	7,500	The truck was hired due to municipality trucks that were out of service and could not work.Only one quote was obtained due to lack of time and service delivery that could not wait any longer.
DEV169	28 May 2014	W FORTUIN t/a MORNING GLORY SECURITY	282,720	Extension of contract with the current service provider: There's a pending tender process for the appointment of a service provider for the security services and the municipality cannot shoulder the risk of operating without a security service.
DEV170	29 May 2014	D Hydraulic Centre	14,250	This is the only supplier that have the part available due to the model of the machine.Only one quote could be sourced.
DEV171	23 June 2014	Kalahari Gateway Hotel	3,028	Request for a meal on short notice for a urgent meeting held on 20th June 2014.Only one quote was sourced.
DEV172	20 June 2014	N KASIMBINGUE	6,000	Transport was requested for a program on 5 March 2014 in Kakamas.This was short notice and this was the only available transport on that day.Only one quote was sourced
DEV173	25 June 2014	Oranje Nissan	4,542	The wires are only available from this one supplier.Only one quote was sourced.
DEV174	26 June 2014	Zelco Motors	10,742	This is the only supplier that can supply us with the part due to the model of the vehicle.Only one quote could be sourced.

Kai !Garib Local Municipality

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56. Deviation from supply chain management regulations (continued)

DEV175	30 June 2014	W FORTUIN t/a MORNING GLORY SECURITY	273,600	Extension of contract with the current service provider: There's a pending tender process for the appointment of a service provider for the security services and the municipality cannot shoulder the risk of operating without a security service.
			12,746,600	

57. Impairment of assets

Impairments

Property, plant and equipment	399,455	-
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In the valuation report done by Enviromental and Sustainability Solutions CC, it was noted that the remaining useful life of Marchand Landfill Site is zero. Therefore, in accordance with GRAP, this asset is impaired and written down to Rnil. The amount capitalised in the current year is therefore written off as an impairment.

Material impairment losses recognised

Property, plant and equipment

Impairments

Land	399,455	-
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Being impairment loss in respect of the Marchand landfill.

The cost allocated to each year is converted to future value using the consumer price index (3-month average CPI) as provided by the Reserve Bank, and then impaired to present value using an appropriate discount rate (based on the rate of inflation linked RSA retail bonds. The remaining life of the landfill forms the basis for the impairment calculations.

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014
		Rand	Rand	Rand	Rand
Development Bank of South Africa					
Product 6100 0080 @ 12.1%	1004 98/1	1,486,157	-	82,875	1,403,282
Product 6100 1016 @ 6.75%	1037 23/2	6,206,073	-	928,685	5,277,388
Product 6100 1017 @ 6.75%	1037 23/3	783,886	-	347,448	436,438
Product 6100 1442 @ 16%	1120 2/102	180,842	-	180,842	-
Product 6100 3127 @ 16.5%	1331 5/202	360,069	-	38,930	321,139
Product 6100 3256 @ 9.8%	1370 2/101	629,587	-	78,699	550,888
		9,646,614	-	1,657,479	7,989,135
Lease liability					
Nashua @ 8.5%	31/12/2016	2,716,392	-	695,785	2,020,607
Vodacom @ 9%	30/11/2015	16,095	130,333	28,579	117,849
MTN @ 9%	30/11/2015	-	71,705	20,695	51,010
Absa @ 9.5%	30/12/2014	847,738	-	614,915	232,823
		3,580,225	202,038	1,359,974	2,422,289
Total external loans					
Development Bank of South Africa		9,646,614	-	1,657,479	7,989,135
Lease liability		3,580,225	202,038	1,359,974	2,422,289
		13,226,839	202,038	3,017,453	10,411,424

