



ANNUAL FINANCIAL STATEMENTS

30 JUNE 2009

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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

ACTING CHIEF FINANCIAL OFFICER

Mr. R. Abdullah

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



2008 / 2009

MEMBERS OF THE KOUGA LOCAL MUNICIPALITY

WARD	COUNCILLOR	
1	Rheeder	BF
2	Dennis	RH
3	Botha	NS
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	VS
Proportional	Felix	K
Proportional	Maseti	A
Proportional	Cawood	C
Proportional	August	C
Proportional	Smith	D
Proportional	Njela	CJ
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
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost conventions except where otherwise stated.

The Annual Financial Statements have also been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- ◆ General Notice 991 of 2005, issued in Government Gazette no 28095 of 15 December 2005; and
- ◆ General Notice 992 of 2005, issued in Government Gazette no 28095 of 7 December 2005.

The Standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changing in Accounting Estimates and Errors
GAMAP 4	Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

Accounting Policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These Accounting Policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

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. Details of the exemptions applicable to the municipality have been provided in the notes to the Annual Financial Statements.

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The municipality has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 522 of 2007:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 522 of 2007, that have been early adopted
GAMAP 9	Revenue	<ul style="list-style-type: none"> ▪ Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)
GAMAP 12	Inventories	<ul style="list-style-type: none"> ▪ The entire standard as far as it relates to water stock that was not purchased by the municipality
IAS 11	Construction contracts	<ul style="list-style-type: none"> ▪ Entire Standard
IAS 17 (AC 105)	Leases	<ul style="list-style-type: none"> ▪ 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, SAICA circular 12/06.8 – 11)
IAS 19 (AC 116)	Employee Benefits	<ul style="list-style-type: none"> ▪ 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))
IAS 20 (AC 134)	Accounting for government grants and disclosure	<ul style="list-style-type: none"> ▪ Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46.
IAS 39 (AC133)	Financial Instruments: Recognition and Measurement	<ul style="list-style-type: none"> ▪ Initially measuring financial assets and liabilities at fair value (IAS39.43, AG79, AG64 – AG65 and SAICA circular 9/06)
IFRS 3	Business Combinations	<ul style="list-style-type: none"> ▪ Entire Standard

Accounting Policies have been consistently applied, except for the following:

- The municipality has adopted IAS 20. As a result, capital grants and receipts relating to the creation of fixed assets are included in non-current liabilities as deferred income and are credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related asset. In terms of the MFMA Circular 18, the municipality previously recognised the full extent of conditional grants and receipts related to capital as revenue in the Statement of Financial Performance once the criteria, conditions or obligations embodied in the agreement have been met. An amount of R 80,579,103 (2007: R

KOUGA LOCAL MUNICIPALITY
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79,951,800) has been reclassified from reserves to non-current liabilities. Further details are given in Note 2.

The following are the critical judgements, apart from those involving estimations (see paragraph 1.3 below), that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.1 Revenue Recognition

Accounting Policy clause 13.1 on *Revenue from Exchange Transactions* and Accounting Policy clause 13.2 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GAMAP 9: *Revenue* and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2 Held-to-Maturity Financial Assets

Management has reviewed the municipality's Held-to-Maturity Financial Assets in the light of its capital maintenance and liquidity requirements and has confirmed the municipality's positive intention and ability to hold those assets to maturity. The carrying amount of the Held-to-Maturity Financial Assets is R 81,220,254 (2007: R 94,117,366 million). Details of these assets are set out in Note 46.1 to the Annual Financial Statements.

1.3 Key Assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

1.3.1 Useful lives of Property, Plant and Equipment

As described in Accounting Policy clause 7.2, the municipality depreciates its property, plant and equipment over the estimated useful lives of the assets, which is determined when the assets are brought into use. As mentioned in the said policy, the estimated useful life of the assets and the depreciation methods of the assets were however not reviewed during the current or prior financial years.

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1.3.2 Defined Benefit Plan Liabilities

As described in Accounting Policy clause 16, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 4 to the Annual Financial Statements.

1.3.3 Operating Lease Commitments – as Lessor

The municipality has entered into commercial property leases on its investment property portfolio. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

2. PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand.

3. GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

4. OFFSETTING

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

5. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

6.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

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The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

The following stipulations are set for the creation and utilisation of the CRR:

- ◆ The cash funds which back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- ◆ The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment and may not be used for the maintenance of these items.
- ◆ Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus is credited by a corresponding amount.
- ◆ If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

6.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.3 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the

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estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Measurement

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment, or at fair value where assets have been acquired by grant or donation.

- ◆ Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.
- ◆ When an asset is acquired at no cost, or for a nominal cost, it will be recorded at its fair value at the date of acquisition in accordance with GAMAP 17.25

Land and buildings are not revalued.

7.2 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is brought into use, unless stated otherwise.

	Years		Years
Infrastructure		Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist Vehicles	10
Electricity	20-30	Other Vehicles	5
Water	15-20	Office Equipment	3-7
Sewerage	15-20	Furniture and Fittings	7-10
Housing	30	Watercraft	15
Landfill Sites	30	Bins and Containers	5
		Specialised Plant and Equipment	10-15
Community		Other Plant and Equipment	2-5
Improvements	30		
Recreational Facilities	20-30		
Security	5		

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The estimated useful lives and the depreciation methods was not reviewed in the previous and current financial years as required by GAMAP 17 as these requirements have been exempted in terms of General Notice 522 of 2007.

7.2.1 Land

Land is not depreciated as it is regarded as having an infinite life.

7.2.2 Incomplete Construction Work

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

7.2.3 Finance Leases

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

7.2.4 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding to their estimated useful lives.

7.3 *Disposal of property, plant and equipment*

- ◆ The book values of assets are written off on disposal.
- ◆ The difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

7.4 *Impairment*

For the previous and current year under review, the municipality did not perform impairment testing on its assets as required by GAMAP 17 and IAS 36/AC128, as these requirements have been exempted in terms of General Notice 522 of 2007.

7.5 *Landfill Sites*

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's Accounting Policy on non-current provisions – see Accounting Policy clause 15 on Provisions. Rehabilitation costs capitalised to the cost of the landfill site, are written off on a straight-line basis over the estimated useful lives of the site.

**KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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8. INTANGIBLE ASSETS

Identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over their useful lives.

For the previous and current year under review, the municipality did not capitalise any intangible assets as required by IAS 38/AC129 except for computer software, as these requirements have been exempted in terms of General Notice 522 of 2007.

9. INVESTMENT PROPERTY

Land and/or buildings that meet the “*Investment Property*” definition have in the current and prior years been accounted for in accordance with GAMAP 17. The requirements of IAS40/AC135 have been exempted in terms of General notice 522 of 2007.

10. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

10.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ◆ Unlisted Investments (Local Authority Stock)
- ◆ Investments in Fixed Deposits (Banking Institutions, etc)
- ◆ Long-term Receivables
- ◆ Consumer Debtors
- ◆ Other Debtors
- ◆ Short-term Investment Deposits
- ◆ Bank Balances and Cash

In accordance with IAS 39.09 the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

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Type of Financial Asset	Classification in terms of IAS 39.09
Unlisted Investments – Stock	Held at fair value through profit or loss
Short-term Investment Deposits – Call	Available for sale
Bank Balances and Cash	Available for sale
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held to maturity
Short-term Investment Deposits – Notice	Available for Sale

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- ◆ they are classified as held for trading; or
- ◆ upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- ◆ Loans and Receivables;
- ◆ Held-to-Maturity Investments; or
- ◆ Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are financial assets that are created by providing money, goods or services directly to a debtor.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

10.2 Financial Liabilities

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

- ◆ Long-term Liabilities
- ◆ Creditors
- ◆ Unspent Conditional Grants and Receipts
- ◆ Bank Overdraft
- ◆ Short-term loans
- ◆ Operating Lease Liability
- ◆ Current Portion of Long-term Liabilities
- ◆ Consumer Deposits
- ◆ VAT

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There are two main categories of *Financial Liabilities*, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss ('other financial liabilities')

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Creditors

Creditors and Other Payables are stated at their fair value.

10.3 Measurement

Financial Instruments in the prior year were recognised and measured at cost. The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of General Notice 522 of 2007.

Financial Assets:

Held-to-maturity Investments and *Loans and Receivables* are initially measured at fair value and subsequently measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at *Fair Value* and *Available-for-Sale* are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities:

Financial liabilities that are not held-for-trading are measured at amortised cost using the effective interest rate method.

KOUGA LOCAL MUNICIPALITY
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10.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets. If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

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

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided for as such accounts are regarded as payable.

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

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

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Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

10.5 Derecognition of Financial Assets

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

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

10.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

11. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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The entire IFRS 7 / IAS 144 have been exempted in terms of General notice 522 of 2007. However, according to the afore-mentioned General notice, this standard is 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. Thus the old IAS 32/ (AC 125) are still applicable. The requirements of the latter standard have been applied for both the previous and current financial years. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

12. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction.

Non-purchased water and purified effluent are valued at purified cost insofar as it is stored and controlled in reservoirs at year-end. Water not purchased by the municipality was not valued in the previous financial year as this requirement of GAMAP 12 has been exempted in terms of General Notice 522 of 2007.

Items of immovable capital assets that meet the definition of inventory have not been accounted for as inventory as this requirement of GAMAP 12 has been exempted in terms of General notice 522 of 2007.

13. REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

**KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

13.1 Revenue from Exchange Transactions

13.1.1 Service Charges

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

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

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

13.1.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

13.1.3 Interest earned and Rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment.

13.1.4 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

**KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

13.1.5 Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

13.1.6 Tariff Charges

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

13.1.7 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

13.1.8 Housing Rental and Instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

13.1.9 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- ◆ The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- ◆ The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- ◆ The amount of revenue can be measured reliably.
- ◆ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- ◆ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

13.2 Revenue from Non-exchange Transactions

13.2.1 Rates and Taxes

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

13.2.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from the issuing of summonses is only recognised when collected by the courts. Due to the various legal processes that can apply to summonses and the inadequate information received from the courts, it is not possible to measure this revenue when the summons is issued.

13.2.3 Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the municipality.

13.2.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

14. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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

**KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

14.1 Grants and Receipts of a Revenue Nature

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

14.2 Grants and Receipts of a Capital Nature

Income from Government Grants whose primary condition is that the municipality should purchase, construct or otherwise acquire non-current assets are recognised as deferred income under non-current liabilities in the Statement of Financial Position to the extent that the criteria, conditions or obligations have been met and is credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related asset.

15. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate of expenditure required to settle the present obligation at reporting date. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

16. EMPLOYEE BENEFITS

16.1 Short-term Employee Benefits

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

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

**KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

16.2 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

16.3 Defined Benefit Plans

A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement.

16.3.1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. The other Medical Aid Funds, with which the Municipality is associated, do not provide for continued membership.

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

Actuarial gains or losses are accounted for using the "*corridor method*". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

**KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

17. LEASES

17.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at the lower of fair value of leased PPE and future lease payments. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

17.2 The Municipality as Lessor

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

18. BORROWINGS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

19. GRANTS-IN-AID

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

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

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

**KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

20. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

21. CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

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

22. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

23. IRREGULAR EXPENDITURE

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

24. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

25. FOREIGN CURRENCIES

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

26. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have not been applied retrospectively in all instances as is required by GRAP 3 as this requirement has been exempted in terms of General Notice 522 of 2007. Refer to Note 33 to the Annual Financial Statements for details of changes in accounting policies during the period under review,

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 33 to the Annual Financial Statements for details of corrections of errors recorded during the period under review,

27. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

28. EVENTS AFTER THE REPORTING DATE

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

**KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

29. TREATMENT OF ADMINISTRATION AND OTHER EXPENSES

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

30. COMPARATIVE INFORMATION

30.1 Current year comparatives

Budgeted amounts have been included in the Annual Financial Statements for the current and prior financial year.

30.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

KOUGA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2009

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 2008/09.

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	2009	2008
Surplus / (Deficit) before Appropriations	46,470,608	14,595,008
Surplus / (Deficit) at the end of the Year	1,411,206,675	121,202,005
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	34.59%	41.75%
Remuneration of Councillors	1.72%	1.44%
Bad Debts	0.07%	1.17%
Collection costs	0.03%	0.01%
Contracted services	0.19%	0.26%
Depreciation	4.19%	4.46%
Repairs and Maintenance	6.48%	6.08%
Interest Paid	4.75%	3.90%
Bulk Purchases	20.25%	17.01%
Grants and Subsidies Paid	4.58%	4.32%
General Expenses	23.15%	19.60%
Current Ratio:		
Creditors Days	25	36
Debtors Days	84	80

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 2009 are as follows:

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	121,202,005	70,240,494	72.55%		-
Operating income for the year	370,738,750	313,156,064	18.39%	324,755,750	14.16%
Appropriations for the year	-	(7,035,635)	-	-	-
	491,940,755	376,360,923	30.71%	324,755,750	15.89%
Expenditure:					
Operating expenditure for the year	324,268,142	298,561,057	8.61%	324,755,750	-8.07%
Sundry transfers	-1,243,534,062	(43,402,139)	2765.14%		-
Closing surplus / (deficit)	1,411,206,675	121,202,005	1064.34%		-
	491,940,755	376,360,923	30.71%	324,755,750	15.89%

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 116,347,125 (2007/08: R 101,376,755), and in percentage terms amounts to 62% 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	2009	2008
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	0	(0)
Revenue variances	45,983,000	55,570,913
Expenditure variances:		
Employee Related Costs	(2,628,911)	(36,928,168)
Remuneration of Councillors	(1,375,548)	132,720
Bad Debts	6,643,348	2,415,960
Collection costs	(44,631)	31,801
Contracted services	(43,769)	961,320
Depreciation	(1,303,709)	(3,637,359)
Repairs and Maintenance	1,799,658	1,352,761
Interest Paid	(3,275,848)	(533,738)
Bulk Purchases	1,459,792	954,277
Grants and Subsidies Paid	(755,307)	(1,352,292)
General Expenses	(22,482,716)	(12,214,106)
Budgeted Expenditure on non-GRAP compliant items	22,495,250	7,840,920
Actual surplus before appropriations	46,470,608	14,595,008

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 2008/2009 R	Budgeted 2008/2009 R	Variance actual/ budgeted R
Executive and Council	126,613	1,129,980	(1,003,367)
Finance and Administration	4,255,298	30,663,550	(26,408,252)
Planning and Development	144,721	290,495	(145,774)
Health	2,565,736	2,660,740	(95,004)
Community and Social Services	-	2,050,000	(2,050,000)
Housing	1,548,790	36,407,800	(34,859,010)
Public Safety	-	-	-
Sport and Recreation	5,269,675	7,438,608	(2,168,933)
Environmental protection	1,920,998	1,951,010	(30,012)
Waste Management	433,624	3,509,994	(3,076,370)
Waste Water Management	42,297,448	38,438,747	3,858,701
Roads and Transport	14,854,522	32,283,240	(17,428,718)
Water	32,144,969	21,019,010	11,125,959
Electricity	10,784,732	9,736,940	1,047,792
Other	-	-	-
	116,347,125	187,580,114	(71,232,989)

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 2009 was R 72,166,351 (30 June 2008: R 80,579,103).

New loans to the amount of R 74,473 were taken up during the financial year to enable the municipality to finance part of its capital requirements.

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

7. NON-CURRENT PROVISIONS

Non-current Provisions amounted R 40,433,569 as at 30 June 2009 (30 June 2008: R 39,808,028) and are made up as follows:

Provision for Post Retirement Benefits	33,465,198
Provision for Rehabilitation of Land-fill Sites	6,968,371
	<u>40,433,569</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.

Refer to Note number 4 and 5 for more detail.

8. CURRENT LIABILITIES

Current Liabilities amounted to R 73,719,542 as at 30 June 2009 (30 June 2008: R 60,837,054) and are made up as follows:

Consumer Deposits	Note number 6	6,314,570
Provisions	Note number 7	8,013,542
Creditors	Note number 8	22,651,671
Unspent Conditional Grants and Receipts	Note number 9	24,777,791
Operating Lease Liability	Note number 11	36,197
Bank Overdraft	Note number 23	4,541,637
Current Portion of Long-term Liabilities	Note number 3	7,384,133
		<u>73,719,542</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 1,306,075,292 as at 30 June 2009 (30 June 2008: R 169,444,690).

The municipality applied ASB directive 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the years ending 30 June 2009 and 2010 but must comply with the measurement requirements for the year ending 30 June 2011. It must however identify and correctly classify all PPE on an assets register during the 2009 and 2010 years.

The following assets were identified during the year under review and capitalised in the municipality's asset register:

Investment property - capitalised at fair value	152,752,897
Community properties - capitalised at fair value	360,433,500
Land and buildings identified - capitalised at fair value	323,781,100
Housing schemes identified - capitalised at fair value	60,440,250
Infrastructure assets - capitalised at depreciated replacement cost	356,210,813
	<u>1,253,618,560</u>

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 18,742,742 as at 30 June 2009 (30 June 2008: R 13,156,953).

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 15 for more detail.

11. LONG-TERM RECEIVABLES

Long-term Receivables of R 3,328,284 at 30 June 2009 (30 June 2008: R 2,169,714) consist of staff loans and the loan to the Kouga Cultural Centre. 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 16 for more detail.

12. CURRENT ASSETS

Current Assets amounted to R 269,052,380 as at 30 June 2009 (30 June 2008: R 117,651,365) and are made up as follows:

Inventory	Note number 17	163,210,664
Consumer Debtors	Note number 19	41,089,139
Other Debtors	Note number 20	11,362,158
Current Portion of Long-term Receivables	Note number 16	127,825
Short-term Investment Deposits	Note number 21	47,503,350
VAT	Note number 10	5,691,565
Operating lease asset	Note number 22	58,719
Bank Balances and Cash	Note number 23	8,960
		269,052,380

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 29, 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 53.

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.

Medium capacity municipalities should comply with all GRAP standards for the year ended 30 June 2009 along with ASB Directive 4 *Transitional provisions for the adoption of standards of GRAP by medium and low capacity municipalities*. 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.

R. ABDULLAH
CHIEF FINANCIAL OFFICER

31 August 2009

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R
NET ASSETS AND LIABILITIES			
Net Assets		1,411,206,675	121,202,005
Accumulated Surplus		1,411,206,675	121,202,005
Non-Current Liabilities		112,599,919	120,387,131
Long-term liabilities	3	72,166,351	80,579,103
Provision for post- retirement benefits	4	33,465,198	33,465,198
Other non-current provisions	5	6,968,371	6,342,830
Current Liabilities		73,719,542	60,837,054
Consumer Deposits	6	6,314,570	6,023,918
Provisions	7	8,013,542	4,018,000
Creditors	8	22,651,671	29,268,589
Unspent Conditional Grants and Receipts	9	24,777,791	15,566,184
Operating Lease Liability	11	36,197	54,511
Bank Overdraft	23	4,541,637	-
Current Portion of Long-term Liabilities	3	7,384,133	5,905,852
Total Net Assets and Liabilities		1,597,526,137	302,426,190
ASSETS			
Non-Current Assets		1,328,473,757	184,774,825
Property, Plant and Equipment	12	1,306,075,292	169,444,690
Investment Property	13	-	-
Intangible Assets	14	327,438	3,468
Investments	15	18,742,742	13,156,953
Long-term Receivables	16	3,328,284	2,169,714
Current Assets		269,052,380	117,651,365
Inventory	17	163,210,664	5,960,151
Consumer Debtors	19	41,089,139	28,618,023
Other Debtors	20	11,362,158	11,107,883
Current Portion of Long-term Receivables	16	127,825	215,455
Short-term Investment Deposits	21	47,503,350	68,063,302
VAT	10	5,691,565	2,287,618
Operating lease asset	22	58,719	53,755
Bank Balances and Cash	23	8,960	1,345,179
Total Assets		1,597,526,137	302,426,190

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

Budget			Actual		
2008	2009		2009	2008	
R	R	Note	R	R	
REVENUE					
70,827,807	80,782,470	Property Rates	24	77,719,212	66,074,465
130,116,160	173,141,850	Service Charges	25	164,713,294	133,475,189
538,010	432,770	Rental of Facilities and Equipment	26	448,561	585,828
2,269,500	4,478,060	Interest Earned - External Investments	27	12,965,776	7,941,471
2,600,000	4,381,060	Interest Earned - Outstanding Debtors	27	9,158,786	7,371,178
1,743,120	1,798,570	Fines		3,216,107	3,192,404
3,829,980	5,087,580	Licenses and Permits		16,095,478	3,307,031
-	-	Public Contributions and Donations	28	4,334,597	6,095,135
22,113,285	32,044,330	Government Grants and Subsidies	29	76,658,598	69,498,990
3,450,230	3,303,960	Other Income	30	5,428,343	7,462,031
4,600,000	6,001,600	Gains on disposal of Property, Plant and Equipment		0	8,152,343
15,497,060	13,303,500	Budgeted Income from non-GRAP compliant items		-	-
257,585,152	324,755,750	Total Revenue		370,738,750	313,156,064
EXPENDITURE					
87,729,720	109,544,750	Employee Related Costs	31	112,173,661	124,657,888
4,418,870	4,202,900	Remuneration of Councillors	32	5,578,448	4,286,150
5,921,010	6,857,460	Bad Debts	33	214,112	3,505,050
67,000	38,300	Collection costs		82,931	35,199
1,741,710	581,370	Contracted services		625,139	780,390
9,688,460	12,285,730	Depreciation	34	13,589,439	13,325,819
19,500,880	22,809,580	Repairs and Maintenance		21,009,922	18,148,119
11,097,100	12,124,800	Interest Paid	35	15,400,648	11,630,838
51,730,880	67,133,460	Bulk Purchases	36	65,673,668	50,776,603
11,531,800	14,086,530	Grants and Subsidies Paid	37	14,841,837	12,884,092
46,316,802	52,595,620	General Expenses	38	75,078,336	58,530,908
7,840,920	22,495,250	Budgeted Expenditure on non-GRAP compliant items		-	-
257,585,152	324,755,750	Total Expenditure		324,268,142	298,561,057
(0)	-	SURPLUS / (DEFICIT) FOR THE YEAR		46,470,608	14,595,008

Refer to Appendix E(1) for explanation of variances

**KOUGA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2009**

Description	Accumulated Surplus / (Deficit)	Total
	R	R
2008		
Balance at 30 June 2007	70,240,494	70,240,494
Correction of error (Note 39.2 (a))	43,402,139	43,402,139
Restated balance	113,642,632	113,642,632
Correction of error (note 39.2(b))	(7,035,635)	(7,035,635)
Deficit for the year ended 30 June 2008	14,595,008	14,595,008
- Balance previously reported	(26,655,348)	(26,655,348)
- Correction of error (note 39.2 (c))	41,250,356	41,250,356
Balance at 30 June 2008	121,202,005	121,202,005
2009		
Correction of error (note 39.2 (d))	1,243,534,062	1,243,534,062
Surplus for the year ended 30 June 2009	46,470,608	46,470,608
Balance at 30 June 2009	1,411,206,675	1,411,206,675

KOUGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		367,020,256	282,466,815
Cash paid to suppliers and employees		(336,206,023)	(240,197,375)
Cash generated from / (utilised in) operations	40	<u>30,814,233</u>	<u>42,269,440</u>
Interest received		22,124,562	15,312,649
Interest paid		(11,712,114)	(11,630,838)
NET CASH FROM OPERATING ACTIVITIES		<u>41,226,681</u>	<u>45,951,251</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(54,266,908)	(59,302,725)
(Increase) / decrease in non-current receivables		(1,167,972)	(212,590)
(Increase) / decrease in non-current investments		(5,585,790)	(255,009)
NET CASH FROM INVESTING ACTIVITIES		<u>(61,020,670)</u>	<u>(59,770,324)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised / (repaid)		(6,934,472)	2,291,552
Increase / (decrease) in Consumer Deposits		290,652	421,557
NET CASH FROM FINANCING ACTIVITIES		<u>(6,643,819)</u>	<u>2,713,108</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(26,437,808)</u>	<u>(11,105,965)</u>
Cash and cash equivalents at the beginning of the year		69,408,481	80,514,446
Cash and cash equivalents at the end of the year	41	<u>42,970,673</u>	<u>69,408,480</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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.

2 DEFERRED INCOME

Capital Grants were accounted for in the prior financial year according to IAS 20 and therefore presented in the statement of financial position by **setting up the grant as deferred income that is recognised as income on a systematic** and rational basis over the useful life of the asset. Accounting for Capital Grants according to IAS 20 is no longer allowed and have been accounted for according to GRAP 9. The municipality correct the error retrospectively (refer to note 39.1 (h)).

3 LONG-TERM LIABILITIES

	2009	2008
	R	R
Annuity Loans	74,320,632	79,023,918
Capitalised Lease Liability	5,229,852	7,461,038
Sub-total	79,550,484	86,484,955
Less : Current Portion transferred to Current Liabilities	7,384,133	5,905,852
Annuity Loans	5,301,018	5,554,979
Capitalised Lease Liability	2,083,116	350,872
Total Long-term Liabilities (Neither past due nor impaired)	72,166,350	80,579,104

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

Deposits of R 15,949,847 (2008: R 13,156,953) are ring-fenced and attributable to the External Financing Fund (EFF). (See note 15)

Summary of arrangements:

ANNUITY LOANS:

Annuity Loans are repaid over periods varying from four to nineteen years (2008: five to twenty years), and at interest rates varying from 8.5% to 16.50 %. Annuity Loans are not secured.

Fixed Deposits of R 15,949,847 (2008: R 13,156,953) have been pledged to INCA as guarantees on external loans taken up. (See note 15)

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 2009

FINANCE LEASE LIABILITIES:

The Municipality as lessee

Capitalised Lease Liabilities relate to office equipment with lease terms of five years (2008: five years). The effective interest rate on finance leases is between 10.84% and 18.20% (2008: 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	
	2009 R	2008 R	2009 R	2008 R
Amounts payable under finance leases				
Within one year	2,128,348	2,604,914	1,678,759	1,848,718
1 to 5 years	2,964,237	5,209,492	2,714,770	4,426,300
More than 5 years		-		
	5,092,585	7,814,406		
Less : Future finance charges	(699,056)	(1,539,388)		
Present Value of Lease obligations	4,393,529	6,275,018	4,393,529	6,275,018
Less amounts due for settlement within 12 months (current portion)			(1,678,759)	(1,848,718)
Amounts due for settlement after 12 months (non-current)			2,714,770	4,426,300

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	929,085
- Instalments are payable monthly in advance	
- Average period outstanding	22 months
- Average effective interest rate	13.65%
- Average capital redemption per month over lease period	42,231
(2) Various photocopiers and fax machines	2,757,383
- Instalments are payable monthly in advance	
- Average period outstanding	29 months
- Average effective interest rate	10.84%
- Average capital redemption per month over lease period	95,082

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
4 PROVISION FOR POST RETIREMENT BENEFITS		
Post-Employment Health Care Benefit Liability	33,465,198	33,465,198
Total: Post Retirement Medical Aid Benefit Liability	33,465,198	33,465,198

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 (Employees)	271	271
Continuation members (Retirees, widowers and orphans)	46	46
Total	317	317

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

In-service members	19,500,632	19,500,632
Continuation members	13,964,566	13,964,566
Total Liability	33,465,198	33,465,198

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

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

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

	%
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 2009

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.

	2009	2008
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	33,465,198	33,465,198
Fair value of plan assets	-	-
	33,465,198	33,465,198
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	33,465,198	33,465,198
	33,465,198	33,465,198
Net Liability	33,465,198	33,465,198

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

Current service cost	-	-
Interest cost	-	-
Vested past service cost	-	33,465,198
	-	33,465,198
Total included in staff costs (refer to note 31)	-	33,465,198

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
5 OTHER NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	6,968,371	6,342,830
Total Other Non-current Provisions	6,968,371	6,342,830

The movement on other non-current provisions are reconciled as follows:

30 June 2009

Balance at beginning of year	6,342,830	-
Contributions to provision	-	6,621,960
Increase due to discounting	3,647,664	
Transfer to current provisions	(3,022,123)	(279,130)
Balance at end of year	6,968,371	6,342,830

Comparative year has been restated due to the correction of an error (refer to note 39.1 (a))

5.1 Rehabilitation of Landfill sites

The municipality has an obligation to rehabilitate its land-fill sites in terms of its licence stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2009 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. The payment dates of the total closure and rehabilitation are uncertain, but are currently expected to be between 2010 and 2028. The cost factors derived from the study have been applied and projected at an annual inflation rate of 7% (2008: 7%) and discounted to present value at a rate of 11% (2008: 15%). The provision will be determined on an annual basis and actual rehabilitation costs will be debited against the provision.

The increase during the year ended 30 June 2009 in the discounted amount arising from the passage of time, amounted to R 3,688,543. The discount rate used is annually adjusted based on the average borrowing cost calculated for Kouga Municipality.

Major assumptions concerning future events

The cost estimate for construction works to be performed for the closure and rehabilitation of an existing disposal site include the following assumptions made by the technical specialist:

- a) The consolidation of "old" waste in the cell and filling of voids with builders rubble or other waste permissible for disposal at the site.
- b) Doming the entire site in such a way to prevent the formation of pools due to rain, to ensure free surface runoff of rain water.
- c) Capping the site in accordance with the capping design requirements as stipulated in the Minimum Requirements for Closure for the various classes of disposal sites;
- d) Rehabilitating the site in accordance with the end-use plan e.g. grassing, sport field etc.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
6 CONSUMER DEPOSITS		
Electricity and water	6,314,570	6,023,918
Total Consumer Deposits	<u>6,314,570</u>	<u>6,023,918</u>

Consumer deposits is paid by consumers on application for new water and electricity connections. The deposits are 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	224,917	311,053
Staff leave	3,901,959	3,427,817
Current Portion of Non-Current Provisions (See Note 6 above):		
Provision for Rehabilitation of Land-fill Sites	3,886,666	279,130
Total Provisions	<u>8,013,542</u>	<u>4,018,000</u>

Comparative year has been restated due to the correction of errors (refer to note 39.1 (b) & (d))

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.

