



[These financial statements have not been audited]

ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2008

| | |
|-------------|---|
| R Dennis | Executive Mayor |
| F. Lloyd | Directorate Planning and Development |
| V. Stuurman | Directorate Community Services |
| A. Maseti | Directorate Financial Services |
| K. Felix | Directorate Human Resources, Led and Corporate Services |

AUDITORS

Auditor-General
PO Box 210917, The Fig Tree, 6033
Eastern Cape

BANKERS

First National Bank
Private Bag X5
Jeffreys Bay, 6330

REGISTERED OFFICE

33 Da Gama Drive
Jeffreys Bay

P O Box 21
Jeffreys Bay
6330

Tel: (042) 200 2200
Fax: (042) 293 4204

Webpage: www.kougamunicipality.gov.za
E-mail: registry@ec108.org.za

MUNICIPAL MANAGER

Dr. E.M. Rankwana

CHIEF FINANCIAL OFFICER

Mr. M.L. Booysen

GENERAL INFORMATION (continued)

LEGAL FORM

Category B Municipality which operates in accordance with Chapter 7 of the Constitution of South Africa.

GRADING

Grade 8

JURISDICTION

Greater Kouga area which includes:
Jeffreys Bay, Loerie, Thornhill
Humansdorp
St Francis Bay, Cape St Francis, Oyster Bay
Hankey
Patensie



2007 / 2008

MEMBERS OF THE KOUGA LOCAL MUNICIPALITY

| WARD | COUNCILLOR | |
|--------------|---------------------|---|
| 1 | Rheeder | B |
| 2 | Dennis | R |
| 3 | Botha | N |
| 4 | Rollison | B |
| 5 | Camealio - Benjamin | V |
| 6 | Swepu | S |
| 7 | Lloyd | F |
| 8 | Ungerer | M |
| 9 | Tshume | M |
| 10 | Mbandana | G |
| Proportional | Dlomo | M |
| Proportional | Stuurman | V |
| Proportional | Felix | K |
| Proportional | Maseti | A |
| Proportional | Cawood | C |
| Proportional | August | C |
| Proportional | Smith | D |
| Proportional | Njela | C |
| Proportional | van Eeden | M |
| Proportional | Cloete | F |

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 85 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Dr E.M. Rankwana
Municipal Manager

Date

[These Financial Statements have not been audited]

KOUGA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Kouga Local Municipality for the fiscal year 2007/08.

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

These annual financial statements are a presentation of the accounting activities of the Kouga Local Municipality for the financial year as indicated.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality. The increase in the percentage in respect of Employee Related Costs is because of the provision created for Council's staff retirement liabilities. The increase in the percentage in respect of repairs and maintenance is because of the provision created for the rehabilitation of land-fill sites.

Financial Statement Ratios:

| INDICATOR | 2008 | 2007 |
|---|--------------|------------|
| Surplus / (Deficit) before Appropriations | (35 493 412) | 24 205 084 |
| Surplus / (Deficit) at the end of the Year | 63 719 918 | 69 240 493 |
| Expenditure Categories as a percentage of Total Expenses: | | |
| Employee Related Costs | 39.69% | 33.13% |
| Remuneration of Councillors | 1.36% | 1.67% |
| Bad Debts | 0.70% | 4.44% |
| Collection costs | 0.01% | 0.01% |
| Contracted services | 0.27% | 0.20% |
| Depreciation | 4.31% | 4.52% |
| Repairs and Maintenance | 10.81% | 5.79% |
| Interest Paid | 3.70% | 4.88% |
| Bulk Purchases | 16.14% | 19.49% |
| Grants and Subsidies Paid | 4.00% | 4.97% |
| General Expenses | 19.01% | 20.90% |
| Current Ratio: | | |
| Creditors Days | 33 | 27 |
| Debtors Days | 69 | 59 |

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of variances of more than 10% from budget, are included in Appendix "E (1)".

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

| DETAILS | Actual 2007/2008 R | Actual 2006/2007 R | Percentage Variance % | Budgeted 2007/2008 R | Variance actual/ budgeted % |
|------------------------------------|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| Income: | | | | | |
| Opening surplus / (deficit) | 69 240 493 | 16 342 434 | 323.69% | - | - |
| Operating income for the year | 279 041 039 | 256 765 850 | 8.68% | 261 719 842 | 6.62% |
| Appropriations for the year | - | - | | - | - |
| | 348 281 533 | 273 108 284 | 27.53% | 261 719 842 | 33.07% |
| Expenditure: | | | | | |
| Operating expenditure for the year | 314 534 452 | 232 560 766 | 35.25% | 261 719 842 | 20.18% |
| Sundry transfers | (29 972 837) | (28 692 975) | 4.46% | - | - |
| Closing surplus / (deficit) | 63 719 918 | 69 240 493 | -7.97% | (0) | - |
| | 348 281 533 | 273 108 284 | 27.53% | 261 719 842 | 33.07% |
| | | | | | |

Under normal circumstances the above figures would be broken down into the various classified segments of General, Economic and Trading Services. However, because the provision created for retirement liabilities has not yet been split across those sectors fully, any segmental reporting would have to be estimated in terms of expenditure. This is an issue that needs to be addressed in the forthcoming financial year by the actuaries.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 97,811,307 (2006/2007: R 28,191,519), and in percentage terms amounts to 90% of budget. Full details of Property, Plant and Equipment are disclosed in note number 12 and appendices "B, C and E (2)" to the Annual Financial Statements.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

| DETAILS | 2008 | 2007 |
|--|--------------|-------------|
| <i>Variance per Category:</i> | | |
| Budgeted surplus before appropriations | (0) | (220) |
| Revenue variances | 17 321 198 | 38 640 870 |
| Expenditure variances: | | |
| Employee Related Costs | (37 102 412) | 866 302 |
| Remuneration of Councillors | 132 720 | (570 303) |
| Bad Debts | 3 715 960 | (3 251 470) |
| Collection costs | 31 801 | 115 904 |
| Contracted services | 895 142 | (203 512) |
| Depreciation | (3 876 397) | (5 702 161) |
| Repairs and Maintenance | (14 509 785) | 6 363 085 |
| Interest Paid | (533 738) | (1 025 848) |
| Bulk Purchases | 954 277 | (7 766 233) |
| Grants and Subsidies Paid | (1 036 915) | (1 239 412) |
| General Expenses | (9 326 181) | (5 828 759) |
| Budgeted Expenditure on non-GRAP compliant items | 7 840 920 | 3 806 840 |
| Actual surplus before appropriations | (35 493 412) | 24 205 084 |
| | | |

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

| | Actual 2007/2008 R | Budgeted 2007/2008 R | Variance actual/ budgeted R |
|-------------------------------|--------------------------|----------------------------|-----------------------------------|
| Executive and Council | 851 830 | 1 000 000 | (148 170) |
| Finance and Administration | 692 276 | 7 150 000 | (6 457 724) |
| Planning and Development | 32 703 597 | 130 000 | 32 573 597 |
| Health | 561 448 | - | 561 448 |
| Community and Social Services | 3 422 391 | 1 300 000 | 2 122 391 |
| Housing | 93 750 | - | 93 750 |
| Public Safety | 144 276 | 2 000 000 | (1 855 724) |
| Sport and Recreation | 299 329 | 2 350 000 | (2 050 671) |
| Environmental protection | - | 2 262 210 | (2 262 210) |
| Waste Management | 3 926 573 | 6 000 000 | (2 073 427) |
| Waste Water Management | 12 850 869 | 42 032 000 | (29 181 131) |
| Roads and Transport | 3 532 257 | 16 017 000 | (12 484 743) |
| Water | 30 123 456 | 23 721 000 | 6 402 456 |
| Electricity | 8 595 281 | 5 070 000 | 3 525 281 |
| Other | 13 975 | - | 13 975 |
| | 97 811 307 | 109 032 210 | (11 220 903) |
| | | | |

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with an explanation of variances of more than 5% from budget, are included in Appendix "E (2)".

6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2008 was R 80,579,103 (30 June 2007: R 79,951,800).

New loans to the amount of R 7,968,610 were taken up during the financial year to enable the municipality to finance part of its capital requirements.

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

7. NON-CURRENT PROVISIONS

Non-current Provisions amounted R 46,195,198 as at 30 June 2008 (30 June 2007: R nil) and are made up as follows:

| | |
|---|--------------------------|
| Provision for Post Retirement Benefits | 33 465 198 |
| Provision for Rehabilitation of Land-fill Sites | <u>12 730 000</u> |
| | <u><u>46 195 198</u></u> |

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

While this has a negative effect on 2008 results, the bulk of the liability was prior to 30 June 2007.

Refer to Note number 4 and 5 for more detail.

8. CURRENT LIABILITIES

Current Liabilities amounted to R 66,741,912 as at 30 June 2008 (30 June 2007: R 57,870,247) and are made up as follows:

| | | |
|--|----------------|--------------------------|
| Consumer Deposits | Note number 7 | 6 023 918 |
| Provisions | Note number 8 | 7 199 117 |
| Creditors | Note number 9 | 28 791 395 |
| Unspent Conditional Grants and Receipts | Note number 10 | 15 566 184 |
| Current Portion of Long-term Liabilities | Note number 4 | 5 905 852 |
| Current Portion of Deferred income | Note number 2 | 3 200 935 |
| Operating Lease Liability | | <u>54511</u> |
| | | <u><u>66 741 912</u></u> |

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R 200,895,632 as at 30 June 2008 (30 June 2007: R 117,128,422).

Refer to Note number 12 and Appendices "B, C and E (2)" for more detail.

10. INVESTMENTS

The municipality held Investments to the value of R 13,156,953 as at 30 June 2008 (30 June 2007: R 12,901,943).

These investments are ring-fenced for purposes of the security for and repayment of Long-term Liabilities, with the result that no amounts are available for own purposes.

Refer to Note number 13 for more detail.

11. LONG-TERM RECEIVABLES

Long-term Receivables of R 173,695 at 30 June 2008 (30 June 2006: R 1,969,346) consist of staff loans. No staff loans were granted to officials of the municipality during the year under review. The outstanding amount relates to prior years and is still collectable.

Refer to Note number 14 for more detail.

12. CURRENT ASSETS

Current Assets amounted to R 109,470,593 as at 30 June 2008 (30 June 2007: R 111,423,465) and are made up as follows:

| | | |
|--|----------------|-------------|
| Inventory | Note number 16 | 5 960 151 |
| Consumer Debtors | Note number 17 | 25 311 858 |
| Other Debtors | Note number 18 | 7 643 114 |
| Current Portion of Long-term Receivables | Note number 15 | 215 455 |
| Short-term Investment Deposits | Note number 19 | 68 063 302 |
| VAT | Note number 11 | 1 709 722 |
| Operating lease asset | Note number 20 | 53 755 |
| Bank Balances and Cash | Note number 21 | 1 345 179 |
| | | <hr/> |
| | | 110 302 534 |

The Short-term Investment Deposits are ring-fenced for the purposes of the Capital Replacement Reserve, Unspent Conditional Grants and the repayment of the Current Portion of Long-term Liabilities and no funds are available for own purposes.

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays an important role in the upliftment of the poor and sustaining and improving of infrastructure for all its citizens for which it uses grants received from government and other organisations, and has a big responsibility as custodian of these funds

Refer to Notes number 9 and 24, and Appendix "F" for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 44.

15. EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, Executive Deputy Mayor, Members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for their support extended during the financial year.

A number of exemptions from the requirements of the GRAP standards have been offered to municipalities in the 2008 financial year. All high capacity and medium capacity municipalities should however comply with all GRAP standards for the year ended 30 June 2009. The impact of complying with all GRAP standards, will not be felt solely in the Finance Department. What GRAP will herald is a sea-change in the business management of this Council and the departments of Council will have to take far greater responsibility for their corporate planning, reporting and financial administration. This requires adding different skills to departments perhaps not currently within their skills set and it may also require additional staff to be deployed with concomitant costs.

The work involved compiling these financial statements has been highly complex and technical and therefore my heartfelt thanks goes to my own staff at all levels and in all departments, for their hard work and dedication.

M.L. BOOYSEN
CHIEF FINANCIAL OFFICER
31 August 2008

**KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008**

| | Note | 2008 R | 2007 R |
|--|------|--------------------|--------------------|
| NET ASSETS AND LIABILITIES | | | |
| Net Assets | | 63 719 918 | 69 240 493 |
| Accumulated Surplus | | 63 719 918 | 69 240 493 |
| Non-Current Liabilities | | 194 066 984 | 116 312 437 |
| Deferred income | 2 | 67 292 682 | 36 360 637 |
| Long-term liabilities | 3 | 80 579 103 | 79 951 800 |
| Provision for post- retirement benefits | 4 | 33 465 198 | - |
| Other non-current provisions | 5 | 12 730 000 | - |
| Current Liabilities | | 66 741 912 | 57 870 247 |
| Consumer Deposits | 6 | 6 023 918 | 5 602 361 |
| Provisions | 7 | 7 199 117 | 3 060 443 |
| Creditors | 8 | 28 791 395 | 17 115 393 |
| Unspent Conditional Grants and Receipts | 9 | 15 566 184 | 23 903 736 |
| Current Portion of Deferred income | 2 | 3 200 935 | 3 218 270 |
| Operating Lease Liability | 11 | 54 511 | 19 402 |
| Bank Overdraft | 20 | - | 709 037 |
| Current Portion of Long-term Liabilities | 3 | 5 905 852 | 4 241 604 |
| Total Net Assets and Liabilities | | 324 528 814 | 243 423 177 |
| ASSETS | | | |
| Non-Current Assets | | 214 226 280 | 131 999 712 |
| Property, Plant and Equipment | 12 | 200 895 632 | 117 128 422 |
| Investments | 13 | 13 156 953 | 12 901 943 |
| Long-term Receivables | 14 | 173 695 | 1 969 346 |
| Current Assets | | 110 302 534 | 111 423 465 |
| Inventory | 15 | 5 960 151 | 9 056 444 |
| Consumer Debtors | 16 | 25 311 858 | 13 112 420 |
| Other Debtors | 17 | 7 643 114 | 5 454 616 |
| Current Portion of Long-term Receivables | 14 | 215 455 | 124 423 |
| Short-term Investment Deposits | 18 | 68 063 302 | 81 215 423 |
| VAT | 10 | 1 709 722 | 2 404 641 |
| Operating lease asset | 19 | 53 755 | 47 437 |
| Bank Balances and Cash | 20 | 1 345 179 | 8 060 |
| Total Assets | | 324 528 814 | 243 423 177 |

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

| Budget | | | Actual | |
|--------------------|--------------------|--|---------------------|--------------------|
| 2007 | 2008 | | 2008 | 2007 |
| R | R | Note | R | R |
| REVENUE | | | | |
| 64 332 060 | 70 827 807 | Property Rates | 21 70 666 664 | 63 805 348 |
| 112 211 150 | 134 250 850 | Service Charges | 22 134 509 706 | 117 131 375 |
| 531 840 | 538 010 | Rental of Facilities and Equipment | 585 828 | 536 796 |
| 1 032 000 | 2 269 500 | Interest Earned - External Investments | 7 941 471 | 6 708 579 |
| 1 975 500 | 2 600 000 | Interest Earned - Outstanding Debtors | 3 095 708 | 1 947 060 |
| 1 059 100 | 1 743 120 | Fines | 1 776 862 | 900 372 |
| 2 316 200 | 3 829 980 | Licenses and Permits | 3 307 031 | 2 053 802 |
| 80 000 | - | Public Contributions and Donations | 23 6 095 135 | 9 650 466 |
| 26 863 250 | 22 113 285 | Government Grants and Subsidies | 24 38 584 279 | 28 492 605 |
| 6 793 930 | 3 450 230 | Other Income | 25 4 326 012 | 6 346 530 |
| 929 950 | 4 600 000 | Gains on disposal of Property, Plant and Equipment | 8 152 343 | 19 192 918 |
| - | 15 497 060 | Budgeted Income from non-GRAP compliant items | - | - |
| 218 124 980 | 261 719 842 | Total Revenue | 279 041 039 | 256 765 850 |
| EXPENDITURE | | | | |
| 77 921 700 | 87 729 720 | Employee Related Costs | 26 124 832 132 | 77 055 398 |
| 3 315 120 | 4 418 870 | Remuneration of Councillors | 27 4 286 150 | 3 885 423 |
| 7 064 930 | 5 921 010 | Bad Debts | 28 2 205 050 | 10 316 400 |
| 138 420 | 67 000 | Collection costs | 35 199 | 22 516 |
| 267 750 | 1 741 710 | Contracted services | 846 568 | 471 262 |
| 4 811 050 | 9 688 460 | Depreciation | 13 564 857 | 10 513 211 |
| 19 825 010 | 19 500 880 | Repairs and Maintenance | 34 010 665 | 13 461 925 |
| 10 330 540 | 11 097 100 | Interest Paid | 29 11 630 838 | 11 356 388 |
| 37 563 610 | 51 730 880 | Bulk Purchases | 30 50 776 603 | 45 329 843 |
| 10 309 640 | 11 531 800 | Grants and Subsidies Paid | 31 12 568 715 | 11 549 052 |
| 42 770 590 | 50 451 492 | General Expenses | 32 59 777 673 | 48 599 348 |
| 3 806 840 | 7 840 920 | Budgeted Expenditure on non-GRAP compliant items | - | - |
| 218 125 200 | 261 719 842 | Total Expenditure | 314 534 452 | 232 560 766 |
| (220) | (0) | SURPLUS / (DEFICIT) FOR THE YEAR | (35 493 412) | 24 205 084 |

Refer to Appendix E(1) for explanation of variances

KOUGA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

| Description | Internal Funds and Reserves | | | | | Accumulated Surplus / (Deficit) | Total |
|--|-----------------------------|----------------------------------|---------------------------------------|--|------------------------|---------------------------------|-------------------|
| | Capital Replacement Reserve | Capitalisation Reserve (x GAMAP) | Capitalisation Reserve (x Gov Grants) | Capitalisation Reserve Donations and Contributions | Self Insurance Reserve | | |
| | R | R | R | R | R | R | R |
| 2007 | | | | | | | |
| Balance at 30 June 2006 | 14 490 685 | 7 001 212 | 32 128 834 | (81 780) | 665 164 | 16 342 434 | 70 546 549 |
| Correction of Error (Note 33) | (14 490 685) | (7 001 212) | (32 128 834) | 81 780 | (665 164) | 28 692 975 | (25 511 140) |
| Restated Balance | - | - | - | - | - | 45 035 409 | 45 035 409 |
| Surplus / (Deficit) for the year | | | | | | 24 205 084 | 24 205 084 |
| Transfer to/(from) internal funds and reserves | | (6 780) | | 6 780 | | (27 983 953) | - |
| Property, Plant and Equipment purchased | 27 983 953 | | | | | 9 974 403 | - |
| Contributions / Grants used to purchase PPE | (9 974 403) | | 9 738 488 | | | (9 738 488) | - |
| Contribution to insurance reserve | | | | | 84 078 | (84 078) | - |
| Offsetting of Depreciation | | (1 194 907) | (2 288 415) | | | 3 483 322 | - |
| Correction of Error | (18 009 550) | 1 201 687 | (7 450 073) | (6 780) | (84 078) | 24 348 794 | - |
| | | | | | | | - |
| Balance at 30 June 2007 | - | - | - | - | - | 69 240 493 | 69 240 493 |
| 2008 | | | | | | | |
| Correction of Error (Note 33) | | | | | | 29 972 837 | 29 972 837 |
| Surplus / (Deficit) for the year | | | | | | (35 493 412) | (35 493 412) |
| Balance at 30 June 2008 | - | - | - | - | - | 63 719 918 | 63 719 918 |

KOUGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

| | Note | 2008 R | 2007 R |
|---|------|----------------------------|----------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts from ratepayers, government and other | | 254 122 725 | 257 375 071 |
| Cash paid to suppliers and employees | | <u>(234 937 069)</u> | <u>(239 138 935)</u> |
| Cash generated from / (utilised in) operations | 34 | 19 185 656 | 18 236 135 |
| Interest received | | 11 037 179 | 8 655 638 |
| Interest paid | | <u>(11 630 838)</u> | <u>(11 356 388)</u> |
| NET CASH FROM OPERATING ACTIVITIES | | <u>18 591 997</u> | <u>15 535 385</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 12 | (64 854 200) | (36 925 390) |
| (Increase) / decrease in non-current receivables | | 1 783 430 | 337 163 |
| (Increase) / decrease in non-current investments | | <u>(255 009)</u> | <u>(8 291 589)</u> |
| NET CASH FROM INVESTING ACTIVITIES | | <u>(63 325 780)</u> | <u>(44 879 817)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| New loans raised / (repaid) | | 2 291 552 | 19 705 823 |
| Increase / (decrease) in Non-current provisions | | - | (1 315 115) |
| Increase / (decrease) in Consumer Deposits | | 421 557 | 613 215 |
| Increase / (decrease) in Deferred income | | <u>30 914 710</u> | <u>39 578 907</u> |
| NET CASH FROM FINANCING ACTIVITIES | | <u>33 627 818</u> | <u>58 582 830</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | <u>(11 105 964)</u> | <u>29 238 399</u> |
| Cash and cash equivalents at the beginning of the year | | 80 514 446 | 51 276 047 |
| Cash and cash equivalents at the end of the year | 35 | 69 408 481 | 80 514 446 |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1 GENERAL INFORMATION

Kouga Local Municipality (the municipality) is a local government institution in Jeffreys Bay, Eastern Cape. The address of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

| | 2008 | 2007 |
|---|--------------------------|--------------------------|
| | R | R |
| 2 DEFERRED INCOME | | |
| Assets financed from Government Grants | <u>70 493 617</u> | <u>39 578 907</u> |
| The movements in deferred revenue are reconciled as follows: | | |
| Balance at beginning of year | 39 578 907 | 32 128 834 |
| Additions during year | 34 132 981 | 9 738 488 |
| Income recognised during year | (3 218 270) | (2 288 415) |
| Sub-total | <u>70 493 618</u> | <u>39 578 907</u> |
| Less: Current Portion transferred to Current Liabilities | (3 200 935) | (3 218 270) |
| Balance at end of year | <u>67 292 683</u> | <u>36 360 637</u> |

Deferred Income represents capital utilised to construct and acquire capital assets, which was funded from grants received from National and Provincial Government.

3 LONG-TERM LIABILITIES

| | | |
|--|--------------------------|--------------------------|
| Annuity Loans | 79 023 918 | 74 959 076 |
| Capitalised Lease Liability | 7 461 038 | 9 234 327 |
| Sub-total | <u>86 484 955</u> | <u>84 193 404</u> |
| Less: Current Portion transferred to Current Liabilities | 5 905 852 | 4 241 604 |
| Annuity Loans | 5 554 979 | 3 977 345 |
| Capitalised Lease Liability | 350 872 | 264 259 |
| Total Long-term Liabilities | <u>80 579 104</u> | <u>79 951 800</u> |

Refer to Appendix A for more detail on long-term liabilities.

Deposits of R 13,156,953 (2007: R 12,901,943) are ring-fenced and attributable to the External Financing Fund (EFF). (See note 13)

Summary of arrangements:

ANNUITY LOANS

Annuity Loans are repaid over periods varying from five to twenty years (2007: ten to twenty years), and at interest rates varying from 9% to 16.80%. Annuity Loans are not secured.

Fixed Deposits of R 13,156,953 (2007: R 12,901,944) have been pledged to INCA as guarantees on external loans taken up. (See note 13)

Management of the municipality is of the opinion that the carrying value of Long-Term Liabilities recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Long-Term Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

FINANCE LEASE LIABILITIES

The Municipality as lessee

Capitalised Lease Liabilities relate to office equipment with lease terms of five years (2007: five years). The effective interest rate on finance leases is between 12,703% and 20,831 % (2007: 12,703 % and 20,831%). Capitalised lease liabilities are secured over the items of office equipment leased.

The obligations under finance leases are scheduled below:

| | Minimum Lease Payments | | Present Value of Minimum Lease Payments | |
|--|------------------------|------------------|---|------------------|
| | 2008 R | 2007 R | 2008 R | 2007 R |
| Amounts payable under finance leases | | | | |
| Within one year | 2 604 914 | 2 878 514 | 1 848 718 | 1 830 271 |
| 1 to 5 years | 5 209 492 | 7 814 406 | 4 426 300 | 6 275 019 |
| More than 5 years | - | - | | |
| | 7 814 406 | 10 692 920 | | |
| Less: Future finance charges | (1 539 388) | (2 587 630) | | |
| Present Value of Lease obligations | 6 275 018 | 8 105 290 | 6 275 018 | 8 105 290 |
| Less amounts due for settlement within 12 months (current portion) | | | (1 848 718) | (1 830 271) |
| Amounts due for settlement after 12 months (non-current) | | | 4 426 300 | 6 275 019 |

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

The municipality has finance lease agreements for the following significant classes of assets:
- Office Equipment

Included in these classes are the following significant leases:

| | |
|--|-----------|
| (i) Konica Minolta 1050 Digital Copier | 1 270 179 |
| - Instalments are payable monthly in advance | |
| - Average period outstanding | 34 months |
| - Average effective interest rate | 15.59% |
| - Average capital redemption per month over lease period | 37 358 |
| (2) Various photocopiers and fax machines | 3 491 558 |
| - Instalments are payable monthly in advance | |
| - Average period outstanding | 41 months |
| - Average effective interest rate | 12.70% |
| - Average capital redemption per month over lease period | 85 160 |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|---|-------------------|-------------|
| | R | R |
| 4 PROVISION FOR POST RETIREMENT BENEFITS | | |
| Post-Employment Health Care Benefit Liability | 33 465 198 | - |
| Total: Post Retirement Medical Aid Benefit Liability | 33 465 198 | - |

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, *Employee Benefits*, paragraph 155 (a). Due to this allowed transitional arrangement, no comparative figures for this liability is therefore required and disclosed.

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2008 by Jacques Malan Consultants and Actuaries (Pty) Ltd, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

| | | |
|----------------------|------------|----------------------|
| In-service members | 271 | Not available |
| Continuation members | 46 | Not available |
| Total | 317 | Not available |

The liability in respect of past service has been estimated to be as follows:

| | | |
|------------------------|-------------------|----------------------|
| In-service members | 19 500 632 | Not available |
| Continuation members | 13 964 566 | Not available |
| Total Liability | 33 465 198 | Not available |

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Global Health
- LA Health
- Munimed
- Samwumed

The Future-service cost for the ensuing year is estimated to be R 882,037 whereas the interest cost for the next year is estimated to be R 3,687,917

Key actuarial assumptions used:

| | % |
|---------------------------------|----------|
| i) Rate of interest | |
| Discount rate | 11.75% |
| Health Care Cost Inflation Rate | 9.75% |

Net Effective Discount Rate

2.00%

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|--|---|---------------|
| | R | R |
| ii) Mortality rates | | |
| Pre-Retirement | SA72/77 with females rated down 3 years | |
| Post-Retirement | PA(90) Ultimate | |
| iii) Normal retirement age | | |
| The normal retirement age for employees of the municipality was assumed to be 60 years on average. | | |
| The amounts recognised in the Statement of Financial Position are as follows: | | |
| Present value of fund obligations | 33 465 198 | Not available |
| Fair value of plan assets | - | Not available |
| | 33 465 198 | Not available |
| Unrecognised past-service cost | - | Not available |
| Unrecognised actuarial gains / (losses) | - | Not available |
| Present value of unfunded obligations | 33 465 198 | Not available |
| Net Liability | 33 465 198 | Not available |

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

| | | |
|---|-------------------|---------------|
| Current service cost | - | Not available |
| Interest cost | - | Not available |
| Vested past service cost | 33 465 198 | Not available |
| | 33 465 198 | Not available |
| Total included in staff costs (Note 24) | 33 465 198 | Not available |

5 OTHER NON-CURRENT PROVISIONS

| | | |
|---|-------------------|---|
| Provision for Rehabilitation of Land-fill Sites | 12 730 000 | - |
| Total Other Non-current Provisions | 12 730 000 | - |

The movement on the provision for rehabilitation of Land-fill sites are reconciled as follows:

| | | |
|--------------------------------|-------------------|---|
| Balance at beginning of year | - | - |
| Contributions to provision | 15 960 000 | - |
| Transfer to current provisions | (3 230 000) | - |
| Balance at end of year | 12 730 000 | - |

Rehabilitation of Landfill sites

The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2008 by a technical specialist, Mr C Liebenberg, (Pr Eng, PrCPM) the divisional director of the Environmental & Waste Management Division of Kwezi V3 Engineers. The provision is the best estimate of the net present value of future rehabilitation costs of the land-fill sites to restore the sites at the end of their useful lives estimated to be in 2011, 2014 and 2028. The provision will be determined on an annual basis and actual rehabilitation costs will be debited against the provision.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|--------------------------------|-------------------------|-------------------------|
| | R | R |
| 6 CONSUMER DEPOSITS | | |
| Electricity and water | 6 023 918 | 5 602 361 |
| Total Consumer Deposits | <u><u>6 023 918</u></u> | <u><u>5 602 361</u></u> |

Consumer deposits is paid by consumers on application for new water and electricity connections. The deposits is repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, Council can utilize the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits were determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

7 PROVISIONS

| | | |
|---|-------------------------|-------------------------|
| Performance Bonus | 541 300 | 230 247 |
| Staff leave | 3 427 817 | 2 830 196 |
| Current Portion of Non-Current Provisions (See Note 6 above): | | |
| Provision for Rehabilitation of Land-fill Sites | 3 230 000 | - |
| Total Provisions | <u><u>7 199 117</u></u> | <u><u>3 060 443</u></u> |

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Refer to Note 4 to the Financial Statements, "Other Defined Benefit Plan Information", for more information regarding the provisions for Post-retirement Health Care Benefits.

The movement in current provisions are reconciled as follows:

Performance Bonus:

| | | |
|-------------------------------|-----------------------|-----------------------|
| Balance at beginning of year | 230 247 | 58 837 |
| Contributions to provision | 311 053 | 230 247 |
| Expenditure incurred | (230 247) | (58 837) |
| Balance at end of year | <u><u>311 053</u></u> | <u><u>230 247</u></u> |

Staff leave:

| | | |
|-------------------------------|-------------------------|-------------------------|
| Balance at beginning of year | 2 830 196 | 2 784 256 |
| Contributions to provision | 597 621 | 45 940 |
| Balance at end of year | <u><u>3 427 817</u></u> | <u><u>2 830 196</u></u> |

Land-fill Sites:

| | | |
|------------------------------|-----------|---|
| Balance at beginning of year | - | - |
| Transfer from non-current | 3 230 000 | - |
| Expenditure incurred | - | - |

| | | |
|------------------------|------------------|----------|
| Balance at end of year | <u>3 230 000</u> | <u>-</u> |
|------------------------|------------------|----------|

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|------------------------------|--------------------------|--------------------------|
| | R | R |
| 8 CREDITORS | | |
| Trade Creditors and accruals | 17 598 660 | 6 788 484 |
| Payments received in Advance | 4 381 534 | 3 140 891 |
| Sundry Creditors | 6 811 201 | 7 186 018 |
| Total Creditors | <u>28 791 395</u> | <u>17 115 393</u> |

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

Management of the municipality is of the opinion that the carrying value of accounts payables approximate their fair values.

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

9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from Other Spheres of Government

| | | |
|--|--------------------------|--------------------------|
| Cacadu District Municipality | 97 548 | 157 857 |
| Department of Water Affairs | 15 364 | 15 364 |
| Department Economic Development | 591 500 | 123 818 |
| Department. Mineral and Energy/NER | - | 225 740 |
| Development Bank | 350 576 | 350 576 |
| DPLG&TA (Housing) | 7 292 581 | 12 707 139 |
| DPLG&TA (Other) | 392 986 | 446 860 |
| Financial Support (Provincial) | 287 066 | 464 922 |
| Municipal Infrastructure Grant | 4 989 149 | 8 119 464 |
| National Treasury | 103 025 | 91 298 |
| Other | 890 172 | 875 172 |
| Skills Grant (SARS) | 433 152 | 202 462 |
| Spatial Studies | 123 065 | 123 065 |
| Total Unspent Conditional Grants and Receipts | <u>15 566 184</u> | <u>23 903 736</u> |

See Note 25 for the reconciliation of grants from other spheres of government.

10 VAT

| | | |
|----------------|------------------|------------------|
| Vat Refundable | <u>1 709 722</u> | <u>2 404 641</u> |
|----------------|------------------|------------------|

VAT is payable on the receipts basis. Only once payment has been received from debtors is VAT paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest, for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|---|----------------|------------------|
| | R | R |
| 11 OPERATING LEASES | | |
| <u>The Municipality as lessee</u> | | |
| Leasing arrangements: | | |
| Operating leases relate to office equipment and cellular phone equipment with lease terms of between 2 to 3 years. The municipality does not have an option to purchase the leased asset at the expiry of the lease period. | | |
| At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows: | | |
| Cellular Phone Equipment | | |
| Up to 1 year | 245 151 | 501 513 |
| 1 to 5 years | 190 786 | 256 362 |
| More than 5 years | 54 365 | 245 151 |
| | - | - |
| Office equipment | | |
| Up to 1 year | 580 109 | 941 457 |
| 1 to 5 years | 361 348 | 361 348 |
| More than 5 years | 218 761 | 580 109 |
| | - | - |
| Total Operating Lease Arrangements | 825 260 | 1 442 970 |
| The following payments have been recognised as an expense in the Statement of Financial Performance: | | |
| Minimum lease payments | 582 601 | 231 316 |
| Contingent rentals | 35 109 | 19 402 |
| Total Operating Lease Expenses - as Lessee | 617 710 | 250 718 |
| In respect of non-cancellable Operating Leases the following liability has been recognised: | | |
| Accrual as at 30 June (current liability): | | |
| Balance at beginning of year | 19 402 | - |
| Operating expenses recorded | 617 710 | 250 718 |
| Operating lease payments effected | (582 601) | (231 316) |
| Total Operating Lease Liabilities | 54 511 | 19 402 |

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

12 PROPERTY, PLANT AND EQUIPMENT

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each asset, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009.

30 June 2008

Reconciliation of Carrying Value

| Description | Community | Heritage | Housing | Infrastructure | Investment | Other | Capitalised Leased assets | Total |
|--|------------------|---------------|---------------|--------------------|-------------|-------------------|---------------------------|--------------------|
| | R | R | R | R | R | R | | R |
| Carrying values at 1 July 2007 | 6 371 082 | 17 640 | - | 92 638 089 | 0 | 11 015 866 | 7 085 743 | 117 128 420 |
| Cost | 41 763 691 | 177 441 | - | 209 549 406 | 1 460 470 | 25 938 911 | 10 323 560 | 289 213 479 |
| Accumulated Depreciation: | (35 392 609) | (159 801) | - | (116 911 317) | (1 460 470) | (14 923 045) | (3 237 817) | (172 085 059) |
| Acquisitions | 1 162 897 | - | - | 10 654 916 | - | 39 019 034 | | 50 836 847 |
| Capital under Construction | 1 132 525 | - | 93 750 | 41 469 781 | - | 4 278 403 | | 46 974 459 |
| Transfer | (1 973 117) | (17 641) | - | 490 391 | (0) | 1 027 864 | | (472 503) |
| Cost | (5 981 099) | (177 441) | - | (1 749 853) | (1 460 470) | 9 368 864 | | - |
| Accumulated Depreciation | 4 007 983 | 159 801 | - | 2 240 244 | 1 460 470 | (8 341 000) | | (472 503) |
| Increases / Decreases in revaluation | - | - | - | - | - | - | | - |
| Depreciation: | (444 888) | - | - | (6 957 901) | - | (4 021 629) | | (13 572 033) |
| Carrying value of disposals: | - | - | - | - | - | (220 980) | | (220 980) |
| Cost / Revaluation | - | - | - | - | - | (7 393 914) | | (7 393 914) |
| Accumulated Depreciation | - | - | - | - | - | 7 172 934 | | 7 172 934 |
| Carrying values at 30 June 2008 | 6 248 500 | (0) | 93 750 | 138 295 277 | - | 51 098 559 | 4 938 126 | 200 674 211 |
| Cost | 38 078 013 | (0) | 93 750 | 259 924 250 | - | 71 211 299 | 10 323 560 | 379 630 872 |
| Accumulated Depreciation: | (31 829 513) | - | - | (121 628 974) | - | (20 112 740) | (5 385 434) | (178 956 661) |

0.35

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

30 June 2007

Reconciliation of Carrying Value

| Description | Community | Heritage | Housing | Infrastructure | Investment | Other | | Total |
|---|------------------|---------------|---------|-------------------|-------------|-------------------|------------------|--------------------|
| | R | R | R | R | R | R | | R |
| Carrying values at 1 July 2006 | 7 030 676 | 25 197 | - | 81 008 988 | - | 2 559 154 | 8 600 827 | 99 224 842 |
| Cost | 42 045 150 | 177 441 | - | 190 343 265 | 1 460 470 | 16 922 376 | 10 098 289 | 261 046 991 |
| Accumulated Depreciation: | (35 014 474) | (152 244) | - | (109 334 277) | (1 460 470) | (14 363 222) | (1 497 461) | (161 822 148) |
| Acquisitions | 119 350 | - | - | 2 976 860 | - | - | 225 272 | 3 321 482 |
| Capital under Construction | - | - | - | 15 381 443 | - | 9 713 866 | - | 25 095 309 |
| Transfer | 45 442 | - | - | 390 471 | - | (435 914) | - | - |
| Cost | (400 810) | - | - | 847 838 | - | (447 029) | - | - |
| Accumulated Depreciation | 446 252 | - | - | (457 367) | - | 11 115 | - | - |
| Increases / Decreases in revaluation | - | - | - | - | - | - | - | - |
| Depreciation: | (824 386) | (7 556) | - | (7 119 673) | - | (821 239) | (1 740 356) | (10 513 210) |
| Carrying value of disposals: | - | - | - | - | - | - | - | - |
| Cost | - | - | - | - | - | (250 303) | - | (250 303) |
| Accumulated Depreciation | - | - | - | - | - | 250 303 | - | 250 303 |
| Carrying values at 30 June 2007 | 6 371 082 | 17 641 | - | 92 638 089 | - | 11 015 867 | 7 085 743 | 117 128 423 |
| Cost | 41 763 690 | 177 441 | - | 209 549 406 | 1 460 470 | 26 189 213 | 10 323 560 | 289 463 781 |
| Accumulated Depreciation: | (35 392 608) | (159 800) | - | (116 911 317) | (1 460 470) | (15 173 346) | (3 237 817) | (172 335 358) |
| (Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.) | | | | | | | | |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|---|----------------------|-------------------|
| | R | R |
| 13 INVESTMENTS | | |
| Financial Instruments | | |
| Fixed Deposits | <u>13 156 953</u> | <u>12 901 943</u> |
| <p>These deposits are ring-fenced and attributable to the External Financing Fund (EFF).</p> <p>Circular no C7/1996 (AAO/26 of 10-5-1996 issued by Provincial Administration of the Western Cape requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.</p> <p>The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.</p> <p>The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.</p> | | |
| 14 LONG-TERM RECEIVABLES | | |
| Kouga Cultural Centre | - | 1 690 710 |
| Staff debtors | 401 371 | 403 059 |
| | <u>401 371</u> | <u>2 093 769</u> |
| Less: Current Portion transferred to Current Receivables | | |
| Staff debtors | <u>(215 455)</u> | <u>(124 423)</u> |
| | 185 917 | 1 969 346 |
| Less: Provision for Bad Debts | (12 222) | - |
| | <u>173 695</u> | <u>1 969 346</u> |
| <p>The provision for doubtful debts on long-term receivables exists due to the possibility that not all these debts will be recovered. Staff debtors were assessed individually for impairment.</p> | | |
| Reconciliation of Provision for Bad Debts: | | |
| Balance at beginning of year | - | - |
| Contribution to provision | 12 222 | - |
| Bad Debts written off | - | - |
| Balance at end of year | <u>12 222</u> | <u>-</u> |
| STAFF LOANS | | |
| <p>Staff loans are not granted to officials of the municipality. The outstanding amount relates to prior years and is still collectable.</p> | | |
| 15 INVENTORY | | |
| Consumable Stores - at cost | 1 523 142 | 2 388 226 |
| Maintenance Materials - at cost | 1 966 220 | 3 068 458 |
| Spare Parts - at cost | 3 214 647 | 3 565 617 |
| Medical stock | 220 192 | 634 143 |
| Water | 218 343 | Not available |
| | <u>7 142 543</u> | <u>9 656 444</u> |
| Less: Provision for obsolete stock | (1 182 392) | (600 000) |
| | <u>5 960 151</u> | <u>9 056 444</u> |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| 2008 | 2007 |
|-------------|-------------|
| R | R |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 **2007**
R **R**

The cost of inventories recognised as an expense includes R 1,182,392 (2007: R 600,000) in respect of write downs of inventory to net realisable value.