Kai !Garib Local Municipality
Kai !Garib Local Municipality
Appendix B

June 2014

Analysis of property, plant and equipment as at 30 June 2014
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	54,114,600	-	-	-	-	-	54,114,600	-	-	-	-	-	-	54,114,600
Landfill Sites (Separate for AFS purposes)	31,353,965	9,027,368	-	-	-	-	40,381,353	(463,480)	-	-	(7,188,708)	-	(7,652,188)	32,729,165
Buildings (Separate for AFS purposes)	66,048,441	-	(17,051)	-	-	-	66,031,390	(7,216,340)	5,247	-	(1,802,773)	(398,189)	(9,412,055)	56,619,335
	151,517,026	9,027,368	(17,051)	-	-	-	160,527,343	(7,679,820)	5,247	-	(8,991,481)	(398,189)	(17,064,243)	143,463,100
Infrastructure														
Roads, Pavements & Bridges	186,817,320	12,803,801	(1,496,695)	-	-	-	198,124,426	(24,858,246)	157,143	-	(6,743,219)	(24,604)	(31,468,926)	166,655,500
Sewerage	56,234,438	275,254	(77,115)	-	-	-	56,432,577	(3,974,818)	36,758	-	(1,497,743)	(26,869)	(7,462,672)	50,969,905
Water	314,580,383	252,437	(742,913)	-	-	-	314,089,907	(41,143,003)	263,295	-	(10,807,356)	(1,604,105)	(53,291,169)	260,798,738
Electricity	119,523,293	190,060	(3,024)	-	-	-	119,710,329	(32,901,237)	712	-	(8,233,113)	(52,578)	(41,186,216)	78,524,113
Sanitation	2,842,125	-	(205,930)	-	-	-	2,636,195	(1,195,042)	54,653	-	(285,097)	-	(1,425,486)	1,210,709
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	128,715	-	-	-	-	-	128,715	(64,357)	-	-	(16,089)	(933)	(81,379)	47,336
Communication	400,834	-	-	-	-	-	400,834	(200,417)	-	-	(50,104)	-	(250,521)	150,313
	682,527,108	13,521,552	(2,525,677)	-	-	-	693,522,983	(106,337,120)	512,561	-	(27,632,721)	(1,709,089)	(135,166,369)	558,356,614
Community Assets														
Sportsfields and stadium	15,318,984	-	(345,135)	-	-	-	14,973,849	(3,312,607)	106,195	-	(801,603)	(115,641)	(4,123,656)	10,850,193
Recreational facilities	525,275	-	(6,040)	-	-	-	519,235	(131,322)	2,839	-	(32,121)	(127)	(160,731)	358,504
Cemeteries	4,178,748	-	(104,734)	-	-	-	4,074,014	(1,031,126)	32,226	-	(249,725)	-	(1,248,625)	2,825,389
	20,023,007	-	(455,909)	-	-	-	19,567,098	(4,475,055)	141,260	-	(1,083,449)	(115,768)	(5,533,012)	14,034,086

Analysis of property, plant and equipment as at 30 June 2014
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Tractors and earth moving vehicles	8,913,607	-	(37,550)	-	-	-	8,876,057	(2,131,651)	24,794	-	(623,558)	-	(2,730,415)	6,145,642
	8,913,607	-	(37,550)	-	-	-	8,876,057	(2,131,651)	24,794	-	(623,558)	-	(2,730,415)	6,145,642
Other assets														
General vehicles	15,696,638	-	(19,079)	-	-	-	15,677,559	(4,330,976)	6,656	-	(1,072,949)	-	(5,397,269)	10,280,290
Plant & equipment	167,727	12,487	(9,794)	-	-	-	170,420	(90,801)	3,274	-	(16,867)	-	(104,394)	66,026
Computer Equipments	1,635,396	271,432	(114,078)	-	-	-	1,792,750	(768,947)	73,760	-	(270,553)	-	(965,740)	827,010
Furniture & Fittings	1,813,007	266,557	(11,129)	-	-	-	2,068,435	(981,732)	3,665	-	(200,385)	-	(1,178,452)	889,983
Office Equipment	127,931	109,933	-	-	-	-	237,864	(54,900)	-	-	(28,683)	-	(83,583)	154,281
Leased Assets	6,265,411	226,689	-	-	-	-	6,492,100	(2,489,060)	-	-	(730,386)	-	(3,219,446)	3,272,654
Work in progress	54,486,725	31,792,547	-	(13,521,552)	-	-	72,757,720	-	-	-	-	-	-	72,757,720
	80,192,835	32,679,645	(154,080)	(13,521,552)	-	-	99,196,848	(3,716,416)	87,355	-	(2,319,823)	-	(10,948,884)	88,247,964