The movement in current provisions are reconciled as follows:

	Land-fill Sites	Staff Leave	Performance Bonus
30 June 2009			
Balance at beginning of year	279,130	3,427,817	311,053
Contributions to provision	544,543	924,139	224,917
Transfer from non-current	3,022,123	-	-
Increase due to discounting	40,870	-	-
Expenditure incurred	-	(449,997)	(311,053)
Balance at end of year	<u>3,886,666</u>	<u>3,901,959</u>	<u>224,917</u>
30 June 2008			
Balance at beginning of year	-	2,830,196	230,247
Contributions to provision	279,130	597,621	311,053
Transfer from non-current	-	-	-
Expenditure incurred	-	-	(230,247)
Balance at end of year	<u>279,130</u>	<u>3,427,817</u>	<u>311,053</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
8 CREDITORS		
Trade Creditors and accruals	8,700,172	18,075,854
Payments received in Advance	6,327,265	4,381,534
Sundry Creditors	7,624,234	6,811,201
Total Creditors	<u>22,651,671</u>	<u>29,268,589</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	140,321	97,548
Department of Health	504,840	(0)
Department of Water Affairs	156,064	15,364
Department Economic Development	631,500	591,500
Department. Mineral and Energy/NER	704,920	-
Development Bank	350,576	350,576
DPLG&TA (Housing)	5,429,479	7,292,581
DPLG&TA (Other)	10,608,546	392,986
Financial Support (Provincial)	125,676	287,066
Municipal Infrastructure Grant	3,393,335	4,989,149
National Treasury	-	103,025
Other	2,609,470	890,172
Skills Grant (SARS)	-	433,152
Spatial Studies	123,065	123,065
Total Unspent Conditional Grants and Receipts	<u>24,777,791</u>	<u>15,566,184</u>

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

10 VAT

Vat Refundable	<u>5,691,565</u>	<u>2,287,618</u>
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Comparative year has been restated due to the correction of an error (refer to note 39.1(f))

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 2009

	2009	2008
	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	49,094	245,151
Up to 1 year	40,645	190,786
1 to 5 years	8,449	54,365
More than 5 years	-	-
Office equipment	218,761	580,109
Up to 1 year	218,761	361,348
1 to 5 years	-	218,761
More than 5 years	-	-
Office equipment	-	303,193
Up to 1 year	-	303,193
1 to 5 years	-	-
More than 5 years	-	-
Total Operating Lease Arrangements	267,855	1,128,453
The following payments have been recognised as an expense in the Statement of Financial Performance:		
Minimum lease payments	878,913	1,279,797
Contingent rentals	(18,314)	35,109
Total Operating Lease Expenses - as Lessee	860,599	1,314,906
Operating leases are recognized on the straight-line basis as per the requirement of GRAP 13.		
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	54,511	19,402
Operating expenses recorded	860,599	617,710
Operating lease payments effected	(878,913)	(582,601)
Total Operating Lease Liabilities	36,197	54,511
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 2009

The values for 2008 have been re-stated to include motor vehicle operating leases that were omitted in that year. The leases concerned are full maintenance leases and the amounts stated above include the maintenance element of the lease payment.

There are cell-phone lease contracts that were initiated in January 2009 that have not been included in the amounts stated above. In order to include these leases the equipment value is needed and to date that information has not been forthcoming from the service provider.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

12 PROPERTY, PLANT AND EQUIPMENT

Residual values, estimated useful lives and depreciation methods were not reviewed in the previous and current financial years as required by GRAP 17 (except for infrastructure assets). The municipality applied ASB directive 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the years ending 30 June 2009 and 2010 but must comply with the measurement requirements for the year ending 30 June 2011.

30 June 2009

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 2008	10,340,024	(0)	93,750	138,295,277	(0)	51,291,202	4,938,126	204,958,379
Cost	41,646,929	(0)	93,750	259,924,250	(0)	71,140,743	10,323,560	383,129,231
Accumulated Depreciation:	(31,306,905)	-	-	(121,628,974)	-	(19,849,541)	(5,385,434)	(178,170,852)
Acquisitions	4,037,562	-	-	27,434,455	-	4,148,756	74,473	35,695,245
Adjustments	(2,899,857)	-	1,924,666	(61,129,628)	-	(32,234,693)	-	(94,339,512)
Capital under Construction	9,509,789	-	1,444,194	61,588,861	-	-	-	72,542,844
Land adjustments	386,699,000	-	60,440,250	-	-	450,268,497	-	897,407,747
Infrastructure adjustment	-	-	-	356,210,813	-	-	-	356,210,813
Depreciation:	(448,396)	-	(18,954)	(7,560,382)	-	(3,464,568)	(1,873,708)	(13,366,009)
Transfers	1,201,706	-	(1,759,324)	(581,037)	-	904,393	-	(234,262)
Carrying value of disposals:	-	-	-	-	-	(152,799,953)	-	(152,799,953)
Cost / Revaluation	-	-	-	-	-	(157,886,000)	-	(157,886,000)
Accumulated Depreciation	-	-	-	-	-	5,086,047	-	5,086,047
Carrying values at 30 June 2009	408,439,829	(0)	62,124,582	514,258,358	(0)	318,113,634	3,138,891	1,306,075,293
Cost	438,993,423	(0)	63,902,860	644,028,752	(0)	335,437,302	10,398,033	1,492,760,369
Accumulated Depreciation:	(30,553,595)	-	(1,778,278)	(129,770,394)	-	(17,323,668)	(7,259,142)	(186,685,076)

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 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	17,641	-	92,638,089	-	11,015,867	7,085,743	117,128,422
Cost	41,763,690	177,441	-	209,549,406	1,460,470	25,938,910	10,323,560	289,213,477
Accumulated Depreciation:	(35,392,608)	(159,800)	-	(116,911,317)	(1,460,470)	(14,923,043)	(3,237,817)	(172,085,055)
Acquisitions	4,982,897	-	-	10,654,916	-	39,015,566		54,653,379
Capital under Construction	881,441	-	93,750	41,469,781	-	4,278,403		46,723,375
Transfer	(1,687,560)	(17,641)	-	490,391	(0)	1,213,469		(1,340)
Cost	(5,981,099)	(177,441)	-	(1,749,853)	(1,460,470)	9,300,471		(68,393)
Accumulated Depreciation	4,293,540	159,801	-	2,240,244	1,460,470	(8,087,001)		67,053
Increases / Decreases in revaluation	-	-	-	-	-	-		-
Depreciation:	(207,836)	-	-	(6,957,901)	-	(4,011,124)	(2,147,617)	(13,324,477)
Carrying value of disposals:	-	-	-	-	-	(220,980)		(220,980)
Cost / Revaluation	-	-	-	-	-	(7,392,607)		(7,392,607)
Accumulated Depreciation	-	-	-	-	-	7,171,627		7,171,627
Carrying values at 30 June 2008	10,340,024	(0)	93,750	138,295,277	(0)	51,291,202	4,938,126	204,958,379
Cost	41,646,929	(0)	93,750	259,924,250	(0)	71,140,743	10,323,560	383,129,231
Accumulated Depreciation:	(31,306,905)	-	-	(121,628,974)	-	(19,849,541)	(5,385,434)	(178,170,852)

(Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.)

Comparative year has been restated due to the correction of an error (refer to note 39.1 (c))

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

13 INVESTMENT PROPERTY

2009
R **2008**
R

The movement in Investment Property is reconciled as follows:

Net Carrying value at 1 July	-	-
Cost	-	-
Accumulated Amortisation	-	-
Acquisitions	157,886,000	-
Transferred to inventory	(157,886,000)	-
Net Carrying value at 30 June	-	-
Cost	-	-
Accumulated Amortisation	-	-

In terms of ASB Directive 4, the municipality is not required to measure investment properties for reporting periods beginning on or after a date within 3 years following the date of initial adoption of GRAP 16. The municipality elects to apply ASB Directive 4 for its investment properties and does not measure its investment properties for the above-mentioned period. However, provisional amounts for investment properties are disclosed in the Annual Financial Statements in accordance with ASB Directive 4.

14 INTANGIBLE ASSETS

The movement in Intangible Assets is reconciled as follows:

Carrying value at 1 July	3,468	-
Cost	71,861	-
Accumulated Amortisation	(68,393)	-
Acquisitions	368,878	3,468
Amortisation during the Year	(44,908)	(1,342)
Transfers during the Year:	-	1,342
At Cost	-	68,393
At Accumulated Amortisation	-	(67,051)
Carrying value at 30 June	327,438	3,468
Cost	440,739	71,861
Accumulated Amortisation	(113,301)	(68,393)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see note 34).

No intangible assets had been pledged as security for any liabilities of the municipality.

In terms of ASB Directive 4, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within 3 years following the date of initial adoption of GRAP 102. The municipality elects to apply ASB Directive 4 for its intangible assets and does not measure its intangible assets for the above-mentioned period. However, provisional amounts for intangible assets are disclosed in the Annual Financial Statements in accordance with ASB Directive 4.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
15 INVESTMENTS		
Financial Instruments		
Fixed Deposits	<u>18,742,742</u>	<u>13,156,953</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>		
16 LONG-TERM RECEIVABLES		
<i>Neither past due nor impaired</i>		
Kouga Cultural Centre	2,916,582	1,965,555
Staff debtors	561,151	431,836
	<u>3,477,733</u>	<u>2,397,391</u>
Less : Current Portion transferred to Current Receivables		
Staff debtors	<u>(127,825)</u>	<u>(215,455)</u>
Less: Provision for Bad Debts	(21,624)	(12,222)
Total Long-term receivables	<u>3,328,284</u>	<u>2,169,714</u>
<p>Comparative year has been restated due to the correction of an error (refer to note 39.1(g))</p> <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	12,222	-
Contribution to provision	9,402	12,222
Bad Debts written off	-	-
Balance at end of year	<u>21,624</u>	<u>12,222</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>		
17 INVENTORY		
Consumable Stores - at cost	1,212,289	1,523,142
Maintenance Materials - at cost	3,931,580	1,966,220
Spare Parts - at cost	261,386	3,214,647
Medical stock	347,106	220,192
Water	211,720	218,343
Unsold Properties held for resale - at cost	<u>157,886,000</u>	<u>-</u>
	163,850,081	7,142,543
Less: Provision for obsolete stock	(639,416)	(1,182,392)
Total Inventory	<u>163,210,664</u>	<u>5,960,151</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

19 CONSUMER DEBTORS	2009	2008
	R	R
Service Debtors:	53,144,287	41,476,702
Rates	17,411,274	9,217,417
Electricity	15,123,517	13,529,452
Water	10,564,702	10,688,220
Sewerage	4,574,929	4,011,145
Refuse	5,469,865	4,030,469
Housing	4,266	149,184
Other Consumer Debtors	2,625,303	1,867,564
Gross balances	55,773,856	43,493,450
Less: Staff debtors included in other consumer debtors	(461,122)	(403,059)
	55,312,734	43,090,391
Less: Provision for doubtful debts	(14,223,596)	(14,472,368)
Total consumer Debtors	41,089,139	28,618,023
Comparative year has been restated due to the correction of errors (refer to note 39.1 (e))		
Rates: Ageing		
Current (0 - 30 days)	6,054,912	2,600,177
31 - 60 days	904,709	548,224
61 - 90 days	473,768	416,271
91 - 120 days	264,386	387,841
More than 120 Days	9,713,498	5,264,904
Total	17,411,274	9,217,417
Electricity: Ageing		
Current (0 - 30 days)	8,983,123	6,598,452
31 - 60 days	1,388,877	951,537
61 - 90 days	589,634	482,218
91 - 120 days	517,305	374,631
More than 120 Days	3,644,578	5,122,613
Total	15,123,517	13,529,452
Water: Ageing		
Current (0 - 30 days)	3,417,717	3,198,472
31 - 60 days	786,440	638,461
61 - 90 days	505,796	426,784
91 - 120 days	400,060	360,842
More than 120 Days	5,454,690	6,063,660
Total	10,564,702	10,688,220
Sewerage: Ageing		
Current (0 - 30 days)	1,135,956	1,039,566
31 - 60 days	306,142	242,586
61 - 90 days	192,924	153,291
91 - 120 days	151,726	170,743
More than 120 Days	2,788,182	2,404,959
Total	4,574,929	4,011,145
Refuse: Ageing		
Current (0 - 30 days)	1,315,539	794,702
31 - 60 days	396,908	244,479
61 - 90 days	270,391	213,291
91 - 120 days	224,436	121,263
More than 120 Days	3,262,591	2,656,735
Total	5,469,865	4,030,469

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
Housing: Ageing		
Current (0 - 30 days)	(2,419)	(3,574)
31 - 60 days	121	103
61 - 90 days	-	-
91 - 120 days	-	-
More than 120 Days	6,564	152,654
Total	4,266	149,184

Other Consumer Debtors: Ageing		
Current (0 - 30 days)	349,944	166,591
31 - 60 days	166,632	101,349
61 - 90 days	158,065	348,944
91 - 120 days	455,318	96,610
More than 120 Days	1,495,344	1,154,070
Total	2,625,303	1,867,564

Reconciliation of Provision for Bad Debts

Balance at beginning of year	14,472,368	13,755,082
Contribution / (Reversal) to provision	204,711	2,192,828
Bad Debts written off / recovered	(453,483)	(1,475,542)
Balance at end of year	14,223,595	14,472,368

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

20 OTHER DEBTORS

Sundry Debtors	11,362,158	11,107,883
Total Other Debtors	11,362,158	11,107,883

Comparative year has been restated due to the correction of errors (refer to note 39.1 (f))

21 SHORT-TERM INVESTMENT DEPOSITS

Call Deposits	47,503,350	68,063,302
Total Short-term Investment Deposits	47,503,350	68,063,302

Deposits of R nil (2008: R 1,529,373) are ring-fenced and attributable to the External Financing Fund (EFF)).

Deposits of R 21,594,414 (2008: R 19,418,380) are ring-fenced and attributable to the Capital Replacement Reserve (CRR).

Deposits of R 18,652,072 (2008: R 11,374,295) are ring-fenced and attributable to Unspent Conditional Grants and Receipts.

Deposits of R 4,870,377 (2008: R 4,996,965) are ring-fenced and attributable to Housing Developments.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

22 OPERATING LEASE ARRANGEMENTS	2009 R	2008 R
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	140,785	154,516
1 to 5 years	491,414	525,837
More than 5 years	856,425	962,787
Total Operating Lease Arrangements	1,488,624	1,643,140
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 4,964 (2008: R 6,318)		
In respect of non-cancellable Operating Leases the following asset has been recognised:	58,719	53,755
 23 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts:		
First National Bank - Jeffreys Bay		
Cash book balance at beginning of year	1,336,219	(709,037)
Cash book balance at end of year	(4,541,637)	1,336,219
 <i>Account Number 525 400 207 91 (Primary Bank Account):</i>		
Bank statement balance at beginning of year	1,961,849	(2,790,153)
Bank statement balance at end of year	(1,537,844)	1,961,849
 <i>Account Number 525 400 335 04 (Primary Bank Account):</i>		
Bank statement balance at beginning of year	799,845	2,704,288
Bank statement balance at end of year	289	799,845
 Cash Floats and Advances	 8,960	 8,960
Total Bank and Cash	8,960	1,345,179
Total Overdraft	(4,541,637)	-
Total Bank and Cash	(4,532,677)	1,345,179

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.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

24 PROPERTY RATES

	Site Valuation as 30/06/2009 R'000	Building Valuation as 30/06/2009 R'000	Actual Income	
			2009	2008
Cape St Francis	135,913,000	180,916,000	3,764,509	3,704,182
Hankey	10,343,600	92,434,300	1,296,582	1,215,976
Humansdorp	63,237,700	348,270,550	5,366,502	4,965,619
Jeffreys Bay	977,820,520	2,608,482,300	49,253,317	42,377,590
Loerie	4,467,500	7,618,650	63,807	49,666
Oyster Bay	30,405,000	48,458,000	1,033,209	975,646
Patensie	5,764,075	41,946,900	641,656	567,600
St Francis Bay	724,100,072	853,020,010	20,975,420	18,584,288
Thornhill	3,298,000	6,186,000	59,430	56,097
Rural	419,951,313	605,383,890	3,998,972	-
Total Assessment Rates	<u>2,375,300,780</u>	<u>4,792,716,600</u>	<u>86,453,404</u>	<u>72,496,663</u>
Less: Interest			<u>(5,322,951)</u>	<u>(4,275,470)</u>
Total Assessment Rates at Fair Value			<u>81,130,453</u>	<u>68,221,193</u>
Rebates and exceptions			<u>(3,411,241)</u>	<u>(2,146,728)</u>
Total Rates Income			<u>77,719,212</u>	<u>66,074,465</u>

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 rebate of between 5 % and 40% was allowed on residential properties for pensioners based on the annual income of the ratepayer whilst a discount of 20 % was granted on properties owned by the state.

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.

Government subsidised 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.

25 SERVICE CHARGES

Sale of electricity	91,418,849	76,784,925
Sale of water	29,440,141	26,187,493
Refuse removal	16,120,545	14,568,472
Sewerage and Sanitation Charges	16,501,051	15,355,849
Other Service Charges	11,232,707	3,943,785
	<u>164,713,294</u>	<u>136,840,524</u>
Less: Interdepartmental service charges	-	<u>(3,365,335)</u>
Total Service Charges	<u>164,713,294</u>	<u>133,475,189</u>

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
26 RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Buildings	136,771	202,027
Rental Revenue from Halls	101,820	103,962
Rental Revenue from Other facilities	209,970	279,838
Total Rental of Facilities and Equipment	<u>448,561</u>	<u>585,828</u>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
27 INTEREST EARNED		
External Investments:		
Bank Account	909,444	964,082
Interest earned on cash deposits	12,056,332	6,977,389
	<u>12,965,776</u>	<u>7,941,471</u>
Outstanding Debtors:	<u>9,158,786</u>	<u>7,371,178</u>
Total Interest Earned	<u>22,124,562</u>	<u>15,312,649</u>
28 PUBLIC CONTRIBUTIONS AND DONATIONS		
Augmentation fees from developers	3,350,160	5,433,268
Department of Health - Medical stock	984,437	661,867
Total Public Contributions and donations	<u>4,334,597</u>	<u>6,095,135</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

29 GOVERNMENT GRANTS AND SUBSIDIES	2009	2008
	R	R
Equitable Share	25,372,464	19,750,636
Health subsidy	2,510,172	2,022,087
Transfer from deferred income	-	34,852,724
Conditional Grants	48,775,943	12,873,543
Rehabilitation Refuse Site	-	46,292
National FMG Grant	-	488,273
National MSIG Grant	-	155,055
Airfield Flood Damage	-	142,500
IDP Grant	-	115,302
Skills Development Grant	-	216,540
Strategic Planning X DBSA	-	136,231
Juice Factory	-	32,318
ICT Development	-	144,239
Water Management Implementation	-	76,179
Assets Project	-	233,616
Provincial Housing Grant	-	11,086,996
Bucket eradication Kwanomzamo (DPLG)	121,856	-
CDM grant: Computer equipment	23,421	-
Electricity capital works in progress	5,295,080	-
Geographical Information System (GIS)	121,300	-
National FMG Grant	853,025	-
National MIG Grant (Admin PMU unit)	549,425	-
Grant: IDP	271,409	-
Grant: MSIG (Prev MMP)	495,450	-
Grant: Financial DLGH&TA province	162,969	-
Andrieskraal clinic	1,159,560	-
Gill Marcus water reticulation	951,617	-
Kwanomzamo water reticulation	188,862	-
Jeffreys Bay sewer treatment plant	253,000	-
Kwanomzamo water reticulation	6,374	-
Kruisfontein water bulk supply	1,267,863	-
200809 Thornhill bulk sewer outfall PH 2	2,681,324	-
Hankey sewer rising main P/S-R/M	4,338,086	-
LED Plan	500,000	-
Loerie flower trail	-500,000	-
MIG grant : HDP sewer treatment plant	205,290	-
Hankey pump station and rising main	87,756	-
Tar road Gill Marcus to Vaaldam	693,824	-
Clinic upgrading	786,602	-
Ocean view access road	1,002,975	-
Thornhill c/ser. 277 sites cont. 19634 QO	58,685	-
Patensie c/ser. 80 sites cont. 19633 QOO	79,089	-
Sea Vista c/ser. 95 sites cont. 15852 QSO	27,550	-
Rosendale PHP 359 cont.FGI/2004	85,023	-
Thornhill phase 2	166,825	-
Serv18: HDP youth camp 85	(22,251)	-
Serv19: HDP Gill Marcus 205	440,414	-
Serv20: HDP Kwanomzamo 168	180,053	-
Serv21: HDP Kwanomzamo 139	158,428	-
Serv22: HDP Kwanomzamo 40	466,848	-
Serv23: HDP Vaaldam 317	(600,157)	-
Serv24: Loerieheuwel 74	1,172,200	-
Serv25: Loerieheuwel 199	1,424,989	-
Sewerage	3,203,552	-
Jeffreys Bay 350	737,668	-
Hankey extension 105	200,739	-
Jeffreys Bay 329 units SCCCA	308,330	-
Hankey 317	412,284	-
Patensie 124	476,722	-

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Sewerage Capital works in progress	282,906	-
Sewer reticulation Thornhill	241,768	-
Sewer reticulation Gill Marcus	706,556	-
Skills Development Levy	837,789	-
Sport and recreation	12,280,702	-
Water management (DWAF)	103,426	-
WAT3: Water services authority grant	725,292	-
WAT10: Water bulk supply	703,037	-
WAT11: Water reservoir	597,663	-
WAT12: Water treatment plant	1,802,745	-
Total Government Grants and Subsidies	76,658,579	69,498,991

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.

24.2 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	(4,989,149)	(8,119,464)
Current year receipts	(17,861,994)	(19,961,823)
Conditions met - transferred to revenue	19,457,808	464,231
Conditions met - transferred to deferred income	-	22,636,574
Transfers between funds	-	71,270
Transfers between funds	-	(79,937)
Conditions still to be met - transferred to liabilities (see note 9)	(3,393,335)	(4,989,149)

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	(7,292,581)	(12,707,139)
Current year receipts	(7,113,907)	(12,341,527)
Conditions met - transferred to revenue	8,977,010	16,925,990
Conditions met - transferred to deferred income	-	785,277
Transfers between funds	-	44,818
Conditions still to be met - transferred to liabilities (see note 9)	(5,429,479)	(7,292,581)

Grants utilised for the Reconstruction and Development Plan Government Housing.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
24.4 Provincial - Other Provincial Grants (DPLG& TA)		
Balance unspent at beginning of year	(392,986)	(446,860)
Current year receipts	(10,711,010)	(150,000)
Conditions met - transferred to revenue	495,450	203,874
Conditions still to be met - transferred to liabilities (see note 9)	<u>(10,608,546)</u>	<u>(392,986)</u>

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	(97,548)	(157,857)
Current year receipts	(314,181)	(147,472)
Conditions met - transferred to revenue	271,409	115,652
Conditions met - transferred to deferred income	-	81,972
Transfers between funds	-	10,156
Conditions still to be met - transferred to liabilities (see note 9)	<u>(140,321)</u>	<u>(97,548)</u>

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
Current year receipts	(504,840)	-
Conditions met - transferred to revenue	-	(32,585)
Transfers between funds	-	5,427
Conditions met - balance due by government transferred to current assets	<u>(504,840)</u>	<u>0</u>

24.7 Department of Water Affairs

Balance unspent at beginning of year	(15,364)	(15,364)
Current year receipts	(262,000)	-
Conditions met - transferred to revenue	121,300	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>(156,064)</u>	<u>(15,364)</u>

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	(591,500)	(123,818)
Current year receipts	(40,000)	(527,562)
Conditions met - transferred to revenue	-	32,318
Conditions met - transferred to deferred income	-	27,562
Conditions still to be met - transferred to liabilities (see note 9)	<u>(631,500)</u>	<u>(591,500)</u>

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
24.9 Department of Mineral and Energy/NER		
Balance unspent at beginning of year	-	(225,740)
Current year receipts	(6,000,000)	-
Conditions met - transferred to revenue	5,295,080	-
Conditions met - transferred to deferred income	-	225,740
Conditions still to be met - transferred to liabilities (see note 9)	<u><u>(704,920)</u></u>	<u><u>-</u></u>
Electrification grant received from the Department of Mineral and Energy Affairs for RDP Housing		
24.10 Development Bank		
Balance unspent at beginning of year	(350,576)	(350,576)
Conditions still to be met - transferred to liabilities (see note 9)	<u><u>(350,576)</u></u>	<u><u>(350,576)</u></u>
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	(287,066)	(464,922)
Current year receipts	(25,000)	(200,000)
Conditions met - transferred to revenue	186,390	377,855
Conditions still to be met - transferred to liabilities (see note 9)	<u><u>(125,676)</u></u>	<u><u>(287,066)</u></u>
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	(103,025)	(91,298)
Current year receipts	(750,000)	(500,000)
Conditions met - transferred to revenue	853,025	488,273
Conditions still to be met - transferred to liabilities (see note 9)	<u><u>-</u></u>	<u><u>(103,025)</u></u>
Grant received to assist with financial reforms		
24.13 Other Spheres of Government Grants		
Balance unspent at beginning of year	(890,172)	(875,172)
Current year receipts	(14,000,000)	-
Conditions met - transferred to revenue	12,280,702	-
Transfers between funds	-	(15,000)
Conditions still to be met - transferred to liabilities (see note 9)	<u><u>(2,609,470)</u></u>	<u><u>(890,172)</u></u>
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 2009

	2009	2008
	R	R
24.14 Skills Grant (SARS)		
Balance unspent at beginning of year	(433,152)	(202,462)
Current year receipts	(404,637)	(447,231)
Conditions met - transferred to revenue	837,789	216,540
Conditions still to be met - transferred to liabilities (see note 9)	<u><u>-</u></u>	<u><u>(433,152)</u></u>

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

24.15 Spatial Studies

Balance unspent at beginning of year	(123,065)	(123,065)
Conditions still to be met - transferred to liabilities (see note 9)	<u><u>(123,065)</u></u>	<u><u>(123,065)</u></u>

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.

30 OTHER INCOME

Admin fees	-	388,052
Burial sites	81,442	82,573
Caravan Park Fees	1,690,319	1,659,747
Cleaning of plots	130,571	83,738
Commission	204,361	327,085
Consent uses	126,855	157,832
Insurance Claims	-	287,395
Riparian Levy	412,200	336,056
Subdivisions	31,272	96,650
Sundries	1,089,739	781,799
Stock adjustments	298,251	37,626
Valuation Certificates	69,322	87,458
VAT correction	1,294,010	3,136,019
Total Other Income	<u><u>5,428,343</u></u>	<u><u>7,462,031</u></u>

The amounts disclosed above for Other Income are in respect of services rendered, other than described in Notes 24 and 25, which are billed to or paid for by the users according to approved tariffs.

A VAT debtor was raised against sundry income in the 2008 & 2009 financial years and against accumulated surplus as at 30 June 2007 to account for a VAT claim done by a VAT specialist on behalf of the municipality.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

31 EMPLOYEE RELATED COSTS	2009	2008
	R	R
Employee Related Costs - Salaries and Wages	71,848,944	56,974,767
Employee Related Costs - Contributions for UIF, Skills and Workmen's compensation	1,846,061	1,612,606
Employee Related Costs - Contributions for Pensions and Medical Aids	14,657,849	12,794,632
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	9,380,167	7,068,739
Housing Benefits and Allowances	561,105	498,202
Overtime Payments	7,797,036	6,332,182
Performance Bonuses	4,758,920	4,572,221
Long-service awards	359,129	241,335
Leave paid & provision for leave	772,024	919,903
Group Life insurance, Bargaining council and labour relations levies	192,427	178,101
Defined Benefit Plan Expenses - Vested Past Service Cost (Refer to note 4)	-	33,465,198
Total Employee Related Costs	112,173,661	124,657,888
There were no advances to employees. Loans to employees are set out in Note 16.		
Remuneration of the Municipal Manager		
Annual Remuneration	753,591	571,940
Car Allowance	148,140	170,188
Performance Bonus	-	25,387
Back pay	67,667	54,394
Acting allowance	-	12,526
Subsistence & Travel	38,863	-
Contributions to UIF, Medical and Pension Funds	1,497	1,473
Total	1,009,758	835,909
Remuneration of the Chief Financial Officer		
Annual Remuneration	595,054	538,065
Car Allowance	36,000	40,777
Performance Bonus	-	48,533
Back pay	60,536	50,318
Acting Allowance	224,722	-
Leave	66,554	-
Subsistence & Travel	3,740	-
Settlement	1,200,000	-
Contributions to UIF, Medical and Pension Funds	1,497	1,473
Total	2,188,103	679,166
The Chief Financial Officer's employment contract came to an end in April 2009. As at year-end the post still remained vacant. A manager within the Finance Department acted as the Chief Financial Officer for the period 1 May 2009 to 30 June 2009.		
Remuneration of the Director Corporate Services		
Annual Remuneration	637,673	454,745
Car Allowance	115,560	124,640
Performance Bonus	-	48,754
Back pay	60,557	54,093
Subsistence & Travel	18,755	-
Contributions to UIF, Medical and Pension Funds	1,497	1,473
Total	834,042	683,705
Remuneration of the Director of Technical Services		
Annual Remuneration	94,337	466,334
Car Allowance	18,000	111,200
Performance Bonus	-	78,171
Back pay	60,547	50,056
Cell phone allowance	-	-
Acting allowance	337,304	-
Contributions to UIF, Medical and Pension Funds	768	1,473
Total	510,956	707,234

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
<i>Remuneration of the Director of Human Resources and Economic/Social Development</i>		
Annual Remuneration	637,673	455,693
Car Allowance	115,560	132,609
Performance Bonus	-	78,282
Back pay	60,532	52,892
Contributions to UIF, Medical and Pension Funds	1,497	1,473
Total	815,262	720,948
<i>Remuneration of the Director of Community Services</i>		
Annual Remuneration	637,673	505,828
Car Allowance	115,560	96,530
Performance Bonus	-	75,981
Back pay	60,563	60,050
Acting allowances	203,787	7,152
Other (Leave)	-	67,731
Subsistence & Travel	3,061	-
Contributions to UIF, Medical and Pension Funds	1,497	1,223
Total	1,022,141	814,494
<i>Remuneration of the Director of Planning and Development</i>		
Annual Remuneration	657,233	201,241
Car Allowance	87,000	43,507
Performance Bonus	-	3,557
Back pay	60,531	45,399
Other	749	749
Subsistence & Travel	2,141	-
Contributions to UIF, Medical and Pension Funds	1,497	35,761
Total	809,151	330,215

32 REMUNERATION OF COUNCILLORS

Mayor	534,681	481,696
Speaker	432,439	380,515
Mayoral committee members	1,626,015	1,094,615
Councillors	2,391,083	2,292,611
Councillors pension contributions	403,678	-
Councillors medical aid contributions	99,696	-
Reimburse travel outside the municipal area	90,855	103,798
Total Councillors' Remuneration	5,578,447	4,353,236

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.