The municipality has capitalised purchased water and purification costs in respect of non-purchased purified water inventory in the current financial year, whilst the exemption of GN 522 dated 27/06/2007 was utilised for the 2006/2007 financial year.

No dip-readings were taken at reservoirs in the prior financial year and therefore no comparative figure for water inventory is disclosed.

16 CONSUMER DEBTORS

| | | |
|------------------------------------|-------------------|-------------------|
| Service Debtors: | 36 979 755 | 27 804 061 |
| Rates | 9 217 417 | 8 337 613 |
| Electricity | 10 637 945 | 7 064 188 |
| Water | 9 082 779 | 6 172 775 |
| Sewerage | 4 011 145 | 3 179 040 |
| Refuse | 4 030 469 | 3 050 444 |
| Housing | 149 184 | 134 660 |
| Other Consumer Debtors | 1 867 564 | 1 497 212 |
| Gross balances | 38 996 503 | 29 435 933 |
| Less: Provision for doubtful debts | (14 472 368) | (13 755 082) |
| Total consumer Debtors | 24 524 136 | 15 680 851 |
| | | |
| <i>Rates: Ageing</i> | | |
| Current (0 - 30 days) | 2 600 177 | 2 570 771 |
| 31 - 60 days | 548 224 | 501 535 |
| 61 - 90 days | 416 271 | 256 317 |
| 91 - 120 days | 387 841 | 336 403 |
| More than 120 Days | 5 264 904 | 4 672 587 |
| Total | 9 217 417 | 8 337 613 |
| | | |
| <i>Electricity: Ageing</i> | | |
| Current (0 - 30 days) | 3 706 946 | 4 086 166 |
| 31 - 60 days | 951 537 | 1 176 904 |
| 61 - 90 days | 482 218 | 295 308 |
| 91 - 120 days | 374 631 | 220 446 |
| More than 120 Days | 5 122 613 | 1 285 364 |
| Total | 10 637 945 | 7 064 188 |
| | | |
| <i>Water: Ageing</i> | | |
| Current (0 - 30 days) | 1 593 032 | 1 516 131 |
| 31 - 60 days | 638 461 | 547 507 |
| 61 - 90 days | 426 784 | 336 841 |
| 91 - 120 days | 360 842 | 281 790 |
| More than 120 Days | 6 063 660 | 3 490 506 |
| Total | 9 082 779 | 6 172 775 |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|--------------------------------|-------------------------|-------------------------|
| | R | R |
| <i>Sewerage: Ageing</i> | | |
| Current (0 - 30 days) | 1 039 566 | 955 017 |
| 31 - 60 days | 242 586 | 249 320 |
| 61 - 90 days | 153 291 | 139 734 |
| 91 - 120 days | 170 743 | 101 960 |
| More than 120 Days | 2 404 959 | 1 733 009 |
| Total | <u>4 011 145</u> | <u>3 179 040</u> |

| | | |
|------------------------------|-------------------------|-------------------------|
| <i>Refuse: Ageing</i> | | |
| Current (0 - 30 days) | 794 702 | 731 071 |
| 31 - 60 days | 244 479 | 192 977 |
| 61 - 90 days | 213 291 | 123 612 |
| 91 - 120 days | 121 263 | 102 363 |
| More than 120 Days | 2 656 735 | 1 900 422 |
| Total | <u>4 030 469</u> | <u>3 050 444</u> |

| | | |
|-------------------------------|-----------------------|-----------------------|
| <i>Housing: Ageing</i> | | |
| Current (0 - 30 days) | (3 574) | (2 272) |
| 31 - 60 days | 103 | - |
| 61 - 90 days | - | - |
| 91 - 120 days | - | - |
| More than 120 Days | 152 654 | 136 931 |
| Total | <u>149 184</u> | <u>134 660</u> |

| | | |
|--|-------------------------|-------------------------|
| <i>Other Consumer Debtors: Ageing</i> | | |
| Current (0 - 30 days) | 166 591 | 104 134 |
| 31 - 60 days | 101 349 | 93 523 |
| 61 - 90 days | 348 944 | 61 907 |
| 91 - 120 days | 96 610 | 85 957 |
| More than 120 Days | 1 154 070 | 1 151 691 |
| Total | <u>1 867 564</u> | <u>1 497 212</u> |

Reconciliation of Provision for Bad Debts

| | | |
|--|--------------------------|--------------------------|
| Balance at beginning of year | 13 755 082 | 6 810 890 |
| Contribution / (Reversal) to provision | 2 192 828 | 6 944 192 |
| Bad Debts written off / recovered | (1 475 542) | - |
| Balance at end of year | <u>14 472 368</u> | <u>13 755 082</u> |

17 OTHER DEBTORS

| | | |
|----------------|-------------------------|-------------------------|
| Sundry Debtors | 7 643 114 | 5 454 616 |
| | <u>7 643 114</u> | <u>5 454 616</u> |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|---|--------------------------|--------------------------|
| | R | R |
| 18 SHORT-TERM INVESTMENT DEPOSITS | | |
| Call Deposits | 68 063 302 | 81 215 423 |
| Total Short-term Investment Deposits | <u>68 063 302</u> | <u>81 215 423</u> |
| Deposits of R 1,529,373 (2007: R 12,905,775) are ring-fenced and attributable to the External Financing Fund (EFF). | | |
| Deposits of R 19,418,380 (2007: R 17,387,551) are ring-fenced and attributable to the Capital Replacement Reserve (CRR). | | |
| Deposits of R 11,374,295 (2007: R 10,441,360) are ring-fenced and attributable to Unspent Conditional Grants and Receipts. | | |
| | | |
| 19 OPERATING LEASE ARRANGEMENTS | | |
| The Municipality as Lessor | | |
| At the Statement of Financial Position date, where the municipality acts as a lessor under non-cancellable operating leases, it will receive operating lease income as follows: | | |
| Up to 1 year | 154 516 | 137 952 |
| 1 to 5 years | 525 837 | 434 494 |
| More than 5 years | 962 787 | 932 092 |
| Total Operating Lease Arrangements | <u>1 643 140</u> | <u>1 504 538</u> |
| This impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been an increase in current year income of R 6,318 (2007: R 2 018). | | |
| In respect of non-cancellable Operating Leases the following asset has been recognised: | <u>53 755</u> | <u>47 437</u> |
| | | |
| 20 BANK, CASH AND OVERDRAFT BALANCES | | |
| The Municipality has the following bank accounts: | | |
| First National Bank - Jeffreys Bay | | |
| Cash book balance at beginning of year | (709 037) | 2 728 847 |
| Cash book balance at end of year | <u>1 336 219</u> | <u>(709 037)</u> |
| | | |
| <i>Account Number 525 400 207 91 (Primary Bank Account):</i> | | |
| Bank statement balance at beginning of year | (2 790 153) | (1 671 028) |
| Bank statement balance at end of year | <u>1 961 849</u> | <u>(2 790 153)</u> |
| | | |
| <i>Account Number 525 400 335 04 (Primary Bank Account):</i> | | |
| Bank statement balance at beginning of year | 2 704 288 | 4 066 364 |
| Bank statement balance at end of year | <u>799 845</u> | <u>2 704 288</u> |
| | | |
| Cash Floats and Advances | <u>8 960</u> | <u>8 060</u> |
| | | |
| Total Bank and Cash | 1 345 179 | 8 060 |
| Total Overdraft | - | (709 037) |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 R | 2007 R |
|----------------------------|------------------|------------------|
| Total Bank and Cash | 1 345 179 | (700 977) |

Interest on overdrawn current accounts are charged at the prime lending rate per annum and earn interest at different rates per annum on favourable balances.

Management of the municipality is of the opinion that the carrying value of Bank Balance and Cash recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Bank Balance and Cash were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

21 PROPERTY RATES

| | Site | Building | Actual Income | |
|-------------------------------|---|---|-------------------|-------------------|
| | Valuation as at 1 July 2003 R'000 | Valuation as at 1 July 2003 R'000 | 2008 | 2007 |
| Cape St Francis | 133 185 000 | 166 061 000 | 3 704 182 | 3 421 896 |
| Hankey | 9 925 100 | 88 862 800 | 1 215 976 | 981 209 |
| Humansdorp | 61 967 200 | 334 372 350 | 4 965 619 | 4 684 390 |
| Jeffreys Bay | 867 345 520 | 2 349 137 200 | 42 377 590 | 39 439 828 |
| Loerie | 3 433 500 | 5 187 000 | 49 666 | 47 038 |
| Oyster Bay | 30 590 000 | 45 439 000 | 975 646 | 924 347 |
| Patensie | 10 520 917 | 40 475 100 | 567 600 | 513 185 |
| St Francis Bay | 583 118 010 | 813 154 000 | 18 584 288 | 15 785 955 |
| Thornhill | 3 298 000 | 6 186 000 | 56 097 | 53 130 |
| Rural | 1 010 000 | - | - | - |
| Total Assessment Rates | 1 704 393 247 | 3 848 874 450 | 72 496 663 | 65 850 977 |
| Rebates and exceptions | | | (1 829 998) | (2 045 629) |
| Total Rates Income | | | 70 666 664 | 63 805 348 |

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2003. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the rand for domestic properties of R 0.01462 was charged on site values and a rate in the rand of R 0.01462 for improvements. Business were charged at a rate in the rand of R 0.01462 on site values and a rate in the rand of R 0.01462 for improvements.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R 20,000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|---|--------------------|--------------------|
| | R | R |
| 22 SERVICE CHARGES | | |
| Electricity | 74 454 108 | 57 942 470 |
| Water | 26 187 493 | 25 096 277 |
| Refuse removal | 14 568 472 | 12 923 578 |
| Sewerage and Sanitation Charges | 15 355 849 | 17 538 115 |
| Other Service Charges | 3 943 785 | 3 630 935 |
| Total Service Charges | 134 509 706 | 117 131 375 |
| 23 PUBLIC CONTRIBUTIONS AND DONATIONS | | |
| Augmentation fees from developers | 5 433 268 | 9 016 323 |
| Department of Health - Medical stock | 661 867 | 634 143 |
| Total Public Contributions and donations | 6 095 135 | 9 650 466 |
| 24 GOVERNMENT GRANTS AND SUBSIDIES | | |
| Equitable Share | 19 750 636 | 16 312 508 |
| Transfer from deferred income | 3 218 270 | 2 288 415 |
| Conditional Grants | 12 827 251 | 9 845 167 |
| National FMG Grant | 488 273 | 462 340 |
| National MIG Grant (Admin Unit) | - | 357 813 |
| National MSIG Grant | 155 055 | 142 867 |
| Department of Health | - | 1 755 972 |
| Airfield Flood Damage | 142 500 | 138 207 |
| East Cape Flower Trial Study | - | 102 193 |
| IDP Grant | 115 302 | 84 397 |
| Integrated Waste Management Plan | - | 122 586 |
| Indigent Survey | - | 4 280 |
| Old Debtors Review | - | 150 000 |
| Rehabilitation Refuse Site | - | 326 466 |
| VCT Awareness Campaign | - | 27 189 |
| Skills Development Grant | 216 540 | 259 505 |
| Strategic Planning X DBSA | 136 231 | 228 000 |
| Juice Factory | 32 318 | 309 682 |
| Subsidy | - | 4 000 000 |
| Management system land use | - | 67 332 |
| Spatial Planning | - | 80 263 |
| ICT Development | 144 239 | 85 078 |
| Water Management Implementation | 76 179 | - |
| Assets Project | 233 616 | - |
| Provincial Housing Grant | 11 086 996 | 10 879 486 |
| | 12 827 251 | 19 583 655 |
| Less: Correction of capital grants recognised as income | - | (9 738 488) |
| Total Government Grants and Subsidies | 35 796 158 | 28 446 090 |
| 24.1 Equitable Share | | |

In terms of the Constitution, this grant is used to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|---|--------------------|--------------------|
| | R | R |
| 24.2 National: Municipal Infrastructure Grant (MIG) | | |
| Balance unspent at beginning of year | (8 119 464) | (5 212 323) |
| Current year receipts | (19 961 823) | (6 075 488) |
| Conditions met - transferred to revenue | 464 231 | 573 245 |
| Conditions met - transferred to deferred income | 22 636 574 | 2 595 101 |
| Transfers between funds | 71 270 | - |
| Transfers between funds | (79 937) | - |
| Conditions still to be met - transferred to liabilities (see note 9) | (4 989 149) | (8 119 464) |

Grants received for the following: provision of waterborne sewerage system, upgrade of water and sewerage reticulation systems, the building of a new clinic, development of Water Services Authority matters, water reservoir Oyster Bay and treatment plan Hankey

24.3 Provincial - Housing Grants (DPLG & TA)

| | | |
|---|--------------------|---------------------|
| Balance unspent at beginning of year | (12 707 139) | (9 325 388) |
| Current year receipts | (12 341 527) | (22 817 613) |
| Conditions met - transferred to revenue | 16 925 990 | 10 866 220 |
| Conditions met - transferred to deferred income | 785 277 | 830 910 |
| Transfers between funds | 44 818 | 7 738 732 |
| Transfers between funds | - | - |
| Conditions still to be met - transferred to liabilities (see note 9) | (7 292 581) | (12 707 139) |

Grants utilised for the Reconstruction and Development Plan Government Housing.

24.4 Provincial - Other Provincial Grants (DPLG & TA)

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | (446 860) | (1 158 734) |
| Current year receipts | (150 000) | - |
| Conditions met - transferred to revenue | 203 874 | 711 874 |
| Conditions met - transferred to deferred income | - | - |
| Transfers between funds | - | - |
| Transfers between funds | - | - |
| Conditions still to be met - transferred to liabilities (see note 9) | (392 986) | (446 860) |

Grant received to assist with the following: Floods, audit related matters, performance measurement system development, investigation of regional refuse site and capacity building of staff.

24.5 District - Cacadu District Municipal Grants

| | | |
|---|-----------------|------------------|
| Balance unspent at beginning of year | (157 857) | (298 617) |
| Current year receipts | (147 472) | (65 467) |
| Conditions met - transferred to revenue | 115 652 | 206 227 |
| Conditions met - transferred to deferred income | 81 972 | - |
| Transfers between funds | 10 156 | - |
| Transfers between funds | - | - |
| Conditions still to be met - transferred to liabilities (see note 9) | (97 548) | (157 857) |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|--|-------------|-------------|
| | R | R |
| Grants received to assist with the Integrated Development Plan as well as library equipment and needs. | | |

24.6 Department of Health

| | | |
|---|----------|----------|
| Balance unspent at beginning of year | 27 158 | (20 614) |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | (32 585) | 47 772 |
| Conditions met - transferred to deferred income | - | - |
| Transfers between funds | 5 427 | - |
| Correction against general expenses | - | (27 158) |
| Conditions met - balance due by government transferred to current assets | 0 | - |

24.7 Department of Water Affairs

| | | |
|---|-----------------|-----------------|
| Balance unspent at beginning of year | (15 364) | - |
| Current year receipts | - | (15 364) |
| Conditions met - transferred to revenue | - | - |
| Conditions met - transferred to deferred income | - | - |
| Transfers between funds | - | - |
| Transfers between funds | - | - |
| Conditions still to be met - transferred to liabilities (see note 9) | (15 364) | (15 364) |

Grants utilised for the upgrade of the bulks water supply to Oyster Bay as well as control meters.

24.8 Department of Economic Development

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | (123 818) | (432 316) |
| Current year receipts | (527 562) | (14 633) |
| Conditions met - transferred to revenue | 32 318 | 323 131 |
| Conditions met - transferred to deferred income | 27 562 | - |
| Transfers between funds | - | - |
| Transfers between funds | - | - |
| Conditions still to be met - transferred to liabilities (see note 9) | (591 500) | (123 818) |

Grants utilised to assist with economic development with skills training & SMES as well as Spatial planning.

24.9 Department of Mineral and Energy/NER

| | | |
|---|-----------|------------------|
| Balance unspent at beginning of year | (225 740) | 158 378 |
| Current year receipts | - | (384 118) |
| Conditions met - transferred to revenue | - | - |
| Conditions met - transferred to deferred income | 225 740 | - |
| Transfers between funds | - | - |
| Transfers between funds | - | - |
| Conditions still to be met - transferred to liabilities (see note 9) | - | (225 740) |

Electrification grant received from the Department of Mineral and Energy Affairs for RDP Housing

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| 2008 | 2007 |
|-------------|-------------|
| R | R |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|---|------------------|------------------|
| | R | R |
| 24.10 Development Bank | | |
| Balance unspent at beginning of year | (350 576) | (360 970) |
| Current year receipts | - | (576) |
| Conditions met - transferred to revenue | - | 10 970 |
| Conditions met - transferred to deferred income | - | - |
| Transfers between funds | - | - |
| Transfers between funds | - | - |
| Conditions still to be met - transferred to liabilities (see note 9) | (350 576) | (350 576) |

Grant to assist with the review of old debt and development of tourism plan.