Analysis of property, plant and equipment as at 30 June 2014
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	151,517,026	9,027,368	(17,051)	-	-	-	160,527,343	(7,679,820)	5,247	-	(8,991,481)	(398,189)	(17,064,243)	143,463,100
Infrastructure	682,527,108	13,521,552	(2,525,677)	-	-	-	693,522,983	(106,337,120)	512,561	-	(27,632,721)	(1,709,089)	(135,166,369)	558,356,614
Community Assets	20,023,007	-	(455,909)	-	-	-	19,567,098	(4,475,055)	141,260	-	(1,083,449)	(115,766)	(5,533,012)	14,034,086
Specialised vehicles	8,913,607	-	(37,550)	-	-	-	8,876,057	(2,131,651)	24,794	-	(623,558)	-	(2,730,415)	6,145,642
Other assets	80,192,835	32,679,645	(154,080)	(13,521,552)	-	-	98,196,848	(8,716,416)	87,355	-	(2,319,823)	-	(10,948,884)	88,247,964
	943,173,583	55,228,565	(3,190,267)	(13,521,552)	-	-	981,690,329	(129,340,062)	771,217	-	(40,651,032)	(2,223,046)	(171,442,923)	810,247,406
Intangible assets														
Computers - software & programming	99,574	62,948	-	-	-	-	162,522	(40,010)	-	-	(22,395)	-	(62,405)	100,117
	99,574	62,948	-	-	-	-	162,522	(40,010)	-	-	(22,395)	-	(62,405)	100,117
Investment properties														
Investment property	1,134,000	-	-	-	-	66,000	1,200,000	-	-	-	-	-	-	1,200,000
	1,134,000	-	-	-	-	66,000	1,200,000	-	-	-	-	-	-	1,200,000
Total														
Land and buildings	151,517,026	9,027,368	(17,051)	-	-	-	160,527,343	(7,679,820)	5,247	-	(8,991,481)	(398,189)	(17,064,243)	143,463,100
Infrastructure	682,527,108	13,521,552	(2,525,677)	-	-	-	693,522,983	(106,337,120)	512,561	-	(27,632,721)	(1,709,089)	(135,166,369)	558,356,614
Community Assets	20,023,007	-	(455,909)	-	-	-	19,567,098	(4,475,055)	141,260	-	(1,083,449)	(115,766)	(5,533,012)	14,034,086
Specialised vehicles	8,913,607	-	(37,550)	-	-	-	8,876,057	(2,131,651)	24,794	-	(623,558)	-	(2,730,415)	6,145,642
Other assets	80,192,835	32,679,645	(154,080)	(13,521,552)	-	-	98,196,848	(8,716,416)	87,355	-	(2,319,823)	-	(10,948,884)	88,247,964
Intangible assets	99,574	62,948	-	-	-	-	162,522	(40,010)	-	-	(22,395)	-	(62,405)	100,117
Investment properties	1,134,000	-	-	-	-	66,000	1,200,000	-	-	-	-	-	-	1,200,000
	944,407,157	55,291,513	(3,190,267)	(13,521,552)	66,000	-	983,052,851	(129,380,072)	771,217	-	(40,673,427)	(2,223,046)	(171,505,328)	811,547,523