33 BAD DEBTS PROVISION

Consumer Debtors (See note 19)	204,711	2,192,828
Long-term Receivables (See note 16)	9,402	12,222
Bad debts written off	-	1,300,000
	214,112	3,505,050

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
34 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment (Refer note 12)	13,544,531	13,324,477
Amortisation: Intangible Assets (Refer note 14)	44,908	1,342
Total Depreciation and Amortisation	<u><u>13,589,439</u></u>	<u><u>13,325,819</u></u>
35 INTEREST PAID		
Long-term Liabilities	11,358,110	11,473,913
Bank Overdrafts and Other	4,042,538	156,925
Total interest paid	<u><u>15,400,648</u></u>	<u><u>11,630,838</u></u>
36 BULK PURCHASES		
Electricity	56,557,053	39,485,653
Water	9,116,616	11,290,951
Total Bulk Purchases	<u><u>65,673,668</u></u>	<u><u>50,776,603</u></u>
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 Eskom whilst water is purchased from the Nelson Mandela Bay Metropolitan Municipality.		
37 GRANTS AND SUBSIDIES PAID		
Grants-in-aid and Donations	13,797,605	12,264,570
Various small donations	157,636	177,847
Medical stock dispensed	886,595	441,675
Total Grants and Subsidies	<u><u>14,841,837</u></u>	<u><u>12,884,092</u></u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

38 GENERAL EXPENSES	2009 R	2008 R
Included in General Expenses are the following:		
Accommodation, Seminars and Travelling	1,672,508	1,308,205
Audit Fees	2,736,337	1,788,106
Chemicals	974,411	1,153,729
Connection expenses	1,492,480	2,560,049
Disaster management	43,452	108,845
Fuel and oil	5,456,580	5,015,366
Grant expenditure - Various projects	9,118,963	11,086,996
Insurance General	3,765,819	3,690,404
Legal expenses	1,505,580	1,113,788
Planning fees	1,618,132	1,024,259
Postage	916,727	852,196
Printing and Stationery	729,875	957,982
Prepaid finance costs	2,533,572	866,589
Rentals: Property, Plant and Equipment	5,169,501	4,935,290
Service fees	4,232,486	-
Special projects	2,468,496	1,285,351
Telephones, Facsimiles and Internet Lines	1,661,790	1,482,521
Valuation costs & interim valuations	1,154,181	3,624,282
Other General Expenses	27,827,449	15,676,949
Total General expenses	75,078,336	58,530,908

No other extra-ordinary expenses were incurred.

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.

39 CORRECTION OF ERROR	2009 R
During the 2007/08 financial period the following errors occurred, which are set out below:	
39.1 Adjustment of balances - assets and liabilities - as at 30 June 2008	
Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year, which are set out below:	
a) Other non-current provisions	
Provision for Rehabilitation of Land-fill Sites	
Balance previously reported:-	3,520,000
Plus:	
Correction of provision against PPE	2,822,830
Restated balance	6,342,830
b) Current Provisions	
Provision for Rehabilitation of Land-fill Sites	
Balance previously reported:-	300,000
Plus:	
Correction of provision against PPE	(20,870)
Restated balance	279,130

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R
c) Property, Plant and Equipment	
Balance previously reported:-	204,954,670
Plus:	
Correction of provision against PPE	2,801,960
Corrections against accumulated surplus as at 30 June 2008	(38,308,472)
- Reversal of land assets added in 2008	(32,233,387)
- Reversal of housing infrastructure assets added in prior financial years	(11,161,133)
- Correction of accumulated depreciation on land, classified as investment property	5,086,047
Separate disclosure of intangible assets	(3,468)
Restated balance	169,444,690
d) Provision for performance bonuses	
Balance previously reported:-	541,300
Plus:	
Correction of provision against surplus for the year	(230,247)
Restated balance	311,053
e) Consumer debtors	
Balance previously reported:-	25,311,858
Plus:	
Correction of VAT that was excluded from consumer debtors and disclosed as part of VAT	3,336,630
Correction of long-term housing loans allocated to consumer debtors	(30,465)
Restated balance	28,618,023
f) Other debtors	
Balance previously reported:-	6,718,554
Plus:	
Correction debtors not raised in the prior financial year - EB Steam	1,447,092
Correction of debtor not raised as at 30 June 2007 regarding gains on disposal of PPE	2,942,237
Restated balance	11,107,883
f) VAT	
Balance previously reported:-	1,784,947
Plus:	
Correction of VAT that was excluded from consumer debtors and disclosed as part of VAT	(3,336,630)
Correction of VAT on other debtors not raised in the prior financial year	(177,713)
Debtor raised for a VAT claim, calculated by a VAT specialist on behalf of the municipality	4,017,015
Restated balance	2,287,618
g) Long-term receivables	
Balance previously reported:-	2,139,249
Plus:	
Correction of long-term housing loans allocated to consumer debtors	30,465
Restated balance	2,169,714
h) Deferred income (non-current portion)	
Balance previously reported:-	72,992,683
Plus:	
Write-back of short term portion	3,200,935
Correction of opening balance against accumulated surplus	(39,578,907)
Capital grants received during the year recognised as revenue in accordance with GRAP 9	(36,614,711)
Restated balance	-

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R

Capital Grants were accounted for in the 2008 AFS according to IAS 20 and therefore presented in the statement of financial position by **setting up the grant as deferred income that is recognised as income on a systematic** and rational basis over the useful life of the asset. Accounting for Capital Grants according to IAS 20 is no longer allowed and have been accounted for according to GRAP 9.

i) Deferred income (current portion)

Balance previously reported:-	3,200,935
Plus:	
Write-back of the short term portion	(3,200,935)
Restated balance	-

39.2 Reconciliation of adjustments due to prior period errors

a) Accumulated Surplus as at 30 June 2007

Balance previously reported:-	
Plus/(Minus):	
Correction of deferred income balance as at 30 June 2007 against accumulated surplus	39,578,906
Sundry debtor raised as at 30 June 2007 for the proceeds on disposal of PPE that was recovered in 2009	2,942,237
Debtor raised for a VAT claim, calculated by a VAT specialist on behalf of the municipality	880,995
Total	43,402,139

b) Accumulated Surplus/(Deficit) as at 30 June 2008

Balance previously reported:-	
Plus/(Minus):	
Balance previously reported:-	31,272,837
- Addition of land to the Municipality's fixed asset register	32,477,867
- Various appropriations	(2,505,030)
- Correction of bad debts incorrectly accounted for in accumulated surplus	1,300,000
Appropriations 2009:	
- Reversal of land assets added in 2008	(32,233,387)
- Reversal of housing infrastructure assets added in prior financial years	(11,161,133)
- Correction of accumulated depreciation on land, classified as investment property	5,086,047
Total	(7,035,635)

c) Deficit for the year ended 30 June 2008

Balance previously reported:-	
Write back of the provision for performance bonuses as at 30 June 2007 against actual expenditure incurred	230,247
Correction of income not raised in the prior financial year	1,269,379
Capital grants received during the year recognised as revenue in accordance with GRAP 9	36,614,711
Debtor raised for a VAT claim, calculated by a VAT specialist on behalf of the municipality	3,136,019
Total	41,250,356

d) Appropriations

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Details of appropriations are as follows:

Various appropriations	(10,627,473)
Stock written off, debited against provision for obsolete stock	542,976
Investment property identified and capitalised at fair value	152,752,897
Community properties identified and capitalised at fair value	360,433,500
Land and buildings identified and capitalised at fair value	323,781,100
Housing schemes identified and capitalised at fair value	60,440,250
Infrastructure assets identified and capitalised at depreciated replacement cost	356,210,813

Increase in accumulated surplus

1,243,534,062

40 CASH GENERATED BY OPERATIONS

	2009	2008
	R	R
Receipts	370,738,750	313,156,064
Property Rates	77,719,212	66,074,465
Service Charges	164,713,294	133,475,189
Rental of Facilities and Equipment	448,561	585,828
Interest Earned - External Investments	12,965,776	7,941,471
Interest Earned - Outstanding Debtors	9,158,786	7,371,178
Fines	3,216,107	3,192,404
Licenses and Permits	16,095,478	3,307,031
Public Contributions and Donations	4,334,597	6,095,135
Government Grants and Subsidies	76,658,598	69,498,990
Other Income	5,428,343	7,462,031
Gains on disposal of Property, Plant and Equipment	0	8,152,343
Payments	(324,268,142)	(298,561,057)
Employee Related Costs	112,173,661	124,657,888
Remuneration of Councillors	5,578,448	4,286,150
Bad Debts	214,112	3,505,050
Collection costs	82,931	35,199
Contracted services	625,139	780,390
Depreciation	13,589,439	13,325,819
Repairs and Maintenance	21,009,922	18,148,119
Interest Paid	15,400,648	11,630,838
Bulk Purchases	65,673,668	50,776,603
Grants and Subsidies Paid	14,841,837	12,884,092
General Expenses	75,078,336	58,530,908
Surplus for the Year	46,470,608	14,595,008
Adjustment for:		
Correction of prior year Error	(10,627,473)	(3,212,403)
Depreciation	13,589,439	13,325,819
Donation received - Medical stock	(984,437)	(661,867)
Medical stock dispensed	886,595	441,675
Contribution to Provisions - Non-Current	-	33,465,198
Contribution to Provisions - Current	1,149,056	1,187,804
Contribution to Bad Debt Provision	214,112	2,205,050
Operating lease income accrued	(18,314)	(6,318)
Operating lease expenses accrued	(4,964)	35,110
Investment Income	(22,124,562)	(15,312,649)
Interest Paid	15,400,648	11,630,838
Operating surplus before working capital changes	43,950,708	57,693,264

KOUGA LOCAL MUNICIPALITY
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(Increase)/Decrease in Inventories	1,276,303	3,316,485
(Increase)/Decrease in Consumer Debtors	(12,675,826)	(17,698,431)
(Increase)/Decrease in Current Portion of Long-term Receivables	87,630	(91,032)
(Increase)/Decrease in Other Debtors	(254,274)	(4,653,267)
(Increase)/Decrease in VAT	(3,403,947)	117,023
Cash payments made against provisions	(761,050)	(230,247)
Increase/(Decrease) in Conditional Grants and Receipts	9,211,607	(8,337,552)
Increase/(Decrease) in Creditors	(6,616,918)	12,153,196
Cash generated by / (utilised in) operations	<u>30,814,233</u>	<u>42,269,440</u>

41 CASH AND CASH EQUIVALENTS

2009	2008
R	R

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

Bank Balances and Cash	8,960	1,345,179
Bank Overdraft	(4,541,637)	-
Call investment deposits	47,503,350	68,063,302
Total Cash and Cash Equivalents	<u>42,970,673</u>	<u>69,408,481</u>

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.

42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 3)	79,550,484	86,484,955
Used to finance Property, Plant and Equipment - at cost	(60,720,058)	(73,240,320)
Sub-total	18,830,425	13,244,636
Cash set aside for the Repayment of Long-term Liabilities	87,683	87,683
Cash invested for Repayment of Long-term Liabilities (See note 15)	<u>18,742,742</u>	<u>13,156,953</u>

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.

43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

37.1 Unauthorised Expenditure

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

37.2 Fruitless and Wasteful Expenditure

To management's best of knowledge no fruitless and wasteful expenditure was incurred during the year under review.

37.3 Irregular Expenditure

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2009	2008
	R	R
<u>44.1 Contributions to organised local government - SALGA [MFMA 125 (1)(b)]</u>		
Opening Balance	-	-
Council Subscriptions	341,640	301,726
Amount Paid - current year	(341,640)	(301,726)
Amount Paid - previous years	-	-
Closing balance	-	-
<u>44.2 Audit Fees [MFMA 125 (1)(b)]</u>		
Opening Balance	-	-
Current year Audit Fee	2,918,454	1,996,203
Amount Paid - current year	(2,918,454)	(1,996,203)
Amount Paid - previous years	-	-
Closing balance	-	-
<u>44.3 VAT [MFMA 125 (1)(b)]</u>		
VAT refundable is shown in note 10. All VAT returns have been submitted by due dates throughout the year.		
<u>44.4 PAYE and UIF [MFMA 125 (1)(b)]</u>		
Opening Balance	863,656	805,442
Current year Payroll Deductions	12,234,677	10,309,331
Amount Paid - current year	(12,234,677)	(10,251,117)
Amount Paid - previous years	(863,656)	-
Balance Unpaid (included in Creditors)	-	863,656
<u>44.5 Pension and Medical Aid Deductions [MFMA 125 (1)(b)]</u>		
Opening Balance	-	-
Current year Payroll Deductions	5,921,065	19,827,908
Amount Paid - current year	(5,921,065)	(19,827,908)
Amount Paid - previous years	-	-
Closing balance	-	-

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

44.6 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 2009**:

Surname	Initials	Outstanding more than 90 days		Total
		Service accounts	Sundry accounts	
Rheeder	BF	-	4,197	4,197
Dennis	RH	-	3,774	3,774
Rollison	B	1,085	-	1,085
Lloyd	F	-	15,212	15,212
Ungerer	M	-	4,197	4,197
Tshume	M	-	4,197	4,197
Dlomo	M	-	6,085	6,085
Stuurman	VS	-	4,197	4,197
Felix	K	-	4,197	4,197
Cawood	C	-	6,085	6,085
August	C	2,263	4,197	6,460
Smith	D	-	964	964
		3,348	57,300	60,648

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

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

No known matters existed at reporting date.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
45 CAPITAL COMMITMENTS		
Commitments in respect of Capital Expenditure:		
- Approved and contracted for:-	41,602,602	57,325,822
- Approved but not yet contracted for:-	5,000,000	30,781,000
- Contracted but not yet approved	-	-
Total Capital Commitments	46,602,602	88,106,822
This expenditure will be financed from:		
Internal sources	6,824,307	46,778,780
External source	39,778,295	41,328,042
	46,602,602	88,106,822

46 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
Buildings combined	75,000
Machinery Breakdown	9,200
Motor	34,278
Personal Accident	250
Public Liability	50,000
Theft	2,500
	171,228

40.2 Possible claims against council

(i) Council is involved in a dispute with AEA Panel beaters in respect of storage cost for a damaged vehicle that was stored on their premises.

65,700

(ii) Council is involved in disputes with separate individuals in respect of land and civil claims against the municipality.

5,741,509

5,807,209

47 CONTINGENT ASSET

Council is involved in a dispute with MTN in respect of penalty charges for the early cancellation of cell-phone contracts with Altech Autopage Cellular (Pty) Ltd which MTN has taken over.

86,042

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

48 FINANCIAL INSTRUMENTS

48.1 Classification:

Financial Assets

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

	<u>Classification</u>	2009	2008
		R	R
<i>Investments</i>			
Fixed Deposits	Held to maturity	18,742,742	13,156,953
<i>Long-term Receivables</i>			
Kouga Cultural Centre	Loans and receivables	2,916,582	1,965,555
Staff debtors	Loans and receivables	433,326	216,381
<i>Consumer Debtors</i>			
	Loans and receivables	41,089,139	28,618,023
<i>Other Debtors</i>			
Sundry Debtors	Loans and receivables	11,362,158	11,107,883
<i>Current Portion of Long-term Receivables</i>			
Staff loans	Loans and receivables	127,825	215,455
<i>Short-term Investment Deposits</i>			
Call Deposits	Loans and receivables	47,503,350	68,063,302
<i>Bank Balances and Cash</i>			
Bank Balances	Available for sale	-	1,336,219
Cash Floats and Advances	Available for sale	8,960	8,960
VAT	Loans and receivables	5,691,565	2,287,618
Total Financial Assets		<u>127,875,647</u>	<u>126,976,349</u>
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Investments	Fixed Deposits	18,742,742	13,156,953
		<u>18,742,742</u>	<u>13,156,953</u>
Loans and Receivables			
Long-term Receivables	Kouga Cultural Centre	2,916,582	1,965,555
Long-term Receivables	Staff debtors	433,326	216,381
Consumer Debtors		41,089,139	28,618,023
Other Debtors	Sundry Debtors	11,362,158	11,107,883
Current Portion of Long-term Receivables	Staff loans	127,825	215,455
Short-term Investment Deposits	Call Deposits	47,503,350	68,063,302
VAT	VAT	5,691,565	2,287,618
		<u>109,123,944</u>	<u>112,474,217</u>
Available for Sale:			
Bank Balances and Cash	Bank Balances	-	1,336,219
Bank Balances and Cash	Cash Floats and Advances	8,960	8,960
		<u>8,960</u>	<u>1,345,179</u>
Total Financial Assets		<u>127,875,647</u>	<u>126,976,349</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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	2009 R	2008 R
<i>Long-term Liabilities</i>			
Annuity Loans	Not valued at FVTPL	69,019,614	73,468,939
<i>Consumer Deposits</i>			
Electricity and Water	Not valued at FVTPL	6,314,570	6,023,918
<i>Accounts payable</i>			
Trade creditors	Not valued at FVTPL	8,700,172	18,075,854
Payments received in advance	Not valued at FVTPL	6,327,265	4,381,534
Other creditors	Not valued at FVTPL	7,624,234	6,811,201
<i>Unspent Conditional Grants and Receipts</i>	Not valued at FVTPL	24,777,791	15,566,184
<i>Operating Lease Liability</i>			
Operating Lease Liability	Not valued at FVTPL	36,197	54,511
<i>Bank Overdraft</i>	Not valued at FVTPL	4,541,637	-
<i>Current Portion of Long-term Liabilities</i>			
Annuity Loans	Not valued at FVTPL	5,301,018	5,554,979
Total Financial Liabilities		132,642,499	129,937,120

48.2 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 23 and the Statement of Changes in Net Assets.

Gearing Ratio

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

Debt	79,550,484	86,484,955
Equity	1,411,206,675	121,202,005
Net debt to equity ratio	6%	71%

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.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

48.3 *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.

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.

48.4 *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.

48.5 *Market risk*

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.6 below). No formal policy exists to hedge volatilities in the interest rate market.

48.6 *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.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

48.7 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 18 is a listing of undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.

Liquidity and Interest Risk Tables

The tables following note 57 detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

48.8 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.

	2009	2008
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Fixed Deposit Investments	18,742,742	13,156,953
Long-term Receivables	3,477,733	2,397,391
Consumer Debtors	41,089,139	28,618,023
Other Debtors	11,362,158	11,107,883
Short-term Investment Deposits	47,503,350	68,063,302
Bank and Cash Balances	8,960	1,345,179
VAT	5,691,565	2,287,618
Maximum Credit and Interest Risk Exposure	127,875,647	126,976,349

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

49 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Kouga Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

Contributions made by the municipality amounted to R 10.18 million (2008: R 8.66 million) to the defined benefit and defined contribution structures and were expensed as incurred during the year under review.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation, as set out below.

DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

The Defined Benefit section of the fund is a multi-employer plan, and the contribution rate payable is 27%, 9% by the members, and 18% by Council.

The last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R 182,73 million (R 200,21 million) with a funding level of 106,5 (107,2 %), and is in a sound financial state as at 30 June 2008.

SALA Pension Fund

The 1 July 2007 actuarial valuation of SALA pension Fund the valuation results showed that it was 110% funded (2006: 106%). The valuator recommended that to retain a sound financial position, the employer continues to contribute at the current rate.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

This scheme was established to accommodate the unique characteristics of contract employees and 'cost to company' employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.

The fund was certified as being in a sound financial condition as at 30 June 2008 by the actuary. The valuation disclosed a funding level of 103.3% (2007 : 105.3%).

Cape Joint Retirement Fund

The contribution rate paid by the members (9%) and their councils (18%) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R 42,93 million (R 105,04 million) with a funding level of 112,2 % (137,4 %). Certified in a sound financial position as at 30 June 2008.

Municipal Councillors' Pension Fund

The Municipal Councillors' Pension Fund operates as a defined contribution scheme. The contribution rate paid by the member (13,75%) and their councils (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

The last actuarial valuation of the fund was undertaken at 30 June 2006, and the actuary reported that the fund was as a whole in a sound financial position, with a funding level of 106,5%.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

National Fund for Municipal Workers

The above mentioned fund is a defined contribution Fund and according to Regulation 2 of the Pension Funds Act no 24 of 1956 exempt from the provisions of sections 9A and 16 of the Act. The contribution rate paid by the members is 9.00 % and by the council is 18.00 %.

The latest voluntary valuation was done on 30 June 2007 (30 June 2006). As at 30 June 2007 the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs. The NFMW Retirement Fund does not have any reserve accounts or surpluses which could be allocated to members Fund records.

The last valuation performed revealed that the fund had an actuarial surplus of R 9,47 million (2006: R -4,27 million) with a funding level of 100.3% (2006: 99.8 %). The actuary was satisfied that the Fund continues to be able to meet its liabilities.

The retirement and pension funds are both defined contribution schemes. The last voluntary actuarial valuation of the fund was performed on 30 June 2006. As at 30 June 2006, the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions, plus investment returns, less administration costs.

South African Municipal Workers Union National Provident Fund

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the fund was performed at 30 June 2005, and certified as being in a financially sound position. The next statutory valuation was due on 30 June 2008, but is still in process.

Sanlam Provident Fund

The Sanlam Provident Fund is a defined contribution Fund.

The pensions paid from the fund are fully secured through annuity policies purchased from insurers and owned by the Member.

All liabilities of the Fund, to the extent that they exceeded the value of the member's individual accounts were fully underwritten by one or more registered insurers.

In terms of section 2(5)(a) of the Act, the EC 108 Provident Fund is exempted from the provisions of sections 9A and 16 of the Act. This Exemption will expire on 1 July 2010.

According to the Valuator Certificate in support of renewal of Valuation Exemption, on 01 July 2007, the assets are suitable considering the liabilities of the fund.

None of the above mentioned plans are state plans.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

50 RELATED PARTY TRANSACTIONS

50.1 Related party relationships:

	<i>Ward</i>	<i>Surname</i>	<i>Initials</i>
Councillors:	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
Directors:	Municipal Manager	Rankwana	E
	Chief Financial officer	Abdullah	R
	Director Corporate Services	Simanga	L
	Director Technical Services	Oosthuizen	E
	Director Human Resources and Economic and Social Development	Ngcayisa	J.M.
	Director Community Services	Dennis	F.P.
	Director Planning and Development	Dennis	F.P.
Municipal Entities:	Kouga Cultural Centre		
	Kouga Development Agency		

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

During the year the municipality rendered services to the following parties that are related to the municipality as indicated:

50.2 Related Party Transactions	Rates	Service charges	Other	Outstanding balances
Year ended 30 June 2009				
Councillors, Municipal Manager & Section 57	38,613	66,919	156,226	60,765,125
The following entities are under the control of				
Kouga Development Agency	-	7,969	-	-
Kouga Cultural Centre	-	15,767	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Year ended 30 June 2008				
Councillors, Municipal Manager & Section 57 Personnel	46,976	77,013	3,955	365,702
The following entities are under the control of councillors:				
Kouga Development Agency	-	6,928	12	495
Kouga Cultural Centre	-	11,043	-	960
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

50.3 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 16 to the Annual Financial Statements.

50.4 Compensation of key management personnel

The compensation of key management personnel is set out in note 32 to the Annual Financial Statements.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

50.5 Transactions with close family members of persons in the service of the state

The municipality traded with the following companies and individuals, which are considered to be Related Parties:

Company	Kouga employee	Department	Relation of Kouga employee to company owner/(s)	Designation	Amount of award R
DJ Enterprises	L. Jenneker	Finance	Wife	Manager Expenditure	199,779
Lippert Cabinets	C. Lippert L. Jenneker	Finance Finance	Wife Wife	EQS/ Admin Manager Expenditure	220,250
Owen Jeggels Tiling	L. Jeggels	Finance	Wife	PA: Director Finance	5,800
Jeggels media services	L. Jeggels	Finance	Sister in law	PA: Director Finance	25,666
Delevex 754 CC	J. Savage ET Savage	Finance Tech: Water & Sew	Sister In law Brother	Ass: Acc Income SNR Foreman: Water	2,245,964
GW Projects	J. Savage ET Savage	Finance Tech: Water & Sew	Sister In law Brother	Ass: Acc Income SNR Foreman: Water	48,345
Calandria 142 CC t/a NA Loodgieters	J. Savage ET Savage	Finance Tech: Water & Sew	Sister In law Brother	Ass: Acc Income Snr Foreman: Water	20,000
Central Bridge Trading	Zoleka Tshume	Finance	Wife	Creditor Clerk	-
Winternight Investment 340	Zoleka Tshume	Finance	Wife	Creditor Clerk	341,762
Meleni T	S. Meleni	Tech	Wife	Library Ass: J-bay	92,606
Lukabash Trading Enterprise	J. Ngayisa	HR	Husband	Dir: Human Resource	110,159
Gomez HP	Elsa Gomez	Mun. Manager	Wife	PA: Mun Manager	11,457
Cyclone Couriers	E. vd Merwe	Plan & Development	Wife	Senior Clerk	11,476
Symmington Jacques	Elsa Symmington	Finance	Wife	Operator	9,150
Glorias catering	M. Rosseauw	Finance	Sister	Ass Acc: Payroll	51,705
WJJ Gysman t/a JJ Builders	M. Gysman	Corporate	Daughter	Admin officer: Estates	21,858
BG Le Grange Surveys/ Jbay Wipes	G. Le Grange	Plan & Developm.	Brother	Building Inspector	46,729
W. Tengo Trust Project Trading	NC. Tengo	Corporate	Wife	Housekeeping Staff	21,200
Kouga Loo Cleansing & Transport	R. Mintoor	Community: Health	Brother	Snr Env. Health Off	3,600

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

50.6 Other related party transactions

Special Purpose Entity: St Francis Beach Trust (Also refer to note 53 below)

The Trust is a public benefit organization which has been established for the specific purpose of achieving the rehabilitation of the St Francis Bay beach including the construction of offshore submerged reefs and the ongoing dredging of the Kromme River estuary, together with other related activities for the benefit of the wider St Francis Bay community.

The municipality has expressed its support for the above Project via the Trust, and is willing to support the Trust to acquire external finance of R 30 million from INCA (Infrastructure Finance Corporation Limited) by providing security in the form of a dedicated revenue stream through the medium of a beach levy to be determined in terms of the relevant legislation.

50.7 Entities under the control of management or councillors

<i>Official Surname</i>	<i>Initials</i>	<i>Designation</i>	<i>Interest in CC</i>	<i>Shares/ Directorship in company</i>
Botha	N.S.	Councillor	NNF Bestuurs en Raadgewende Dienste	Eedenglen Aftree-Oord Kouga Cultural Centre
Dennis	R.H.	Counsellor	None	CPAD Fisheries (Pty) Ltd
Dennis	F.P.	Director: Planing & Development	Bright Idea Projects 524 CC Sizisa Ukhanyo Trading 282 CC Inition BEE Property Valuers and Consultants CC	Stanfred Technologies (PTY) Ltd
Dlomo	M	Councillor	None	Summer Sun Trading 195 (Pty) Ltd
Duvenage	D.E.	Manager IT	Marlyn Homes CC	None
Jansen	J.	Director: Act Town Planning	None	Carmelo Investments 118 (Pty) Ltd Gemini Moon Trading 121 (PTY) Ltd
Njela	C.J.	Councillor	Escalators Investment CC	None
Rankwana	E.M.	Municipal Manager	Grow-Sers CC	None
Rheeder	B.F.	Councillor	None	Kouga Cultural Centre
Strydom	C	Manager LED	Erf 1303 Jeffreysbaai CC Seafront Restaurant CC Waterkant 1298 CC Gedeelte 10 Erf 384 Linden-Uitbreiding CC	None

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Stuurman	V.S.	Councillor	Taking A Change Trading CC	Island House Trading 115 (Pty) ltd Sweet Breeze Investment (PTY) Ltd
Tshume	K.M.	Councillor	Sifikile Fishing CC	Kouga Cultural Centre Kouga Cultural Centre Tshume And Smit Transport (PTY) Ltd
Woni	T	Manager IDP	Dontchemistry Training And Suppliers CC Fountain Of Knowledge CC	Sindwezama Fishing (PTY) Ltd

51 IN-KIND DONATIONS AND ASSISTANCE

No in-kind donations and assistance were received.

52 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year

53 EVENTS AFTER THE REPORTING DATE

Special Purpose Entity: St Francis Beach Trust (Also refer to note 50.6 above)

It is the intention of the municipality to withdraw its financial support from both the financial institution and the trust.

54 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)".

55 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of prior period errors (note 39).

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

56 CHANGE IN ESTIMATES

56.1 Provision for the rehabilitation of Land-fill Sites

The discount rate used is annually adjusted based on the average borrowing cost calculated for Kouga Municipality. The cost factors derived from the study have been applied and projected at an annual inflation rate of 7% (2008: 7%) and discounted to present value at a rate of 11% (2008: 15%).