24.11 Financial Support (Provincial)

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | (464 922) | - |
| Current year receipts | (200 000) | - |
| Conditions met - transferred to revenue | 377 855 | (464 922) |
| Conditions met - transferred to deferred income | - | - |
| Transfers between funds | - | - |
| Transfers between funds | - | - |
| Conditions still to be met - transferred to liabilities (see note 9) | (287 066) | (464 922) |

Grant received from the Provincial Administration to assist with an GRAP compliant Assets register, Financial Mentoring and ICT development.

24.12 National Treasury

| | | |
|---|------------------|-----------------|
| Balance unspent at beginning of year | (91 298) | (53 638) |
| Current year receipts | (500 000) | - |
| Conditions met - transferred to revenue | 488 273 | (37 660) |
| Conditions met - transferred to deferred income | - | - |
| Transfers between funds | - | - |
| Transfers between funds | - | - |
| Conditions still to be met - transferred to liabilities (see note 9) | (103 025) | (91 298) |

Grant received to assist with financial reforms

24.13 Other Spheres of Government Grants

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | (875 172) | (774 960) |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions met - transferred to deferred income | - | - |
| Transfers between funds | (15 000) | (100 212) |
| Transfers between funds | 0 | 0 |
| Conditions still to be met - transferred to liabilities (see note 9) | (890 172) | (875 172) |

Grants received to assist with the following: Upgrade of bulk water supply to St Francis Bay, EIA study of the sewer treatment plant Patensie, severance packages and beach related protection.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|---|---------------------|---------------------|
| | R | R |
| 24.14 Skills Grant (SARS) | | |
| Balance unspent at beginning of year | (202 461.65) | (176 528) |
| Current year receipts | (447 230.67) | (25 934) |
| Conditions met - transferred to revenue | 216 540.37 | - |
| Conditions met - transferred to deferred income | - | - |
| Transfers between funds | - | - |
| Transfers between funds | - | - |
| Conditions still to be met - transferred to liabilities (see note 9) | (433 151.95) | (202 461.65) |

Funds claimed/received from SARS re skills development levies paid.

24.15 Spatial Studies

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | (123 065.23) | (203 328) |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | 80 263 |
| Conditions met - transferred to deferred income | - | - |
| Transfers between funds | - | - |
| Transfers between funds | - | - |
| Conditions still to be met - transferred to liabilities (see note 9) | (123 065) | (123 065) |

Grants received to assist with spatial planning

24.16 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 2 of 2006), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

25 OTHER INCOME

| | | |
|---------------------------|------------------|------------------|
| Admin fees | 388 052 | 357 813 |
| Burial sites | 82 573 | 61 491 |
| Caravan Park Fees | 1 659 747 | 1 921 231 |
| Cleaning of plots | 83 738 | 9 039 |
| Commission | 327 085 | 149 761 |
| Consent uses | 157 832 | 191 638 |
| Insurance Claims | 287 395 | 315 483 |
| Riparian Levy | 336 056 | 309 072 |
| Subdivisions | 96 650 | 98 580 |
| Sundries | 819 425 | 2 085 052 |
| Stock adjustments | - | 846 325 |
| Valuation Certificates | 87 458 | 1 044 |
| Total Other Income | 4 326 012 | 6 346 530 |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|--|--------------------|-------------------|
| | R | R |
| 26 EMPLOYEE RELATED COSTS | | |
| Employee Related Costs - Salaries and Wages | 56 868 571 | 47 946 643 |
| Employee Related Costs - Contributions for UIF, Skills and Workmen's compensation | 1 612 606 | 1 411 137 |
| Employee Related Costs - Contributions for Pensions and Medical Aids | 12 794 632 | 11 277 368 |
| Travel, Motor Car, Accommodation, Subsistence and Other Allowances | 7 118 933 | 5 932 082 |
| Housing Benefits and Allowances | 498 202 | 413 274 |
| Overtime Payments | 6 332 182 | 5 251 476 |
| Performance Bonuses | 4 802 469 | 3 912 434 |
| Long-service awards | 241 335 | 269 307 |
| Provision for leave | 919 903 | 459 333 |
| Group Life insurance, Bargaining council and labour relations levies | 178 101 | 182 344 |
| Defined Benefit Plan Expenses - Vested Past Service Cost (Refer to note 4) | 33 465 198 | - |
| Total Employee Related Costs | 124 832 132 | 77 055 398 |
| There were no advances to employees. Loans to employees are set out in Note 14. | | |
| Remuneration of the Municipal Manager | | |
| Annual Remuneration | 571 940 | 177 287 |
| Car Allowance | 170 188 | 53 920 |
| Performance Bonus | 25 387 | - |
| Back pay | 54 394 | - |
| Acting allowance | 12 526 | - |
| Contributions to UIF, Medical and Pension Funds | 1 473 | - |
| Total | 835 909 | 231 207 |
| The permanent Municipal Manager was only appointed from 1 March 2007. The Director of Planning & Development acted as Municipal Manager for the period 1 July 2007 to 28 February 2007. | | |
| Remuneration of the Chief Financial Officer | | |
| Annual Remuneration | 538 065 | 349 000 |
| Car Allowance | 40 777 | - |
| Performance Bonus | 48 533 | - |
| Back pay | 50 318 | - |
| Cell phone allowance | - | 720 |
| Leave | - | 41 000 |
| Contributions to UIF, Medical and Pension Funds | 1 473 | - |
| Total | 679 166 | 390 720 |
| A permanent Chief Financial Officer was only appointed from 1 September 2006. A manager within the Finance Department acted as the Chief Financial Officer for the period March 2005 to August 2006. | | |
| Remuneration of the Director Corporate Services | | |
| Annual Remuneration | 454 745 | 329 377 |
| Car Allowance | 124 640 | 106 961 |
| Performance Bonus | 48 754 | - |
| Back pay | 54 093 | - |
| Cell phone allowance | - | 900 |
| Contributions to UIF, Medical and Pension Funds | 1 473 | - |
| Total | 683 705 | 437 238 |
| Remuneration of the Director of Technical Services | | |
| Annual Remuneration | 466 334 | 402 082 |
| Car Allowance | 111 200 | 115 560 |
| Performance Bonus | 78 171 | - |
| Back pay | 50 056 | - |
| Cell phone allowance | 0.00 | 1 080 |
| Contributions to UIF, Medical and Pension Funds | 1 473 | - |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|--|----------------|----------------|
| | R | R |
| Total | 707 234 | 518 722 |
| Remuneration of the Director of Human Resources and Economic/Social Development | | |
| Annual Remuneration | 455 693 | 427 520 |
| Car Allowance | 132 609 | 126 878 |
| Performance Bonus | 78 282 | 66 659 |
| Back pay | 52 892 | - |
| Cell phone allowance | | 900 |
| Contributions to UIF, Medical and Pension Funds | 1 473 | - |
| Total | 720 948 | 621 957 |
| Remuneration of the Director of Community Services | | |
| Annual Remuneration | 505 828 | 359 320 |
| Car Allowance | 96 530 | 118 016 |
| Performance Bonus | 75 981 | 25 693 |
| Back pay | 60 050 | - |
| Cell phone allowance | - | 1 080 |
| Acting allowances | 7 152 | - |
| Other (Leave) | 67 731 | - |
| Contributions to UIF, Medical and Pension Funds | 1 223 | - |
| Total | 814 494 | 504 109 |
| Remuneration of the Director of Planning and Development | | |
| Annual Remuneration | 201 241 | 207 813 |
| Car Allowance | 43 507 | 60 742 |
| Performance Bonus | 3 557 | 88 777 |
| Back pay | 45 399 | - |
| Cell phone allowance | - | 1 080 |
| Acting allowances | - | - |
| Other (Leave) | - | - |
| Contributions to UIF, Medical and Pension Funds | 35 761 | - |
| Total | 330 214 | 382 065 |

27 REMUNERATION OF COUNCILLORS

| | | |
|---|------------------|------------------|
| Mayor | 481 696 | 355 453 |
| Speaker | 380 515 | 320 380 |
| Mayoral committee members | 1 094 615 | 1 064 904 |
| Councillors | 2 292 611 | 2 655 441 |
| Councillors pension contributions | - | 308 157 |
| Councillors medical aid contributions | - | 56 622 |
| Reimburse travel outside the municipal area | 103 798 | 28 648 |
| Total Councillors' Remuneration | 4 353 236 | 4 789 605 |

In-kind Benefits

The Executive Mayor, Speaker and Mayoral committee members are full-time councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

28 BAD DEBTS PROVISION

| | | |
|-------------------------------------|-----------|------------|
| Consumer Debtors (See note 16) | 2 192 828 | 10 316 400 |
| Long-term Receivables (See note 14) | 12 222 | - |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|---|--------------------------|--------------------------|
| | R | R |
| | <u>2 205 050</u> | <u>10 316 400</u> |
| 29 INTEREST PAID | | |
| Long-term Liabilities | 11 473 913 | 11 355 658 |
| Bank Overdrafts and Other | 156 925 | 730 |
| Total interest paid | <u>11 630 838</u> | <u>11 356 388</u> |
| 30 BULK PURCHASES | | |
| Electricity | 39 485 653 | 34 369 374 |
| Water | 11 290 951 | 10 960 469 |
| Total Bulk Purchases | <u>50 776 603</u> | <u>45 329 843</u> |
| <p>Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Escom whilst water is purchased from the Nelson Mandela Bay Metropolitan Municipality.</p> | | |
| 31 GRANTS AND SUBSIDIES PAID | | |
| Grants-in-aid and Donations | 11 949 194 | 11 495 196 |
| Various small donations | 177 847 | 53 856 |
| Medical stock dispensed | 441 675 | - |
| Total Grants and Subsidies | <u>12 568 715</u> | <u>11 549 052</u> |
| 32 GENERAL EXPENSES | | |
| <p>Included in General Expenses are the following:</p> | | |
| Accommodation, Seminars and Travelling | 1 308 205 | 674 692 |
| Audit Fees | 1 788 106 | 1 862 812 |
| Chemicals | 1 153 729 | 656 021 |
| Connection expenses | 2 560 049 | 1 112 347 |
| Disaster management | 108 845 | 1 187 025 |
| Fuel and oil | 5 015 366 | 3 108 886 |
| Grant expenditure - Various projects | 11 086 996 | 4 897 329 |
| Insurance General | 3 690 404 | 1 737 856 |
| Legal expenses | 1 016 108 | 839 239 |
| Planning fees | 1 024 259 | 1 138 276 |
| Postage | 852 196 | 743 183 |
| Printing and Stationery | 957 982 | 612 141 |
| Prepaid finance costs | 866 589 | 986 563 |
| Rentals: Property, Plant and Equipment | 4 933 904 | 6 783 729 |
| Service fees | 3 365 335 | 3 552 552 |
| Special projects | 1 285 351 | 469 235 |
| Telephones, Facsimiles and Internet Lines | 1 482 521 | 1 331 352 |
| Valuation costs & interim valuations | 3 624 282 | 4 410 729 |
| Other General Expenses | 13 657 445 | 12 495 381 |
| Total General expenses | <u>59 777 673</u> | <u>48 599 348</u> |

No other extra-ordinary expenses were incurred.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|--|-------------|-------------|
| | R | R |

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

33 CORRECTION OF ERROR

During the 2006/07 financial period a number of errors occurred, which are set out below:

33.1 Adjustment of balances - assets and liabilities - as at 30 June 2007

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year, which are set out below:

a) Bank Overdraft

Correction of cash balances netted off against bank overdrafts

| | | |
|--|---------|--|
| Balance previously reported:- | 700 977 | |
| Plus: | | |
| Amount transferred to Bank balances and cash | 8 060 | |
| Restated balance | 709 037 | |

b) Bank balances and cash

| | | |
|--|-------|--|
| Balance previously reported:- | - | |
| Plus: | | |
| Amount transferred from Bank overdraft | 8 060 | |
| Restated balance | 8 060 | |

c) VAT

VAT has been disclosed as a separate line item on the Statement of Financial Position.

| | | |
|--|-------------|--|
| Balance previously reported:- | - | |
| Adjustments:- | | |
| Amount transferred from consumer debtors | 2 254 216 | |
| Amount transferred from other debtors | 1 508 889 | |
| Amount transferred from creditors | (1 358 464) | |
| Restated balance | 2 404 641 | |

d) Consumer debtors

| | | |
|--------------------------------------|-------------|--|
| Balance previously reported:- | 15 366 636 | |
| Adjustments:- | | |
| Amount transferred to VAT refundable | (2 254 216) | |
| Restated balance | 13 112 420 | |

e) Other debtors

| | | |
|--------------------------------------|-------------|--|
| Balance previously reported:- | 6 963 506 | |
| Adjustments:- | | |
| Amount transferred to VAT refundable | (1 508 889) | |
| Restated balance | 5 454 617 | |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|---|-------------|--------------------------|
| | R | R |
| f) Creditors | | |
| Balance previously reported:- | | 18 473 858 |
| Adjustments:- | | |
| Amount transferred to VAT refundable | | (1 358 464) |
| Restated balance | | <u><u>17 115 394</u></u> |
| g) Investments | | |
| Fair value adjustment of investments | | |
| Balance previously reported:- | | 4 610 355 |
| Adjustments:- | | |
| Correction of the balance of investments as at 30 June 2006 against accumulated surplus | | 7 131 540 |
| Correction of interest received for the year end 30 June 2007 against interest income | | 1 160 049 |
| Restated balance | | <u><u>12 901 944</u></u> |
| h) Inventory | | |
| Alignment of inventory with stock count sheets | | |
| Balance previously reported:- | | 9 033 832 |
| Adjustments:- | | |
| Correction of stock against other income | | 22 612 |
| Restated balance | | <u><u>9 056 444</u></u> |
| i) Unspent Conditional Grants and Receipts | | |
| Balance previously reported:- | | 23 876 578 |
| Adjustments:- | | |
| Correction of an over expenditure of grants against general expenses | | (27 158) |
| Restated balance | | <u><u>23 849 420</u></u> |
| j) Reserves to accumulated surplus | | |
| Since fund accounting is not allowed in terms of GRAP / GAMAP / GAAP, the municipality's internal funds and reserves should form part of Accumulated Surplus and should not be disclosed as in 2007 as separate reserves on the face of the Statement of Financial Position and Statement of Changes in Net Assets. | | |
| Balance previously reported:- | | |
| Capital Replacement Reserve | | 33 224 375 |
| Capitalization Reserve | | 5 788 524 |
| Public contributions and donations reserve | | (75 000) |
| Self insurance reserve | | 749 242 |
| Adjustments:- | | |
| Balance as at 30 June 2007 transferred to Accumulated surplus | | (39 687 141) |
| Restated balance | | <u><u>-</u></u> |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|--|-------------|---------------------------|
| | R | R |
| k) Government grant reserve | | |
| The municipality accounted for government grants related to non-current assets in accordance with GAMAP 9 for the year ended 30 June 2007. Since fund accounting is not allowed in terms of GRAP / GAMAP / GAAP, the municipality must account for government grants related to non-current assets in accordance with IAS 20.26. | | |
| Balance previously reported:- | | 39 578 907 |
| Adjustments:- | | |
| Balance as at 30 June 2006 transferred to Deferred income | | (32 128 834) |
| Movement for the year - transferred to accumulated surplus | | (7 450 073) |
| Restated balance | | <u><u>-</u></u> |
| l) Finance Leases | | |
| The municipality reclassified certain operating leases as finance leases, based on the fact that the lease terms are for the major part of the economic life of the assets even if title is not transferred. This has been done to ensure compliance with IAS 17. | | |
| 33.2 Adjustments of Revenue and Expenditure items for the year ended 30 June 2007 | | |
| Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year, which are set out below: | | |
| a) Other income: | | |
| Balance previously reported:- | | 20 074 556 |
| Adjustments: | | |
| Correction of service charges included in sundry income | | (3 630 935) |
| Correction of interest earned included in sundry income | | (5 784) |
| Correction of licences and permits included in sundry income | | (463 453) |
| Correction of public contributions and donations included in sundry income | | (9 650 466) |
| Stock adjustments | | 22 612 |
| Restated balance | | <u><u>6 346 530</u></u> |
| b) Service charges | | |
| Balance previously reported:- | | 113 500 439 |
| Adjustments: | | |
| Correction of service charges included in sundry income | | 3 630 935 |
| Restated balance | | <u><u>117 131 375</u></u> |
| c) Interest Earned - Outstanding Debtors | | |
| Balance previously reported:- | | 1 941 276 |
| Adjustments: | | |
| Correction of service charges included in sundry income | | 5 784 |
| Restated balance | | <u><u>1 947 060</u></u> |
| d) Licenses and Permits | | |
| Balance previously reported:- | | 1 590 349 |
| Adjustments: | | |
| Correction of licences and permits included in sundry income | | 463 453 |
| Restated balance | | <u><u>2 053 802</u></u> |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|---|-------------|----------------------------|
| | R | R |
| e) Public Contributions and Donations | | |
| Balance previously reported:- | | - |
| Adjustments: | | |
| Correction of public contributions and donations included in sundry income | | 9 650 466 |
| Restated balance | | <u><u>9 650 466</u></u> |
| f) Property Rates | | |
| Accounting for trade discounts according to SAICA circular 9/2006 | | |
| Balance previously reported:- | | (65 850 977) |
| Adjustments: | | |
| Rebates included in General expenses | | 1 732 769 |
| Rebates included in Grants and subsidies paid | | 312 860 |
| Restated balance | | <u><u>(63 805 348)</u></u> |
| g) General expenses | | |
| Balance previously reported:- | | 52 442 773 |
| Adjustments: | | |
| Correction of trade discounts debited against property rates | | (1 732 769) |
| Correction of grants overspent | | 27 158 |
| Finance lease instalments debited against finance lease liability | | (2 137 813) |
| Restated balance | | <u><u>48 599 348</u></u> |
| h) Grants and subsidies paid | | |
| Balance previously reported:- | | 11 861 911 |
| Adjustments: | | |
| Correction of trade discounts debited against property rates | | (312 860) |
| Restated balance | | <u><u>11 549 052</u></u> |
| | | |
| 33.3 Reconciliation of adjustments due to prior period errors | | |
| a) Accumulated Surplus/(Deficit) as at 30 June 2006 | | 16 342 434 |
| Balance previously reported:- | | |
| Plus/(Minus): | | |
| Write back of performance bonuses paid in 2007 against creditor raised as at 30 June 2006 | | (58 837) |
| Transferred from Capital Replacement Reserve | | 14 490 685 |
| Transferred from Capitalization Reserve | | 7 001 212 |
| Transferred from Public Contribution and Donations Reserve | | (81 780) |
| Transferred from Self Insurance Reserve | | 665 164 |
| Finance lease assets capitalised | | 8 600 827 |
| Finance lease liabilities recognised | | (9 099 355) |
| Fair value adjustment of investments | | 7 131 540 |
| Operating lease assets raised as at 30 June 2006 | | 43 519 |
| Total | | <u><u>45 035 408</u></u> |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|---|-------------|------------------------------|
| | R | R |
| b) Surplus/(Deficit) for the year ended 30 June 2007 | | |
| Balance previously reported:- | | 31 207 567 |
| Plus/(Minus): Implementation of GAMAP:- | | |
| Add: Income now to be included under GAMAP:- | | |
| Recognition of interest on non-current investments | | 1 160 049 |
| Correction of stock to balance with stock sheets | | 22 612 |
| Deferred income recognised | | 2 288 415 |
| Operating lease income accrued | | 3 918 |
| Deduct: Expenditure now to be included under GAMAP:- | | |
| Movement on performance bonuses for the year ended 30 June 2007 | | (230 247) |
| Correction of grants overspend | | (27 158) |
| Add: Non GRAP-compliant Expenditure:- | | |
| Write back of performance bonuses against creditor raised as at 30 June 2006 | | 58 837 |
| Equitable share debited against property rates (in accordance with SAICA circular 9/2006) | | 312 860 |
| Deduct: Non GRAP-compliant Income:- | | |
| Correction of capital grants according to IAS 20 | | (9 738 488) |
| Equitable share debited against property rates (in accordance with SAICA circular 9/2006) | | (312 860) |
| Surplus/(Deficit) for 2005/2006 restated to comply with GAMAP | | <u>24 745 506</u> |

c) Appropriations

Corrections were made during the year and appropriated to the Accumulated Surplus Account:

Details of appropriations are as follows:

| | | |
|---|--|------------------------------|
| Addition of land to the Municipality's fixed asset register | | 32 477 867 |
| Various appropriations | | (2 505 030) |
| Increase in accumulated surplus | | <u>29 972 837</u> |

34 CASH GENERATED BY OPERATIONS

| | | |
|---|------------------------------|------------------------------|
| Surplus for the Year | (35 493 412) | 24 205 084 |
| Adjustment for: | | |
| Correction of prior year Error | (2 505 030) | (22 499 559) |
| Depreciation | 13 564 857 | 10 513 210 |
| Contribution to Provisions - Non-Current | 46 195 198 | - |
| Contribution to Provisions - Current | 4 138 674 | (511 813) |
| Contribution to Bad Debt Provision | 2 205 050 | 10 316 400 |
| Operating lease income accrued | (6 318) | (47 437) |
| Operating lease expenses accrued | 35 110 | 19 402 |
| Investment Income | (11 037 179) | (8 655 638) |
| Interest Paid | 11 630 838 | 11 356 388 |
| Operating surplus before working capital changes | <u>28 727 787</u> | <u>24 696 037</u> |
| (Increase)/Decrease in Inventories | 3 096 294 | (1 863 832) |
| (Increase)/Decrease in Consumer Debtors | (14 392 265) | (2 412 098) |
| (Increase)/Decrease in Current Portion of Long-term Receivables | (91 032) | (103 825) |
| (Increase)/Decrease in Other Debtors | (2 188 498) | (1 435 208) |
| (Increase)/Decrease in VAT | 694 919 | (2 404 641) |
| Increase/(Decrease) in Conditional Grants and Receipts | (8 337 552) | 4 456 528 |
| Increase/(Decrease) in Creditors | 11 676 002 | (2 696 825) |
| Cash generated by / (utilised in) operations | <u>19 185 656</u> | <u>18 236 135</u> |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 **2007**
R **R**

35 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

| | | |
|--|-------------------|-------------------|
| Bank Balances and Cash | 1 345 179 | 8 060 |
| Bank Overdraft | - | (709 037) |
| Call investment deposits | 68 063 302 | 81 215 423 |
| Total Cash and Cash Equivalents | 69 408 481 | 80 514 446 |

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

Call investment deposits are investments with a maturity period of less than 3 months and earn interest at rates varying from 7.9% to 12% per annum.

36 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

| | | |
|---|-------------------|-------------------|
| Long-term Liabilities (See Note 3) | 86 484 955 | 84 193 404 |
| Used to finance Property, Plant and Equipment - at cost | (73 240 320) | (59 115 881) |
| Sub-total | 13 244 636 | 25 077 523 |
| Cash set aside for the Repayment of Long-term Liabilities | 87 683 | 12 175 580 |
| Cash invested for Repayment of Long-term Liabilities (See note 13) | 13 156 953 | 12 901 943 |

External loans have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that Long-term Liabilities can be repaid on redemption date.

37 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

37.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

| | | |
|---|--------------|--------------|
| Opening balance | - | - |
| Unauthorised Expenditure current year | 52 814 610 | 14 435 566 |
| Approved by Council or condoned | (52 814 610) | (14 435 566) |
| To be recovered – contingent asset | - | - |
| Transfer to receivables for recovery | - | - |
| Unauthorised Expenditure awaiting authorisation | - | - |

| Incident | Disciplinary Steps / Criminal Proceedings |
|--|---|
| <i>Over expenditure of approved budget</i> | <i>None</i> |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 **2007**
R **R**

37.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

| | | |
|---|-----------|-------|
| Opening balance | - | - |
| Fruitless and Wasteful Expenditure current year | 156 925 | 730 |
| Condoned or written off by Council | (156 925) | (730) |
| To be recovered – contingent asset | - | - |
| Transfer to receivables for recovery | - | - |
| Fruitless and Wasteful Expenditure awaiting condonement | - | - |

| Incident | Disciplinary Steps / Criminal Proceedings |
|--|---|
| <i>Interest on late payment of trade creditors</i> | <i>None</i> |

37.3 Irregular Expenditure

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

38 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

38.1 Contributions to organised local government - SALGA [MFMA 125 (1)(b)]

| | | |
|------------------------------|-----------|-----------|
| Opening Balance | - | - |
| Council Subscriptions | 301 726 | 250 372 |
| Amount Paid - current year | (301 726) | (250 372) |
| Amount Paid - previous years | - | - |
| Closing balance | - | - |

38.2 Audit Fees [MFMA 125 (1)(b)]

| | | |
|------------------------------|-------------|-------------|
| Opening Balance | - | - |
| Current year Audit Fee | 1 996 203 | 2 215 799 |
| Amount Paid - current year | (1 996 203) | (2 215 799) |
| Amount Paid - previous years | - | - |
| Closing balance | - | - |

38.3 VAT [MFMA 125 (1)(b)]

VAT refundable is shown in note 11. All VAT returns have been submitted by due dates throughout the year.

38.4 PAYE and UIF [MFMA 125 (1)(b)]

| | | |
|---|--------------|-------------|
| Opening Balance | 805 442 | - |
| Current year Payroll Deductions | 10 309 331 | 8 610 912 |
| Amount Paid - current year | (10 251 117) | (8 610 912) |
| Amount Paid - previous years | - | - |
| Balance Unpaid (included in Creditors) | 863 656 | 805 442 |

The balance represents PAYE and UIF deducted from the June 2008 payroll. These amounts were paid during July 2008.

38.5 Pension and Medical Aid Deductions [MFMA 125 (1)(b)]

| | | |
|---------------------------------|--------------|--------------|
| Opening Balance | - | - |
| Current year Payroll Deductions | 19 827 908 | 17 321 174 |
| Amount Paid - current year | (19 827 908) | (17 321 174) |
| Amount Paid - previous years | - | - |
| Closing balance | - | - |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 **2007**
R **R**

38.6 Councillor's arrear Consumer Accounts [MFMA 124 (1)(b)]

The following Councillors had arrear accounts outstanding for more than 90 days as at **30 June 2008**:

| Surname | Initials | Outstanding more than 90 days | | Total |
|-----------|----------|-------------------------------|-----------------|---------|
| | | Service accounts | Sundry accounts | |
| Van Eeden | JA | 91 857 | - | 91 857 |
| August | HC | 12 322 | 17 358 | 29 679 |
| Cawood | J | - | 25 383 | 25 383 |
| Dlomo | M | - | 25 383 | 25 383 |
| Cloete | SJ | - | 21 883 | 21 883 |
| Dennis | R | - | 18 232 | 18 232 |
| Stuurman | VS | - | 17 358 | 17 358 |
| Felix | KS | - | 17 358 | 17 358 |
| Lloyd | FR | - | 17 358 | 17 358 |
| Smith | F | - | 17 358 | 17 358 |
| Tshume | KM | - | 17 358 | 17 358 |
| Ungerer | M | - | 17 358 | 17 358 |
| Rheeder | BF | - | 17 148 | 17 148 |
| Mabukane | A | - | 13 173 | 13 173 |
| Majola | M | - | 10 643 | 10 643 |
| Maseti | LF | 1 731 | - | 1 731 |
| | | 105 910 | 253 349 | 359 258 |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | | 2008 | 2007 |
|---|-----------------|--------------------------------------|------------------------|
| | | R | R |
| The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2007 : | | | |
| Surname | Initials | Outstanding more than 90 days | |
| | | Service accounts | Sundry accounts |
| | | Total | |
| Van Eeden | JA | 79 030 | - |
| August | HC | 14 867 | 9 442 |
| Cawood | J | - | 13 691 |
| Dlomo | M | - | 13 691 |
| Cloete | SJ | - | 13 441 |
| Stuurman | VS | 770 | 9 442 |
| Felix | KS | - | 9 442 |
| Lloyd | FR | - | 9 442 |
| Rheeder | BF | - | 9 442 |
| Smith | F | - | 9 442 |
| Tshume | KM | - | 9 442 |
| Ungerer | M | - | 9 442 |
| Mabukane | A | - | 8 665 |
| Dennis | R | - | 8 491 |
| Njela | C | 1 946 | - |
| Camealio | VA | 1 866 | - |
| Maseti | LF | 688 | - |
| Swepu | S | 394 | - |
| Botha | NS | - | - |
| | | <u>99 561</u> | <u>133 517</u> |
| | | <u>99 561</u> | <u>233 078</u> |

38.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

39 CAPITAL COMMITMENTS

Commitments in respect of Capital Expenditure:

| | | |
|---|------------|---------------|
| - Approved and contracted for:- | 57 325 822 | Not available |
| - Approved but not yet contracted for:- | 30 781 000 | Not available |
| - Contracted but not yet approved | - | Not available |

| | | |
|----------------------------------|-------------------|----------------------|
| Total Capital Commitments | 88 106 822 | Not available |
|----------------------------------|-------------------|----------------------|

This expenditure will be financed from:

| | | |
|------------------|-------------------|----------------------|
| Internal sources | 46 778 780 | Not available |
| External source | 41 328 042 | Not available |
| | <u>88 106 822</u> | <u>Not available</u> |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|--|-------------|-------------|
| | R | R |

40 CONTINGENT LIABILITIES

40.1 Unresolved insurance claims

There are a number of unresolved insurance claims at the reporting date. While the claim should be covered by the Municipality's insurance if the claim is paid out, the Municipality will be liable for the excess as stipulated in the Municipality's insurance policies. The value of these contingent excesses and the nature of the insurance cover concerned are summarised below:

| | Excess |
|---------------------|---------------|
| | R |
| Public Liability | 70 000 |
| Motor | 12 500 |
| Business All Risk | 4 000 |
| Machinery Breakdown | 5 000 |
| | 91 500 |
| | 91 500 |

41 CONTINGENT ASSET

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

42 IN-KIND DONATIONS AND ASSISTANCE

No in-kind donations and assistance were received.

43 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year 2007/2008.

44 EVENTS AFTER THE REPORTING DATE

There are no events subsequent to the reporting date which require to be reported on.

45 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexure "E (1) and E (2)".

46 FINANCIAL INSTRUMENTS

46.1 Classification:

Financial Assets

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

| | <u>Classification</u> | | |
|-------------------------------------|------------------------------|------------|------------|
| <i>Investments</i> | | | |
| Fixed Deposits | Held to maturity | 13 156 953 | 12 901 943 |
| <i>Long-term Receivables</i> | | | |
| Kouga Cultural Centre | Loans and receivables | - | 1 690 710 |
| Staff debtors | Loans and receivables | 185 917 | 278 636 |
| <i>Consumer Debtors</i> | Loans and receivables | 24 524 136 | 15 680 851 |
| <i>Other Debtors</i> | | | |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | | 2008 | 2007 |
|---|-----------------------|--------------------|--------------------|
| | | R | R |
| Sundry Debtors | Loans and receivables | 7 643 114 | 5 454 616 |
| Current Portion of Long-term Receivables | | | |
| Staff loans | Loans and receivables | 215 455 | 124 423 |
| Short-term Investment Deposits | | | |
| Call Deposits | Held to maturity | 68 063 302 | 81 215 423 |
| Bank Balances and Cash | | | |
| Bank Balances | Available for sale | 1 336 219 | - |
| Cash Floats and Advances | Available for sale | 8 960 | 8 060 |
| VAT | Loans and receivables | 1 709 722 | 2 404 641 |
| Total Financial Assets | | 116 843 776 | 119 759 304 |

SUMMARY OF FINANCIAL ASSETS

Held to maturity:

| | | | |
|--------------------------------|----------------|-------------------|-------------------|
| Investments | Fixed Deposits | 13 156 953 | 12 901 943 |
| Short-term Investment Deposits | Call Deposits | 68 063 302 | 81 215 423 |
| | | <u>81 220 254</u> | <u>94 117 366</u> |

Loans and Receivables

| | | | |
|--|---------------------------------|-------------------|-------------------|
| Long-term Receivables | Kouga Cultural Centre | - | 1 690 710 |
| Long-term Receivables | Staff debtors | 185 917 | 278 636 |
| Consumer Debtors | | 24 524 136 | 15 680 851 |
| Other Debtors | Payments made in Advance | - | - |
| Other Debtors | Deferred charges | - | - |
| Other Debtors | Sundry Debtors | 7 643 114 | 5 454 616 |
| Other Debtors | Government Subsidies and Grants | - | - |
| Current Portion of Long-term Receivables | Staff loans | 215 455 | 124 423 |
| VAT | VAT | 1 709 722 | 2 404 641 |
| | | <u>34 278 343</u> | <u>25 633 877</u> |

Available for Sale:

| | | | |
|------------------------|--------------------------|------------------|--------------|
| Bank Balances and Cash | Bank Balances | 1 336 219 | - |
| Bank Balances and Cash | Cash Floats and Advances | 8 960 | 8 060 |
| | | <u>1 345 179</u> | <u>8 060</u> |

Total Financial Assets

| | |
|--------------------|--------------------|
| 116 843 776 | 119 759 304 |
|--------------------|--------------------|

Financial liabilities

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows:

(FVTPL = Fair Value through Profit or Loss):

Classification

Long-term Liabilities

| | | | |
|--------------------------|---------------------|------------|------------|
| Annuity Loans | Not valued at FVTPL | 73 468 939 | 70 981 731 |
| Consumer Deposits | | | |
| Electricity and Water | Not valued at FVTPL | 6 023 918 | 5 602 361 |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | | 2008 | 2007 |
|---|---------------------|-------------|-------------|
| | | R | R |
| Accounts payable | | | |
| Trade creditors | Not valued at FVTPL | 17 598 660 | 6 788 484 |
| Payments received in advance | Not valued at FVTPL | 4 381 534 | 3 140 891 |
| Other creditors | Not valued at FVTPL | 6 811 201 | 7 186 018 |
| Unspent Conditional Grants and Receipts | Not valued at FVTPL | 15 566 184 | 23 903 736 |
| Operating Lease Liability | | | |
| Operating Lease Liability | Not valued at FVTPL | 54 511 | 19 402 |
| Bank Overdraft | | - | 709 037 |
| Current Portion of Long-term Liabilities | | | |
| Annuity Loans | Not valued at FVTPL | 5 554 979 | 3 977 345 |
| Total Financial Liabilities | | 129 459 926 | 122 309 006 |

46.2 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 3, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 20 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

| | | | |
|--------------------------|--|------------|------------|
| Debt | | 86 484 955 | 84 193 404 |
| Equity | | 63 719 918 | 69 240 493 |
| Net debt to equity ratio | | 136% | 122% |

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 3.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

46.3 Financial Risk Management Objectives

Due to largely, "non-trading nature" of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| 2008 | 2007 |
|-------------|-------------|
| R | R |

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

46.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

46.5 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 46.6 below). No formal policy exists to hedge volatilities in the interest rate market.

46.6 Interest Rate Risk Management

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

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

The municipality limits its counterparty exposures from its investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Council.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings.

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

46.7 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 14 is a listing of undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 **2007**
R **R**

46.8 Credit Risk Management

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

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

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

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

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

| | | |
|--|--------------------|--------------------|
| Fixed Deposit Investments | 13 156 953 | 12 901 943 |
| Long-term Receivables | 401 371 | 2 093 769 |
| Consumer Debtors | 24 524 136 | 15 680 851 |
| Other Debtors | 7 643 114 | 5 454 616 |
| Short-term Investment Deposits | 68 063 302 | 81 215 423 |
| Bank and Cash Balances | 1 345 179 | 8 060 |
| VAT | 1 709 722 | 2 404 641 |
| Maximum Credit and Interest Risk Exposure | 116 843 776 | 119 759 304 |

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | | 2008 R | | 2007 R |
|---|--------------|-----------|------------------------|---------------------------------|
| 47 RELATED PARTY TRANSACTIONS | | | | |
| 47.1 Related Party Transactions | Rates | | Service charges | |
| | | | Other | Outstanding balances |
| Year ended 30 June 2008 | | | | |
| Councillors, Municipal Manager & Section 57 Personnel | 46 976 | | 77 013 | 3 955 |
| | | | | 365 702 |
| Year ended 30 June 2007 | | | | |
| Councillors, Municipal Manager & Section 57 Personnel | 43 188 | | 83 323 | 5 060 |
| | | | | 246 111 |

The rates, service charges and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

47.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are no longer permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 14 to the Annual Financial Statements

47.3 Compensation of key management personnel

The compensation of key management personnel is set out in notes 26 and 27 to the Annual Financial Statements.