Kai !Garib Local Municipality
Kai !Garib Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	54,114,600	-	-	-	-	-	54,114,600	-	-	-	-	-	-	54,114,600
Landfill Sites (Separate for AFS purposes)	3,060,952	27,461,839	-	-	-	-	30,522,791	-	-	-	(463,480)	-	(463,480)	30,059,311
Buildings (Separate for AFS purposes)	66,048,441	-	-	-	-	-	66,048,441	(5,412,255)	-	-	(1,804,085)	-	(7,216,340)	58,832,101
	123,223,993	27,461,839	-	-	-	-	150,685,832	(5,412,255)	-	-	(2,267,565)	-	(7,679,820)	143,006,012
Infrastructure														
Roads, Pavements & Bridges	170,664,983	16,152,337	-	-	-	-	186,817,320	(18,537,833)	-	-	(6,320,412)	-	(24,858,245)	161,959,075
Sewerage	56,234,438	-	-	-	-	-	56,234,438	(4,467,886)	-	-	(1,506,932)	-	(3,974,818)	52,239,620
Water	308,066,249	6,514,134	-	-	-	-	314,580,383	(30,453,149)	-	-	(10,689,854)	-	(41,143,003)	273,437,380
Electricity	119,523,293	-	-	-	-	-	119,523,293	(24,667,946)	-	-	(8,233,291)	-	(32,901,237)	86,622,056
Sanitation	2,842,125	-	-	-	-	-	2,842,125	(896,282)	-	-	(298,761)	-	(1,195,043)	1,647,082
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	128,715	-	-	-	-	-	128,715	(48,268)	-	-	(16,069)	-	(64,357)	64,358
Communication	400,834	-	-	-	-	-	400,834	(150,313)	-	-	(50,104)	-	(200,417)	200,417
	659,860,637	22,666,471	-	-	-	-	682,527,108	(79,221,677)	-	-	(27,115,443)	-	(106,337,120)	576,189,988
Community Assets														
Sportsfields and stadium	15,318,984	-	-	-	-	-	15,318,984	(2,484,456)	-	-	(828,152)	-	(3,312,608)	12,006,376
Recreational facilities	525,275	-	-	-	-	-	525,275	(98,492)	-	-	(32,831)	-	(131,323)	393,952
Cemeteries	4,178,748	-	-	-	-	-	4,178,748	(773,344)	-	-	(257,781)	-	(1,031,125)	3,147,623
	20,023,007	-	-	-	-	-	20,023,007	(3,356,292)	-	-	(1,118,764)	-	(4,475,056)	15,547,951

June 2014

Analysis of property, plant and equipment as at 30 June 2013

Heritage assets
Specialised vehicles
Other assets

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	123,223,993	27,461,839	-	-	-	-	150,685,832	(5,412,255)	-	-	(2,267,565)	-	(7,679,820)	143,006,012
Infrastructure	659,860,637	22,666,471	-	-	-	-	682,527,108	(79,221,677)	-	-	(27,115,443)	-	(106,337,120)	576,189,988
Community Assets	20,023,007	-	-	-	-	-	20,023,007	(3,356,292)	-	-	(1,118,764)	-	(4,475,056)	15,547,951
Other assets	78,045,740	11,060,701	-	-	-	-	89,106,441	(6,989,794)	-	-	(3,858,273)	-	(10,848,067)	78,258,374
	881,153,377	61,189,011	-	-	-	-	942,342,388	(94,980,018)	-	-	(34,360,045)	-	(129,340,063)	813,002,325
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	31,299	68,275	-	-	-	-	99,574	(12,097)	-	-	(27,913)	-	(40,010)	59,564
	31,299	68,275	-	-	-	-	99,574	(12,097)	-	-	(27,913)	-	(40,010)	59,564
Investment properties														
Investment property	1,134,000	-	-	-	-	-	1,134,000	-	-	-	-	-	-	1,134,000
	1,134,000	-	-	-	-	-	1,134,000	-	-	-	-	-	-	1,134,000
Total														
Land and buildings	123,223,993	27,461,839	-	-	-	-	150,685,832	(5,412,255)	-	-	(2,267,565)	-	(7,679,820)	143,006,012
Infrastructure	659,860,637	22,666,471	-	-	-	-	682,527,108	(79,221,677)	-	-	(27,115,443)	-	(106,337,120)	576,189,988
Community Assets	20,023,007	-	-	-	-	-	20,023,007	(3,356,292)	-	-	(1,118,764)	-	(4,475,056)	15,547,951
Other assets	78,045,740	11,060,701	-	-	-	-	89,106,441	(6,989,794)	-	-	(3,858,273)	-	(10,848,067)	78,258,374
Intangible assets	31,299	68,275	-	-	-	-	99,574	(12,097)	-	-	(27,913)	-	(40,010)	59,564
Investment properties	1,134,000	-	-	-	-	-	1,134,000	-	-	-	-	-	-	1,134,000
	882,318,676	61,257,286	-	-	-	-	943,575,962	(94,992,115)	-	-	(34,387,958)	-	(129,380,073)	814,195,889

Segmental analysis of property, plant and equipment as at 30 June 2014
Cost/Revaluation