Effect in the current period:

If the same rate (15%) that was utilised in 2008 was applied in the current year, to discount future rehabilitation cost to its net present value, the current year's expenditure would have been R 2,982,601 less and accumulated surplus as at 30 June 2009 would have been more with the same amount.

Effect in future periods:

The amount of the effect of the change in estimate in future periods is not disclosed because estimating it is impracticable.

57 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these financial statements the municipality has not applied the following GRAP standards that have been issued but is not yet effective:

GRAP 18 Segment Reporting
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 103 Heritage Assets

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Liquidity Risk Management (refer to note 47.8)

Liquidity and Interest Risk Tables

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

Description	Note ref in AFS	Loan Number	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#		%	R	R	R	R		R
30 June 2009									
<u>Non-interest Bearing</u>				28,966,241	28,966,241	-	-	-	-
- Creditors	8			22,651,671	22,651,671				
- Consumer Deposits	8			6,314,570	6,314,570				
<u>Variable Interest Rate Instruments</u>				985,698	249,817	249,817	379,471	106,594	-
- Wesbank - sewerage trucks		533	14.00%	463,737	132,381	132,381	198,975		
- Wesbank - P.O.S		534	15.41%	28,766	14,383	14,383			
- Wesbank - P.O.S		535	14.49%	42,124	19,105	19,105	3,913		
- Wesbank - Health		536	14.00%	72,397	17,375	17,375	37,646		
- Wesbank - Health		537	14.00%	75,293	17,375	17,375	40,542		
- Wesbank		547	14.00%	303,382	49,197	49,197	98,394	106,594	
<u>Fixed Interest Rate Instruments</u>				110,262,364	7,301,486	7,301,486	14,602,973	52,451,906	28,604,512
- Absa		528	14.50%	211,311	12,843	12,843	25,687	77,061	82,876
- ASDR		513	14.25%	51,244	12,240	12,240	24,480	2,284	
- DBSA		145	12.00%	6,384,300	425,620	425,620	851,240	2,553,720	2,128,100
- DBSA		146	12.00%	1,032,564	68,838	68,838	137,675	413,026	344,188
- DBSA		147	12.00%	3,190,216	212,681	212,681	425,362	1,276,086	1,063,405
- DBSA (LALF)		485	15.22%	209,211	13,989	13,989	27,978	83,934	69,322
- DBSA (LALF)		489	15.22%	83,839	5,589	5,589	11,178	33,535	27,946
- DBSA (LALF)		490	15.22%	331,312	22,087	22,087	44,175	132,525	110,437

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Liquidity Risk Management (continued)

Description	Note ref in AFS	Loan Number	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#		%	R	R	R	R		R
- DBSA (LALF)		492	15.22%	18,012	1,201	1,201	2,402	7,205	6,004
- DBSA (LALF)		494	15.22%	78,576	5,238	5,238	10,477	31,430	26,192
- DBSA (LALF)		495	15.77%	250,189	16,679	16,679	33,358	100,075	83,396
- DBSA (LALF)		496	15.77%	33,489	2,233	2,233	4,465	13,396	11,163
- DBSA (LALF)		498	13.46%	97,262	6,484	6,484	12,968	38,905	32,421
- DBSA (LALF)		499	13.46%	359,818	23,988	23,988	47,976	143,927	119,939
- DBSA (LALF)		501	14.75%	367,670	24,511	24,511	49,023	147,068	122,557
- DBSA (LALF)		502	16.19%	1,669,689	111,313	111,313	222,625	667,876	556,563
- DBSA (LALF)		503	16.19%	20,357	1,357	1,357	2,714	8,143	6,786
- DBSA		505	15.00%	3,652,643	243,509	243,509	487,019	1,461,057	1,217,548
- DBSA		506	16.50%	56,608	3,774	3,774	7,548	22,643	18,869
- DBSA		507	16.50%	657,108	43,807	43,807	87,614	262,843	219,036
- DBSA		508	16.50%	710,480	47,365	47,365	94,731	284,192	236,827
- DBSA		509	16.50%	1,067,830	71,189	71,189	142,377	427,132	355,943
- DBSA (LALF)		512	16.19%	88,667	5,911	5,911	11,822	35,467	29,555
- DBSA (LALF)		514	16.19%	126,480	8,432	8,432	16,864	50,592	42,160
- DBSA (LALF)		515	16.50%	201,224	13,415	13,415	26,830	80,489	67,074
- DBSA (LALF)		521	10.25%	226,189	15,079	15,079	30,159	90,476	75,397
- DBSA (LALF)		522	15.50%	482,016	32,134	32,134	64,269	192,806	160,672
- DBSA (LALF)		523	16.00%	916,975	61,132	61,132	122,263	366,790	305,658
- DBSA (LALF)		524	16.00%	10,226,110	681,741	681,741	1,363,481	4,090,444	3,408,703
- DBSA		525	15.25%	913,169	60,878	60,878	121,756	365,268	304,390
- DBSA		526	15.25%	5,997,839	399,856	399,856	799,712	2,399,136	1,999,280
- DBSA		531	11.185%	12,396,359	386,585	386,585	773,170	2,319,510	8,530,509
- DBSA		538	8.995%	119,014	14,877	14,877	29,754	59,507	
- DBSA		539	8.995%	419,432	52,429	52,429	104,858	209,716	
- DBSA		540	8.995%	91,359	11,420	11,420	22,840	45,679	
- DBSA		541	8.995%	487,922	60,990	60,990	121,981	243,961	
- DBSA		542	8.995%	419,432	52,429	52,429	104,858	209,716	

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Liquidity Risk Management (continued)

Description	Note ref in AFS	Loan Number	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#		%	R	R	R	R		R
- DBSA		543	9.27%	1,756,326	125,452	125,452	250,904	752,711	501,807
- DBSA		544	9.27%	4,123,139	294,510	294,510	589,020	1,767,059	1,178,040
- DBSA		545	9.27%	1,179,817	84,273	84,273	168,545	505,636	337,091
- DBSA		546	9.27%	589,909	42,136	42,136	84,273	252,818	168,545
- Inca Redemption Fund		379	15.50%	5,240,000	310,000	310,000	620,000	4,000,000	
- Inca Redemption Fund		380	15.50%	10,057,040	594,978	594,978	1,189,955	7,677,130	
- INCA		381	15.20%	2,690,093	384,299	384,299	768,598	1,152,897	
- Inca Redemption Fund		517	15.50%	6,243,750	348,750	348,750	697,500	4,848,750	
- Inca Redemption Fund		518	16.80%	4,856,250	271,250	271,250	542,500	3,771,250	
- INCA		530	12.60%	3,583,731	447,966	447,966	895,933	1,791,866	
- INCA - Bulk water		532	11.16%	16,296,396	1,164,028	1,164,028	2,328,057	6,984,170	4,656,113
<u>Financial Guarantee Contracts</u>				-	-	-	-	-	-
				140,214,303	36,517,544	7,551,303	14,982,444	52,558,500	28,604,512
30 June 2008									
<u>Non-interest Bearing</u>				29,268,589	29,268,589	-	-	-	-
- Creditors	8			29,268,589	29,268,589				
- Consumer Deposits	8			6,023,918	6,023,918				
<u>Variable Interest Rate Instruments</u>				1,468,749	244,121	238,930	499,634	486,064	-
- Wesbank - sewerage trucks		533	14.00%	714,633	126,666	124,230	264,762	198,975	
- Wesbank - P.O.S		534	15.41%	57,569	14,492	14,311	28,766		
- Wesbank - P.O.S		535	14.49%	77,972	18,051	17,798	38,211	3,913	
- Wesbank - Health		536	14.00%	105,130	16,550	16,183	34,750	37,646	
- Wesbank - Health		537	14.00%	108,149	16,618	16,239	34,750	40,542	
- Wesbank		547	14.00%	405,296	51,745	50,169	98,394	204,988	

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Liquidity Risk Management (continued)

Description	Note ref in AFS	Loan Number	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#		%	R	R	R	R		R
<u>Fixed Interest Rate Instruments</u>				124,713,065	7,225,860	7,224,841	14,602,973	57,575,162	38,084,229
- Absa		528	14.50%	236,521	13,115	12,095	25,687	77,061	108,563
- ASDR		513	14.25%	75,724	12,240	12,240	24,480	26,764	
- DBSA		145	12.00%	7,236,010	425,855	425,855	851,240	2,553,720	2,979,340
- DBSA		146	12.00%	1,170,315	68,876	68,876	137,675	413,026	481,863
- DBSA		147	12.00%	3,615,813	212,799	212,799	425,362	1,276,086	1,488,768
- DBSA (LALF)		485	15.22%	237,204	13,997	13,997	27,978	83,934	97,299
- DBSA (LALF)		489	15.22%	95,023	5,592	5,592	11,178	33,535	39,125
- DBSA (LALF)		490	15.22%	375,511	22,100	22,100	44,175	132,525	154,612
- DBSA (LALF)		492	15.22%	20,415	1,201	1,201	2,402	7,205	8,405
- DBSA (LALF)		494	15.22%	89,059	5,241	5,241	10,477	31,430	36,669
- DBSA (LALF)		495	15.77%	283,566	16,688	16,688	33,358	100,075	116,755
- DBSA (LALF)		496	15.77%	37,957	2,234	2,234	4,465	13,396	15,628
- DBSA (LALF)		498	13.46%	110,238	6,488	6,488	12,968	38,905	45,389
- DBSA (LALF)		499	13.46%	407,820	24,001	24,001	47,976	143,927	167,915
- DBSA (LALF)		501	14.75%	416,720	24,525	24,525	49,023	147,068	171,580
- DBSA (LALF)		502	16.19%	1,892,437	111,374	111,374	222,625	667,876	779,188
- DBSA (LALF)		503	16.19%	23,073	1,358	1,358	2,714	8,143	9,500
- DBSA		505	15.00%	4,139,930	243,644	243,644	487,019	1,461,057	1,704,567
- DBSA		506	16.50%	64,160	3,776	3,776	7,548	22,643	26,417
- DBSA		507	16.50%	744,770	43,831	43,831	87,614	262,843	306,650
- DBSA		508	16.50%	805,263	47,392	47,392	94,731	284,192	331,557
- DBSA		509	16.50%	1,210,286	71,228	71,228	142,377	427,132	498,321
- DBSA (LALF)		512	16.19%	100,495	5,914	5,914	11,822	35,467	41,378
- DBSA (LALF)		514	16.19%	143,353	8,437	8,437	16,864	50,592	59,024
- DBSA (LALF)		515	16.50%	228,068	13,422	13,422	26,830	80,489	93,904
- DBSA (LALF)		521	10.25%	256,365	15,088	15,088	30,159	90,476	105,555
- DBSA (LALF)		522	15.50%	546,321	32,152	32,152	64,269	192,806	224,941
- DBSA (LALF)		523	16.00%	1,039,306	61,165	61,165	122,263	366,790	427,922
- DBSA (LALF)		524	16.00%	11,590,344	682,117	682,117	1,363,481	4,090,444	4,772,185

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Liquidity Risk Management (continued)

Description	Note ref in AFS	Loan Number	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#		%	R	R	R	R	R	R
- DBSA		525	15.25%	1,034,993	60,912	60,912	121,756	365,268	426,146
- DBSA		526	15.25%	6,797,993	400,077	400,077	799,712	2,399,136	2,798,992
- DBSA		531	11.185%	13,179,903	391,772	391,772	773,170	2,319,510	9,303,679
- DBSA		538	8.995%	149,616	14,945	15,657	29,754	89,261	
- DBSA		539	8.995%	527,280	52,668	55,180	104,858	314,574	
- DBSA		540	8.995%	114,850	11,472	12,019	22,840	68,519	
- DBSA		541	8.995%	613,381	61,269	64,190	121,981	365,942	
- DBSA		542	8.995%	527,280	52,668	55,180	104,858	314,574	
- DBSA		543	9.27%	2,006,129	125,958	123,845	250,904	752,711	752,711
- DBSA		544	9.27%	4,709,575	295,699	290,738	589,020	1,767,059	1,767,059
- DBSA		545	9.27%	1,347,623	84,613	83,193	168,545	505,636	505,636
- DBSA		546	9.27%	673,812	42,307	41,597	84,273	252,818	252,818
- Inca Redemption Fund		379	15.50%	5,860,000	310,000	310,000	620,000	4,620,000	
- Inca Redemption Fund		380	15.50%	11,246,995	594,978	594,978	1,189,955	8,867,085	
- INCA		381	15.20%	3,458,691	384,299	384,299	768,598	1,921,495	
- Inca Redemption Fund		517	15.50%	6,941,250	348,750	348,750	697,500	5,546,250	
- Inca Redemption Fund		518	16.80%	5,227,511	185,630	185,630	542,500	4,313,750	
- INCA		530	12.60%	4,479,664	447,966	447,966	895,933	2,687,798	
- INCA - Bulk water		532	11.16%	18,624,453	1,164,028	1,164,028	2,328,057	6,984,170	6,984,170
<u>Financial Guarantee Contracts</u>				-	-	-	-	-	-
				155,450,403	36,738,570	7,463,771	15,102,607	58,061,226	38,084,229

APPENDIX A

KOUGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance previously reported as at 30/06/2008	Received during the year	Redeemed/ Written Off during Period	Balance at 30/06/2009
	R	%			R	R	R	R
ANNUITY LOANS								
ABSA								
ABSA	166,000	14.50%	528	30/11/2016	131,668		(5,857)	125,811
Total ABSA	166,000				131,668	-	(5,857)	125,811
ASDR								
ASDR	150,000	14.25%	513	30/12/2011	59,529		(16,567)	42,962
Total ASDR	1,050,000				59,529	-	(16,567)	42,962
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	27,919,542		(1,827,820)	26,091,722
DBSA (LALF)	430,920	15.22%	486	30/09/2007	-			-
DBSA (LALF)	449,158	15.22%	491	30/09/2007	-			-
DBSA	6,128,561	11.185%	531	30/09/2024	5,839,390		(133,994)	5,705,396
DBSA	1,600,000	8.995%	538 - 542	31/03/2013	1,600,000		(266,366)	1,333,634
DBSA	6,000,000	9.265%	543 - 546	31/03/2016	6,000,000		(534,888)	5,465,112
Total DBSA	47,721,277				41,358,932	-	(2,763,068)	38,595,864

APPENDIX A

KOUGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance previously reported as at 30/06/2008	Received during the year	Redeemed/ Written Off during Period	Balance at 30/06/2009
	R	%			R	R	R	R
INCA								
Inca Redemption Fund	4,000,000	15.50%	379	30/06/2011	4,000,000	-	-	4,000,000
Inca Redemption Fund	7,677,130	15.50%	380	30/06/2011	7,677,130	-	-	7,677,130
INCA	4,000,000	15.20%	381	31/12/2012	2,440,175		(412,565)	2,027,611
Inca Redemption Fund	4,500,000	15.50%	517	30/06/2011	4,500,000	-	-	4,500,000
Inca Redemption Fund	3,500,000	16.80%	518	30/06/2011	3,500,000	-	-	3,500,000
INCA	5,000,000	13.00%	530	30/06/2013	3,249,646		(501,570)	2,748,075
INCA - Bulk water	13,000,000	11.160%	532	30/06/2016	12,106,838		(1,003,659)	11,103,179
Total INCA	41,677,130				37,473,789	-	(1,917,794)	35,555,995
Total Annuity Loans	90,614,407				79,023,918	-	(4,703,286)	74,320,632
CAPITALISED LEASE LIABILITIES:								
Wesbank								
Wesbank - sewerage trucks	922,982	14.00%	533	28/02/2011	578,449		(186,849)	391,600
Wesbank - P.O.S	107,520	15,409%	534	30/06/2010	50,821		(23,774)	27,047
Wesbank - P.O.S	133,046	14,489%	535	31/08/2010	67,655		(28,871)	38,784
Wesbank - Health	119,350	14.00%	536	31/07/2008	82,867		(23,331)	59,536
Wesbank - Health	119,350	14.00%	537	31/08/2011	84,986		(23,164)	61,822
Wesbank	420,215	14.000%	547	31/07/2012	321,240		(63,706)	257,534
Total Wesbank	1,822,463				1,186,018	-	(349,696)	836,322
Operating leases reclassified as finance leases					6,275,019	74,473	(1,955,962)	4,393,530
Total capitalised lease liabilities	1,822,463				7,461,038	74,473	(2,305,658)	5,229,852
TOTAL EXTERNAL LOANS	92,436,870				86,484,955	74,473	(7,008,944)	79,550,484

APPENDIX B

KOUGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation							Accumulated Depreciation / Impairment				Infrastructure	Carrying	
	Opening Balance	Additions	Adjustment WIP in BF	Under Construction	Land Adjustment	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Adjustment Carrying Value	Value
	R	R		R		R	R	R	R		R		R	
Infrastructure														
Access control	16,900	66,117					83,017	1,139	9,740	0		10,879		72,139
Car parks	1,441,618			584,170			2,025,788	901,621	80,029	45,262		1,026,912		998,876
Fencing	1,201,202	207,185					1,408,388	679,771	164,831	(66,509)		778,094		630,294
Footways	1,561,901						1,561,901	1,279,885	32,474	11,539		1,323,898		238,003
Electricity Mains	6,631,557	7,083,373					13,714,930	132,699	176,420	0		309,119	6,136,417	19,542,229
Water Mains	21,699,702	1,174,392	(16,012,849)	13,229,143			20,090,388	63,919	145,797	0		209,716	4,800,410	24,681,082
Water Meters	235,775						235,775	151,093	11,789	(150,968)		11,913		223,861
Electricity Meters	354,196	5,879					360,076	18,794	18,664	150,888		188,346		171,729
Paving	88,486			6,006,618			6,095,104	88,486		0		88,486		6,006,618
Purification works	5,549,920		(4,354,655)	10,046,547			11,241,811	1,826,392	273,602	32,273		2,132,266	8,639,617	17,749,162
Other roads	39,752,084	992,005	(2,355,848)	5,624,625			44,012,866	27,899,477	1,391,126	(899,625)		28,390,979		15,621,887
Outfall Sewers	2,425,303		(3,321,901)	6,015,842			5,119,244	0		0		0		5,119,244
Reservoirs	3,327,839	1,717,880	(3,145,198)	2,024,980			3,925,502	1,105,538	20,564	20,620		1,146,722	70,288,186	73,066,967
Runways	50,000						50,000	26,122	2,500	666		29,288		20,712
Security system	370,093	20,878					390,971	106,777	72,369	226		179,372		211,599
Sewers	77,350,266	11,469,193	(20,432,479)	3,130,392			71,517,372	29,380,068	2,172,695	567,862		32,120,625	30,813,054	70,209,801
Sewerage pumps	4,920,756	28,184	(123,276)	5,649,418			10,475,082	3,105,163	156,858	(21,572)		3,240,449	23,208,725	30,443,358
Street lighting	1,674,247		(1,001,263)	1,001,263			1,674,247	343,413	18,835	8,784		371,033		1,303,215
Tools							20,699.55			(20,700)		-		-
Taxiways	0			408,562			408,562	-		-		-		408,562
Electricity Reticulation	48,518,345	2,280,414	(3,107,449)	1,632,420			49,323,730	29,585,687	1,602,389	433,123		31,621,200	26,544,961	44,247,492
Water Reticulation	39,727,375	2,358,271	(7,099,563)	6,059,735			41,045,819	23,535,942	1,022,558	368,842		24,927,342	102,486,610	118,605,087
Stormwater drains	2,817,099	21,910	(175,146)	175,146			2,839,009	1,181,847	184,342	96,803		1,462,992		1,376,016
Switchgear equipment	25,391	8,772					34,163	21,568	1,782	2,401		25,751	83,292,833	83,301,244
Traffic islands	33,885						33,885	33,038		847		33,885		0
Traffic lights	150,309						150,309	139,836	1,020	273		141,129		9,180
												0		0
	259,924,251	27,434,455	(61,129,628)	61,588,861	0	0	287,817,939	121,628,974	7,560,382	581,037	0	129,770,394	356,210,813	514,258,358
Community Assets														
Beach development	3,326,994	6,750					3,333,744	2,150,207	166,999	140,778		2,457,985		875,759
Bowling greens	102,081						102,081	102,081		0		102,081		0
Buildings	0						0	0	(483,518)	0		(483,518)		483,518
Care centres	1,211,068				477,000		1,688,068	1,211,068		0		1,211,068		477,000
Cemeteries	339,340						339,340	292,240	10,229	10,257		312,725		26,615
Cemetery	0						0	1,967		(1,967)		0		0
Clinics	1,190,953		(561,448)	2,507,609			3,137,115	998,932	15,959	7,982		1,022,874		2,114,241
Community centr	11,677,235				3,709,000		15,386,235	4,345,615	309,076	588,859		5,243,550		10,142,685
Fire stations	202,383						202,383	106,784	6,246	2,097		115,127		87,256
Floodlighting	0	22,264					22,264	0	805	0		805		21,459

APPENDIX B

KOUGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation							Accumulated Depreciation / Impairment				Infrastructure	Carrying	
	Opening Balance	Additions	Adjustment WIP in BF	Under Construction	Land Adjustment	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Adjustment Carrying Value	Value
	R	R		R		R	R	R	R		R		R	
Golf courses	1,964,882						1,964,882	1,960,883	769	3,229		1,964,882		0
Housing Schemes	2,018,416		(2,018,416)				0	1,728,138		(1,728,138)		0		(0)
Indoor sports	38,000						38,000	38,000		0		38,000		0
Jukshei pitches	26,000						26,000	26,000		0		26,000		0
Lakes and dams	56,438						56,438	56,438		0		56,438		0
Libraries	2,124,825				423,000		2,547,825	1,945,697	30,473	28,716		2,004,887		542,939
Municipal build	1,989,277	14,222	(1,825)		26,265,500		28,267,174	1,533,244	31,081	23,519		1,587,844		26,679,330
Museum/art gall	1,688,440						1,688,440	1,413,761	56,175	52,820		1,522,756		165,684
Office Building	433,225	556,587	(234,347)	234,347			989,813	4,476,798	212,339	(405,176)		4,283,961		(3,294,148)
Organ and case	5,440						5,440	5,440		0		5,440		0
Outdoor sports	1,701,702			5,164,853			6,866,555	1,673,186	3,279	1,638		1,678,103		5,188,452
Parks	2,698,086				342,584,500		345,282,586	2,649,524	4,167	2,748		2,656,439		342,626,147
Public convenie	2,019,941	91,235	(83,821)		13,240,000		15,267,355	1,950,901	27,128	29,240		2,007,269		13,260,086
Recreation cent	615,017			1,602,980			2,217,997	508,143	20,031	15,511		543,685		1,674,312
Refuse site	3,820,000	3,346,503					7,166,503	0		0		0		7,166,503
Swimming pools	17,000						17,000	17,000		0		17,000		0
Tennis courts	251,966						251,966	251,966		0		251,966		0
Workshop	2,128,222						2,128,222	1,862,893	37,158	26,179		1,926,230		201,991
												0		0
	41,646,929	4,037,562	(2,899,857)	9,509,789	386,699,000	0	438,993,424	31,306,905	448,396	(1,201,706)	0	30,553,595	0	408,439,829
Heritage Assets														
	(0)	0	0	0		0	(0)	0	0	0	0	0	0	(0)
Housing														0
Housing Schemes	93,750		1,924,666	1,444,194	60,440,250		63,902,860	0	18,954	1,759,324		1,778,278		62,124,582
	93,750	0	1,924,666	1,444,194	60,440,250	0	63,902,860	0	18,954	1,759,324	0	1,778,278	0	62,124,582
Investment Assets														
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets														
Air conditioner	142,383	99,136					241,519	68,926	31,513	1,935		102,373		139,146
Cabinets/cupboa	97,390	303,233					400,624	87,484	16,266	(559)		103,190		297,433
Canopy	7,500						7,500	0	1,500	0		1,500		6,000
Caravan parks	1,253,812						1,253,812	1,169,387	9,996	7,468		1,186,850		66,963
Chairs	303,340	114,205					417,546	176,586	30,869	23,277		230,732		186,814

APPENDIX B

KOUGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Infrastructure	Carrying
	Opening Balance	Additions	Adjustment WIP in BF	Under Construction	Land Adjustment	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Adjustment Carrying Value	Value
	R	R		R		R	R	R	R		R		R	
Computer hardware	2,687,787	920,315	(1,307)				3,606,795	1,592,014	353,124	23,870		1,969,008		1,637,788
Cremators	32,459						32,459	32,459		0		32,459		0
Bulk containers	0	6,700					6,700	0	562	0		562		6,138
Compactor - plant	0	20,600					20,600	0	2,607	0		2,607		17,993
Emergency light	0	72,383					72,383	0	8,478	0		8,478		63,904
Electrical equipment	814,821	33,151					847,972	153,767	166,442	0		320,209		527,762
Aparatus	39,390	2,500					41,890	4,943	8,006	0		12,949		28,941
Equipment	0	95,815					95,815	0	3,177	0		3,177		92,638
Fire equipment	414,728	16,195					430,923	295,434	15,036	22,826		333,296		97,626
Hoist - refuse	0	433,624					433,624	0	43,384	0		43,384		390,240
General plant	1,793,457	122,745					1,916,202	1,498,118	96,252	55,730		1,650,100		266,102
GROUND	32,233,387		(32,233,387)		297,515,600		297,515,600	(244,480)		244,480		0		297,515,600
Household refus	262,591						262,591	262,591	16,520	(29,099)		250,012		12,579
Irrigation syst	219,746						219,746	219,746		0		219,746		0
Markets	129,840						129,840	129,840		0		129,840		0
Miscellaneous furniture	725,741	480,368					1,206,110	383,723	133,259	(148,302)		368,680		837,430
Office machines	283,416	4,095					287,511	185,144	5,249	83,382		273,776		13,735
Pumps	4,280,703	148,618					4,429,321	5	17,351	0		17,356		4,411,965
Radio equipment	103,989	56,078					160,067	91,605	7,130	(0)		98,734		61,333
Tools	0	145,394					145,394	0	16,106	0		16,106		129,288
Tables/desks	281,673	117,186					398,859	139,719	31,881	4,090		175,690		223,169
Telecommunication	0	14,309					14,309	0	1,616	0		1,616		12,693
Tip sites	428,495						428,495	367,063	9,070	6,501		382,635		45,860
Generator	0	56,805					56,805	0	1,975	0		1,975		54,830
Town planning	1,390,352						1,390,352	1,389,366	14,653	(63,490)		1,340,529		49,823
Trailers	248,778	8,418					257,196	152,258	22,751	0		175,010		82,187
Transport facil	61,943						61,943	61,943		0		61,943		(0)
Vacant land	5,133,103				152,752,897	157,886,000	0	5,086,047		0	5,086,047	0		0
Vehicles	12,860,680	326,359					13,187,039	3,895,666	1,815,345	(1,130,941)		4,580,070		8,606,968
Watercraft/boat	489,183	96,404					585,587	441,176	4,296	48,007		493,480		92,107
Fire engines	0						0	0		0		0		0
Lawnmowers	966,696						966,696	728,175	259,211	(78,089)		909,297		57,399
Trucks/bakkies	1,759,058	449,475					2,208,533	1,109,563	183,311	0		1,292,874		915,659
Tractors	1,694,300						1,694,300	371,274	137,100	24,520		532,894		1,161,406
Compressors	0	4,647					4,647	0	532	0		532		4,115
	71,140,744	4,148,756	(32,234,693)	0	450,268,497	157,886,000	335,437,304	19,849,543	3,464,568	(904,393)	5,086,047	17,323,670	0	318,113,633
Finance leased assets	10,323,560	74,473	0	0	0	0	10,398,033	5,385,434	1,873,708	0	0	7,259,142	0	3,138,891
Total	383,129,234	35,695,245	(94,339,512)	72,542,844	897,407,747	157,886,000	1,136,549,558	178,170,856	13,366,009	234,262	5,086,047	186,685,080	356,210,813	1,306,075,292

APPENDIX C

KOUGA LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation								Accumulated Depreciation / Impairment					Infrastructure	Carrying Value
	Opening Balance	Transfers	Additions	Adjustmnt WIP in BF	Under Construction	Land adjustment	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Adjustment Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	9,566,914	26,292,728	126,613	(32,233,387)	-	450,268,497	157,886,000	296,135,365	4,847,007	-	244,480	5,086,047	5,440	-	296,129,925
Finance and Administration	12,674,526	32,570,831	3,726,545	(237,479)	234,347	26,265,500	-	75,234,271	20,468,541	4,264,460	(1,565,235)	-	23,167,766	-	52,066,505
Planning and Development	33,396,526	(32,115,830)	144,721	-	-	-	-	1,425,416	1,519,206	14,653	(63,490)	-	1,470,369	-	(44,953)
Health	1,115,103	-	58,127	-	-	-	-	1,173,230	-	-	-	-	0	-	1,173,230
Community and Social Services	92,212,269	(90,390,912)	-	-	-	4,609,000	-	6,430,357	7,796,587	349,778	625,865	-	8,772,230	-	(2,341,873)
Housing	93,750	-	104,596	(93,750)	1,444,194	60,440,250	-	61,989,040	1,728,138	18,954	31,186	-	1,778,278	-	60,210,762
Public Safety	3,288,959	13,975	-	(561,448)	2,507,609	-	-	5,249,096	1,599,532	116,740	33,131	-	1,749,403	-	3,499,693
Sport and Recreation	2,118,716	5,799,171	104,822	-	6,767,833	-	-	14,790,542	7,896,853	201,074	168,624	-	8,266,551	-	6,523,992
Environmental Protection	-	3,402,012	318,018	(83,821)	-	355,824,500	-	359,460,709	6,828,231	324,480	(34,562)	-	7,118,149	-	352,342,560
Waste Management	95,072,308	(86,362,806)	3,780,127	-	-	-	-	12,489,629	662,113	69,536	(22,597)	-	709,051	-	11,780,578
Waste Water Management	13,975	97,641,565	11,874,682	(28,232,312)	24,842,199	-	-	106,140,109	34,311,622	2,603,154	578,563	-	37,493,340	62,661,396	131,308,165
Roads and Transport	103,948	50,278,426	1,054,138	(3,532,257)	13,800,384	-	-	61,704,638	34,248,173	2,150,092	(618,732)	-	35,779,534	-	25,925,104
Water	72,167,181	(4,086,488)	5,250,544	(26,257,610)	21,313,858	-	-	68,387,486	24,912,935	1,221,235	238,493	-	26,372,663	177,575,206	219,590,028
Electricity	61,305,059	(3,042,673)	9,152,311	(3,107,449)	1,632,420	-	-	65,939,669	31,351,919	2,031,854	618,533	-	34,002,305	115,974,211	147,911,574
Total	383,129,234	-0	35,695,245	(94,339,512)	72,542,844	897,407,747	157,886,000	1,136,549,558	178,170,857	13,366,009	234,261	5,086,047	186,685,080	356,210,813	1,306,075,291