48 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of changes in accounting policies (note X) and prior period errors (note Y)

49 DISCLOSURE REQUIREMENTS REGARDING EXEMPTIONS

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. In the table set out below, the exemptions offered have been listed; together with an indication of the process that the municipality will follow regarding plans to implement the exemptions. Furthermore, the extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards has also been stated in the table.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| 2008 | 2007 |
|-------------|-------------|
| R | R |

APPENDIX A

KOUGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

| Details | Original Loan Amount | Interest Rate | Loan Number | Redeemable | Balance previously reported as at 30/06/2007 | Corrections | Restated balances at 30/06/2007 | Received during the year | Redeemed/ Written Off during Period | Balance at 30/06/2008 |
|----------------------|----------------------|---------------|--|------------|--|--------------------|---------------------------------|--------------------------|-------------------------------------|-----------------------|
| | R | % | | | | | R | R | R | R |
| ANNUITY LOANS | | | | | | | | | | |
| ABSA | | | | | | | | | | |
| Absa Redemption Fund | - | 15.50% | 517 | 30/06/2011 | 4 500 000 | (4 500 000) | - | - | - | - |
| Absa Redemption Fund | - | 16.80% | 518 | 30/06/2011 | 3 500 000 | (3 500 000) | - | - | - | - |
| ABSA | 166 000 | 14.50% | 528 | 30/11/2016 | 137 907 | - | 137 907 | - | (6 239) | 131 668 |
| Total ABSA | 166 000 | | | | 8 137 907 | (8 000 000) | 137 907 | - | (6 239) | 131 668 |
| ASDR | | | | | | | | | | |
| ASDR | 150 000 | 14.25% | 513 | 30/12/2011 | 73 966 | - | 73 966 | - | (14 437) | 59 529 |
| ASDR | 900 000 | 14.25% | 527 | 30/06/2008 | 129 859 | - | 129 859 | - | (129 859) | - |
| Total ASDR | 1 050 000 | | | | 203 824 | - | 203 824 | - | (144 295) | 59 529 |
| DBSA | | | | | | | | | | |
| DBSA | 33 112 638 | 14.61% | 145 - 147, 485,489 - 490,492,494 - 496,498 - 499,501- 503, 505 - 509, 512, 514 - 515, 521- 526 | 30/09/2016 | 29 431 709 | (0) | 29 431 709 | - | (1 512 167) | 27 919 542 |
| DBSA (LALF) | 430 920 | 15.22% | 486 | 30/09/2007 | 30 780 | - | 30 780 | - | (30 780) | - |
| DBSA (LALF) | 449 158 | 15.22% | 491 | 30/09/2007 | 32 082 | - | 32 082 | - | (32 082) | - |
| DBSA | 6 128 561 | 11.185% | 531 | 30/09/2024 | 5 957 610 | - | 5 957 610 | - | (118 220) | 5 839 390 |
| DBSA | 1 600 000 | 8.995% | 538 - 542 | 31/03/2013 | - | - | - | 1 600 000 | - | 1 600 000 |
| DBSA | 6 000 000 | 9.265% | 543 - 546 | 31/03/2016 | - | - | - | 6 000 000 | - | 6 000 000 |
| Total DBSA | 47 721 277 | | | | 35 452 181 | (0) | 35 452 181 | 7 600 000 | (1 693 249) | 41 358 932 |

APPENDIX A

KOUGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

| Details | Original Loan Amount | Interest Rate | Loan Number | Redeemable | Balance previously reported as at 30/06/2007 | Corrections | Restated balances at 30/06/2007 | Received during the year | Redeemed/ Written Off during Period | Balance at 30/06/2008 |
|--|----------------------|---------------|-------------|------------|--|------------------|---------------------------------|--------------------------|-------------------------------------|-----------------------|
| | R | % | | | | | R | R | R | R |
| INCA | | | | | | | | | | |
| INCA | 470 584 | 18.00% | 140 | - | 1 | - | 1 | - | (1) | - |
| INCA | 269 430 | 18.00% | 141 | - | (3) | - | (3) | - | 3 | - |
| Inca Redemption Fund | 4 000 000 | 15.50% | 379 | 30/06/2011 | 4 000 000 | - | 4 000 000 | - | - | 4 000 000 |
| Inca Redemption Fund | 7 677 130 | 15.50% | 380 | 30/06/2011 | 7 677 130 | - | 7 677 130 | - | - | 7 677 130 |
| INCA | 4 000 000 | 15.20% | 381 | 31/12/2012 | 2 795 573 | - | 2 795 573 | - | (355 398) | 2 440 175 |
| Inca Redemption Fund | 4 500 000 | 15.50% | 517 | 30/06/2011 | - | 4 500 000 | 4 500 000 | - | - | 4 500 000 |
| Inca Redemption Fund | 3 500 000 | 16.80% | 518 | 30/06/2011 | - | 3 500 000 | 3 500 000 | - | - | 3 500 000 |
| INCA | 5 000 000 | 13.00% | 530 | 30/06/2013 | 3 692 463 | - | 3 692 463 | - | (442 817) | 3 249 646 |
| INCA - Bulk water | 13 000 000 | 11.160% | 532 | 30/06/2016 | 13 000 000 | - | 13 000 000 | - | (893 162) | 12 106 838 |
| Total INCA | 42 417 144 | | | | 31 165 164 | 8 000 000 | 39 165 164 | - | (1 691 376) | 37 473 789 |
| | | | | | | | | | | |
| Total Annuity Loans | 91 354 421 | | | | 74 959 076 | (0) | 74 959 076 | 7 600 000 | (3 535 159) | 79 023 918 |
| | | | | | | | | | | |
| CAPITALISED LEASE LIABILITIES | | | | | | | | | | |
| Wesbank | | | | | | | | | | |
| Wesbank - sewerage trucks | 922 982 | 14.00% | 533 | 28/02/2011 | 750 128 | 3 299 | 753 427 | - | (174 978) | 578 449 |
| Wesbank - P.O.S | 107 520 | 15,409% | 534 | 30/06/2010 | 191 413 | (118 785) | 72 628 | - | (21 807) | 50 821 |
| Wesbank - P.O.S | 133 046 | 14,489% | 535 | 31/08/2010 | (21 786) | 115 486 | 93 700 | - | (26 045) | 67 655 |
| Wesbank - Health | 119 350 | 14.00% | 536 | 31/07/2008 | 103 891 | - | 103 891 | - | (21 024) | 82 867 |
| Wesbank - Health | 119 350 | 14.00% | 537 | 31/08/2011 | 105 391 | - | 105 391 | - | (20 405) | 84 986 |
| Wesbank | 420 215 | 14.000% | 547 | 31/07/2012 | - | - | - | 368 610 | (47 370) | 321 240 |
| Total Wesbank | 1 822 463 | | | | 1 129 037 | 0 | 1 129 037 | 368 610 | (311 629) | 1 186 018 |
| | | | | | | | | | | |
| Operating leases reclassified as finance leases | | | | | 8 105 291 | | 8 105 291 | | (1 830 271) | 6 275 019 |
| | | | | | | | | | | |
| Total capitalised lease liabilities | 1 822 463 | | | | 9 234 327 | 0 | 9 234 327 | 368 610 | (2 141 900) | 7 461 038 |
| | | | | | | | | | | |
| TOTAL EXTERNAL LOANS | 93 176 884 | | | | 84 193 404 | (0) | 84 193 404 | 7 968 610 | (5 677 058) | 86 484 955 |

APPENDIX B

KOUGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | Carrying Value |
|--------------------------|--------------------|-------------------|--------------------|--------------------|-----------|--------------------|---------------------------------------|------------------|--------------------|-----------|--------------------|--------------------|
| | Opening Balance | Additions | Transfers | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Transfers | Disposals | Closing Balance | |
| | R | R | | R | R | R | R | R | | R | R | R |
| Infrastructure | | | | | | | | | | | | |
| Access control | - | 16 900 | - | - | - | 16 900 | - | 1 139 | - | - | 1 139 | 15 761 |
| BEACH NOURISHMENT SCHEME | 1 236 779 | - | (1 236 779) | - | - | - | 694 008 | - | (694 008) | - | - | - |
| BUILDINGS | 3 376 831 | - | (3 376 831) | - | - | - | 3 364 031 | - | (3 364 031) | - | - | - |
| Car parks | - | - | 1 441 618 | - | - | 1 441 618 | - | 34 986 | 866 635 | - | 901 621 | 539 997 |
| ELECTRICITY SCHEME | 48 846 987 | - | (48 846 987) | - | - | - | 28 595 858 | - | (28 595 858) | - | - | - |
| Fencing | - | 373 769 | 827 433 | - | - | 1 201 202 | - | 102 924 | 576 848 | - | 679 771 | 521 431 |
| Footways | - | - | 1 561 901 | - | - | 1 561 901 | - | 21 741 | 1 258 144 | - | 1 279 885 | 282 016 |
| GROUND | 806 575 | - | (806 575) | - | - | - | 738 586 | - | (738 586) | - | - | - |
| Mains | - | 3 524 108 | - | 3 107 449 | - | 6 631 557 | - | 132 699 | - | - | 132 699 | 6 498 859 |
| Mains | - | 2 915 940 | - | 18 783 762 | - | 21 699 702 | - | 63 919 | - | - | 63 919 | 21 635 783 |
| Meters 1 | - | 235 775 | - | - | - | 235 775 | - | 125 | 150 968 | - | 151 093 | 84 682 |
| Meters 2 | - | - | 354 196 | - | - | 354 196 | - | 18 794 | - | - | 18 794 | 335 402 |
| Paving | - | - | 88 486 | - | - | 88 486 | - | - | 88 486 | - | 88 486 | - |
| PLANNING & DEVELOPMENT | 120 453 | - | (120 453) | - | - | - | 90 458 | - | (90 458) | - | - | - |
| PLANT | 1 104 853 | - | (1 104 853) | - | - | - | 1 038 722 | - | (1 038 722) | - | - | - |
| Purification works | - | - | 5 549 920 | - | - | 5 549 920 | - | 242 078 | 1 584 314 | - | 1 826 392 | 3 723 528 |
| REFUSE SITE | - | - | - | - | - | - | - | - | - | - | - | - |
| Other roads | - | - | 37 396 236 | 2 355 848 | - | 39 752 084 | - | 2 374 361 | 25 525 116 | - | 27 899 477 | 11 852 607 |
| Outfall Sewers | - | - | - | 2 425 303 | - | 2 425 303 | - | - | - | - | - | 2 425 303 |
| ROADS | 37 867 981 | - | (37 867 981) | - | - | - | 24 668 960 | - | (24 668 960) | - | - | - |
| Reservoirs | - | - | 1 434 558 | 1 893 282 | - | 3 327 839 | - | - | 1 105 538 | - | 1 105 538 | 2 222 302 |
| Runways | - | - | 50 000 | - | - | 50 000 | - | 1 841 | 24 282 | - | 26 122 | 23 878 |
| SECURITY MEASURES | 650 192 | - | (650 192) | - | - | - | 333 498 | - | (333 498) | - | - | - |
| Security system | - | 106 613 | 263 480 | - | - | 370 093 | - | 49 676 | 57 101 | - | 106 777 | 263 316 |
| Sewers | 15 381 443 | 3 475 522 | 52 346 139 | 6 147 162 | - | 77 350 266 | - | 1 601 570 | 27 778 498 | - | 29 380 068 | 47 970 198 |
| Sewerage pumps | - | 6 289 | 4 914 467 | - | - | 4 920 756 | - | 177 651 | 2 927 512 | - | 3 105 163 | 1 815 594 |
| Street lighting | - | - | 672 984 | 1 001 263 | - | 1 674 247 | - | 14 444 | 328 969 | - | 343 413 | 1 330 834 |
| STREETLIGHTS | 355 295 | - | (355 295) | - | - | - | 17 765 | - | (17 765) | - | - | - |
| SEWERAGE SCHEME | 62 647 781 | - | (62 647 781) | - | - | - | 32 127 579 | - | (32 127 579) | - | - | - |
| Electricity Reticulation | - | - | 48 518 345 | - | - | 48 518 345 | - | 1 307 868 | 28 277 819 | - | 29 585 687 | 18 932 658 |
| Water Reticulation | - | - | 34 146 809 | 5 580 566 | - | 39 727 375 | - | 692 492 | 22 843 450 | - | 23 535 942 | 16 191 433 |
| Stormwater drains | - | - | 2 641 953 | 175 146 | - | 2 817 099 | - | 97 567 | 1 084 281 | - | 1 181 847 | 1 635 251 |
| Switchgear equipment | - | - | 25 391 | - | - | 25 391 | - | 295 | 21 273 | - | 21 568 | 3 823 |
| TOOLS | 586 740 | - | (586 740) | - | - | - | 455 652 | 20 700 | (455 652) | - | 20 700 | -20 700 |
| Traffic islands | - | - | 33 885 | - | - | 33 885 | - | 282 | 32 755 | - | 33 038 | 847 |
| Traffic lights | - | - | 150 309 | - | - | 150 309 | - | 750 | 139 086 | - | 139 836 | 10 473 |
| VEHICLES/PLANT | 659 775 | - | (659 775) | - | - | - | 659 775 | - | (659 775) | - | - | - |
| WATER SCHEME | 35 907 722 | - | (35 907 722) | - | - | - | 24 126 426 | - | (24 126 426) | - | - | - |
| | 209 549 406 | 10 654 916 | (1 749 853) | 41 469 781 | - | 259 924 251 | 116 911 318 | 6 957 901 | (2 240 244) | - | 121 628 974 | 138 295 276 |

APPENDIX B

KOUGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | Carrying Value |
|--------------------------|--------------------|-----------|--------------|--------------------|-----------|-----------------|---------------------------------------|-----------|--------------|-----------|-----------------|----------------|
| | Opening Balance | Additions | Transfers | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Transfers | Disposals | Closing Balance | |
| | R | R | | R | R | R | R | R | | R | R | |
| Community Assets | | | | | | | | | | | | |
| BEACH | 216 742 | - | (216 742) | - | - | - | 149 156 | - | (149 156) | - | - | - |
| Beach development | - | 504 855 | 2 822 139 | - | - | 3 326 994 | - | 37 002 | 2 113 205 | - | 2 150 207 | 1 176 787 |
| Bowling greens | - | - | 102 081 | - | - | 102 081 | - | - | 102 081 | - | 102 081 | - |
| BUILDINGS | 23 113 145 | - | (23 113 145) | - | - | - | 19 232 816 | - | (19 232 816) | - | - | - |
| CARAVAN AND CAMPING | 581 603 | - | (581 603) | - | - | - | 570 392 | - | (570 392) | - | - | - |
| Care centres | - | - | 1 211 068 | - | - | 1 211 068 | - | - | 1 211 068 | - | 1 211 068 | - |
| CANAL WALLS AND FIXTURES | 297 535 | - | (297 535) | - | - | - | 294 030 | - | (294 030) | - | - | - |
| Cemeteries | - | - | 339 340 | - | - | 339 340 | - | - | 292 240 | - | 292 240 | 47 100 |
| CEMETERY | 339 340 | - | (339 340) | - | - | - | 292 240 | 1 967 | (292 240) | - | 1 967 | -1 967 |
| Clinics/hospital | - | - | 1 190 953 | - | - | 1 190 953 | - | 8 020 | 990 912 | - | 998 932 | 192 021 |
| COMPUTER EQUIPMENT | 126 015 | - | (126 015) | - | - | - | 74 041 | - | (74 041) | - | - | - |
| Community centr | - | - | 11 677 235 | - | - | 11 677 235 | - | 245 304 | 4 622 919 | - | 4 868 223 | 6 809 012 |
| Fire stations | - | - | 202 383 | - | - | 202 383 | - | 4 167 | 102 618 | - | 106 784 | 95 599 |
| FURNITURE AND FITTINGS | 15 371 | - | (15 371) | - | - | - | 12 112 | - | (12 112) | - | - | - |
| Golf courses | - | - | 1 964 882 | - | - | 1 964 882 | - | 308 | 1 960 575 | - | 1 960 883 | 3 998 |
| GROUND | 7 813 349 | - | (7 813 349) | - | - | - | 7 660 358 | - | (7 660 358) | - | - | - |
| Housing Schemes | - | - | 2 018 416 | - | - | 2 018 416 | - | 12 651 | 1 715 487 | - | 1 728 138 | 290 278 |
| Indoor sports | - | - | 38 000 | - | - | 38 000 | - | - | 38 000 | - | 38 000 | - |
| Jukshei pitches | - | - | 26 000 | - | - | 26 000 | - | - | 26 000 | - | 26 000 | - |
| Lakes and dams | - | - | 56 438 | - | - | 56 438 | - | - | 56 438 | - | 56 438 | - |
| Libraries | - | - | 2 124 825 | - | - | 2 124 825 | - | 7 107 | 1 938 590 | - | 1 945 697 | 179 128 |
| Municipal build | - | 137 892 | 1 849 560 | 1 825 | - | 1 989 277 | - | 18 110 | 1 515 134 | - | 1 533 244 | 456 033 |
| Museum/art gall | - | - | 1 688 440 | - | - | 1 688 440 | - | 11 971 | 1 401 789 | - | 1 413 761 | 274 679 |
| Office Building | - | 499 774 | (946 165) | 1 130 700 | - | 684 309 | - | 76 578 | 4 400 219 | - | 4 476 798 | -3 792 488 |
| Organ and case | - | - | 5 440 | - | - | 5 440 | - | - | 5 440 | - | 5 440 | - |
| Outdoor sports | - | 20 376 | 1 681 326 | - | - | 1 701 702 | - | 628 | 1 672 558 | - | 1 673 186 | 28 516 |
| Parks | - | - | 2 698 086 | - | - | 2 698 086 | - | 1 982 | 2 647 542 | - | 2 649 524 | 48 562 |
| PLANNING & DEVELOPMENT | 798 752 | - | (798 752) | - | - | - | 794 245 | - | (794 245) | - | - | - |
| Public convenie | - | - | 2 019 941 | - | - | 2 019 941 | - | 3 009 | 1 947 892 | - | 1 950 901 | 69 040 |
| Recreation cent | - | - | 615 017 | - | - | 615 017 | - | 4 575 | 503 568 | - | 508 143 | 106 874 |
| RECREATIONAL FACILITIES | 1 570 851 | - | (1 570 851) | - | - | - | 1 567 278 | - | (1 567 278) | - | - | - |
| REFUSE SITE | - | - | 0 | - | - | - | - | - | - | - | - | - |
| ROADS | 4 917 511 | - | (4 917 511) | - | - | - | 4 108 224 | - | (4 108 224) | - | - | - |
| SECURITY MEASURES | 106 556 | - | (106 556) | - | - | - | 106 556 | - | (106 556) | - | - | - |
| SPORT AND RECREATION | - | - | 0 | - | - | - | - | - | - | - | - | - |
| Swimming pools | - | - | 17 000 | - | - | 17 000 | - | - | 17 000 | - | 17 000 | - |
| Tennis courts | - | - | 251 966 | - | - | 251 966 | - | - | 251 966 | - | 251 966 | - |
| TOOLS | 406 448 | - | (406 448) | - | - | - | 213 995 | - | (213 995) | - | - | - |

APPENDIX B

KOUGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | Carrying Value |
|--------------------------|--------------------|------------------|--------------------|--------------------|-----------|-------------------|---------------------------------------|----------------|--------------------|-----------|-------------------|------------------|
| | Opening Balance | Additions | Transfers | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Transfers | Disposals | Closing Balance | |
| | R | R | | R | R | R | R | R | | R | R | R |
| VEHICLES/PLANT | 1 387 220 | - | (1 387 220) | - | - | - | 243 913 | - | (243 913) | - | - | - |
| WALKWAYS | 73 254 | - | (73 254) | - | - | - | 73 254 | - | (73 254) | - | - | - |
| Workshop | - | - | 2 128 222 | - | - | 2 128 222 | - | 11 507 | 1 851 386 | - | 1 862 893 | 265 328 |
| | 41 763 691 | 1 162 897 | (5 981 099) | 1 132 525 | - | 38 078 013 | 35 392 609 | 444 888 | (4 007 983) | - | 31 829 513 | 6 248 500 |
| Heritage Assets | | | | | | | | | | | | |
| Buildings | 109 941 | - | (109 941) | - | - | -0 | 97 301 | - | (97 301) | - | - | -0 |
| Equipment | 12 500 | - | (12 500) | - | - | - | 7 500 | - | (7 500) | - | - | - |
| Ground | 55 000 | - | (55 000) | - | - | - | 55 000 | - | (55 000) | - | - | - |
| | 177 441 | - | (177 441) | - | - | -0 | 159 801 | - | (159 801) | - | - | -0 |
| Housing | | | | | | | | | | | | |
| Housing Schemes | - | - | - | 93 750 | - | 93 750 | - | - | - | - | - | 93 750 |
| | - | - | - | 93 750 | - | 93 750 | - | - | - | - | - | 93 750 |
| Investment Assets | | | | | | | | | | | | |
| ELECTRICITY | - | - | 0 | - | - | - | - | - | - | - | - | - |
| GROUND | 1 451 470 | - | (1 451 470) | - | - | 0 | 1 451 470 | - | (1 451 470) | - | - | 0 |
| SWIMMING POOL | 9 000 | - | (9 000) | - | - | - | 9 000 | - | (9 000) | - | - | - |
| | 1 460 470 | - | (1 460 470) | - | - | 0 | 1 460 470 | - | (1 460 470) | - | - | 0 |
| Other Assets | | | | | | | | | | | | |
| Air conditioner | - | 54 631 | 87 752 | - | - | 142 383 | - | 12 069 | 56 857 | - | 68 926 | 73 457 |
| Cabinets/cupboa | - | - | 97 390 | - | - | 97 390 | - | 2 579 | 84 905 | - | 87 484 | 9 907 |
| Canopy | - | 7 500 | - | - | - | 7 500 | - | - | - | - | - | 7 500 |
| Caravan parks | - | - | 1 253 812 | - | - | 1 253 812 | - | 3 680 | 1 165 707 | - | 1 169 387 | 84 426 |
| Chairs | - | 51 546 | 252 719 | - | 925 | 303 340 | - | 14 222 | 181 832 | 925 | 195 129 | 108 211 |
| Computer hardware | - | 739 465 | 2 121 231 | - | 174 216 | 2 686 481 | - | 157 719 | 1 614 717 | 174 216 | 1 598 220 | 1 088 261 |
| Computer software | - | 3 468 | 68 393 | - | - | 71 861 | - | 1 342 | 67 051 | - | 68 393 | 3 468 |
| Cremators | - | - | 32 459 | - | - | 32 459 | - | - | 32 459 | - | 32 459 | - |
| BUILDINGS | 760 174 | - | (760 174) | - | - | 0 | 740 542 | - | (740 542) | - | - | 0 |
| BOOKS & PUBLICATIONS | 76 889 | - | (76 889) | - | - | - | 1 603 590 | - | (1 603 590) | - | - | - |
| COMPUTER EQUIPMENT | 2 053 266 | - | (2 053 266) | - | - | - | - | - | - | - | - | - |
| Electrical equipment | - | 814 821 | - | - | - | 814 821 | - | 153 767 | - | - | 153 767 | 661 054 |
| Equipment/appar | - | 39 390 | - | - | - | 39 390 | - | 4 943 | - | - | 4 943 | 34 447 |
| EQUIPMENT | 1 175 477 | - | (1 175 477) | - | - | - | 968 773 | - | (968 773) | - | - | - |