Accumulated Depreciation

	Opening Balance Rand	Additions		Disposals		Transfers		Revaluations		Other changes, movements		Closing Balance		Opening Balance		Disposals		Transfers		Depreciation		Impairment deficit		Closing Balance		Carrying value	
		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Municipality																											
Executive, Council and Corporate Services	34,719,290	950,047		(191,630)	-	-	-	-	-	-	-	35,477,707		(10,888,078)		112,149		-		(2,965,775)		-		(13,741,704)		21,736,003	
Planning and Development/Economic Development/Plan	199,458,231	40,756,967		(17,051)	(13,521,552)			-		-		226,676,595		(7,176,328)		5,246		-		(1,780,378)		(398,189)		(9,349,649)		217,326,946	
Comm. & Social/Libraries and archives	4,178,748	-		(104,734)	-	-	-	-		-		4,074,014		(1,031,126)		32,226		-		(249,725)		-		(1,248,625)		2,825,389	
Sport and Recreation	15,844,259	-		(351,175)	-	-	-	-		-		15,493,084		(3,443,930)		109,035		-		(833,724)		(115,768)		(4,284,387)		11,208,697	
Waste Water Management/Sewerage	61,076,563	275,254		(283,045)	-	-	-	-		-		61,068,772		(7,225,250)		91,411		-		(1,795,525)		(26,869)		(8,956,233)		52,112,539	
Road Transport/Roads	186,946,035	12,803,801		(1,496,694)	-	-	-	-		-		198,253,142		(24,923,433)		157,143		-		(6,780,102)		(25,537)		(31,571,929)		166,681,213	
Water/Water Distribution	314,580,383	252,437		(742,913)	-	-	-	-		-		314,089,907		(41,965,350)		263,295		-		(11,080,939)		(1,604,105)		(54,387,099)		259,702,808	
Electricity /Electricity Distribution	119,924,127	190,060		(3,024)	-	-	-	-		-		120,111,163		(33,117,115)		712		-		(8,288,371)		(52,578)		(41,457,352)		78,653,811	
936,727,636	55,228,566		(3,190,266)		(13,521,552)			-		-		975,244,384		(129,770,610)		771,217		-		(33,774,539)		(2,223,046)		(164,996,978)		810,247,406	
Municipal Owned Entities																											
Total																											
Municipality	936,727,636	55,228,566		(3,190,266)	(13,521,552)			-		-		975,244,384		(129,770,610)		771,217		-		(33,774,539)		(2,223,046)		(164,996,978)		810,247,406	
936,727,636	55,228,566		(3,190,266)		(13,521,552)			-		-		975,244,384		(129,770,610)		771,217		-		(33,774,539)		(2,223,046)		(164,996,978)		810,247,406	

Kai !Garib Local Municipality

Appendix D

June 2014

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
704,920	15,248,877	(14,543,957)	Executive & Council/Mayor and Council	2,351,499	17,427,547	(15,076,048)
81,929,172	80,515,510	1,413,662	Finance & Admin/Finance	58,045,212	98,292,421	(40,247,209)
(80)	1,464,808	(1,464,888)	Planning and Development/Economic Development/Plan	(37,362)	1,751,644	(1,789,006)
-	859,010	(859,010)	Health/Clinics	(111,123)	889,933	(1,001,056)
779,934	4,052,878	(3,272,944)	Comm. & Social/Libraries and archives	546,395	6,349,396	(5,803,001)
4,137,368	-	4,137,368	Housing	8,783,755	-	8,783,755
525,259	1,802,402	(1,277,143)	Public Safety/Police	788,484	1,918,841	(1,130,357)
7,547	2,533,029	(2,525,482)	Sport and Recreation	1,947,324	6,127,499	(4,180,175)
13,059,691	14,031,746	(972,055)	Waste Water Management/Sewerage	22,999,220	17,503,912	5,495,308
(313,345)	9,435,366	(9,748,711)	Road Transport/Roads	(358,702)	11,585,014	(11,943,716)
12,957,535	12,853,259	104,276	Water/Water Distribution	20,824,466	16,771,657	4,052,809
53,711,461	57,273,342	(3,561,881)	Electricity /Electricity Distribution	62,714,430	50,953,358	11,761,072
167,499,462	200,070,227	(32,570,765)		178,493,598	229,571,222	(51,077,624)
Municipal Owned Entities						
Other charges						
167,499,462	200,070,227	(32,570,765)	Municipality	178,493,598	229,571,222	(51,077,624)
167,499,462	200,070,227	(32,570,765)	Total	178,493,598	229,571,222	(51,077,624)