APPENDIX D
KOUGA LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income	2008 Actual Expenditure	2008 Surplus/ (Deficit)	Description	2009 Actual Income	2009 Actual Expenditure	2009 Surplus/ (Deficit)
R	R	R		R	R	R
73,189	(15,580,757)	(15,507,568)	Executive and Council	135,399	(19,528,076)	(19,392,677)
144,730,396	(75,662,489)	69,067,907	Finance and Admin	130,382,584	(48,476,964)	81,905,620
2,072,516	(8,512,981)	(6,440,466)	Planning and development	2,360,087	(10,702,269)	(8,342,182)
1,709,468	(2,752,105)	(1,042,637)	Health	4,507,503	(3,161,600)	1,345,903
265,789	(4,953,947)	(4,688,158)	Community and Social Services	155,710	(5,663,549)	(5,507,839)
11,651,272	(12,834,806)	(1,183,534)	Housing	9,157,184	(11,041,899)	(1,884,714)
6,794,967	(15,124,648)	(8,329,681)	Public Safety	19,468,218	(30,257,364)	(10,789,146)
1,550,982	(5,437,554)	(3,886,572)	Sport and Recreation	6,837,451	(7,198,462)	(361,011)
889,606	(14,250,858)	(13,361,252)	Environmental Protection	3,099,873	(14,984,821)	(11,884,948)
14,905,547	(22,151,430)	(7,245,883)	Waste Management	23,955,570	(25,717,741)	(1,762,171)
21,279,860	(21,476,817)	(196,958)	Waste Water Management	30,977,720	(23,489,591)	7,488,129
2,623,826	(17,842,400)	(15,218,574)	Road Transport	8,391,400	(19,894,201)	(11,502,801)
32,346,458	(32,355,564)	(9,105)	Water	40,049,089	(30,915,271)	9,133,818
72,262,188	(58,002,921)	14,259,267	Electricity	91,260,961	(73,236,335)	18,024,626
313,156,064	(306,939,277)	6,216,788	Sub-Total	370,738,750	(324,268,142)	46,470,608
-	8,378,220	8,378,220	Less: Inter-departmental Charges	-	-	-
313,156,064	(298,561,057)	14,595,008	Total	370,738,750	(324,268,142)	46,470,608

APPENDIX E(1)
KOUGA LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

Description	2008/2009 Actual	2008/2009 Budget	2008/2009 Variance	2008/2009 Variance	Explanation of Significant Variances Greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	77,719,212	80,782,470	(3,063,258)	-3.94%	
Service Charges	164,713,294	173,141,850	(8,428,556)	-5.12%	
Rental of Facilities and Equipment	448,561	432,770	15,791	3.52%	
Interest Earned - External investments	12,965,776	4,478,060	8,487,716	65.46%	Fair value adjustment of fixed deposits
Interest Earned - Outstanding debtors	9,158,786	4,381,060	4,777,726	52.17%	Fair value adjustment of assessment rates
Fines	3,216,107	1,798,570	1,417,537	44.08%	Increase in law avouchment
Licences and Permits	16,095,478	5,087,580	11,007,898	68.39%	Increase service delivery
Public Contributions and Donations	4,334,597	-	4,334,597	0.00%	
Government Grants and Subsidies	76,658,598	32,044,330	44,614,268	58.20%	Accounting for government grants according to GRAP 9 (refer to note 2)
Other Income	5,428,343	3,303,960	2,124,383	39.14%	
Gains on Disposal of Property, Plant and Equipment	0	6,001,600	(6,001,600)	0.00%	
Budgeted Income from non-GRAP compliant reserves	-	13,303,500	(13,303,500)		
Total Revenue	370,738,750	324,755,750	45,983,000	14.16	
EXPENDITURE					
Employee Related Costs	112,173,661	109,544,750	2,628,911	2.34%	
Remuneration of Councillors	5,578,448	4,202,900	1,375,548	24.66%	As per gazette
Bad Debts	214,112	6,857,460	(6,643,348)	0.00%	
Collection costs	82,931	38,300			
Contracted services	625,139	581,370			
Depreciation	13,589,439	12,285,730	1,303,709	9.59%	Under provision
Impairment Losses	-	-	-	0.00%	
Repairs and Maintenance	21,009,922	22,809,580	(1,799,658)	-8.57%	
Interest Paid	15,400,648	12,124,800	3,275,848	21.27%	Under budget
Bulk Purchases	65,673,668	67,133,460	(1,459,792)	-2.22%	
Grants and Subsidies Paid	14,841,837	14,086,530	755,307	5.09%	
General Expenses	75,078,336	52,595,620	22,482,716	29.95%	
Loss on disposal of Property, Plant and Equipment	-	-	-	0.00%	
Budgeted Expenditure on non-GRAP compliant items	-	22,495,250	(22,495,250)		
Total Expenditure	324,268,142	324,755,750	(576,008)	(0.18)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	46,470,608	-	46,470,608		

APPENDIX E(2)
KOUGA LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET
(ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

Description	2008/2009 Actual	2008/2009 Under Construction	2008/2009 Total Additions	2008/2009 Budget	2008/2009 Variance	2008/2009 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive and Council	126,613	-	126,613	1,129,980	(1,003,367)	-89%	Insufficient realistic anticipated income provisions or project still in progress
Finance and Administration	4,020,951	234,347.04	4,255,298	30,663,550	(26,408,252)	-86%	Insufficient realistic anticipated income provisions or project still in progress
Planning and Development	144,721	-	144,721	290,495	(145,774)	-50%	Insufficient realistic anticipated income provisions or project still in progress
Health	58,127	2,507,609.34	2,565,736	2,660,740	(95,004)	-4%	
Community and Social Services	-	-	-	2,050,000	(2,050,000)	-100%	Had not commenced
Housing	104,596.00	1,444,194	1,548,790	36,407,800	(34,859,010)	-96%	Insufficient realistic anticipated income provisions or project still in progress
Public Safety	-	-	-	-	-	0%	
Sport and Recreation	104,822	5,164,853.00	5,269,675	7,438,608	(2,168,933)	-29%	Insufficient realistic anticipated income provisions or project still in progress
Environmental protection	318,018.38	1,602,980.00	1,920,998	1,951,010	(30,012)	-2%	
Waste Management	433,624	-	433,624	3,509,994	(3,076,370)	-88%	Insufficient realistic anticipated income provisions or project still in progress
Waste Water Management	11,874,682.34	30,422,765	42,297,448	38,438,747	3,858,701	10%	Insufficient realistic anticipated income provisions or project still in progress
Roads and Transport	1,054,138.04	13,800,384	14,854,522	32,283,240	(17,428,718)	-54%	Insufficient realistic anticipated income provisions or project still in progress
Water	5,250,544	26,894,425	32,144,969	21,019,010	11,125,959	53%	Insufficient realistic anticipated income provisions or project still in progress
Electricity	9,152,311	1,632,420	10,784,732	9,736,940	1,047,792	11%	Insufficient realistic anticipated income provisions or project still in progress
Other	-	-	-	-	-	0%	
Total	32,643,147	83,703,977	116,347,125	187,580,114	(71,232,989)		

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	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below Yes / No	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
Local Government Financial Management Grant	National Treasury	750,000	-	-	-	371,004	318,403	126,414	37,204	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Municipal Systems Improvement Grant	DLGH&TA (Nat)	400,000	-	-	-	57,249	32,804	13,159	335,817	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Integrated National Electrification Programme	DME	-	5,000,000	1,000,000	-	-	1,925,113	1,601,256	1,768,711	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Municipal Infrastructure Grant	DLGH&TA (Nat)	-	6,187,000	6,349,000	12,216,994	3,716,605	4,942,206	6,027,609	3,727,900	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		1,150,000	11,187,000	7,349,000	12,216,994	4,144,858	7,218,526	7,768,438	5,869,632							
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																



ANNUAL FINANCIAL STATEMENTS

30 JUNE 2009

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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

ACTING CHIEF FINANCIAL OFFICER

Mr. R. Abdullah

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



2008 / 2009

MEMBERS OF THE KOUGA LOCAL MUNICIPALITY

WARD	COUNCILLOR	
1	Rheeder	BF
2	Dennis	RH
3	Botha	NS
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	VS
Proportional	Felix	K
Proportional	Maseti	A
Proportional	Cawood	C
Proportional	August	C
Proportional	Smith	D
Proportional	Njela	CJ
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 2009

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 2008/09.

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	2009	2008
Surplus / (Deficit) before Appropriations	46,470,608	14,595,008
Surplus / (Deficit) at the end of the Year	1,411,206,675	121,202,005
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	34.59%	41.75%
Remuneration of Councillors	1.72%	1.44%
Bad Debts	0.07%	1.17%
Collection costs	0.03%	0.01%
Contracted services	0.19%	0.26%
Depreciation	4.19%	4.46%
Repairs and Maintenance	6.48%	6.08%
Interest Paid	4.75%	3.90%
Bulk Purchases	20.25%	17.01%
Grants and Subsidies Paid	4.58%	4.32%
General Expenses	23.15%	19.60%
Current Ratio:		
Creditors Days	25	36
Debtors Days	84	80

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 2009 are as follows:

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	121,202,005	70,240,494	72.55%		-
Operating income for the year	370,738,750	313,156,064	18.39%	324,755,750	14.16%
Appropriations for the year	-	(7,035,635)	-	-	-
	491,940,755	376,360,923	30.71%	324,755,750	15.89%
Expenditure:					
Operating expenditure for the year	324,268,142	298,561,057	8.61%	324,755,750	-8.07%
Sundry transfers	-1,243,534,062	(43,402,139)	2765.14%		-
Closing surplus / (deficit)	1,411,206,675	121,202,005	1064.34%		-
	491,940,755	376,360,923	30.71%	324,755,750	15.89%

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 116,347,125 (2007/08: R 101,376,755), and in percentage terms amounts to 62% 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	2009	2008
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	0	(0)
Revenue variances	45,983,000	55,570,913
Expenditure variances:		
Employee Related Costs	(2,628,911)	(36,928,168)
Remuneration of Councillors	(1,375,548)	132,720
Bad Debts	6,643,348	2,415,960
Collection costs	(44,631)	31,801
Contracted services	(43,769)	961,320
Depreciation	(1,303,709)	(3,637,359)
Repairs and Maintenance	1,799,658	1,352,761
Interest Paid	(3,275,848)	(533,738)
Bulk Purchases	1,459,792	954,277
Grants and Subsidies Paid	(755,307)	(1,352,292)
General Expenses	(22,482,716)	(12,214,106)
Budgeted Expenditure on non-GRAP compliant items	22,495,250	7,840,920
Actual surplus before appropriations	46,470,608	14,595,008

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 2008/2009 R	Budgeted 2008/2009 R	Variance actual/ budgeted R
Executive and Council	126,613	1,129,980	(1,003,367)
Finance and Administration	4,255,298	30,663,550	(26,408,252)
Planning and Development	144,721	290,495	(145,774)
Health	2,565,736	2,660,740	(95,004)
Community and Social Services	-	2,050,000	(2,050,000)
Housing	1,548,790	36,407,800	(34,859,010)
Public Safety	-	-	-
Sport and Recreation	5,269,675	7,438,608	(2,168,933)
Environmental protection	1,920,998	1,951,010	(30,012)
Waste Management	433,624	3,509,994	(3,076,370)
Waste Water Management	42,297,448	38,438,747	3,858,701
Roads and Transport	14,854,522	32,283,240	(17,428,718)
Water	32,144,969	21,019,010	11,125,959
Electricity	10,784,732	9,736,940	1,047,792
Other	-	-	-
	116,347,125	187,580,114	(71,232,989)

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 2009 was R 72,166,351 (30 June 2008: R 80,579,103).

New loans to the amount of R 74,473 were taken up during the financial year to enable the municipality to finance part of its capital requirements.

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

7. NON-CURRENT PROVISIONS

Non-current Provisions amounted R 40,433,569 as at 30 June 2009 (30 June 2008: R 39,808,028) and are made up as follows:

Provision for Post Retirement Benefits	33,465,198
Provision for Rehabilitation of Land-fill Sites	6,968,371
	<u>40,433,569</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.

Refer to Note number 4 and 5 for more detail.

8. CURRENT LIABILITIES

Current Liabilities amounted to R 73,719,542 as at 30 June 2009 (30 June 2008: R 60,837,054) and are made up as follows:

Consumer Deposits	Note number 6	6,314,570
Provisions	Note number 7	8,013,542
Creditors	Note number 8	22,651,671
Unspent Conditional Grants and Receipts	Note number 9	24,777,791
Operating Lease Liability	Note number 11	36,197
Bank Overdraft	Note number 23	4,541,637
Current Portion of Long-term Liabilities	Note number 3	7,384,133
		<u>73,719,542</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 1,306,075,292 as at 30 June 2009 (30 June 2008: R 169,444,690).

The municipality applied ASB directive 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the years ending 30 June 2009 and 2010 but must comply with the measurement requirements for the year ending 30 June 2011. It must however identify and correctly classify all PPE on an assets register during the 2009 and 2010 years.

The following assets were identified during the year under review and capitalised in the municipality's asset register:

Investment property - capitalised at fair value	152,752,897
Community properties - capitalised at fair value	360,433,500
Land and buildings identified - capitalised at fair value	323,781,100
Housing schemes identified - capitalised at fair value	60,440,250
Infrastructure assets - capitalised at depreciated replacement cost	356,210,813
	<u>1,253,618,560</u>

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 18,742,742 as at 30 June 2009 (30 June 2008: R 13,156,953).

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 15 for more detail.

11. LONG-TERM RECEIVABLES

Long-term Receivables of R 3,328,284 at 30 June 2009 (30 June 2008: R 2,169,714) consist of staff loans and the loan to the Kouga Cultural Centre. 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 16 for more detail.

12. CURRENT ASSETS

Current Assets amounted to R 269,052,380 as at 30 June 2009 (30 June 2008: R 117,651,365) and are made up as follows:

Inventory	Note number 17	163,210,664
Consumer Debtors	Note number 19	41,089,139
Other Debtors	Note number 20	11,362,158
Current Portion of Long-term Receivables	Note number 16	127,825
Short-term Investment Deposits	Note number 21	47,503,350
VAT	Note number 10	5,691,565
Operating lease asset	Note number 22	58,719
Bank Balances and Cash	Note number 23	8,960
		<hr/> <hr/> 269,052,380

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 29, 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 53.

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.

Medium capacity municipalities should comply with all GRAP standards for the year ended 30 June 2009 along with ASB Directive 4 *Transitional provisions for the adoption of standards of GRAP by medium and low capacity municipalities*. 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.

R. ABDULLAH
CHIEF FINANCIAL OFFICER

31 August 2009

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R
NET ASSETS AND LIABILITIES			
Net Assets		1,411,206,675	121,202,005
Accumulated Surplus		1,411,206,675	121,202,005
Non-Current Liabilities		112,599,919	120,387,131
Long-term liabilities	3	72,166,351	80,579,103
Provision for post- retirement benefits	4	33,465,198	33,465,198
Other non-current provisions	5	6,968,371	6,342,830
Current Liabilities		73,719,542	60,837,054
Consumer Deposits	6	6,314,570	6,023,918
Provisions	7	8,013,542	4,018,000
Creditors	8	22,651,671	29,268,589
Unspent Conditional Grants and Receipts	9	24,777,791	15,566,184
Operating Lease Liability	11	36,197	54,511
Bank Overdraft	23	4,541,637	-
Current Portion of Long-term Liabilities	3	7,384,133	5,905,852
Total Net Assets and Liabilities		1,597,526,137	302,426,190
ASSETS			
Non-Current Assets		1,328,473,757	184,774,825
Property, Plant and Equipment	12	1,306,075,292	169,444,690
Investment Property	13	-	-
Intangible Assets	14	327,438	3,468
Investments	15	18,742,742	13,156,953
Long-term Receivables	16	3,328,284	2,169,714
Current Assets		269,052,380	117,651,365
Inventory	17	163,210,664	5,960,151
Consumer Debtors	19	41,089,139	28,618,023
Other Debtors	20	11,362,158	11,107,883
Current Portion of Long-term Receivables	16	127,825	215,455
Short-term Investment Deposits	21	47,503,350	68,063,302
VAT	10	5,691,565	2,287,618
Operating lease asset	22	58,719	53,755
Bank Balances and Cash	23	8,960	1,345,179
Total Assets		1,597,526,137	302,426,190

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

Budget			Actual		
2008	2009		2009	2008	
R	R	Note	R	R	
REVENUE					
70,827,807	80,782,470	Property Rates	24	77,719,212	66,074,465
130,116,160	173,141,850	Service Charges	25	164,713,294	133,475,189
538,010	432,770	Rental of Facilities and Equipment	26	448,561	585,828
2,269,500	4,478,060	Interest Earned - External Investments	27	12,965,776	7,941,471
2,600,000	4,381,060	Interest Earned - Outstanding Debtors	27	9,158,786	7,371,178
1,743,120	1,798,570	Fines		3,216,107	3,192,404
3,829,980	5,087,580	Licenses and Permits		16,095,478	3,307,031
-	-	Public Contributions and Donations	28	4,334,597	6,095,135
22,113,285	32,044,330	Government Grants and Subsidies	29	76,658,598	69,498,990
3,450,230	3,303,960	Other Income	30	5,428,343	7,462,031
4,600,000	6,001,600	Gains on disposal of Property, Plant and Equipment		0	8,152,343
15,497,060	13,303,500	Budgeted Income from non-GRAP compliant items		-	-
257,585,152	324,755,750	Total Revenue		370,738,750	313,156,064
EXPENDITURE					
87,729,720	109,544,750	Employee Related Costs	31	112,173,661	124,657,888
4,418,870	4,202,900	Remuneration of Councillors	32	5,578,448	4,286,150
5,921,010	6,857,460	Bad Debts	33	214,112	3,505,050
67,000	38,300	Collection costs		82,931	35,199
1,741,710	581,370	Contracted services		625,139	780,390
9,688,460	12,285,730	Depreciation	34	13,589,439	13,325,819
19,500,880	22,809,580	Repairs and Maintenance		21,009,922	18,148,119
11,097,100	12,124,800	Interest Paid	35	15,400,648	11,630,838
51,730,880	67,133,460	Bulk Purchases	36	65,673,668	50,776,603
11,531,800	14,086,530	Grants and Subsidies Paid	37	14,841,837	12,884,092
46,316,802	52,595,620	General Expenses	38	75,078,336	58,530,908
7,840,920	22,495,250	Budgeted Expenditure on non-GRAP compliant items		-	-
257,585,152	324,755,750	Total Expenditure		324,268,142	298,561,057
(0)	-	SURPLUS / (DEFICIT) FOR THE YEAR		46,470,608	14,595,008

Refer to Appendix E(1) for explanation of variances

**KOUGA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2009**

Description	Accumulated Surplus / (Deficit)	Total
	R	R
2008		
Balance at 30 June 2007	70,240,494	70,240,494
Correction of error (Note 39.2 (a))	43,402,139	43,402,139
Restated balance	113,642,632	113,642,632
Correction of error (note 39.2(b))	(7,035,635)	(7,035,635)
Deficit for the year ended 30 June 2008	14,595,008	14,595,008
- Balance previously reported	(26,655,348)	(26,655,348)
- Correction of error (note 39.2 (c))	41,250,356	41,250,356
Balance at 30 June 2008	121,202,005	121,202,005
2009		
Correction of error (note 39.2 (d))	1,243,534,062	1,243,534,062
Surplus for the year ended 30 June 2009	46,470,608	46,470,608
Balance at 30 June 2009	1,411,206,675	1,411,206,675

KOUGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		367,020,256	282,466,815
Cash paid to suppliers and employees		<u>(336,206,023)</u>	<u>(240,197,375)</u>
Cash generated from / (utilised in) operations	40	30,814,233	42,269,440
Interest received		22,124,562	15,312,649
Interest paid		(11,712,114)	(11,630,838)
NET CASH FROM OPERATING ACTIVITIES		<u>41,226,681</u>	<u>45,951,251</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(54,266,908)	(59,302,725)
(Increase) / decrease in non-current receivables		(1,167,972)	(212,590)
(Increase) / decrease in non-current investments		(5,585,790)	(255,009)
NET CASH FROM INVESTING ACTIVITIES		<u>(61,020,670)</u>	<u>(59,770,324)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised / (repaid)		(6,934,472)	2,291,552
Increase / (decrease) in Consumer Deposits		290,652	421,557
NET CASH FROM FINANCING ACTIVITIES		<u>(6,643,819)</u>	<u>2,713,108</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(26,437,808)</u>	<u>(11,105,965)</u>
Cash and cash equivalents at the beginning of the year		69,408,481	80,514,446
Cash and cash equivalents at the end of the year	41	42,970,673	69,408,480

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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.

2 DEFERRED INCOME

Capital Grants were accounted for in the prior financial year according to IAS 20 and therefore presented in the statement of financial position by **setting up the grant as deferred income that is recognised as income on a systematic** and rational basis over the useful life of the asset. Accounting for Capital Grants according to IAS 20 is no longer allowed and have been accounted for according to GRAP 9. The municipality correct the error retrospectively (refer to note 39.1 (h)).

3 LONG-TERM LIABILITIES

	2009	2008
	R	R
Annuity Loans	74,320,632	79,023,918
Capitalised Lease Liability	5,229,852	7,461,038
Sub-total	79,550,484	86,484,955
Less: Current Portion transferred to Current Liabilities	7,384,133	5,905,852
Annuity Loans	5,301,018	5,554,979
Capitalised Lease Liability	2,083,116	350,872
Total Long-term Liabilities (Neither past due nor impaired)	72,166,350	80,579,104

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

Deposits of R 15,949,847 (2008: R 13,156,953) are ring-fenced and attributable to the External Financing Fund (EFF). (See note 15)

Summary of arrangements:

ANNUITY LOANS:

Annuity Loans are repaid over periods varying from four to nineteen years (2008: five to twenty years), and at interest rates varying from 8.5% to 16.50 %. Annuity Loans are not secured.

Fixed Deposits of R 15,949,847 (2008: R 13,156,953) have been pledged to INCA as guarantees on external loans taken up. (See note 15)

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 2009

FINANCE LEASE LIABILITIES:

The Municipality as lessee

Capitalised Lease Liabilities relate to office equipment with lease terms of five years (2008: five years). The effective interest rate on finance leases is between 10.84% and 18.20% (2008: 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	
	2009 R	2008 R	2009 R	2008 R
<i>Amounts payable under finance leases</i>				
Within one year	2,128,348	2,604,914	1,678,759	1,848,718
1 to 5 years	2,964,237	5,209,492	2,714,770	4,426,300
More than 5 years		-		
	5,092,585	7,814,406		
Less : Future finance charges	(699,056)	(1,539,388)		
Present Value of Lease obligations	4,393,529	6,275,018	4,393,529	6,275,018
Less amounts due for settlement within 12 months (current portion)			(1,678,759)	(1,848,718)
Amounts due for settlement after 12 months (non-current)			2,714,770	4,426,300

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	929,085
- Instalments are payable monthly in advance	
- Average period outstanding	22 months
- Average effective interest rate	13.65%
- Average capital redemption per month over lease period	42,231
(2) Various photocopiers and fax machines	2,757,383
- Instalments are payable monthly in advance	
- Average period outstanding	29 months
- Average effective interest rate	10.84%
- Average capital redemption per month over lease period	95,082

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
4 PROVISION FOR POST RETIREMENT BENEFITS		
Post-Employment Health Care Benefit Liability	33,465,198	33,465,198
Total: Post Retirement Medical Aid Benefit Liability	<u>33,465,198</u>	<u>33,465,198</u>

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 (Employees)	271	271
Continuation members (Retirees, widowers and orphans)	46	46
Total	<u>317</u>	<u>317</u>

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

In-service members	19,500,632	19,500,632
Continuation members	13,964,566	13,964,566
Total Liability	<u>33,465,198</u>	<u>33,465,198</u>

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

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

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

	%
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 2009

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.

	2009	2008
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	33,465,198	33,465,198
Fair value of plan assets	-	-
	<u>33,465,198</u>	<u>33,465,198</u>
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	33,465,198	33,465,198
Net Liability	<u>33,465,198</u>	<u>33,465,198</u>

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

Current service cost	-	-
Interest cost	-	-
Vested past service cost	-	33,465,198
Total included in staff costs (refer to note 31)	<u>-</u>	<u>33,465,198</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
5 OTHER NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	6,968,371	6,342,830
Total Other Non-current Provisions	6,968,371	6,342,830

The movement on other non-current provisions are reconciled as follows:

30 June 2009

Balance at beginning of year	6,342,830	-
Contributions to provision	-	6,621,960
Increase due to discounting	3,647,664	
Transfer to current provisions	(3,022,123)	(279,130)
Balance at end of year	6,968,371	6,342,830

Comparative year has been restated due to the correction of an error (refer to note 39.1 (a))

5.1 Rehabilitation of Landfill sites

The municipality has an obligation to rehabilitate its land-fill sites in terms of its licence stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2009 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. The payment dates of the total closure and rehabilitation are uncertain, but are currently expected to be between 2010 and 2028. The cost factors derived from the study have been applied and projected at an annual inflation rate of 7% (2008: 7%) and discounted to present value at a rate of 11% (2008: 15%). The provision will be determined on an annual basis and actual rehabilitation costs will be debited against the provision.

The increase during the year ended 30 June 2009 in the discounted amount arising from the passage of time, amounted to R 3,688,543. The discount rate used is annually adjusted based on the average borrowing cost calculated for Kouga Municipality.

Major assumptions concerning future events

The cost estimate for construction works to be performed for the closure and rehabilitation of an existing disposal site include the following assumptions made by the technical specialist:

- a) The consolidation of "old" waste in the cell and filling of voids with builders rubble or other waste permissible for disposal at the site.
- b) Doming the entire site in such a way to prevent the formation of pools due to rain, to ensure free surface runoff of rain water.
- c) Capping the site in accordance with the capping design requirements as stipulated in the Minimum Requirements for Closure for the various classes of disposal sites;
- d) Rehabilitating the site in accordance with the end-use plan e.g. grassing, sport field etc.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
6 CONSUMER DEPOSITS		
Electricity and water	6,314,570	6,023,918
Total Consumer Deposits	6,314,570	6,023,918

Consumer deposits is paid by consumers on application for new water and electricity connections. The deposits are 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	224,917	311,053
Staff leave	3,901,959	3,427,817
Current Portion of Non-Current Provisions (See Note 6 above):		
Provision for Rehabilitation of Land-fill Sites	3,886,666	279,130
Total Provisions	8,013,542	4,018,000

Comparative year has been restated due to the correction of errors (refer to note 39.1 (b) & (d))

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.

The movement in current provisions are reconciled as follows:

	Land-fill Sites	Staff Leave	Performance Bonus
30 June 2009			
Balance at beginning of year	279,130	3,427,817	311,053
Contributions to provision	544,543	924,139	224,917
Transfer from non-current	3,022,123	-	-
Increase due to discounting	40,870	-	-
Expenditure incurred	-	(449,997)	(311,053)
Balance at end of year	3,886,666	3,901,959	224,917
30 June 2008			
Balance at beginning of year	-	2,830,196	230,247
Contributions to provision	279,130	597,621	311,053
Transfer from non-current	-	-	-
Expenditure incurred	-	-	(230,247)
Balance at end of year	279,130	3,427,817	311,053

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
8 CREDITORS		
Trade Creditors and accruals	8,700,172	18,075,854
Payments received in Advance	6,327,265	4,381,534
Sundry Creditors	7,624,234	6,811,201
Total Creditors	22,651,671	29,268,589

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	140,321	97,548
Department of Health	504,840	(0)
Department of Water Affairs	156,064	15,364
Department Economic Development	631,500	591,500
Department. Mineral and Energy/NER	704,920	-
Development Bank	350,576	350,576
DPLG&TA (Housing)	5,429,479	7,292,581
DPLG&TA (Other)	10,608,546	392,986
Financial Support (Provincial)	125,676	287,066
Municipal Infrastructure Grant	3,393,335	4,989,149
National Treasury	-	103,025
Other	2,609,470	890,172
Skills Grant (SARS)	-	433,152
Spatial Studies	123,065	123,065
Total Unspent Conditional Grants and Receipts	24,777,791	15,566,184

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

10 VAT

Vat Refundable	5,691,565	2,287,618
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Comparative year has been restated due to the correction of an error (refer to note 39.1(f)) 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 2009

	2009	2008
	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	49,094	245,151
Up to 1 year	40,645	190,786
1 to 5 years	8,449	54,365
More than 5 years	-	-
Office equipment	218,761	580,109
Up to 1 year	218,761	361,348
1 to 5 years	-	218,761
More than 5 years	-	-
Office equipment	-	303,193
Up to 1 year	-	303,193
1 to 5 years	-	-
More than 5 years	-	-
Total Operating Lease Arrangements	267,855	1,128,453
The following payments have been recognised as an expense in the Statement of Financial Performance:		
Minimum lease payments	878,913	1,279,797
Contingent rentals	(18,314)	35,109
Total Operating Lease Expenses - as Lessee	860,599	1,314,906
Operating leases are recognized on the straight-line basis as per the requirement of GRAP 13.		
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	54,511	19,402
Operating expenses recorded	860,599	617,710
Operating lease payments effected	(878,913)	(582,601)
Total Operating Lease Liabilities	36,197	54,511
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 2009

The values for 2008 have been re-stated to include motor vehicle operating leases that were omitted in that year. The leases concerned are full maintenance leases and the amounts stated above include the maintenance element of the lease payment.