APPENDIX B

KOUGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | Carrying Value |
|-------------------------|--------------------|-------------------|------------------|--------------------|------------------|--------------------|---------------------------------------|-------------------|------------------|------------------|--------------------|--------------------|
| | Opening Balance | Additions | Transfers | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Transfers | Disposals | Closing Balance | |
| | R | R | | R | R | R | R | R | | R | R | R |
| Fire equipment | | - | 424 636 | - | 9 908 | 414 728 | - | 14 418 | 290 924 | 9 908 | 295 434 | 119 294 |
| FURNITURE AND FITTINGS | 744 301 | - | (744 301) | - | - | - | 553 541 | - | (553 541) | - | - | - |
| General plant | | 120 991 | 1 902 197 | - | 229 731 | 1 793 457 | - | 111 726 | 1 678 623 | 229 731 | 1 560 618 | 232 839 |
| GROUND | 70 046 | 32 698 847 | (70 046) | - | 465 460 | 32 233 387 | 70 046 | - | (70 046) | 244 480 | -244 480 | 32 477 867 |
| Household refus | - | - | 262 591 | - | - | 262 591 | - | 45 664 | 216 927 | - | 262 591 | - |
| Irrigation syst | - | - | 219 746 | - | - | 219 746 | - | - | 219 746 | - | 219 746 | - |
| Markets | - | - | 129 840 | - | - | 129 840 | - | - | 129 840 | - | 129 840 | - |
| Miscellaneous furniture | - | 427 349 | 327 554 | - | 29 161 | 725 741 | - | 60 289 | 381 261 | 29 161 | 412 389 | 313 353 |
| Office machines | - | 15 100 | 383 746 | - | 115 430 | 283 416 | - | 4 092 | 372 172 | 115 430 | 260 834 | 22 582 |
| OFFICE EQUIPMENT | 356 742 | - | (356 742) | - | - | - | 342 109 | - | (342 109) | - | - | - |
| PLANNING & DEVELOPMENT | 471 146 | - | (471 146) | - | - | - | 353 258 | - | (353 258) | - | - | - |
| PLANT | 211 242 | - | (211 242) | - | - | - | 211 242 | - | (211 242) | - | - | - |
| Pumps | - | 2 300 | - | 4 278 403 | - | 4 280 703 | - | 5 | - | - | 5 | 4 280 698 |
| Radio equipment | - | 12 385 | 129 567 | - | 37 962 | 103 989 | - | - | 129 567 | 37 962 | 91 605 | 12 385 |
| RADIOS | 129 567 | - | (129 567) | - | - | - | 129 567 | - | (129 567) | - | - | - |
| ROADS | 262 013 | - | (262 013) | - | - | - | 262 013 | - | (262 013) | - | - | - |
| SECURITY MEASURES | 370 837 | - | (370 837) | - | - | - | 276 286 | - | (276 286) | - | - | - |
| Tables/desks | - | 121 680 | 160 394 | - | 400 | 281 673 | - | 9 452 | 133 866 | 400 | 142 918 | 138 756 |
| TAXI RANKS | 331 346 | - | (331 346) | - | - | - | 19 769 | - | (19 769) | - | - | - |
| Tip sites | - | - | 428 495 | - | - | 428 495 | - | 2 594 | 364 469 | - | 367 063 | 61 432 |
| TOOLS | 1 087 900 | - | (1 087 900) | - | - | - | 851 696 | - | (851 696) | - | - | - |
| Town planning | - | - | 1 390 352 | - | - | 1 390 352 | - | 151 405 | 1 237 961 | - | 1 389 366 | 985 |
| Trailers | - | 108 128 | 191 701 | - | 51 051 | 248 778 | - | 11 608 | 191 701 | 51 051 | 152 258 | 96 520 |
| Transport facil | - | - | 61 943 | - | - | 61 943 | - | - | 61 943 | - | 61 943 | - |
| Vacant land | - | - | 5 133 103 | - | - | 5 133 103 | - | - | 5 086 047 | - | 5 086 047 | 47 056 |
| Vehicles | - | 1 403 180 | 11 625 719 | - | 168 219 | 12 860 680 | - | 2 738 814 | 1 325 071 | 168 219 | 3 895 666 | 8 965 014 |
| Watercraft/boat | - | - | 489 183 | - | - | 489 183 | - | 6 012 | 435 164 | - | 441 176 | 48 007 |
| Fire engines | - | - | 19 000 | - | 19 000 | - | - | - | 19 000 | 19 000 | - | - |
| Lawnmowers | - | 310 482 | 679 294 | - | 23 080 | 966 696 | - | 336 885 | 414 370 | 23 080 | 728 175 | 238 521 |
| Trucks/bakkies | - | 716 772 | 5 716 861 | - | 4 674 574 | 1 759 058 | - | 97 674 | 5 686 463 | 4 674 574 | 1 109 563 | 649 495 |
| Tractors | - | 1 371 000 | 1 718 097 | - | 1 394 797 | 1 694 300 | - | 80 670 | 1 685 401 | 1 394 797 | 371 274 | 1 323 026 |
| VEHICLES/PLANT | 17 348 782 | - | (17 348 782) | - | - | - | 8 105 449 | - | (8 105 449) | - | - | - |
| WATERCRAFT | 489 183 | - | (489 183) | - | - | - | 435 164 | - | (435 164) | - | - | - |
| | 25 938 911 | 39 019 034 | 9 368 864 | 4 278 403 | 7 393 914 | 71 211 299 | 14 923 045 | 4 021 629 | 8 341 000 | 7 172 934 | 20 112 740 | 51 098 559 |
| Finance leased assets | 10 323 560 | | | | | 10 323 560 | 3 237 817 | 2 147 617 | | | 5 385 434 | 4 938 126 |
| Total | 289 213 480 | 50 836 847 | (0) | 46 974 459 | 7 393 914 | 379 630 872 | 172 085 059 | 13 572 033 | 472 503 | 7 172 934 | 178 956 661 | 200 674 211 |

APPENDIX C

KOUGA LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

| Description | Cost / Revaluation | | | | | Accumulated Depreciation / Impairment | | | | Carrying Value |
|-------------------------------|--------------------|-------------------|--------------------|------------------|--------------------|---------------------------------------|-------------------|------------------|--------------------|--------------------|
| | Opening Balance | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R |
| Executive and Council | 10 402 617 | 851 830 | - | 1 687 532 | 9 566 914 | 5 960 426 | 1 120 215 | 1 687 532 | 5 393 108 | 4 173 806 |
| Finance and Administration | 12 174 605 | 692 276 | - | 120 495 | 12 746 387 | 4 623 255 | 2 278 688 | 120 495 | 6 781 448 | 5 964 939 |
| Planning and Development | 1 165 661 | 32 703 597 | - | 474 039 | 33 395 219 | 995 092 | 113 408 | 253 059 | 855 442 | 32 539 777 |
| Health | 576 688 | 561 448 | - | 23 033 | 1 115 103 | 352 996 | 50 009 | 23 033 | 379 973 | 735 130 |
| Community and Social Services | 88 961 862 | 2 289 866 | 1 132 525 | 3 453 156 | 88 931 096 | 67 408 570 | 4 570 557 | 3 453 156 | 68 525 971 | 20 405 125 |
| Housing | - | - | 93 750 | - | 93 750 | - | - | - | - | 93 750 |
| Public Safety | 3 323 375 | 144 276 | - | 178 692 | 3 288 958 | 1 782 888 | 263 056 | 178 692 | 1 867 252 | 1 421 706 |
| Sport and Recreation | 1 819 387 | 299 329 | - | - | 2 118 716 | 1 682 211 | 12 780 | - | 1 694 991 | 423 725 |
| Waste Management | 82 397 034 | 3 926 573 | 12 850 869 | 763 621 | 98 410 855 | 34 300 910 | 2 529 574 | 763 621 | 36 066 863 | 62 343 993 |
| Roads and Transport | 139 661 | - | 3 532 257 | 35 714 | 3 636 205 | 138 055 | 1 606 | 35 714 | 103 948 | 3 532 257 |
| Water | 38 188 480 | 3 865 846 | 26 257 610 | 231 243 | 68 080 693 | 25 413 893 | 1 345 872 | 231 243 | 26 528 521 | 41 552 172 |
| Electricity | 50 064 109 | 5 487 832 | 3 107 449 | 426 389 | 58 233 001 | 29 426 764 | 1 758 770 | 426 389 | 30 759 144 | 27 473 857 |
| Other | - | 13 975 | - | - | 13 975 | - | - | - | - | 13 975 |
| Total | 289 213 480 | 50 836 847 | 46 974 460 | 7 393 914 | 379 630 873 | 172 085 060 | 14 044 535 | 7 186 909 | 178 956 661 | 200 674 212 |

APPENDIX D
KOUGA LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

| 2007 Actual Income | 2007 Actual Expenditure | 2007 Surplus/ (Deficit) | Description | 2008 Actual Income | 2008 Actual Expenditure | 2008 Surplus/ (Deficit) |
|-----------------------------------|--|--|----------------------------------|-----------------------------------|--|--|
| R | R | R | | R | R | R |
| 1 108 206 | (12 623 188) | (11 514 981) | Executive and Council | 73 189 | (15 496 924) | (15 423 735) |
| 90 128 433 | (37 326 115) | 52 802 318 | Finance and Admin | 111 461 084 | (75 433 331) | 36 027 753 |
| 3 100 640 | (7 041 966) | (3 941 327) | Planning and development | 2 072 516 | (8 549 314) | (6 476 798) |
| 1 041 839 | (2 396 982) | (1 355 142) | Health | 1 739 444 | (2 782 081) | (1 042 637) |
| 628 383 | (3 731 689) | (3 103 305) | Community and Social Services | 314 173 | (5 081 872) | (4 767 699) |
| - | (1 819 369) | (1 819 369) | Housing | 11 651 272 | (12 834 806) | (1 183 534) |
| 4 970 048 | (10 635 795) | (5 665 747) | Public Safety | 5 404 901 | (13 569 132) | (8 164 230) |
| 2 327 569 | (5 074 726) | (2 747 157) | Sport and Recreation | 1 757 795 | (5 644 367) | (3 886 572) |
| 1 099 983 | (10 370 367) | (9 270 385) | Environmental Protection | 1 469 691 | (14 830 737) | (13 361 046) |
| 17 022 688 | (22 117 523) | (5 094 835) | Waste Management | 14 907 664 | (38 113 547) | (23 205 883) |
| 30 627 769 | (22 756 053) | 7 871 716 | Waste Water Management | 21 785 885 | (21 982 843) | (196 958) |
| 5 440 640 | (20 919 572) | (15 478 933) | Road Transport | 3 198 027 | (18 318 601) | (15 120 574) |
| 35 146 732 | (35 267 448) | (120 717) | Water | 32 885 248 | (32 936 992) | (51 744) |
| 64 122 921 | (50 646 152) | 13 476 769 | Electricity | 70 320 150 | (57 338 125) | 12 982 025 |
| 256 765 850 | (242 726 946) | 14 038 904 | Sub-Total | 279 041 039 | (322 912 672) | (43 871 632) |
| - | 10 166 180 | 10 166 180 | Less: Inter-departmental Charges | - | 8 378 220 | 8 378 220 |
| 256 765 850 | (232 560 766) | 24 205 084 | Total | 279 041 039 | (314 534 452) | (35 493 412) |

APPENDIX E(1)
KOUGA LOCAL MUNICIPALITY

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

| Description | 2007/2008 | 2007/2008 | 2007/2008 | 2007/2008 | Explanation of Significant Variances Greater than 10% versus Budget |
|--|---------------------|--------------------|---------------------|--------------|---|
| | Actual | Budget | Variance | Variance | |
| | R | R | R | % | |
| REVENUE | | | | | |
| Property Rates | 70 666 664 | 70 827 807 | (161 143) | -0.23% | |
| Service Charges | 134 509 706 | 134 250 850 | 258 856 | 0.19% | |
| Rental of Facilities and Equipment | 585 828 | 538 010 | 47 818 | 8.16% | |
| Interest Earned - External investments | 7 941 471 | 2 269 500 | 5 671 971 | 71.42% | |
| Interest Earned - Outstanding debtors | 3 095 708 | 2 600 000 | 495 708 | 16.01% | |
| Fines | 1 776 862 | 1 743 120 | 33 742 | 1.90% | |
| Licences and Permits | 3 307 031 | 3 829 980 | (522 949) | -15.81% | |
| Public Contributions and Donations | 6 095 135 | - | 6 095 135 | 0.00% | |
| Government Grants and Subsidies | 38 584 279 | 22 113 285 | 16 470 994 | 42.69% | |
| Other Income | 4 326 012 | 3 450 230 | 875 782 | 20.24% | |
| Gains on Disposal of Property, Plant and Equipment | 8 152 343 | 4 600 000 | 3 552 343 | 0.00% | |
| Budgeted Income from non-GRAP compliant reserves | - | 15 497 060 | (15 497 060) | | |
| Total Revenue | 279 041 039 | 261 719 842 | 17 321 198 | 6.62 | |
| EXPENDITURE | | | | | |
| Employee Related Costs | 124 832 132 | 87 729 720 | 37 102 412 | 29.72% | GRAP requires that provisions be made for post employment Health care benefits amounting to R 33,5 million. |
| Remuneration of Councillors | 4 286 150 | 4 418 870 | (132 720) | -3.10% | |
| Bad Debts | 2 205 050 | 5 921 010 | (3 715 960) | 0.00% | |
| Collection costs | 35 199 | 67 000 | | | |
| Contracted services | 846 568 | 1 741 710 | | | |
| Depreciation | 13 564 857 | 9 688 460 | 3 876 397 | 28.58% | |
| Impairment Losses | - | - | - | 0.00% | |
| Repairs and Maintenance | 34 010 665 | 19 500 880 | 14 509 785 | 42.66% | GRAP requires that provisions be made for the rehabilitation of land-fill sites amounting to R 15,96 million. |
| Interest Paid | 11 630 838 | 11 097 100 | 533 738 | 4.59% | |
| Bulk Purchases | 50 776 603 | 51 730 880 | (954 277) | -1.88% | |
| Grants and Subsidies Paid | 12 568 715 | 11 531 800 | 1 036 915 | 8.25% | |
| General Expenses | 59 777 673 | 50 451 492 | 9 326 181 | 15.60% | |
| Loss on disposal of Property, Plant and Equipment | - | - | - | 0.00% | |
| Budgeted Expenditure on non-GRAP compliant items | - | 7 840 920 | (7 840 920) | | |
| Total Expenditure | 314 534 452 | 261 719 842 | 53 741 552 | 20.53 | |
| NET SURPLUS / (DEFICIT) FOR THE YEAR | (35 493 412) | (0) | (35 493 412) | | |

APPENDIX E(2)
KOUGA LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET
(ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

| Description | 2007/2008 | 2007/2008 | 2007/2008 | 2007/2008 | 2007/2008 | 2007/2008 | Explanation of Significant Variances greater than 5% versus Budget |
|-------------------------------|-------------------|--------------------|-------------------|--------------------|---------------------|-----------|---|
| | Actual | Under Construction | Total Additions | Budget | Variance | Variance | |
| | R | R | R | R | R | % | |
| Infrastructure | | | | | | | |
| Executive and Council | 851 830 | - | 851 830 | 1 000 000 | (148 170) | -15% | |
| Finance and Administration | 692 276 | - | 692 276 | 7 150 000 | (6 457 724) | -90% | |
| Planning and Development | 32 703 597 | - | 32 703 597 | 130 000 | 32 573 597 | 25057% | |
| Health | 561 448 | - | 561 448 | 0 | 561 448 | No Budget | |
| Community and Social Services | 2 289 866 | 1 132 525 | 3 422 391 | 1 300 000 | 2 122 391 | 163% | |
| Housing | - | 93 750 | 93 750 | 0 | 93 750 | No Budget | |
| Public Safety | 144 276 | - | 144 276 | 2 000 000 | (1 855 724) | -93% | Due to the sale of a Golf Course of which the proceeds would have been contributed to the Capital Replacement Reserve for a major part of the financing of the Capital Estimates, fallen through, it was not possible to execute the anticipated capital program. |
| Sport and Recreation | 299 329 | - | 299 329 | 2 350 000 | (2 050 671) | -87% | |
| Environmental protection | - | - | - | 2 262 210 | (2 262 210) | -100% | |
| Waste Management | 3 926 573 | - | 3 926 573 | 6 000 000 | (2 073 427) | -35% | |
| Waste Water Management | - | 12 850 869 | 12 850 869 | 42 032 000 | (29 181 131) | -69% | |
| Roads and Transport | - | 3 532 257 | 3 532 257 | 16 017 000 | (12 484 743) | -78% | |
| Water | 3 865 846 | 26 257 610 | 30 123 456 | 23 721 000 | 6 402 456 | 27% | |
| Electricity | 5 487 832 | 3 107 449 | 8 595 281 | 5 070 000 | 3 525 281 | 70% | |
| Other | 13 975 | - | 13 975 | - | 13 975 | No Budget | |
| Total | 50 836 847 | 46 974 460 | 97 811 307 | 109 032 210 | (11 220 903) | | |