Kai Igarib Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	
Municipal Infrastructure Grant (MIG)	National Treasury	7,061,000	-	10,309,000	-	645,107	3,477,725	2,540,464	10,362,559	Yes
Municipal Systems Improvement Grant (MSG)	National Treasury	890,000	-	-	-	1,885	573,176	366,600	292,700	Yes
Financial Management Grant (FMG)	National Treasury	1,650,000	-	-	-	257,768	529,735	323,358	554,219	Yes
Expanded Public Works Programme (EPWP)	National Treasury	400,000	300,000	300,000	-	450,182	209,794	305,770	1,418,630	Yes
		10,001,000	300,000	10,609,000	-	1,354,942	4,790,430	3,536,192	12,628,108	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Kai !Garib Local Municipality

Appendix G2

Budgeted Financial Performance (revenue and expenditure by municipal vote)

for the year ended 30 June 2014

2014/2013										2013/2012									
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final adjustments budget		Final Budget		Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget		Actual Outcome as % unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Restated Audited Outcome			
Rand	Rand		Rand		Rand	Rand	Rand	Rand	Rand	Rand	%	Rand	%	Rand	%	Rand			
Revenue by Vote																			
Executive & Council/Mayor and Council	2,351,000	1,000	2,352,000	-	2,352,000	2,351,499			(501)	100 %	100 %					702,000			
Executive & Council/Municipal Manager	6,000	(6,000)	-	-	-	-			-	DIV/0 %	-					3,000			
Waste Water Management	21,646,000	1,555,000	23,201,000	-	23,201,000	22,999,220			(201,780)	99 %	106 %					13,064,000			
Road Transport	-	-	-	-	-	(358,702)			(358,702)	DIV/0 %	DIV/0 %					-			
Water	22,721,000	24,000	22,745,000	-	22,745,000	20,824,466			(1,920,534)	92 %	92 %					13,610,000			
Electricity	69,750,000	(110,000)	69,640,000	-	69,640,000	62,714,430			(6,925,570)	90 %	90 %					54,205,000			
Corporate services	50,545,000	(9,540,000)	41,005,000	-	41,005,000	57,979,212			16,974,212	141 %	115 %					86,411,000			
Planning & Development	619,000	23,126,000	23,745,000	-	23,745,000	(37,362)			(23,782,362)	-	(6)%					-			
Health	776,000	-	776,000	-	776,000	(111,123)			(887,123)	(14)%	(14)%					-			
Community & Social Services	957,000	(79,000)	878,000	-	878,000	546,395			(331,605)	62 %	57 %					780,000			
Public Safety	2,990,000	3,998,000	6,988,000	-	6,988,000	788,484			(6,199,516)	11 %	26 %					525,000			
Sports and Recreation	12,000	2,997,000	3,009,000	-	3,009,000	1,947,324			(1,061,676)	65 %	16,228 %					8,000			
Housing	-	-	-	-	-	8,783,755			8,783,755	DIV/0 %	DIV/0 %					4,137,000			
Total Revenue by Vote	172,373,000	21,966,000	194,339,000	-	194,339,000	178,427,598			(15,911,402)	92 %	104 %					173,445,000			
Expenditure by Vote to be appropriated																			
Executive & Council/Mayor and Council	8,615,000	1,415,000	10,030,000	-	10,030,000	12,797,870			2,767,870	128 %	149 %					11,696,000			
Executive & Council/Municipal Manager	3,699,000	(541,000)	3,158,000	-	3,158,000	3,561,120			403,120	113 %	96 %					3,553,000			
Waste Water Management	12,782,000	5,620,000	18,402,000	-	18,402,000	17,503,912			(898,088)	95 %	137 %					13,299,000			
Road Transport	9,004,000	319,000	9,323,000	-	9,323,000	11,585,014			2,262,014	124 %	129 %					9,465,000			
Water	10,477,000	7,498,000	17,975,000	-	17,975,000	16,771,657			(1,203,343)	93 %	160 %					13,185,000			
Electricity	44,309,000	10,485,000	54,794,000	-	54,794,000	51,254,779			(3,539,221)	94 %	116 %					69,676,000			
Corporate services	45,964,000	6,344,000	52,308,000	-	52,308,000	90,687,678			38,379,678	173 %	197 %					77,676,000			
Planning & Development	4,824,000	205,000	5,029,000	-	5,029,000	1,751,644			(3,277,356)	35 %	36 %					818,000			
Health	959,000	13,000	972,000	-	972,000	889,933			(82,067)	92 %	93 %					859,000			
Community & Social Services	6,828,000	1,772,000	8,600,000	-	8,600,000	6,349,396			(2,250,604)	74 %	93 %					4,023,000			
Public Safety	2,586,000	4,703,000	7,289,000	-	7,289,000	1,918,841			(5,370,159)	26 %	74 %					1,802,000			
Sports and Recreation	2,620,000	3,839,000	6,459,000	-	6,459,000	6,127,499			(331,501)	95 %	234 %					2,514,000			
Total Expenditure by Vote	152,667,000	41,672,000	194,339,000	-	194,339,000	221,199,343			43,812,682	114 %	145 %					208,566,000			
Surplus/(Deficit) for the year	19,706,000	(19,706,000)	-	-	-	(42,771,745)			(42,771,745)	DIV/0 %	(217)%					(35,121,000)			