There are cell-phone lease contracts that were initiated in January 2009 that have not been included in the amounts stated above. In order to include these leases the equipment value is needed and to date that information has not been forthcoming from the service provider.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

12 PROPERTY, PLANT AND EQUIPMENT

Residual values, estimated useful lives and depreciation methods were not reviewed in the previous and current financial years as required by GRAP 17 (except for infrastructure assets). The municipality applied ASB directive 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the years ending 30 June 2009 and 2010 but must comply with the measurement requirements for the year ending 30 June 2011.

30 June 2009

Reconciliation of Carrying Value

Description	Community	Heritage	Housing	Infrastructure	Investment	Other	Capitalised Leased assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2008	10,340,024	(0)	93,750	138,295,277	(0)	51,291,202	4,938,126	204,958,379
Cost	41,646,929	(0)	93,750	259,924,250	(0)	71,140,743	10,323,560	383,129,231
Accumulated Depreciation:	(31,306,905)	-	-	(121,628,974)	-	(19,849,541)	(5,385,434)	(178,170,852)
Acquisitions	4,037,562	-	-	27,434,455	-	4,148,756	74,473	35,695,245
Adjustments	(2,899,857)	-	1,924,666	(61,129,628)	-	(32,234,693)	-	(94,339,512)
Capital under Construction	9,509,789	-	1,444,194	61,588,861	-	-	-	72,542,844
Land adjustments	386,699,000	-	60,440,250	-	-	450,268,497	-	897,407,747
Infrastructure adjustment	-	-	-	356,210,813	-	-	-	356,210,813
Depreciation: Transfers	(448,396)	-	(18,954)	(7,560,382)	-	(3,464,568)	(1,873,708)	(13,366,009)
	1,201,706	-	(1,759,324)	(581,037)	-	904,393	-	(234,262)
Carrying value of disposals: Cost / Revaluation	-	-	-	-	-	(152,799,953)	-	(152,799,953)
Accumulated Depreciation	-	-	-	-	-	(157,886,000)	-	(157,886,000)
	-	-	-	-	-	5,086,047	-	5,086,047
Carrying values at 30 June 2009	408,439,829	(0)	62,124,582	514,258,358	(0)	318,113,634	3,138,891	1,306,075,293
Cost	438,993,423	(0)	63,902,860	644,028,752	(0)	335,437,302	10,398,033	1,492,760,369
Accumulated Depreciation:	(30,553,595)	-	(1,778,278)	(129,770,394)	-	(17,323,668)	(7,259,142)	(186,685,076)

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 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	R
Carrying values at 1 July 2007	6,371,082	17,641	-	92,638,089	-	11,015,867	7,085,743	117,128,422
Cost	41,763,690	177,441	-	209,549,406	1,460,470	25,938,910	10,323,560	289,213,477
Accumulated Depreciation:	(35,392,608)	(159,800)	-	(116,911,317)	(1,460,470)	(14,923,043)	(3,237,817)	(172,085,055)
Acquisitions	4,982,897	-	-	10,654,916	-	39,015,566	-	54,653,379
Capital under Construction	881,441	-	93,750	41,469,781	-	4,278,403	-	46,723,375
Transfer	(1,687,560)	(17,641)	-	490,391	(0)	1,213,469	-	(1,340)
Cost	(5,981,099)	(177,441)	-	(1,749,853)	(1,460,470)	9,300,471	-	(68,393)
Accumulated Depreciation	4,293,540	159,801	-	2,240,244	1,460,470	(8,087,001)	-	67,053
Increases / Decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation:	(207,836)	-	-	(6,957,901)	-	(4,011,124)	(2,147,617)	(13,324,477)
Carrying value of disposals:	-	-	-	-	-	(220,980)	-	(220,980)
Cost / Revaluation	-	-	-	-	-	(7,392,607)	-	(7,392,607)
Accumulated Depreciation	-	-	-	-	-	7,171,627	-	7,171,627
Carrying values at 30 June 2008	10,340,024	(0)	93,750	138,295,277	(0)	51,291,202	4,938,126	204,958,379
Cost	41,646,929	(0)	93,750	259,924,250	(0)	71,140,743	10,323,560	383,129,231
Accumulated Depreciation:	(31,306,905)	-	-	(121,628,974)	-	(19,849,541)	(5,385,434)	(178,170,852)

(Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.)

Comparative year has been restated due to the correction of an error (refer to note 39.1 (c))

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

13 INVESTMENT PROPERTY

2009 **2008**
R **R**

The movement in Investment Property is reconciled as follows:

Net Carrying value at 1 July	-	-
Cost	-	-
Accumulated Amortisation	-	-
Acquisitions	157,886,000	-
Transferred to inventory	(157,886,000)	-
Net Carrying value at 30 June	-	-
Cost	-	-
Accumulated Amortisation	-	-

In terms of ASB Directive 4, the municipality is not required to measure investment properties for reporting periods beginning on or after a date within 3 years following the date of initial adoption of GRAP 16. The municipality elects to apply ASB Directive 4 for its investment properties and does not measure its investment properties for the above-mentioned period. However, provisional amounts for investment properties are disclosed in the Annual Financial Statements in accordance with ASB Directive 4.

14 INTANGIBLE ASSETS

The movement in Intangible Assets is reconciled as follows:

Carrying value at 1 July	3,468	-
Cost	71,861	-
Accumulated Amortisation	(68,393)	-
Acquisitions	368,878	3,468
Amortisation during the Year	(44,908)	(1,342)
Transfers during the Year:	-	1,342
At Cost	-	68,393
At Accumulated Amortisation	-	(67,051)
Carrying value at 30 June	327,438	3,468
Cost	440,739	71,861
Accumulated Amortisation	(113,301)	(68,393)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see note 34).

No intangible assets had been pledged as security for any liabilities of the municipality.

In terms of ASB Directive 4, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within 3 years following the date of initial adoption of GRAP 102. The municipality elects to apply ASB Directive 4 for its intangible assets and does not measure its intangible assets for the above-mentioned period. However, provisional amounts for intangible assets are disclosed in the Annual Financial Statements in accordance with ASB Directive 4.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
15 INVESTMENTS		
Financial Instruments		
Fixed Deposits	<u>18,742,742</u>	<u>13,156,953</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>		
16 LONG-TERM RECEIVABLES		
<i>Neither past due nor impaired</i>		
Kouga Cultural Centre	2,916,582	1,965,555
Staff debtors	561,151	431,836
	<u>3,477,733</u>	<u>2,397,391</u>
Less : Current Portion transferred to Current Receivables		
Staff debtors	(127,825)	(215,455)
	<u>3,349,908</u>	<u>2,181,936</u>
Less: Provision for Bad Debts	(21,624)	(12,222)
	<u>3,328,284</u>	<u>2,169,714</u>
<p>Comparative year has been restated due to the correction of an error (refer to note 39.1(g))</p> <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	12,222	-
Contribution to provision	9,402	12,222
Bad Debts written off	-	-
Balance at end of year	<u>21,624</u>	<u>12,222</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>		
17 INVENTORY		
Consumable Stores - at cost	1,212,289	1,523,142
Maintenance Materials - at cost	3,931,580	1,966,220
Spare Parts - at cost	261,386	3,214,647
Medical stock	347,106	220,192
Water	211,720	218,343
Unsold Properties held for resale - at cost	157,886,000	-
	<u>163,850,081</u>	<u>7,142,543</u>
Less: Provision for obsolete stock	(639,416)	(1,182,392)
Total Inventory	<u>163,210,664</u>	<u>5,960,151</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

19 CONSUMER DEBTORS	2009 R	2008 R
Service Debtors:	53,144,287	41,476,702
Rates	17,411,274	9,217,417
Electricity	15,123,517	13,529,452
Water	10,564,702	10,688,220
Sewerage	4,574,929	4,011,145
Refuse	5,469,865	4,030,469
Housing	4,266	149,184
Other Consumer Debtors	2,625,303	1,867,564
Gross balances	55,773,856	43,493,450
Less: Staff debtors included in other consumer debtors	(461,122)	(403,059)
	55,312,734	43,090,391
Less: Provision for doubtful debts	(14,223,596)	(14,472,368)
Total consumer Debtors	41,089,139	28,618,023
Comparative year has been restated due to the correction of errors (refer to note 39.1 (e))		
Rates: Ageing		
Current (0 - 30 days)	6,054,912	2,600,177
31 - 60 days	904,709	548,224
61 - 90 days	473,768	416,271
91 - 120 days	264,386	387,841
More than 120 Days	9,713,498	5,264,904
Total	17,411,274	9,217,417
Electricity: Ageing		
Current (0 - 30 days)	8,983,123	6,598,452
31 - 60 days	1,388,877	951,537
61 - 90 days	589,634	482,218
91 - 120 days	517,305	374,631
More than 120 Days	3,644,578	5,122,613
Total	15,123,517	13,529,452
Water: Ageing		
Current (0 - 30 days)	3,417,717	3,198,472
31 - 60 days	786,440	638,461
61 - 90 days	505,796	426,784
91 - 120 days	400,060	360,842
More than 120 Days	5,454,690	6,063,660
Total	10,564,702	10,688,220
Sewerage: Ageing		
Current (0 - 30 days)	1,135,956	1,039,566
31 - 60 days	306,142	242,586
61 - 90 days	192,924	153,291
91 - 120 days	151,726	170,743
More than 120 Days	2,788,182	2,404,959
Total	4,574,929	4,011,145
Refuse: Ageing		
Current (0 - 30 days)	1,315,539	794,702
31 - 60 days	396,908	244,479
61 - 90 days	270,391	213,291
91 - 120 days	224,436	121,263
More than 120 Days	3,262,591	2,656,735
Total	5,469,865	4,030,469

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
Housing: Ageing		
Current (0 - 30 days)	(2,419)	(3,574)
31 - 60 days	121	103
61 - 90 days	-	-
91 - 120 days	-	-
More than 120 Days	6,564	152,654
Total	4,266	149,184

Other Consumer Debtors: Ageing		
Current (0 - 30 days)	349,944	166,591
31 - 60 days	166,632	101,349
61 - 90 days	158,065	348,944
91 - 120 days	455,318	96,610
More than 120 Days	1,495,344	1,154,070
Total	2,625,303	1,867,564

Reconciliation of Provision for Bad Debts

Balance at beginning of year	14,472,368	13,755,082
Contribution / (Reversal) to provision	204,711	2,192,828
Bad Debts written off / recovered	(453,483)	(1,475,542)
Balance at end of year	14,223,595	14,472,368

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

20 OTHER DEBTORS

Sundry Debtors	11,362,158	11,107,883
Total Other Debtors	11,362,158	11,107,883

Comparative year has been restated due to the correction of errors (refer to note 39.1 (f))

21 SHORT-TERM INVESTMENT DEPOSITS

Call Deposits	47,503,350	68,063,302
Total Short-term Investment Deposits	47,503,350	68,063,302

Deposits of R nil (2008: R 1,529,373) are ring-fenced and attributable to the External Financing Fund (EFF).

Deposits of R 21,594,414 (2008: R 19,418,380) are ring-fenced and attributable to the Capital Replacement Reserve (CRR).

Deposits of R 18,652,072 (2008: R 11,374,295) are ring-fenced and attributable to Unspent Conditional Grants and Receipts.

Deposits of R 4,870,377 (2008: R 4,996,965) are ring-fenced and attributable to Housing Developments.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

22 OPERATING LEASE ARRANGEMENTS	2009	2008
	R	R
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	140,785	154,516
1 to 5 years	491,414	525,837
More than 5 years	856,425	962,787
Total Operating Lease Arrangements	<u>1,488,624</u>	<u>1,643,140</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 4,964 (2008: R 6,318)		
In respect of non-cancellable Operating Leases the following asset has been recognised:		
	<u>58,719</u>	<u>53,755</u>
 23 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts:		
First National Bank - Jeffreys Bay		
Cash book balance at beginning of year	<u>1,336,219</u>	<u>(709,037)</u>
Cash book balance at end of year	<u>(4,541,637)</u>	<u>1,336,219</u>
<i>Account Number 525 400 207 91 (Primary Bank Account):</i>		
Bank statement balance at beginning of year	<u>1,961,849</u>	<u>(2,790,153)</u>
Bank statement balance at end of year	<u>(1,537,844)</u>	<u>1,961,849</u>
<i>Account Number 525 400 335 04 (Primary Bank Account):</i>		
Bank statement balance at beginning of year	<u>799,845</u>	<u>2,704,288</u>
Bank statement balance at end of year	<u>289</u>	<u>799,845</u>
Cash Floats and Advances	<u>8,960</u>	<u>8,960</u>
Total Bank and Cash	8,960	1,345,179
Total Overdraft	(4,541,637)	-
Total Bank and Cash	<u>(4,532,677)</u>	<u>1,345,179</u>

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.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

24 PROPERTY RATES

	Site Valuation as 30/06/2009 R'000	Building Valuation as 30/06/2009 R'000	Actual Income	
			2009	2008
Cape St Francis	135,913,000	180,916,000	3,764,509	3,704,182
Hankey	10,343,600	92,434,300	1,296,582	1,215,976
Humansdorp	63,237,700	348,270,550	5,366,502	4,965,619
Jeffreys Bay	977,820,520	2,608,482,300	49,253,317	42,377,590
Loerie	4,467,500	7,618,650	63,807	49,666
Oyster Bay	30,405,000	48,458,000	1,033,209	975,646
Patensie	5,764,075	41,946,900	641,656	567,600
St Francis Bay	724,100,072	853,020,010	20,975,420	18,584,288
Thornhill	3,298,000	6,186,000	59,430	56,097
Rural	419,951,313	605,383,890	3,998,972	-
Total Assessment Rates	<u>2,375,300,780</u>	<u>4,792,716,600</u>	86,453,404	72,496,663
Less: Interest			<u>(5,322,951)</u>	<u>(4,275,470)</u>
Total Assessment Rates at Fair Value			81,130,453	68,221,193
Rebates and exceptions			<u>(3,411,241)</u>	<u>(2,146,728)</u>
Total Rates Income			<u>77,719,212</u>	<u>66,074,465</u>

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 rebate of between 5 % and 40% was allowed on residential properties for pensioners based on the annual income of the ratepayer whilst a discount of 20 % was granted on properties owned by the state.

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.

Government subsidised 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.

25 SERVICE CHARGES

Sale of electricity	91,418,849	76,784,925
Sale of water	29,440,141	26,187,493
Refuse removal	16,120,545	14,568,472
Sewerage and Sanitation Charges	16,501,051	15,355,849
Other Service Charges	11,232,707	3,943,785
	<u>164,713,294</u>	<u>136,840,524</u>
Less: Interdepartmental service charges	-	<u>(3,365,335)</u>
Total Service Charges	<u>164,713,294</u>	<u>133,475,189</u>

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
26 RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Buildings	136,771	202,027
Rental Revenue from Halls	101,820	103,962
Rental Revenue from Other facilities	209,970	279,838
Total Rental of Facilities and Equipment	<u><u>448,561</u></u>	<u><u>585,828</u></u>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
27 INTEREST EARNED		
External Investments:		
Bank Account	909,444	964,082
Interest earned on cash deposits	12,056,332	6,977,389
	<u>12,965,776</u>	<u>7,941,471</u>
Outstanding Debtors:	<u>9,158,786</u>	<u>7,371,178</u>
Total Interest Earned	<u><u>22,124,562</u></u>	<u><u>15,312,649</u></u>
28 PUBLIC CONTRIBUTIONS AND DONATIONS		
Augmentation fees from developers	3,350,160	5,433,268
Department of Health - Medical stock	984,437	661,867
Total Public Contributions and donations	<u>4,334,597</u>	<u>6,095,135</u>

KOUGA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

29 GOVERNMENT GRANTS AND SUBSIDIES	2009 R	2008 R
Equitable Share	25,372,464	19,750,636
Health subsidy	2,510,172	2,022,087
Transfer from deferred income	-	34,852,724
Conditional Grants	48,775,943	12,873,543
Rehabilitation Refuse Site	-	46,292
National FMG Grant	-	488,273
National MSIG Grant	-	155,055
Airfield Flood Damage	-	142,500
IDP Grant	-	115,302
Skills Development Grant	-	216,540
Strategic Planning X DBSA	-	136,231
Juice Factory	-	32,318
ICT Development	-	144,239
Water Management Implementation	-	76,179
Assets Project	-	233,616
Provincial Housing Grant	-	11,086,996
Bucket eradication Kwanomzamo (DPLG)	121,856	-
CDM grant: Computer equipment	23,421	-
Electricity capital works in progress	5,295,080	-
Geographical Information System (GIS)	121,300	-
National FMG Grant	853,025	-
National MIG Grant (Admin PMU unit)	549,425	-
Grant: IDP	271,409	-
Grant: MSIG (Prev MMP)	495,450	-
Grant: Financial DLGH&TA province	162,969	-
Andriekraal clinic	1,159,560	-
Gill Marcus water reticulation	951,617	-
Kwanomzamo water reticulation	188,862	-
Jeffreys Bay sewer treatment plant	253,000	-
Kwanomzamo water reticulation	6,374	-
Kruisfontein water bulk supply	1,267,863	-
200809 Thornhill bulk sewer outfall PH 2	2,681,324	-
Hankey sewer rising main P/S-R/M	4,338,086	-
LED Plan	500,000	-
Loerie flower trail	-500,000	-
MIG grant : HDP sewer treatment plant	205,290	-
Hankey pump station and rising main	87,756	-
Tar road Gill Marcus to Vaaldam	693,824	-
Clinic upgrading	786,602	-
Ocean view access road	1,002,975	-
Thornhill c/ser. 277 sites cont. 19634 QO	58,685	-
Patensie c/ser. 80 sites cont. 19633 QOO	79,089	-
Sea Vista c/ser. 95 sites cont. 15852 QSO	27,550	-
Rosendale PHP 359 cont.FGI/2004	85,023	-
Thornhill phase 2	166,825	-
Serv18: HDP youth camp 85	(22,251)	-
Serv19: HDP Gill Marcus 205	440,414	-
Serv20: HDP Kwanomzamo 168	180,053	-
Serv21: HDP Kwanomzamo 139	158,428	-
Serv22: HDP Kwanomzamo 40	466,848	-
Serv23: HDP Vaaldam 317	(600,157)	-
Serv24: Loerieheuwel 74	1,172,200	-
Serv25: Loerieheuwel 199	1,424,989	-
Sewerage	3,203,552	-
Jeffreys Bay 350	737,668	-
Hankey extension 105	200,739	-
Jeffreys Bay 329 units SCCCA	308,330	-
Hankey 317	412,284	-
Patensie 124	476,722	-

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Sewerage Capital works in progress	282,906	-
Sewer reticulation Thornhill	241,768	-
Sewer reticulation Gill Marcus	706,556	-
Skills Development Levy	837,789	-
Sport and recreation	12,280,702	-
Water management (DWAF)	103,426	-
WAT3: Water services authority grant	725,292	-
WAT10: Water bulk supply	703,037	-
WAT11: Water reservoir	597,663	-
WAT12: Water treatment plant	1,802,745	-
Total Government Grants and Subsidies	76,658,579	69,498,991

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.

24.2 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	(4,989,149)	(8,119,464)
Current year receipts	(17,861,994)	(19,961,823)
Conditions met - transferred to revenue	19,457,808	464,231
Conditions met - transferred to deferred income	-	22,636,574
Transfers between funds	-	71,270
Transfers between funds	-	(79,937)
Conditions still to be met - transferred to liabilities (see note 9)	(3,393,335)	(4,989,149)

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	(7,292,581)	(12,707,139)
Current year receipts	(7,113,907)	(12,341,527)
Conditions met - transferred to revenue	8,977,010	16,925,990
Conditions met - transferred to deferred income	-	785,277
Transfers between funds	-	44,818
Conditions still to be met - transferred to liabilities (see note 9)	(5,429,479)	(7,292,581)

Grants utilised for the Reconstruction and Development Plan Government Housing.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
24.4 Provincial - Other Provincial Grants (DPLG& TA)		
Balance unspent at beginning of year	(392,986)	(446,860)
Current year receipts	(10,711,010)	(150,000)
Conditions met - transferred to revenue	495,450	203,874
Conditions still to be met - transferred to liabilities (see note 9)	<u>(10,608,546)</u>	<u>(392,986)</u>

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	(97,548)	(157,857)
Current year receipts	(314,181)	(147,472)
Conditions met - transferred to revenue	271,409	115,652
Conditions met - transferred to deferred income	-	81,972
Transfers between funds	-	10,156
Conditions still to be met - transferred to liabilities (see note 9)	<u>(140,321)</u>	<u>(97,548)</u>

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
Current year receipts	(504,840)	-
Conditions met - transferred to revenue	-	(32,585)
Transfers between funds	-	5,427
Conditions met - balance due by government transferred to current assets	<u>(504,840)</u>	<u>0</u>

24.7 Department of Water Affairs

Balance unspent at beginning of year	(15,364)	(15,364)
Current year receipts	(262,000)	-
Conditions met - transferred to revenue	121,300	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>(156,064)</u>	<u>(15,364)</u>

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	(591,500)	(123,818)
Current year receipts	(40,000)	(527,562)
Conditions met - transferred to revenue	-	32,318
Conditions met - transferred to deferred income	-	27,562
Conditions still to be met - transferred to liabilities (see note 9)	<u>(631,500)</u>	<u>(591,500)</u>

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

24.9 Department of Mineral and Energy/NER	2009	2008
	R	R
Balance unspent at beginning of year	-	(225,740)
Current year receipts	(6,000,000)	-
Conditions met - transferred to revenue	5,295,080	-
Conditions met - transferred to deferred income	-	225,740
Conditions still to be met - transferred to liabilities (see note 9)	(704,920)	-

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

24.10 Development Bank

Balance unspent at beginning of year	(350,576)	(350,576)
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	(287,066)	(464,922)
Current year receipts	(25,000)	(200,000)
Conditions met - transferred to revenue	186,390	377,855
Conditions still to be met - transferred to liabilities (see note 9)	(125,676)	(287,066)

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	(103,025)	(91,298)
Current year receipts	(750,000)	(500,000)
Conditions met - transferred to revenue	853,025	488,273
Conditions still to be met - transferred to liabilities (see note 9)	-	(103,025)

Grant received to assist with financial reforms

24.13 Other Spheres of Government Grants

Balance unspent at beginning of year	(890,172)	(875,172)
Current year receipts	(14,000,000)	-
Conditions met - transferred to revenue	12,280,702	-
Transfers between funds	-	(15,000)
Conditions still to be met - transferred to liabilities (see note 9)	(2,609,470)	(890,172)

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 2009

	2009	2008
	R	R
24.14 Skills Grant (SARS)		
Balance unspent at beginning of year	(433,152)	(202,462)
Current year receipts	(404,637)	(447,231)
Conditions met - transferred to revenue	837,789	216,540
Conditions still to be met - transferred to liabilities (see note 9)	-	(433,152)

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

24.15 Spatial Studies

Balance unspent at beginning of year	(123,065)	(123,065)
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.

30 OTHER INCOME

Admin fees	-	388,052
Burial sites	81,442	82,573
Caravan Park Fees	1,690,319	1,659,747
Cleaning of plots	130,571	83,738
Commission	204,361	327,085
Consent uses	126,855	157,832
Insurance Claims	-	287,395
Riparian Levy	412,200	336,056
Subdivisions	31,272	96,650
Sundries	1,089,739	781,799
Stock adjustments	298,251	37,626
Valuation Certificates	69,322	87,458
VAT correction	1,294,010	3,136,019
Total Other Income	5,428,343	7,462,031

The amounts disclosed above for Other Income are in respect of services rendered, other than described in Notes 24 and 25, which are billed to or paid for by the users according to approved tariffs.

A VAT debtor was raised against sundry income in the 2008 & 2009 financial years and against accumulated surplus as at 30 June 2007 to account for a VAT claim done by a VAT specialist on behalf of the municipality.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

31 EMPLOYEE RELATED COSTS	2009	2008
	R	R
Employee Related Costs - Salaries and Wages	71,848,944	56,974,767
Employee Related Costs - Contributions for UIF, Skills and Workmen's compensation	1,846,061	1,612,606
Employee Related Costs - Contributions for Pensions and Medical Aids	14,657,849	12,794,632
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	9,380,167	7,068,739
Housing Benefits and Allowances	561,105	498,202
Overtime Payments	7,797,036	6,332,182
Performance Bonuses	4,758,920	4,572,221
Long-service awards	359,129	241,335
Leave paid & provision for leave	772,024	919,903
Group Life insurance, Bargaining council and labour relations levies	192,427	178,101
Defined Benefit Plan Expenses - Vested Past Service Cost (Refer to note 4)	-	33,465,198
Total Employee Related Costs	112,173,661	124,657,888
There were no advances to employees. Loans to employees are set out in Note 16.		
Remuneration of the Municipal Manager		
Annual Remuneration	753,591	571,940
Car Allowance	148,140	170,188
Performance Bonus	-	25,387
Back pay	67,667	54,394
Acting allowance	-	12,526
Subsistence & Travel	38,863	-
Contributions to UIF, Medical and Pension Funds	1,497	1,473
Total	1,009,758	835,909
Remuneration of the Chief Financial Officer		
Annual Remuneration	595,054	538,065
Car Allowance	36,000	40,777
Performance Bonus	-	48,533
Back pay	60,536	50,318
Acting Allowance	224,722	-
Leave	66,554	-
Subsistence & Travel	3,740	-
Settlement	1,200,000	-
Contributions to UIF, Medical and Pension Funds	1,497	1,473
Total	2,188,103	679,166
The Chief Financial Officer's employment contract came to an end in April 2009. As at year-end the post still remained vacant. A manager within the Finance Department acted as the Chief Financial Officer for the period 1 May 2009 to 30 June 2009.		
Remuneration of the Director Corporate Services		
Annual Remuneration	637,673	454,745
Car Allowance	115,560	124,640
Performance Bonus	-	48,754
Back pay	60,557	54,093
Subsistence & Travel	18,755	-
Contributions to UIF, Medical and Pension Funds	1,497	1,473
Total	834,042	683,705
Remuneration of the Director of Technical Services		
Annual Remuneration	94,337	466,334
Car Allowance	18,000	111,200
Performance Bonus	-	78,171
Back pay	60,547	50,056
Cell phone allowance	-	-
Acting allowance	337,304	-
Contributions to UIF, Medical and Pension Funds	768	1,473
Total	510,956	707,234

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
Remuneration of the Director of Human Resources and Economic/Social Development		
Annual Remuneration	637,673	455,693
Car Allowance	115,560	132,609
Performance Bonus	-	78,282
Back pay	60,532	52,892
Contributions to UIF, Medical and Pension Funds	1,497	1,473
Total	815,262	720,948

Remuneration of the Director of Community Services		
Annual Remuneration	637,673	505,828
Car Allowance	115,560	96,530
Performance Bonus	-	75,981
Back pay	60,563	60,050
Acting allowances	203,787	7,152
Other (Leave)	-	67,731
Subsistence & Travel	3,061	-
Contributions to UIF, Medical and Pension Funds	1,497	1,223
Total	1,022,141	814,494

Remuneration of the Director of Planning and Development		
Annual Remuneration	657,233	201,241
Car Allowance	87,000	43,507
Performance Bonus	-	3,557
Back pay	60,531	45,399
Other	749	749
Subsistence & Travel	2,141	-
Contributions to UIF, Medical and Pension Funds	1,497	35,761
Total	809,151	330,215

32 REMUNERATION OF COUNCILLORS

Mayor	534,681	481,696
Speaker	432,439	380,515
Mayoral committee members	1,626,015	1,094,615
Councillors	2,391,083	2,292,611
Councillors pension contributions	403,678	-
Councillors medical aid contributions	99,696	-
Reimburse travel outside the municipal area	90,855	103,798
Total Councillors' Remuneration	5,578,447	4,353,236

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.

33 BAD DEBTS PROVISION

Consumer Debtors (See note 19)	204,711	2,192,828
Long-term Receivables (See note 16)	9,402	12,222
Bad debts written off	-	1,300,000
	214,112	3,505,050

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
34 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment (Refer note 12)	13,544,531	13,324,477
Amortisation: Intangible Assets (Refer note 14)	44,908	1,342
Total Depreciation and Amortisation	<u>13,589,439</u>	<u>13,325,819</u>
35 INTEREST PAID		
Long-term Liabilities	11,358,110	11,473,913
Bank Overdrafts and Other	4,042,538	156,925
Total interest paid	<u>15,400,648</u>	<u>11,630,838</u>
36 BULK PURCHASES		
Electricity	56,557,053	39,485,653
Water	9,116,616	11,290,951
Total Bulk Purchases	<u>65,673,668</u>	<u>50,776,603</u>
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 Eskom whilst water is purchased from the Nelson Mandela Bay Metropolitan Municipality.		
37 GRANTS AND SUBSIDIES PAID		
Grants-in-aid and Donations	13,797,605	12,264,570
Various small donations	157,636	177,847
Medical stock dispensed	886,595	441,675
Total Grants and Subsidies	<u>14,841,837</u>	<u>12,884,092</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

38 GENERAL EXPENSES	2009 R	2008 R
Included in General Expenses are the following:		
Accommodation, Seminars and Travelling	1,672,508	1,308,205
Audit Fees	2,736,337	1,788,106
Chemicals	974,411	1,153,729
Connection expenses	1,492,480	2,560,049
Disaster management	43,452	108,845
Fuel and oil	5,456,580	5,015,366
Grant expenditure - Various projects	9,118,963	11,086,996
Insurance General	3,765,819	3,690,404
Legal expenses	1,505,580	1,113,788
Planning fees	1,618,132	1,024,259
Postage	916,727	852,196
Printing and Stationery	729,875	957,982
Prepaid finance costs	2,533,572	866,589
Rentals: Property, Plant and Equipment	5,169,501	4,935,290
Service fees	4,232,486	-
Special projects	2,468,496	1,285,351
Telephones, Facsimiles and Internet Lines	1,661,790	1,482,521
Valuation costs & interim valuations	1,154,181	3,624,282
Other General Expenses	27,827,449	15,676,949
Total General expenses	75,078,336	58,530,908

No other extra-ordinary expenses were incurred.