APPENDIX F

KOUGA LOCAL MUNICIPALITY : DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

| Name of Grant | Name of Organ of State or Municipal Entity | Balance as at 30 June 2007 | Quarterly Receipts | | | | Receipts | Quarterly Expenditure | | | | Expenditure | Balance as at 30 June 2008 | Grants and Subsidies Delayed / Withheld | | | | Reason for Delay / Withholding of Funds | Compliance to Revenue Act (*) See below | Reason for Non-compliance |
|---|--|----------------------------|--------------------|------------------|------------------|------------------|-------------------|-----------------------|------------------|------------------|------------------|-------------------|----------------------------|---|------|-------|------|---|--|---------------------------|
| | | | Total | Sept | Dec | March | | June | Total | Sept | Dec | | | March | June | Total | Sept | | | |
| Local Government Financial Management Grant | National Treasury | 91 298 | 500 000 | - | - | - | 500 000 | 79 039 | 228 200 | 66 176 | 114 857 | 488 273 | 103 025 | N/A | N/A | N/A | N/A | N/A | Yes | N/A |
| Municipal Systems Improvement Grant | DLGH&TA (Nat) | 44 085 | 150 000 | - | - | - | 150 000 | 45 650 | 33 456 | 38 827 | 37 122 | 155 055 | 39 030 | N/A | N/A | N/A | N/A | N/A | Yes | N/A |
| Integrated National Electrification Programme | DME | 384 118 | - | - | - | - | - | 384 118 | - | - | - | 384 118 | - | N/A | N/A | N/A | N/A | N/A | Yes | N/A |
| Municipal Infrastructure Grant | DLGH&TA (Nat) | 8 119 464 | - | 7 628 392 | 9 940 705 | 2 463 000 | 20 032 098 | 4 792 737 | 3 639 698 | 2 695 127 | 6 276 361 | 17 403 922 | 10 747 640 | N/A | N/A | N/A | N/A | N/A | Yes | N/A |
| Total Grants and Subsidies Received | | 8 638 965 | 650 000 | 7 628 392 | 9 940 705 | 2 463 000 | 20 682 098 | 5 301 544 | 3 901 354 | 2 800 130 | 6 428 341 | 18 431 369 | 10 889 694 | | | | | | | |
| (*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act? | | | | | | | | | | | | | | | | | | | | |

**KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

49 DISCLOSURE REQUIREMENTS REGARDING EXEMPTIONS

| Std. no. | Standard title | GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 522 of 2007. | Exemption Adopted Y/N | Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards | Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards |
|----------|---|--|-----------------------|---|---|
| GRAP 03 | Accounting policies, changes in accounting estimates and errors | <p>Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31). A list of these standards is as follows:</p> <p>GRAP 4 The Effects of Changes in Foreign Exchange Rates GRAP 5 Borrowing Costs GRAP 6 Consolidated AFS GRAP 7 Associates GRAP 8 JV's GRAP 9 Revenue GRAP 10 Financial Reporting in Hyperinflationary Economies GRAP 11 Construction Contracts GRAP 12 Inventories GRAP 13 Leases GRAP 14 Events After the Reporting Date GRAP 16 IP GRAP 17 PPE GRAP 18 Segment Reporting GRAP 19 Provisions, Contingent Liabilities and Contingent Assets GRAP 100 Non Current assets held for sale GRAP 101 Agriculture GRAP 102 Intangible Assets</p> | Y | <p>The following GRAP standards have been issued but are not yet effective. The implementation plans that still need to be implemented to achieve full compliance with the standards are set out below.</p> <p>GRAP 4,6,7,8,9,12,17,19 Currently the municipality adheres to the requirements of the comparable GAMAP standards. Determine the difference between the applicable accounting treatment and disclosure requirements of the GAMAP versus the GRAP standards and make any necessary adjustments to the AFS.</p> <p>GRAP 5 Borrowing Costs. Determine the applicable accounting treatment and disclosure requirements of GRAP 5 for the municipality.</p> <p>GRAP 10 and 11. The municipality does not have these types of transactions.</p> <p>GRAP 13, 14, 16, 18, 100, 101 and 102. The municipality adheres to the requirements of the comparable GAAP standards except for the exemptions adopted as set out below per standard.</p> | <p>Highly likely that no adjustments to the AFS will be required as there are no fundamental differences between these GAMAP and GRAP standards.</p> <p>A portion of interest cost on interest bearing borrowings, in respect of assets that take a substantial period of time for construction and before they are ready for use, may be capitalised to the relevant asset and will result in interest cost in the Statement of Financial Performance reducing and the cost of the asset increasing.</p> <p>No adjustment required.</p> <p>See adjustments required as per relevant sections of this document set out below.</p> |

**KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

49 DISCLOSURE REQUIREMENTS REGARDING EXEMPTIONS

| | | | | | |
|----------|---------|---|---|---|---|
| | | Changes in accounting policies (GRAP 3.14, 19) | Y | No action plans are required. Where it is practicable to do so, all changes in accounting policy are dealt with by the municipality retrospectively and disclosed as such in accordance with the requirements of GRAP 3. | No adjustments to the AFS are required. |
| GAMAP 09 | Revenue | Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06) | N | <p>In terms of GAMAP 9 revenue is measured at the fair value of the consideration received. In most cases the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. Where the inflow of cash or cash equivalents is deferred, for example where the entity provides an interest free credit period to the purchaser the fair value of the revenue must then be determined by discounting all future receipts by using an imputed rate of interest.</p> <p>The municipality does not envisage entering into transactions where an interest free credit period is provided to the purchaser of services or goods from the municipality and therefore it is highly unlikely that the municipality will be faced with this type of transaction.</p> | No adjustments to the AFS are required. |

**KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

49 DISCLOSURE REQUIREMENTS REGARDING EXEMPTIONS

| | | | | | |
|----------|-------------|---|---|--|--|
| GAMAP 12 | Inventories | The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17. | Y | <p>Currently the municipality does not reflect land and buildings that will be sold within the next twelve months as inventories, but carries these items as part of PPE. The following implementation plans will need to be executed to ensure compliance with GAMAP 12:</p> <ol style="list-style-type: none"> 1) Ensure that all land and buildings under the control of the municipality are reflected on the Fixed asset Register of the municipality by implementing the action plans set out as points 1) to 4) for the section on Investment Property as set out below. 2) Ensure that at the first balance sheet date that this specific requirement of GAMAP 12 will be implemented to show these assets as inventories, that all land and buildings that will be sold within the next twelve months are removed from the FAR and are reclassified as inventories. 3) Ensure that these inventories are measured at the lower of cost price and NRV. 4) Ensure that the necessary disclosure requirements relating to inventories of land and buildings are met. | <p>The following adjustments will need to be made to the AFS to comply with accounting for inventories land and buildings in terms of GAMAP 12:</p> <ol style="list-style-type: none"> 1) The land and buildings will not be reflected as part of PPE (Non Current assets) on the Statement of Financial Position, but will be reflected as a current asset: inventories. 2) If inventory of land and buildings, which is currently reflected as part of PPE is currently sold a gain or loss on disposal of PPE is reflected in the Statement of Financial Performance. When these items are reclassified as inventories and sold the Statement of Financial Performance will reflect the sales proceeds as well as the cost of inventories land and buildings disposed of as separate line items. 3) The buildings which are currently shown as PPE, and which are depreciated will not be depreciated if they form part of inventories. 4) The classes of inventories as recorded in the notes to the AFS will be expanded with another class, namely: inventories: land and buildings. 5) The accounting policy note will have to be amended to set out how inventories: land and buildings are accounted for. |
| | | The entire standard as far as it relates to water stock that was not purchased by the municipality. | N | The municipality accounts for its water stock in accordance with the accounting treatment and disclosure requirements of GAMAP 12. | No adjustments to the AFS are required as the municipality already complies with the requirements of GAMAP 12 as far as it relates to water stock. |

**KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

49 DISCLOSURE REQUIREMENTS REGARDING EXEMPTIONS

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| GAMAP 17 | Property, plant and equipment | Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77) | Y | <ol style="list-style-type: none"> 1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the remaining useful life of all items of PPE as reflected for assets under their control per the FAR is realistic. 2) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 3) Pass necessary accounting entries and also do necessary disclosure of the change in estimate. | <p>The following adjustments will need to be made to the AFS if the review of useful lives of PPE result in a change in estimate.</p> <ol style="list-style-type: none"> 1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. 2) A note on the change in estimate will be disclosed if the change in estimate is material. |
| | | Review of depreciation method applied to PPE recognised in the annual financial statements(GAMAP 17.62, 77) | Y | <ol style="list-style-type: none"> 1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the depreciation method used to depreciate all items of PPE as reflected as being under their control per the FAR is realistic. 2) CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset. 3) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 4) Pass necessary accounting entries and also do necessary disclosure of the change in estimate. | <p>The following adjustments will need to be made to the AFS if the review of depreciation methods of PPE results in a change in estimate.</p> <ol style="list-style-type: none"> 1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. 2) A note on the change in estimate will be disclosed if the change in estimate is material. |

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| | | <p>Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi))</p> | <p>Y</p> | <p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <ul style="list-style-type: none"> ➢ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➢ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➢ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➢ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➢ Show that they are not performing according to their specifications or according to industry accepted norms. <p>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p> | <p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IPSAS 21. |
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|--------------------------|-------------------------------|--|----------|---|---|
| | | <p>Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi))</p> | <p>Y</p> | <p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <ul style="list-style-type: none"> ➢ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➢ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➢ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➢ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➢ Show that they are not performing according to their specifications or according to industry accepted norms. <p>Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p> | <p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IAS 36. |
| <p>IAS 11 AC 109</p> | <p>Construction contracts</p> | <p>Entire standard</p> | <p>N</p> | <p>1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.</p> | <p>1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.</p> |

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| IAS 14 AC 115 | Segment reporting | Entire standard | Y | <ol style="list-style-type: none"> 1) Obtain an understanding of the definitions of business segments and geographical segments as set out in IAS 14. 2) Determine the business and geographical segments of the municipality. 3) Decide on the primary and secondary reporting formats for the entity. Therefore a decision must be made whether business is primary and geographical secondary or vice versa. 4) Change the chart of accounts and accounting software package to ensure that the segmental revenue, expenses, results, assets and liabilities can be accounted for and presented in the AFS according to the primary and secondary reporting formats. | <p>The AFS will have to be adjusted to ensure that the disclosure requirements of IAS 14.51 to .67 relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in IAS 14 will also need to be disclosed in the AFS.</p> |
| IAS17 AC 105 | Leases | Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06.8 – 11) | N | The municipality accounts for its operating leases in accordance with the accounting treatment and disclosure requirements of IAS 17. | No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 17. |
| IAS 19 (AC 116) | Employee benefits | Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q)) | N | The municipality accounts for its defined benefit plans in accordance with the accounting treatment and disclosure requirements for the accounting for defined benefit plans as set out in IAS 19. | No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 19. |
| IAS 20 | Accounting for government grants | Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, 17.25 and 9.42 – 46. | N | The municipality accounts for government grants in accordance with the accounting treatment and disclosure requirements of IAS 20. | No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 20. |
| IAS 36 (AC 128) | Impairment of assets | Entire standard | Y | <ol style="list-style-type: none"> 1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: <ul style="list-style-type: none"> ➤ Are in a state of permanent damage at | <p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and |

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| | | | | <p>year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);</p> <ul style="list-style-type: none"> ➤ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➤ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➤ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➤ Show that they are not performing according to their specifications or according to industry accepted norms. <p>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p> | <p>closing balance of the carrying amount of PPE will have to reflect impairment losses.</p> <ul style="list-style-type: none"> 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IAS 36. |
| IAS 38 (AC 129) | Intangible assets | The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed | Y | <ul style="list-style-type: none"> • The cost of the General Valuation Roll • A license fee for operating a tip site, where the fee grants to the municipality the right to operate the tip site for a period of longer than one year. <p>3) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of Intangible assets after initial recognition to deal with the accounting for subsequent expenditure, amortisation, review of useful lives of intangible assets, retirements and disposals of intangible assets and internally generated intangible assets.</p> | <p>The following adjustments will need to be made to the AFS if intangible assets are accounted for in terms of IAS 38:</p> <ul style="list-style-type: none"> 1) If any intangible assets are currently classified as part of PPE, then the application of IAS 38 will lead to a reclassification of these items as intangible assets, with a new line item called intangible assets being reflected on the Statement of Financial Position. This will result in a reduction in the carrying amount of PPE and an increase in a new asset called intangible assets. 2) In future a new expense item will be reflected in the Statement of Financial Performance called amortisation, which reflects the amount of "depreciation" on the intangible assets for the year. |

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| | | | | <p>3) If intangible assets have been incorrectly expensed in the past this can be regarded as a prior period error and should be corrected retrospectively by applying GRAP 3. This will lead to a restatement (increase) of the opening balance of the Accumulated Surplus Account as well as an increase in the Asset Value on the Statement of Financial Position of the Municipality.</p> <p>4) An accounting policy note related to the accounting treatment of Intangible assets will need to be developed and disclosed.</p> <p>5) The municipality shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:</p> <ul style="list-style-type: none"> (a) The useful lives or the amortisation rates used; (b) The amortisation methods used for intangible assets with finite useful lives; (c) The gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period; (d) The line item(s) of the Statement of Financial Performance in which any amortisation of intangible assets is included; (e) A reconciliation of the carrying amount at the beginning and end of the period showing: <ul style="list-style-type: none"> (ii) Any amortisation recognised during the period; <p>6) The municipality shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period.</p> <p>7) The municipality shall give a description of any fully amortised intangible asset that is still in use.</p> <p>8) The municipality shall also disclose the following:</p> <ul style="list-style-type: none"> • A description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements. • For intangible assets acquired by way of a government grant and initially recognised at fair value: |
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| | | | | | <ul style="list-style-type: none"> (i) The fair value initially recognised for these assets; (ii) Their carrying amount; and (iii) Whether they are measured after recognition under the cost model or the revaluation model. <ul style="list-style-type: none"> • The amount of contractual commitments for the acquisition of intangible assets. |
| IAS 39 (AC 133) | Financial instruments: recognition and measurement | Initially measuring financial assets and liabilities at fair value(IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06) | N | All the applicable sections regarding the accounting recognition and measurement requirements relating to Financial Instruments as set out in IAS 39 are adhered to by the municipality. | No adjustments will need to be made to the AFS as the municipality already fully complies with the requirements of IAS39. |

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| IAS 40 (AC 135) | Investment property | The entire standard to the extent that the property is accounted for in terms of GAMAP 17 | Y | <ol style="list-style-type: none"> 1) Prepare a list of all possible names under which property belonging to the municipality could have been registered in the past. 2) Perform a title deeds search using all these names mentioned in 1) above to identify all land and buildings under the control of the municipality. 3) Compare the results of the title deeds search to the Fixed Asset Register and the Valuation roll and adjust the FAR to reflect all land and buildings under the control of the municipality. 4) Value all land and buildings, which were previously not reflected on the FAR at fair value where historical cost prices and acquisition dates are unknown. 5) Identify and reclassify as Investment Property (IP) all land and buildings reflected on the updated FAR meeting the definition of Investment Property as per IAS 40. 6) Decide on an accounting policy for the subsequent measurement of IP i.e. cost price less accumulated depreciation or Fair Value. 7) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of IP after initial recognition to deal with the accounting for subsequent expenditure, disposal of IP, transfers of IP, Fair value increases etc. | <p>The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Fair Value.</p> <ol style="list-style-type: none"> (a) Rental revenue from investment property; (b) Fair value increases in IP <ul style="list-style-type: none"> • The existence and amounts of restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal; • Material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements; <ol style="list-style-type: none"> (a) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure; (b) Additions resulting from acquisitions through municipality combinations; (c) Disposals; (d) Net gains or losses from fair value adjustments; (e) Transfers to and from inventories and owner-occupied property; and (f) Other movements. |
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| | | | | <p>The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Cost Price less accumulated depreciation.</p> <ul style="list-style-type: none"> • The depreciation methods used; • The useful lives or the depreciation rates used; • The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; • A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following (comparative information is not required): <ul style="list-style-type: none"> (i) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure; (ii) Additions resulting from acquisitions through municipality combinations; (iii) Disposals; (iv) Depreciation; (v) The amount of impairment losses recognized, and the amount of impairment losses reversed, during the period; (vi) The net exchange differences arising on the translation of the financial statements of a foreign municipality; (vii) Transfers to and from inventories and owner – occupied property; and (viii) Other movements; and • The fair value of investment property. In the exceptional cases , when the municipality cannot determine the fair value of the investment property reliably, the municipality should disclose: <ul style="list-style-type: none"> (i) A description of the investment property; (ii) An explanation of why fair value cannot be determined reliably; and (iii) If possible, the range of estimates within which fair value is highly likely to lie. |
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| | | Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii)) | Y | 1) Ensure that, even if IP is reflected at cost procedures are put in place to obtain the Fair Value of IP at each Balance Sheet date for inclusion in the notes to the AFS. | 1) The disclosure notes relating to IP would provide an indication of the Fair Value of IP which is carried at cost price less accumulated depreciation on the face of the Statement of Financial Position. |
| IFRS 3 (AC 140) | Business combinations | Entire standard | N | 1) It is highly likely that the most relevant section of IAS 40 to the municipality is the accounting treatment of goodwill. 2) Goodwill is measured and accounted for by the municipality in accordance with the requirements of IFRS 3. | 1) No adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 3. |
| IFRS 5 (AC 142) | Non-current assets held for sale and discontinued operations | Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42) | Y | 1) Print-outs of the FAR per department must be made and distributed to the Heads of every department. The Heads of departments must scrutinise the FAR applicable to their department and identify assets that meet the criteria for non-current assets held for sale as set out by IFRS 5.6 to .11. 2) The Heads of departments must return the departmental FAR, to the CFO and indicate the assets that meet the above mentioned criteria. 3) CFO must ensure that every department returned the departmental-FAR and ensure that it has been signed-off as proof that it has been reviewed. 4) Scrutinise the fixed asset votes in the GL after year-end up to the date when the financial statements are prepared, to identify assets that are sold after year-end and meet the IFRS 5.6 to 11 requirements at year end. Ensure that these assets are classified as Non-current assets held for sale in the Financial Statements for the year under review. 5) Measure and disclose the Non Current Assets held for Sale in accordance with IFRS 5 requirements. | 1) Non Current Assets held for sale will no longer be recorded as part of PPE and will not necessarily be carried at cost less accumulated depreciation. 2) No current assets held for sale will be recorded as such as part of current assets and will be recorded at the lower of carrying amount and fair value less costs to sell. 3) Impairment losses in respect of non current assets held for sale will be recorded in the Statement of Financial Performance if such impairment losses exist. |

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| IFRS 7 (AC 144) | Financial instruments: disclosures | Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998 | Y | <p>1) Identify Financial Risk Management objectives of the municipality</p> <p>2) Identify Interest rate risk of the municipality and how the risk should be addressed</p> <p>3) Identify the average effective interest rates applicable to income earning financial assets and interest bearing financial liabilities</p> <p>Credit Risk Management</p> <p>4) Identify maximum exposure to credit risk not covered by collateral</p> <p>5) Identify and specify Financial Instruments covered by collateral</p> <p style="text-align: right;">1.</p> | <p>1) The AFS should include documented Financial Risk Management objectives</p> <p>2) The AFS should include an analysis of its interest rate risk and how the risk is addressed by the municipality</p> <p>3) Disclose the average effective interest rates for all income earning financial assets and interest bearing financial liabilities.</p> <p>Credit Risk Management</p> <p>4) Each class of financial instrument should be disclosed separately in the AFS.</p> <p>5) Maximum exposure to credit risk not covered by collateral should be specified in the AFS.</p> <p>6) Financial instruments covered by collateral should be specified in the AFS.</p> |
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