Kai !Garib Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

2014/2013										2013/2012																					
Original Budget		Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (i.t.o. s31 of the MFMA)		Virement (i.t.o. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments Budget		Actual Outcome as % of Final Budget		Actual of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome			
Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand			
Revenue By Source																															
Property rates		16,270,476	15,387,175	31,657,651	-					31,657,651	17,614,447			(14,043,204)		56 %	108 %											13,842,798			
Service charges - electricity revenue		59,293,140	59,151,280	118,444,420	-					118,444,420	53,318,108			(65,126,312)		45 %	90 %											51,577,927			
Service charges - water revenue		12,489,054	13,989,054	26,478,108	-					26,478,108	13,393,293			(13,084,815)		51 %	107 %											12,480,163			
Service charges - sanitation revenue		5,225,916	5,285,916	10,511,832	-					10,511,832	5,394,269			(5,117,563)		51 %	103 %											4,740,256			
Service charges - refuse revenue		4,775,671	4,775,929	9,551,600	-					9,551,600	4,702,348			(4,849,252)		49 %	98 %											4,121,615			
Service charges - other		10,241	20,000	30,241	-					30,241	17,196			(13,045)		57 %	168 %											14,885			
Rental of facilities and equipment		264,582	196,327	460,909	-					460,909	156,569			(304,340)		34 %	59 %											114,903			
Interest earned - external investments		187,494	15,000	202,494	-					202,494	185,927			(16,567)		92 %	99 %											17,105			
Interest earned - outstanding debtors		8,404,310	8,000,000	16,404,310	-					16,404,310	7,907,071			(8,497,239)		48 %	94 %											7,481,481			
Fines		140,861	51,000	191,861	-					191,861	83,782			(108,079)		44 %	59 %											139,351			
Licences and permits		477,263	478,000	955,263	-					955,263	58,135			(897,128)		6 %	12 %											475,024			
Agency services		2,345,741	6,481,820	8,827,561	-					8,827,561	712,819			(8,114,742)		8 %	30 %											(83,459)			
Transfers recognised - operational		53,232,000	53,232,000	106,464,000	-					106,464,000	61,239,782			(45,224,218)		58 %	115 %											57,160,488			
Other revenue		496,458	3,530,450	4,026,908	-					4,026,908	2,627,328			(1,399,580)		65 %	529 %											389,026			
Gains on disposal of PPE		-	-	-	-					-	(2,419,050)			(2,419,050)		DIV/0 %	DIV/0 %										-				
Total Revenue (excluding capital transfers and contributions)		163,613,207	170,593,951	334,207,158	-					334,207,158	164,992,024			(169,215,134)		49 %	101 %											152,471,563			

Kai !Garib Local Municipality

Appendix G3

Budgeted Financial Performance (revenue and expenditure)

for the year ended 30 June 2014

2014/2013										2013/2012									
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome					
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand					
								</											