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.

39 CORRECTION OF ERROR	2009 R
During the 2007/08 financial period the following errors occurred, which are set out below:	
39.1 Adjustment of balances - assets and liabilities - as at 30 June 2008	
Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year, which are set out below:	
a) Other non-current provisions	
Provision for Rehabilitation of Land-fill Sites	
Balance previously reported:-	3,520,000
Plus:	
Correction of provision against PPE	2,822,830
Restated balance	6,342,830
b) Current Provisions	
Provision for Rehabilitation of Land-fill Sites	
Balance previously reported:-	300,000
Plus:	
Correction of provision against PPE	(20,870)
Restated balance	279,130

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R
c) Property, Plant and Equipment	
Balance previously reported:-	204,954,670
Plus:	
Correction of provision against PPE	2,801,960
Corrections against accumulated surplus as at 30 June 2008	(38,308,472)
- Reversal of land assets added in 2008	(32,233,387)
- Reversal of housing infrastructure assets added in prior financial years	(11,161,133)
- Correction of accumulated depreciation on land, classified as investment property	5,086,047
Separate disclosure of intangible assets	(3,468)
Restated balance	169,444,690
d) Provision for performance bonuses	
Balance previously reported:-	541,300
Plus:	
Correction of provision against surplus for the year	(230,247)
Restated balance	311,053
e) Consumer debtors	
Balance previously reported:-	25,311,858
Plus:	
Correction of VAT that was excluded from consumer debtors and disclosed as part of VAT	3,336,630
Correction of long-term housing loans allocated to consumer debtors	(30,465)
Restated balance	28,618,023
f) Other debtors	
Balance previously reported:-	6,718,554
Plus:	
Correction debtors not raised in the prior financial year - EB Steam	1,447,092
Correction of debtor not raised as at 30 June 2007 regarding gains on disposal of PPE	2,942,237
Restated balance	11,107,883
f) VAT	
Balance previously reported:-	1,784,947
Plus:	
Correction of VAT that was excluded from consumer debtors and disclosed as part of VAT	(3,336,630)
Correction of VAT on other debtors not raised in the prior financial year	(177,713)
Debtor raised for a VAT claim, calculated by a VAT specialist on behalf of the municipality	4,017,015
Restated balance	2,287,618
g) Long-term receivables	
Balance previously reported:-	2,139,249
Plus:	
Correction of long-term housing loans allocated to consumer debtors	30,465
Restated balance	2,169,714
h) Deferred income (non-current portion)	
Balance previously reported:-	72,992,683
Plus:	
Write-back of short term portion	3,200,935
Correction of opening balance against accumulated surplus	(39,578,907)
Capital grants received during the year recognised as revenue in accordance with GRAP 9	(36,614,711)
Restated balance	-

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R

Capital Grants were accounted for in the 2008 AFS according to IAS 20 and therefore presented in the statement of financial position by **setting up the grant as deferred income that is recognised as income on a systematic** and rational basis over the useful life of the asset. Accounting for Capital Grants according to IAS 20 is no longer allowed and have been accounted for according to GRAP 9.

i) Deferred income (current portion)

Balance previously reported:-	3,200,935
Plus:	
Write-back of the short term portion	(3,200,935)
Restated balance	<u><u>-</u></u>

39.2 Reconciliation of adjustments due to prior period errors

a) Accumulated Surplus as at 30 June 2007

Balance previously reported:-	
Plus/(Minus):	
Correction of deferred income balance as at 30 June 2007 against accumulated surplus	39,578,906
Sundry debtor raised as at 30 June 2007 for the proceeds on disposal of PPE that was recovered in 2009	2,942,237
Debtor raised for a VAT claim, calculated by a VAT specialist on behalf of the municipality	880,995
Total	<u><u>43,402,139</u></u>

b) Accumulated Surplus/(Deficit) as at 30 June 2008

Balance previously reported:-	
Plus/(Minus):	
Balance previously reported:-	31,272,837
- Addition of land to the Municipality's fixed asset register	32,477,867
- Various appropriations	(2,505,030)
- Correction of bad debts incorrectly accounted for in accumulated surplus	1,300,000
Appropriations 2009:	
- Reversal of land assets added in 2008	(32,233,387)
- Reversal of housing infrastructure assets added in prior financial years	(11,161,133)
- Correction of accumulated depreciation on land, classified as investment property	5,086,047
Total	<u><u>(7,035,635)</u></u>

c) Deficit for the year ended 30 June 2008

Balance previously reported:-	
Write back of the provision for performance bonuses as at 30 June 2007 against actual expenditure incurred	230,247
Correction of income not raised in the prior financial year	1,269,379
Capital grants received during the year recognised as revenue in accordance with GRAP 9	36,614,711
Debtor raised for a VAT claim, calculated by a VAT specialist on behalf of the municipality	3,136,019
Total	<u><u>41,250,356</u></u>

d) Appropriations

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Details of appropriations are as follows:

Various appropriations	(10,627,473)
Stock written off, debited against provision for obsolete stock	542,976
Investment property identified and capitalised at fair value	152,752,897
Community properties identified and capitalised at fair value	360,433,500
Land and buildings identified and capitalised at fair value	323,781,100
Housing schemes identified and capitalised at fair value	60,440,250
Infrastructure assets identified and capitalised at depreciated replacement cost	356,210,813

Increase in accumulated surplus

1,243,534,062

40 CASH GENERATED BY OPERATIONS

	2009	2008
	R	R
Receipts	370,738,750	313,156,064
Property Rates	77,719,212	66,074,465
Service Charges	164,713,294	133,475,189
Rental of Facilities and Equipment	448,561	585,828
Interest Earned - External Investments	12,965,776	7,941,471
Interest Earned - Outstanding Debtors	9,158,786	7,371,178
Fines	3,216,107	3,192,404
Licenses and Permits	16,095,478	3,307,031
Public Contributions and Donations	4,334,597	6,095,135
Government Grants and Subsidies	76,658,598	69,498,990
Other Income	5,428,343	7,462,031
Gains on disposal of Property, Plant and Equipment	0	8,152,343
Payments	(324,268,142)	(298,561,057)
Employee Related Costs	112,173,661	124,657,888
Remuneration of Councillors	5,578,448	4,286,150
Bad Debts	214,112	3,505,050
Collection costs	82,931	35,199
Contracted services	625,139	780,390
Depreciation	13,589,439	13,325,819
Repairs and Maintenance	21,009,922	18,148,119
Interest Paid	15,400,648	11,630,838
Bulk Purchases	65,673,668	50,776,603
Grants and Subsidies Paid	14,841,837	12,884,092
General Expenses	75,078,336	58,530,908
Surplus for the Year	46,470,608	14,595,008
Adjustment for:		
Correction of prior year Error	(10,627,473)	(3,212,403)
Depreciation	13,589,439	13,325,819
Donation received - Medical stock	(984,437)	(661,867)
Medical stock dispensed	886,595	441,675
Contribution to Provisions - Non-Current	-	33,465,198
Contribution to Provisions - Current	1,149,056	1,187,804
Contribution to Bad Debt Provision	214,112	2,205,050
Operating lease income accrued	(18,314)	(6,318)
Operating lease expenses accrued	(4,964)	35,110
Investment Income	(22,124,562)	(15,312,649)
Interest Paid	15,400,648	11,630,838
Operating surplus before working capital changes	43,950,708	57,693,264

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(Increase)/Decrease in Inventories	1,276,303	3,316,485
(Increase)/Decrease in Consumer Debtors	(12,675,826)	(17,698,431)
(Increase)/Decrease in Current Portion of Long-term Receivables	87,630	(91,032)
(Increase)/Decrease in Other Debtors	(254,274)	(4,653,267)
(Increase)/Decrease in VAT	(3,403,947)	117,023
Cash payments made against provisions	(761,050)	(230,247)
Increase/(Decrease) in Conditional Grants and Receipts	9,211,607	(8,337,552)
Increase/(Decrease) in Creditors	(6,616,918)	12,153,196
Cash generated by / (utilised in) operations	30,814,233	42,269,440

	2009	2008
41 CASH AND CASH EQUIVALENTS	R	R

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

Bank Balances and Cash	8,960	1,345,179
Bank Overdraft	(4,541,637)	-
Call investment deposits	47,503,350	68,063,302
Total Cash and Cash Equivalents	42,970,673	69,408,481

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.

42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 3)	79,550,484	86,484,955
Used to finance Property, Plant and Equipment - at cost	(60,720,058)	(73,240,320)
Sub-total	18,830,425	13,244,636
Cash set aside for the Repayment of Long-term Liabilities	87,683	87,683
Cash invested for Repayment of Long-term Liabilities (See note 15)	18,742,742	13,156,953

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.

43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

37.1 Unauthorised Expenditure

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

37.2 Fruitless and Wasteful Expenditure

To management's best of knowledge no fruitless and wasteful expenditure was incurred during the year under review.

37.3 Irregular Expenditure

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2009	2008
	R	R
<u>44.1 Contributions to organised local government - SALGA [MFMA 125 (1)(b)]</u>		
Opening Balance	-	-
Council Subscriptions	341,640	301,726
Amount Paid - current year	(341,640)	(301,726)
Amount Paid - previous years	-	-
Closing balance	-	-
<u>44.2 Audit Fees [MFMA 125 (1)(b)]</u>		
Opening Balance	-	-
Current year Audit Fee	2,918,454	1,996,203
Amount Paid - current year	(2,918,454)	(1,996,203)
Amount Paid - previous years	-	-
Closing balance	-	-
<u>44.3 VAT [MFMA 125 (1)(b)]</u>		
VAT refundable is shown in note 10. All VAT returns have been submitted by due dates throughout the year.		
<u>44.4 PAYE and UIF [MFMA 125 (1)(b)]</u>		
Opening Balance	863,656	805,442
Current year Payroll Deductions	12,234,677	10,309,331
Amount Paid - current year	(12,234,677)	(10,251,117)
Amount Paid - previous years	(863,656)	-
Balance Unpaid (included in Creditors)	-	863,656
<u>44.5 Pension and Medical Aid Deductions [MFMA 125 (1)(b)]</u>		
Opening Balance	-	-
Current year Payroll Deductions	5,921,065	19,827,908
Amount Paid - current year	(5,921,065)	(19,827,908)
Amount Paid - previous years	-	-
Closing balance	-	-

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

44.6 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 2009**:

Surname	Initials	Outstanding more than 90 days		Total
		Service accounts	Sundry accounts	
Rheeder	BF	-	4,197	4,197
Dennis	RH	-	3,774	3,774
Rollison	B	1,085	-	1,085
Lloyd	F	-	15,212	15,212
Ungerer	M	-	4,197	4,197
Tshume	M	-	4,197	4,197
Dlomo	M	-	6,085	6,085
Stuurman	VS	-	4,197	4,197
Felix	K	-	4,197	4,197
Cawood	C	-	6,085	6,085
August	C	2,263	4,197	6,460
Smith	D	-	964	964
		3,348	57,300	60,648

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

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

No known matters existed at reporting date.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
45 CAPITAL COMMITMENTS		
Commitments in respect of Capital Expenditure:		
- Approved and contracted for:-	41,602,602	57,325,822
- Approved but not yet contracted for:-	5,000,000	30,781,000
- Contracted but not yet approved	-	-
Total Capital Commitments	46,602,602	88,106,822
This expenditure will be financed from:		
Internal sources	6,824,307	46,778,780
External source	39,778,295	41,328,042
	46,602,602	88,106,822

46 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
Buildings combined	75,000
Machinery Breakdown	9,200
Motor	34,278
Personal Accident	250
Public Liability	50,000
Theft	2,500
	171,228

40.2 Possible claims against council

(i) Council is involved in a dispute with AEA Panel beaters in respect of storage cost for a damaged vehicle that was stored on their premises.

65,700

(ii) Council is involved in disputes with separate individuals in respect of land and civil claims against the municipality.

5,741,509

5,807,209

47 CONTINGENT ASSET

Council is involved in a dispute with MTN in respect of penalty charges for the early cancellation of cell-phone contracts with Altech Autopage Cellular (Pty) Ltd which MTN has taken over.

86,042

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

48 FINANCIAL INSTRUMENTS

48.1 Classification:		2009	2008
<u>Financial Assets</u>		R	R
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	18,742,742	13,156,953
<i>Long-term Receivables</i>			
Kouga Cultural Centre	Loans and receivables	2,916,582	1,965,555
Staff debtors	Loans and receivables	433,326	216,381
<i>Consumer Debtors</i>			
	Loans and receivables	41,089,139	28,618,023
<i>Other Debtors</i>			
Sundry Debtors	Loans and receivables	11,362,158	11,107,883
<i>Current Portion of Long-term Receivables</i>			
Staff loans	Loans and receivables	127,825	215,455
<i>Short-term Investment Deposits</i>			
Call Deposits	Loans and receivables	47,503,350	68,063,302
<i>Bank Balances and Cash</i>			
Bank Balances	Available for sale	-	1,336,219
Cash Floats and Advances	Available for sale	8,960	8,960
<i>VAT</i>			
	Loans and receivables	5,691,565	2,287,618
Total Financial Assets		<u>127,875,647</u>	<u>126,976,349</u>
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Investments	Fixed Deposits	18,742,742	13,156,953
		<u>18,742,742</u>	<u>13,156,953</u>
Loans and Receivables			
Long-term Receivables	Kouga Cultural Centre	2,916,582	1,965,555
Long-term Receivables	Staff debtors	433,326	216,381
Consumer Debtors		41,089,139	28,618,023
Other Debtors	Sundry Debtors	11,362,158	11,107,883
Current Portion of Long-term Receivables	Staff loans	127,825	215,455
Short-term Investment Deposits	Call Deposits	47,503,350	68,063,302
VAT	VAT	5,691,565	2,287,618
		<u>109,123,944</u>	<u>112,474,217</u>
Available for Sale:			
Bank Balances and Cash	Bank Balances	-	1,336,219
Bank Balances and Cash	Cash Floats and Advances	8,960	8,960
		<u>8,960</u>	<u>1,345,179</u>
Total Financial Assets		<u>127,875,647</u>	<u>126,976,349</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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	2009 R	2008 R
<i>Long-term Liabilities</i>			
Annuity Loans	Not valued at FVTPL	69,019,614	73,468,939
<i>Consumer Deposits</i>			
Electricity and Water	Not valued at FVTPL	6,314,570	6,023,918
<i>Accounts payable</i>			
Trade creditors	Not valued at FVTPL	8,700,172	18,075,854
Payments received in advance	Not valued at FVTPL	6,327,265	4,381,534
Other creditors	Not valued at FVTPL	7,624,234	6,811,201
<i>Unspent Conditional Grants and Receipts</i>	Not valued at FVTPL	24,777,791	15,566,184
<i>Operating Lease Liability</i>			
Operating Lease Liability	Not valued at FVTPL	36,197	54,511
<i>Bank Overdraft</i>	Not valued at FVTPL	4,541,637	-
<i>Current Portion of Long-term Liabilities</i>			
Annuity Loans	Not valued at FVTPL	5,301,018	5,554,979
Total Financial Liabilities		<u><u>132,642,499</u></u>	<u><u>129,937,120</u></u>

48.2 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 23 and the Statement of Changes in Net Assets.

Gearing Ratio

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

Debt	<u><u>79,550,484</u></u>	<u><u>86,484,955</u></u>
Equity	<u><u>1,411,206,675</u></u>	<u><u>121,202,005</u></u>
Net debt to equity ratio	<u><u>6%</u></u>	<u><u>71%</u></u>

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.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

48.3 *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.

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.

48.4 *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.

48.5 *Market risk*

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.6 below). No formal policy exists to hedge volatilities in the interest rate market.

48.6 *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.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

48.7 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 18 is a listing of undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.

Liquidity and Interest Risk Tables

The tables following note 57 detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

48.8 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.

	2009	2008
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Fixed Deposit Investments	18,742,742	13,156,953
Long-term Receivables	3,477,733	2,397,391
Consumer Debtors	41,089,139	28,618,023
Other Debtors	11,362,158	11,107,883
Short-term Investment Deposits	47,503,350	68,063,302
Bank and Cash Balances	8,960	1,345,179
VAT	5,691,565	2,287,618
Maximum Credit and Interest Risk Exposure	127,875,647	126,976,349

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

49 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Kouga Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

Contributions made by the municipality amounted to R 10.18 million (2008: R 8.66 million) to the defined benefit and defined contribution structures and were expensed as incurred during the year under review.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation, as set out below.

DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

The Defined Benefit section of the fund is a multi-employer plan, and the contribution rate payable is 27%, 9% by the members, and 18% by Council.

The last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R 182,73 million (R 200,21 million) with a funding level of 106,5 (107,2 %), and is in a sound financial state as at 30 June 2008.

SALA Pension Fund

The 1 July 2007 actuarial valuation of SALA pension Fund the valuation results showed that it was 110% funded (2006: 106%). The valuator recommended that to retain a sound financial position, the employer continues to contribute at the current rate.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

This scheme was established to accommodate the unique characteristics of contract employees and 'cost to company' employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.

The fund was certified as being in a sound financial condition as at 30 June 2008 by the actuary. The valuation disclosed a funding level of 103.3% (2007 : 105.3%).

Cape Joint Retirement Fund

The contribution rate paid by the members (9%) and their councils (18%) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R 42,93 million (R 105,04 million) with a funding level of 112,2 % (137,4 %). Certified in a sound financial position as at 30 June 2008.

Municipal Councillors' Pension Fund

The Municipal Councillors' Pension Fund operates as a defined contribution scheme. The contribution rate paid by the member (13,75%) and their councils (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

The last actuarial valuation of the fund was undertaken at 30 June 2006, and the actuary reported that the fund was as a whole in a sound financial position, with a funding level of 106,5%.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

National Fund for Municipal Workers

The above mentioned fund is a defined contribution Fund and according to Regulation 2 of the Pension Funds Act no 24 of 1956 exempt from the provisions of sections 9A and 16 of the Act. The contribution rate paid by the members is 9.00 % and by the council is 18.00 %.

The latest voluntary valuation was done on 30 June 2007 (30 June 2006). As at 30 June 2007 the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs. The NFMW Retirement Fund does not have any reserve accounts or surpluses which could be allocated to members Fund records.

The last valuation performed revealed that the fund had an actuarial surplus of R 9,47 million (2006: R -4,27 million) with a funding level of 100.3% (2006: 99.8 %). The actuary was satisfied that the Fund continues to be able to meet its liabilities.

The retirement and pension funds are both defined contribution schemes. The last voluntary actuarial valuation of the fund was performed on 30 June 2006. As at 30 June 2006, the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions, plus investment returns, less administration costs.

South African Municipal Workers Union National Provident Fund

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the fund was performed at 30 June 2005, and certified as being in a financially sound position. The next statutory valuation was due on 30 June 2008, but is still in process.

Sanlam Provident Fund

The Sanlam Provident Fund is a defined contribution Fund.

The pensions paid from the fund are fully secured through annuity policies purchased from insurers and owned by the Member.

All liabilities of the Fund, to the extent that they exceeded the value of the member's individual accounts were fully underwritten by one or more registered insurers.

In terms of section 2(5)(a) of the Act, the EC 108 Provident Fund is exempted from the provisions of sections 9A and 16 of the Act. This Exemption will expire on 1 July 2010.

According to the Valuator Certificate in support of renewal of Valuation Exemption, on 01 July 2007, the assets are suitable considering the liabilities of the fund.

None of the above mentioned plans are state plans.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

50 RELATED PARTY TRANSACTIONS

50.1 Related party relationships:

Councillors:	<i>Ward</i>	<i>Surname</i>	<i>Initials</i>
	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
		<i>Surname</i>	<i>Initials</i>
Directors:	Municipal Manager	Rankwana	E
	Chief Financial officer	Abdullah	R
	Director Corporate Services	Simanga	L
	Director Technical Services	Oosthuizen	E
	Director Human Resources and Economic and Social Development	Ngcayisa	J.M.
	Director Community Services	Dennis	F.P.
	Director Planning and Development	Dennis	F.P.
Municipal Entities:	Kouga Cultural Centre		
	Kouga Development Agency		

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

During the year the municipality rendered services to the following parties that are related to the municipality as indicated:

50.2 Related Party Transactions	Rates	Service charges	Other	Outstanding balances
Year ended 30 June 2009				
Councillors, Municipal Manager & Section 57	38,613	66,919	156,226	60,765,125
The following entities are under the control of				
Kouga Development Agency	-	7,969	-	-
Kouga Cultural Centre	-	15,767	-	-
Year ended 30 June 2008				
Councillors, Municipal Manager & Section 57 Personnel	46,976	77,013	3,955	365,702
The following entities are under the control of councillors:				
Kouga Development Agency	-	6,928	12	495
Kouga Cultural Centre	-	11,043	-	960

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.

50.3 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 16 to the Annual Financial Statements.

50.4 Compensation of key management personnel

The compensation of key management personnel is set out in note 32 to the Annual Financial Statements.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

50.5 Transactions with close family members of persons in the service of the state

The municipality traded with the following companies and individuals, which are considered to be Related Parties:

Company	Kouga employee	Department	Relation of Kouga employee to company owner/(s)	Designation	Amount of award R
DJ Enterprises	L. Jenneker	Finance	Wife	Manager Expenditure	199,779
Lippert Cabinets	C. Lippert	Finance	Wife	EQS/ Admin	
	L. Jenneker	Finance	Wife	Manager Expenditure	220,250
Owen Jeggels Tiling	L. Jeggels	Finance	Wife	PA: Director Finance	5,800
Jeggels media services	L. Jeggels	Finance	Sister in law	PA: Director Finance	25,666
Delevex 754 CC	J. Savage	Finance	Sister In law	Ass: Acc Income	
	ET Savage	Tech: Water & Sew	Brother	SNR Foreman: Water	2,245,964
GW Projects	J. Savage	Finance	Sister In law	Ass: Acc Income	
	ET Savage	Tech: Water & Sew	Brother	SNR Foreman: Water	48,345
Calandria 142 CC t/a NA Loodgieters	J. Savage	Finance	Sister In law	Ass: Acc Income	20,000
	ET Savage	Tech: Water & Sew	Brother	Snr Foreman: Water	
Central Bridge Trading	Zoleka Tshume	Finance	Wife	Creditor Clerk	-
Winternight Investment 340	Zoleka Tshume	Finance	Wife	Creditor Clerk	341,762
Meleni T	S. Meleni	Tech	Wife	Library Ass: J-bay	92,606
Lukabash Trading Enterprise	J. Ngayisa	HR	Husband	Dir: Human Resource	110,159
Gomez HP	Elsa Gomez	Mun. Manager	Wife	PA: Mun Manager	11,457
Cyclone Couriers	E. vd Merwe	Plan & Development	Wife	Senior Clerk	11,476
Symmington Jacques	Elsa Symmington	Finance	Wife	Operator	9,150
Glorias catering	M. Rosseauw	Finance	Sister	Ass Acc: Payroll	51,705
WJJ Gysman t/a JJ Builders	M. Gysman	Corporate	Daughter	Admin officer: Estates	21,858
BG Le Grange Surveys/ Jbay Wipes	G. Le Grange	Plan & Developm.	Brother	Building Inspector	46,729
W. Tengo Trust Project Trading	NC. Tengo	Corporate	Wife	Housekeeping Staff	21,200
Kouga Loo Cleansing & Transport	R. Mintoor	Community: Health	Brother	Snr Env. Health Off	3,600

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

50.6 Other related party transactions

Special Purpose Entity: St Francis Beach Trust (Also refer to note 53 below)

The Trust is a public benefit organization which has been established for the specific purpose of achieving the rehabilitation of the St Francis Bay beach including the construction of offshore submerged reefs and the ongoing dredging of the Kromme River estuary, together with other related activities for the benefit of the wider St Francis Bay community.

The municipality has expressed its support for the above Project via the Trust, and is willing to support the Trust to acquire external finance of R 30 million from INCA (Infrastructure Finance Corporation Limited) by providing security in the form of a dedicated revenue stream through the medium of a beach levy to be determined in terms of the relevant legislation.

50.7 Entities under the control of management or councillors

<i>Official Surname</i>	<i>Initials</i>	<i>Designation</i>	<i>Interest in CC</i>	<i>Shares/ Directorship in company</i>
Botha	N.S.	Councillor	NNF Bestuurs en Raadgewende Dienste	Eedenglen Aftree-Oord Kouga Cultural Centre
Dennis	R.H.	Counsellor	None	CPAD Fisheries (Pty) Ltd
Dennis	F.P.	Director: Planing & Development	Bright Idea Projects 524 CC Sizisa Ukhanyo Trading 282 CC Inition BEE Property Valuers and Consultants CC	Stanfred Technologies (PTY) Ltd
Dlomo	M	Councillor	None	Summer Sun Trading 195 (Pty) Ltd
Duvenage Jansen	D.E. J.	Manager IT Director: Act Town Planning	Marlyn Homes CC None	None Carmelo Investments 118 (Pty) Ltd Gemini Moon Trading 121 (PTY) Ltd
Njela	C.J.	Councillor	Escalators Investment CC	None
Rankwana	E.M.	Municipal Manager	Grow-Sers CC	None
Rheeder	B.F.	Councillor	None	Kouga Cultural Centre
Strydom	C	Manager LED	Erf 1303 Jeffreysbaai CC Seafront Restaurant CC Waterkant 1298 CC Gedeelte 10 Erf 384 Linden-Uitbreiding CC	None

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Stuurman	V.S.	Councillor	Taking A Change Trading CC	Island House Trading 115 (Pty) ltd Sweet Breeze Investment (PTY) Ltd
Tshume	K.M.	Councillor	Sifikile Fishing CC	Kouga Cultural Centre Kouga Cultural Centre Tshume And Smit Transport (PTY) Ltd
Woni	T	Manager IDP	Dontchemistry Training And Suppliers CC Fountain Of Knowledge CC	Sindwezama Fishing (PTY) Ltd

51 IN-KIND DONATIONS AND ASSISTANCE

No in-kind donations and assistance were received.

52 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year

53 EVENTS AFTER THE REPORTING DATE

Special Purpose Entity: St Francis Beach Trust (Also refer to note 50.6 above)

It is the intention of the municipality to withdraw its financial support from both the financial institution and the trust.

54 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)".

55 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of prior period errors (note 39).

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

56 CHANGE IN ESTIMATES

56.1 Provision for the rehabilitation of Land-fill Sites

The discount rate used is annually adjusted based on the average borrowing cost calculated for Kouga Municipality. The cost factors derived from the study have been applied and projected at an annual inflation rate of 7% (2008: 7%) and discounted to present value at a rate of 11% (2008: 15%).

Effect in the current period:

If the same rate (15%) that was utilised in 2008 was applied in the current year, to discount future rehabilitation cost to its net present value, the current year's expenditure would have been R 2,982,601 less and accumulated surplus as at 30 June 2009 would have been more with the same amount.

Effect in future periods:

The amount of the effect of the change in estimate in future periods is not disclosed because estimating it is impracticable.

57 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these financial statements the municipality has not applied the following GRAP standards that have been issued but is not yet effective:

GRAP 18 Segment Reporting
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 103 Heritage Assets

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Liquidity Risk Management (refer to note 47.8)

Liquidity and Interest Risk Tables

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

Description	Note ref in AFS #	Loan Number	Average effective Interest Rate %	Total R	6 Months or less		6 - 12 Months		1 - 2 Years		2 - 5 Years		More than 5 Years	
					R	R	R	R	R	R	R	R		
30 June 2009														
<u>Non-interest Bearing</u>														
- Creditors	8			28,966,241	28,966,241									
- Consumer Deposits	8			22,651,671	22,651,671									
<u>Variable Interest Rate Instruments</u>				6,314,570	6,314,570									
- Wesbank - sewerage trucks		533	14.00%	463,737	249,817			249,817						
- Wesbank - P.O.S		534	15.41%	28,766	132,381			132,381						
- Wesbank - P.O.S		535	14.49%	42,124	14,383			14,383						
- Wesbank - Health		536	14.00%	72,397	19,105			19,105		3,913				
- Wesbank - Health		537	14.00%	75,293	17,375			17,375		37,646				
- Wesbank		547	14.00%	303,382	49,197			49,197		40,542				
<u>Fixed Interest Rate Instruments</u>				110,262,364	7,301,486			7,301,486		14,602,973				28,604,512
- Absa		528	14.50%	211,311	12,843			12,843		25,687				82,876
- ASDR		513	14.25%	51,244	12,240			12,240		24,480				2,284
- DBSA		145	12.00%	6,384,300	425,620			425,620		851,240				2,128,100
- DBSA		146	12.00%	1,032,564	68,838			68,838		137,675				344,188
- DBSA		147	12.00%	3,190,216	212,681			212,681		425,362				1,063,405
- DBSA (LALF)		485	15.22%	209,211	13,989			13,989		27,978				69,322
- DBSA (LALF)		489	15.22%	83,839	5,589			5,589		11,178				33,535
- DBSA (LALF)		490	15.22%	331,312	22,087			22,087		44,175				110,437

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Liquidity Risk Management (continued)

Description	Note ref in AFS #	Loan Number	Average effective Interest Rate %	Total	6 Months or less		6 - 12 Months		1 - 2 Years		2 - 5 Years		More than 5 Years	
					R	R	R	R	R	R	R	R	R	R
- DBSA (LALF)		492	15.22%	18,012	1,201	1,201	2,402	1,201	2,402	7,205	6,004			
- DBSA (LALF)		494	15.22%	78,576	5,238	5,238	10,477	5,238	10,477	31,430	26,192			
- DBSA (LALF)		495	15.77%	250,189	16,679	16,679	33,358	16,679	33,358	100,075	83,396			
- DBSA (LALF)		496	15.77%	33,489	2,233	2,233	4,465	2,233	4,465	13,396	11,163			
- DBSA (LALF)		498	13.46%	97,262	6,484	6,484	12,968	6,484	12,968	38,905	32,421			
- DBSA (LALF)		499	13.46%	359,818	23,988	23,988	47,976	23,988	47,976	143,927	119,939			
- DBSA (LALF)		501	14.75%	367,670	24,511	24,511	49,023	24,511	49,023	147,068	122,557			
- DBSA (LALF)		502	16.19%	1,669,689	111,313	111,313	222,625	111,313	222,625	667,876	556,563			
- DBSA (LALF)		503	16.19%	20,357	1,357	1,357	2,714	1,357	2,714	8,143	6,786			
- DBSA		505	15.00%	3,652,643	243,509	243,509	487,019	243,509	487,019	1,461,057	1,217,548			
- DBSA		506	16.50%	56,608	3,774	3,774	7,548	3,774	7,548	22,643	18,869			
- DBSA		507	16.50%	657,108	43,807	43,807	87,614	43,807	87,614	262,843	219,036			
- DBSA		508	16.50%	710,480	47,365	47,365	94,731	47,365	94,731	284,192	236,827			
- DBSA		509	16.50%	1,067,830	71,189	71,189	142,377	71,189	142,377	427,132	355,943			
- DBSA (LALF)		512	16.19%	88,667	5,911	5,911	11,822	5,911	11,822	35,467	29,555			
- DBSA (LALF)		514	16.19%	126,480	8,432	8,432	16,864	8,432	16,864	50,592	42,160			
- DBSA (LALF)		515	16.50%	201,224	13,415	13,415	26,830	13,415	26,830	80,489	67,074			
- DBSA (LALF)		521	10.25%	226,189	15,079	15,079	30,159	15,079	30,159	90,476	75,397			
- DBSA (LALF)		522	15.50%	482,016	32,134	32,134	64,269	32,134	64,269	192,806	160,672			
- DBSA (LALF)		523	16.00%	916,975	61,132	61,132	122,263	61,132	122,263	366,790	305,658			
- DBSA (LALF)		524	16.00%	10,226,110	681,741	681,741	1,363,481	681,741	1,363,481	4,090,444	3,408,703			
- DBSA		525	15.25%	913,169	60,878	60,878	121,756	60,878	121,756	365,268	304,390			
- DBSA		526	15.25%	5,997,839	399,856	399,856	799,712	399,856	799,712	2,399,136	1,999,280			
- DBSA		531	11.185%	12,396,359	386,585	386,585	773,170	386,585	773,170	2,319,510	8,530,509			
- DBSA		538	8.995%	119,014	14,877	14,877	29,754	14,877	29,754	59,507				
- DBSA		539	8.995%	419,432	52,429	52,429	104,858	52,429	104,858	209,716				
- DBSA		540	8.995%	91,359	11,420	11,420	22,840	11,420	22,840	45,679				
- DBSA		541	8.995%	487,922	60,990	60,990	121,981	60,990	121,981	243,961				
- DBSA		542	8.995%	419,432	52,429	52,429	104,858	52,429	104,858	209,716				

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Liquidity Risk Management (continued)

Description	Note ref in AFS #	Loan Number	Average effective Interest Rate %	Total R	6 Months or less R	6 - 12 Months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R
- DBSA		543	9.27%	1,756,326	125,452	125,452	250,904	752,711	501,807
- DBSA		544	9.27%	4,123,139	294,510	294,510	589,020	1,767,059	1,178,040
- DBSA		545	9.27%	1,179,817	84,273	84,273	168,545	505,636	337,091
- DBSA		546	9.27%	589,909	42,136	42,136	84,273	252,818	168,545
- Inca Redemption Fund		379	15.50%	5,240,000	310,000	310,000	620,000	4,000,000	-
- Inca Redemption Fund		380	15.50%	10,057,040	594,978	594,978	1,189,955	7,677,130	-
- INCA		381	15.20%	2,690,093	384,299	384,299	768,598	1,152,897	-
- Inca Redemption Fund		517	15.50%	6,243,750	348,750	348,750	697,500	4,848,750	-
- Inca Redemption Fund		518	16.80%	4,856,250	271,250	271,250	542,500	3,771,250	-
- INCA		530	12.60%	3,583,731	447,966	447,966	895,933	1,791,866	-
- INCA - Bulk water		532	11.16%	16,296,396	1,164,028	1,164,028	2,328,057	6,984,170	4,656,113
<u>Financial Guarantee Contracts</u>				-	-	-	-	-	-
				140,214,303	36,517,544	7,551,303	14,982,444	52,558,500	28,604,512
30 June 2008									
<u>Non-interest Bearing</u>									
- Creditors	8			29,268,589	29,268,589	-	-	-	-
- Consumer Deposits	8			6,023,918	6,023,918	-	-	-	-
<u>Variable Interest Rate Instruments</u>									
- Wesbank - sewerage trucks		533	14.00%	1,468,749	244,121	238,930	499,634	486,064	-
- Wesbank - P.O.S		534	15.41%	714,633	126,666	124,230	264,762	198,975	-
- Wesbank - P.O.S		535	14.49%	57,569	14,492	14,311	28,766	-	-
- Wesbank - Health		536	14.00%	77,972	18,051	17,798	38,211	3,913	-
- Wesbank - Health		537	14.00%	105,130	16,550	16,183	34,750	37,646	-
- Wesbank		547	14.00%	108,149	16,618	16,239	34,750	40,542	-
				405,296	51,745	50,169	98,394	204,988	-

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Liquidity Risk Management (continued)

Description	Note ref in AFS #	Loan Number	Average effective Interest Rate %	Total	6 Months or less		6 - 12 Months		1 - 2 Years		2 - 5 Years		More than 5 Years	
					R	R	R	R	R	R	R	R	R	R
<u>Fixed Interest Rate Instruments</u>														
- Absa		528	14.50%	124,713,065	7,225,860	7,224,841	14,602,973	57,575,162	38,084,229					
- ASDR		513	14.25%	236,521	13,115	12,095	25,687	77,061	108,563					
- DBSA		145	12.00%	7,236,010	12,240	12,240	24,480	26,764	2,979,340					
- DBSA		146	12.00%	1,170,315	68,876	68,876	137,675	413,026	481,863					
- DBSA		147	12.00%	3,615,813	212,799	212,799	425,362	1,276,086	1,488,768					
- DBSA (LALF)		485	15.22%	237,204	13,997	13,997	27,978	83,934	97,299					
- DBSA (LALF)		489	15.22%	95,023	5,592	5,592	11,178	33,535	39,125					
- DBSA (LALF)		490	15.22%	375,511	22,100	22,100	44,175	132,525	154,612					
- DBSA (LALF)		492	15.22%	20,415	1,201	1,201	2,402	7,205	8,405					
- DBSA (LALF)		494	15.22%	89,059	5,241	5,241	10,477	31,430	36,669					
- DBSA (LALF)		495	15.77%	283,566	16,688	16,688	33,358	100,075	116,755					
- DBSA (LALF)		496	15.77%	37,957	2,234	2,234	4,465	13,396	15,628					
- DBSA (LALF)		498	13.46%	110,238	6,488	6,488	12,968	38,905	45,389					
- DBSA (LALF)		499	13.46%	407,820	24,001	24,001	47,976	143,927	167,915					
- DBSA (LALF)		501	14.75%	416,720	24,525	24,525	49,023	147,068	171,580					
- DBSA (LALF)		502	16.19%	1,892,437	111,374	111,374	222,625	667,876	779,188					
- DBSA (LALF)		503	16.19%	23,073	1,358	1,358	2,714	8,143	9,500					
- DBSA		505	15.00%	4,139,930	243,644	243,644	487,019	1,461,057	1,704,567					
- DBSA		506	16.50%	64,160	3,776	3,776	7,548	22,643	26,417					
- DBSA		507	16.50%	744,770	43,831	43,831	87,614	262,843	306,650					
- DBSA		508	16.50%	805,263	47,392	47,392	94,731	284,192	331,557					
- DBSA		509	16.50%	1,210,286	71,228	71,228	142,377	427,132	498,321					
- DBSA (LALF)		512	16.19%	100,495	5,914	5,914	11,822	35,467	41,378					
- DBSA (LALF)		514	16.19%	143,353	8,437	8,437	16,864	50,592	59,024					
- DBSA (LALF)		515	16.50%	228,068	13,422	13,422	26,830	80,489	93,904					
- DBSA (LALF)		521	10.25%	256,365	15,088	15,088	30,159	90,476	105,555					
- DBSA (LALF)		522	15.50%	546,321	32,152	32,152	64,269	192,806	224,941					
- DBSA (LALF)		523	16.00%	1,039,306	61,165	61,165	122,263	366,790	427,922					
- DBSA (LALF)		524	16.00%	11,590,344	682,117	682,117	1,363,481	4,090,444	4,772,185					

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Liquidity Risk Management (continued)

Description	Note ref in AFS #	Loan Number	Average effective Interest Rate %	Total R	6 Months	6 - 12	1 - 2	2 - 5	More than
					or less R	Months R	Years R	Years R	5 Years R
- DBSA		525	15.25%	1,034,993	60,912	60,912	121,756	365,268	426,146
- DBSA		526	15.25%	6,797,993	400,077	400,077	799,712	2,399,136	2,798,992
- DBSA		531	11.185%	13,179,903	391,772	391,772	773,170	2,319,510	9,303,679
- DBSA		538	8.995%	149,616	14,945	15,657	29,754	89,261	
- DBSA		539	8.995%	527,280	52,668	55,180	104,858	314,574	
- DBSA		540	8.995%	114,850	11,472	12,019	22,840	68,519	
- DBSA		541	8.995%	613,381	61,269	64,190	121,981	365,942	
- DBSA		542	8.995%	527,280	52,668	55,180	104,858	314,574	
- DBSA		543	9.27%	2,006,129	125,958	123,845	250,904	752,711	752,711
- DBSA		544	9.27%	4,709,575	295,699	290,738	589,020	1,767,059	1,767,059
- DBSA		545	9.27%	1,347,623	84,613	83,193	168,545	505,636	505,636
- DBSA		546	9.27%	673,812	42,307	41,597	84,273	252,818	252,818
- Inca Redemption Fund		379	15.50%	5,860,000	310,000	310,000	620,000	4,620,000	
- Inca Redemption Fund		380	15.50%	11,246,995	594,978	594,978	1,189,955	8,867,085	
- INCA		381	15.20%	3,458,691	384,299	384,299	768,598	1,921,495	
- Inca Redemption Fund		517	15.50%	6,941,250	348,750	348,750	697,500	5,546,250	
- Inca Redemption Fund		518	16.80%	5,227,511	185,630	185,630	542,500	4,313,750	
- INCA		530	12.60%	4,479,664	447,966	447,966	895,933	2,687,798	
- INCA - Bulk water		532	11.16%	18,624,453	1,164,028	1,164,028	2,328,057	6,984,170	6,984,170
<u>Financial Guarantee Contracts</u>			-	-	-	-	-	-	-
				155,450,403	36,738,570	7,463,771	15,102,607	58,061,226	38,084,229

APPENDIX A

KOUGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance previously reported as at 30/06/2008	Received during the year	Redeemed/ Written Off during Period	Balance at 30/06/2009
	R	%			R	R	R	R
ANNUITY LOANS								
ABSA	166,000	14.50%	528	30/11/2016	131,668		(5,857)	125,811
Total ABSA	166,000				131,668	-	(5,857)	125,811
ASDR	150,000	14.25%	513	30/12/2011	59,529		(16,567)	42,962
Total ASDR	1,050,000				59,529	-	(16,567)	42,962
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	27,919,542		(1,827,820)	26,091,722
DBSA (LALF)	430,920	15.22%	486	30/09/2007	-			-
DBSA (LALF)	449,158	15.22%	491	30/09/2007	-			-
DBSA	6,128,561	11.185%	531	30/09/2024	5,839,390		(133,994)	5,705,396
DBSA	1,600,000	8.995%	538 - 542	31/03/2013	1,600,000		(266,366)	1,333,634
DBSA	6,000,000	9.265%	543 - 546	31/03/2016	6,000,000		(534,888)	5,465,112
Total DBSA	47,721,277				41,358,932	-	(2,763,068)	38,595,864

APPENDIX A

KOUGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance previously reported as at 30/06/2008	Received during the year	Redeemed/ Written Off during Period	Balance at 30/06/2009
	R	%			R	R	R	R
INCA								
Inca Redemption Fund	4,000,000	15.50%	379	30/06/2011	4,000,000	-	-	4,000,000
Inca Redemption Fund	7,677,130	15.50%	380	30/06/2011	7,677,130	-	-	7,677,130
INCA	4,000,000	15.20%	381	31/12/2012	2,440,175		(412,565)	2,027,611
Inca Redemption Fund	4,500,000	15.50%	517	30/06/2011	4,500,000		-	4,500,000
Inca Redemption Fund	3,500,000	16.80%	518	30/06/2011	3,500,000		-	3,500,000
INCA	5,000,000	13.00%	530	30/06/2013	3,249,646		(501,570)	2,748,075
INCA - Bulk water	13,000,000	11.160%	532	30/06/2016	12,106,838		(1,003,659)	11,103,179
Total INCA	41,677,130				37,473,789	-	(1,917,794)	35,555,995
Total Annuity Loans	90,614,407				79,023,918	-	(4,703,286)	74,320,632
CAPITALISED LEASE LIABILITIES:								
Wesbank								
Wesbank - sewerage trucks	922,982	14.00%	533	28/02/2011	578,449		(186,849)	391,600
Wesbank - P.O.S	107,520	15,409%	534	30/06/2010	50,821		(23,774)	27,047
Wesbank - P.O.S	133,046	14,489%	535	31/08/2010	67,655		(28,871)	38,784
Wesbank - Health	119,350	14.00%	536	31/07/2008	82,867		(23,331)	59,536
Wesbank - Health	119,350	14.00%	537	31/08/2011	84,986		(23,164)	61,822
Wesbank	420,215	14.000%	547	31/07/2012	321,240		(63,706)	257,534
Total Wesbank	1,822,463				1,186,018	-	(349,696)	836,322
Operating leases reclassified as finance leases					6,275,019	74,473	(1,955,962)	4,393,530
Total capitalised lease liabilities	1,822,463				7,461,038	74,473	(2,305,658)	5,229,852
TOTAL EXTERNAL LOANS	92,436,870				86,484,955	74,473	(7,008,944)	79,550,484

**APPENDIX B
KOUGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

Description	Cost / Revaluation			Accumulated Depreciation / Impairment			Infrastructure Adjustment Carrying Value	Carrying Value									
	Opening Balance	Additions	Adjustment WIP in BF	Under Construction	Land Adjustment	Disposals			Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Infrastructure Adjustment Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Infrastructure																	
Access control	16,900	66,117				83,017				1,139	9,740			10,879			72,139
Car parks	1,441,618			584,170		2,025,788				901,621	80,029	45,262		1,026,912			998,876
Fencing	1,201,202	207,185				1,408,388				679,771	1,64,831	(66,509)		778,094			630,294
Footways	1,561,901					1,561,901				1,279,885	32,474	11,539		1,323,898			238,003
Electricity Mains	6,631,557	7,083,373				13,714,930				132,699	176,420			309,119			19,542,229
Water Mains	21,699,702	1,174,392	(16,012,849)	13,229,143		20,090,388				63,919	145,797			209,716			24,681,082
Water Meters	235,775					235,775				151,093	11,789	(150,968)		11,913			223,861
Electricity Meters	354,196	5,879				360,076				18,794	18,664	150,888		188,346			171,729
Paving	88,486			6,006,618		6,095,104				88,486				88,486			6,006,618
Purification works	5,549,920		(4,354,655)	10,046,547		11,241,811				1,826,392	273,602	32,273		2,132,266			17,749,162
Other roads	39,752,084	992,005	(2,355,848)	5,624,625		44,012,866				27,899,477	1,391,126	(899,625)		28,390,979			15,621,887
Outfall Sewers	2,425,303		(3,321,901)	6,015,842		5,119,244				0				0			5,119,244
Reservoirs	3,327,839	1,717,880	(3,145,198)	2,024,980		3,925,502				1,105,538	20,564	20,620		1,146,722			73,066,967
Runways	50,000					50,000				26,122	2,500	666		29,288			20,712
Security system	370,093	20,878				390,971				106,777	72,369	226		179,372			211,599
Sewers	77,350,266	11,469,193	(20,432,479)	3,130,392		71,517,372				29,380,068	2,172,695	567,862		32,120,625			70,209,801
Sewerage pumps	4,920,756	28,184	(123,276)	5,649,418		10,475,082				3,105,163	1,56,858	(21,572)		3,240,449			30,443,358
Street lighting	1,674,247		(1,001,263)	1,001,263		1,674,247				343,413	18,835	8,784		371,033			1,303,215
Tools	0					0				20,699,55		(20,700)		-			-
Taxways	0			408,562		408,562				-				-			408,562
Electricity Reticulation	48,518,345	2,280,414	(3,107,449)	1,632,420		49,323,730				29,585,687	1,602,389	433,123		31,621,200			44,247,492
Water Reticulation	39,727,375	2,358,271	(7,099,563)	6,059,735		41,045,819				23,535,942	1,022,558	368,842		24,927,342			118,605,087
Stormwater drains	2,817,099	21,910	(175,146)	175,146		2,839,009				1,181,847	184,342	96,803		1,462,992			1,376,016
Switchgear equipment	25,391	8,772				34,163				21,568	1,782	2,401		25,751			83,301,244
Traffic islands	33,885					33,885				33,038		847		33,885			0
Traffic lights	150,309					150,309				139,836	1,020	273		141,129			9,180
	259,924,251	27,434,455	(61,129,628)	61,588,861	0	287,817,939	0	0	121,628,974	7,560,382	581,037	0	0	129,770,394	356,210,813	514,258,358	
Community Assets																	
Beach development	3,326,994	6,750				3,333,744				2,150,207	1,66,999	140,778		2,457,985			875,759
Bowling greens	102,081					102,081				102,081				102,081			0
Buildings	0				477,000	0				0	(483,518)	0		(483,518)			483,518
Care centres	1,211,068					1,688,068				1,211,068	10,229	0		1,211,068			477,000
Cemeteries	339,340					339,340				292,240	0	10,257		312,725			26,615
Cemetery	0					0				1,967	(1,967)	0		0			0
Clinics	1,190,953		(561,448)	2,507,609		3,137,115				998,932	15,959	7,982		1,022,874			2,114,241
Community centre	11,677,235			3,709,000		15,386,235				4,345,615	309,076	588,859		5,243,550			10,142,685
Fire stations	202,383					202,383				106,784	6,246	2,097		115,127			87,256
Floodlighting	0	22,264				22,264				805	805	0		805			21,459

**APPENDIX B
KOGUA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

Description	Opening Balance		Additions		Adjustment WIP in BF		Cost / Revaluation		Disposals		Closing Balance		Accumulated Depreciation / Impairment		Closing Balance		Infrastructure Adjustment Carrying Value		Carrying Value		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Golf courses	1,964,882											1,964,882	769	3,229		1,964,882				0	
Housing Schemes	2,018,416	(2,018,416)										1,728,138	(1,728,138)	0		0				(0)	
Indoor sports	38,000										38,000		0			38,000				0	
Jukshei pitches	26,000										26,000		0			26,000				0	
Lakes and dams	56,438										56,438		0			56,438				0	
Libraries	2,124,825						423,000				2,547,825		28,716			2,004,887				542,939	
Municipal build	1,989,277	14,222	(1,825)			26,265,500					1,533,244	31,081	23,519			1,587,844				26,679,330	
Museum/art gall	1,688,440										1,413,761	56,175	52,820			1,522,756				165,684	
Office Building	433,225	556,587	(234,347)			234,347					4,476,798	212,339	(405,176)			4,283,961				(3,294,148)	
Organ and case	5,440										5,440		0			5,440				0	
Outdoor sports	1,701,702					5,164,853					1,673,186	3,279	1,638			1,678,103				5,188,452	
Parks	2,698,086					342,584,500					2,649,524	4,167	2,748			2,656,439				342,626,147	
Public convenie	2,019,941	91,235	(83,821)			13,240,000					1,950,901	27,128	29,240			2,007,269				13,260,086	
Recreation cent	615,017					1,602,980					508,143	20,031	15,511			543,685				1,674,312	
Refuse site	3,820,000	3,346,503									0		0			0				7,166,503	
Swimming pools	17,000										17,000		0			17,000				0	
Tennis courts	251,966										251,966		0			251,966				0	
Workshop	2,128,222										1,862,893	37,158	26,179			1,926,230				201,991	
	41,646,929	4,037,562	(2,899,857)	9,509,789	386,699,000	9,509,789	386,699,000	0	438,993,424	0	31,306,905	448,396	(1,201,706)	0	30,553,595	0	408,439,829	0	0	0	
Heritage Assets																					
	(0)	0	0	0	0	0	0	0	(0)	0	0	0	0	0	0	0	0	0	0	0	(0)
Housing																					
Housing Schemes	93,750	1,924,666		1,444,194	60,440,250				63,902,860		0	18,954	1,759,324			1,778,278				62,124,582	
	93,750	1,924,666	1,444,194	60,440,250	60,440,250	0	63,902,860	0	18,954	1,759,324	0	1,778,278	0	0	0	62,124,582	0	0	0	0	
Investment Assets																					
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets																					
Air conditioner	142,383	99,136							241,519		68,926	31,513	1,935			102,373				139,146	
Cabinets/cupboa	97,390	303,233						400,624		87,484	16,266	(559)				103,190				297,433	
Canopy	7,500							7,500		0	1,500	0	0			1,500				6,000	
Caravan parks	1,253,812	114,205						1,253,812		1,169,387	9,996	7,468				1,186,850				66,963	
Chairs	303,340							417,546		176,586	30,869	23,277				230,732				186,814	

**APPENDIX B
KOUGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

Description	Cost / Revaluation			Accumulated Depreciation / Impairment			Infrastructure Adjustment Carrying Value	Carrying Value					
	Opening Balance	Additions	Adjustment WIP in BF	Under Construction	Land Adjustment	Disposals			Closing Balance	Transfers	Disposals	Closing Balance	Infrastructure Adjustment Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	
Computer hardware	2,687,787	920,315	(1,307)										1,637,788
Cremators	32,459	0											0
Bulk containers	0	6,700											6,138
Compactor - plant	0	20,600											17,993
Emergency light	0	72,383											63,904
Electrical equipment	814,821	33,151											527,762
Aparatus	39,390	2,500											28,941
Equipment	0	95,815											92,638
Fire equipment	414,728	16,195											97,626
Hoist - refuse	0	433,624											390,240
General plant	1,793,457	122,745											266,102
GROUND	32,233,387		(32,233,387)		297,515,600								297,515,600
Household refus	262,591												12,579
Irrigation syst	219,746												0
Markets	129,840												0
Miscellaneous furniture	725,741	480,368											837,430
Office machines	283,416	4,095											13,735
Pumps	4,280,703	148,618											4,411,965
Radio equipment	103,989	56,078											61,333
Tools	0	145,394											129,288
Tables/desks	281,673	117,186											223,169
Telecommunication	0	14,309											12,693
Tip sites	428,495	0											45,860
Generator	0	56,805											54,830
Town planning	1,390,352												49,823
Trailers	248,778	8,418											82,187
Transport facil	61,943												(0)
Vacant land	5,133,103												0
Vehicles	12,860,680	326,359											8,606,968
Watercraft/boat	489,183	96,404											92,107
Fire engines	0												0
Lawnmowers	966,696												57,399
Trucks/bakkies	1,759,058	449,475											915,659
Tractors	1,694,300												1,161,406
Compressors	0	4,647											4,115
Finance leased assets	71,140,744	4,148,756	(32,234,693)	0	450,268,497	157,886,000	335,437,304	19,849,543	3,464,568	(904,393)	5,086,047	17,323,670	318,113,633
	10,323,560	74,473	0	0	0	0	10,398,033	5,385,434	1,873,708	0	0	7,259,142	3,138,891
Total	383,129,234	35,695,245	(94,339,512)	72,542,844	897,407,747	157,886,000	1,136,549,558	178,170,856	13,366,009	234,262	5,086,047	186,685,080	1,306,075,292

**APPENDIX C
KOUGA LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

Description	Opening Balance		Transfers		Additions		Adjustmnt WIP in BF		Cost / Revaluation		Land adjustment		Disposals		Closing Balance		Opening Balance		Accumulated Depreciation / Impairment		Closing Balance		Infrastructure Adjustment Carrying Value		Carrying Value		
	R		R		R		R		R		R		R		R		R		R		R		R		R		
Executive and Council	9,566,914		26,292,728		126,613		(32,233,387)		-		450,268,497		157,886,000		296,135,365		4,847,007		-		244,480		5,440		-		296,129,925
Finance and Administration	12,674,526		32,570,831		3,726,545		(237,479)		234,347		26,265,500		-		75,234,271		20,468,541		-		(1,565,235)		23,167,766		-		52,066,505
Planning and Development	33,396,526		(32,115,830)		144,721		-		-		-		-		1,425,416		1,519,206		-		(63,490)		1,470,369		-		(44,953)
Health	1,115,103		-		58,127		-		-		-		-		1,173,230		-		-		-		0		-		1,173,230
Community and Social Services	92,212,269		(90,390,912)		-		-		-		4,609,000		-		6,430,357		7,796,587		-		625,865		8,772,230		-		(2,341,873)
Housing	93,750		-		104,596		(93,750)		1,444,194		60,440,250		-		61,989,040		1,728,138		-		31,186		1,778,278		-		60,210,762
Public Safety	3,288,959		13,975		-		(561,448)		2,507,609		-		-		5,249,096		1,599,532		-		33,131		1,749,403		-		3,499,693
Sport and Recreation	2,118,716		5,799,171		104,822		-		6,767,833		-		-		14,790,542		7,896,853		-		168,624		8,266,551		-		6,523,992
Environmental Protection	-		3,402,012		318,018		(83,821)		-		355,824,500		-		359,460,709		6,828,231		-		(34,562)		7,118,149		-		352,342,560
Waste Management	95,072,308		(86,362,806)		3,780,127		-		-		12,489,629		-		12,489,629		662,113		-		(22,597)		709,051		-		11,780,578
Waste Water Management	13,975		97,641,565		11,874,682		(28,232,312)		24,842,199		-		-		106,140,109		34,311,622		-		578,563		37,493,340		-		131,308,165
Roads and Transport	103,948		50,278,426		1,054,138		(3,532,257)		13,800,384		-		-		61,704,638		34,248,173		-		(618,732)		35,779,534		-		25,925,104
Water	72,167,181		(4,086,488)		5,250,544		(26,257,610)		21,313,858		-		-		68,387,486		24,912,935		-		238,493		26,372,663		-		219,590,028
Electricity	61,305,059		(3,042,673)		9,152,311		(3,107,449)		1,632,420		-		-		65,939,669		31,351,919		-		618,533		34,002,305		-		147,911,574
Total	383,129,234		-0		35,695,245		(94,339,512)		72,542,844		897,407,747		157,886,000		1,136,549,558		178,170,857		13,366,009		234,261		186,685,080		356,210,813		1,306,075,291

APPENDIX D
KOUGA LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income	2008 Actual Expenditure	2008 Surplus/ (Deficit)	Description	2009 Actual Income	2009 Actual Expenditure	2009 Surplus/ (Deficit)
R	R	R		R	R	R
73,189	(15,580,757)	(15,507,568)	Executive and Council	135,399	(19,528,076)	(19,392,677)
144,730,396	(75,662,489)	69,067,907	Finance and Admin	130,382,584	(48,476,964)	81,905,620
2,072,516	(8,512,981)	(6,440,466)	Planning and development	2,360,087	(10,702,269)	(8,342,182)
1,709,468	(2,752,105)	(1,042,637)	Health	4,507,503	(3,161,600)	1,345,903
265,789	(4,953,947)	(4,688,158)	Community and Social Services	155,710	(5,663,549)	(5,507,839)
11,651,272	(12,834,806)	(1,183,534)	Housing	9,157,184	(11,041,899)	(1,884,714)
6,794,967	(15,124,648)	(8,329,681)	Public Safety	19,468,218	(30,257,364)	(10,789,146)
1,550,982	(5,437,554)	(3,886,572)	Sport and Recreation	6,837,451	(7,198,462)	(361,011)
889,606	(14,250,858)	(13,361,252)	Environmental Protection	3,099,873	(14,984,821)	(11,884,948)
14,905,547	(22,151,430)	(7,245,883)	Waste Management	23,955,570	(25,717,741)	(1,762,171)
21,279,860	(21,476,817)	(196,958)	Waste Water Management	30,977,720	(23,489,591)	7,488,129
2,623,826	(17,842,400)	(15,218,574)	Road Transport	8,391,400	(19,894,201)	(11,502,801)
32,346,458	(32,355,564)	(9,105)	Water	40,049,089	(30,915,271)	9,133,818
72,262,188	(58,002,921)	14,259,267	Electricity	91,260,961	(73,236,335)	18,024,626
313,156,064	(306,939,277)	6,216,788	Sub-Total	370,738,750	(324,268,142)	46,470,608
-	8,378,220	8,378,220	Less: Inter-departmental Charges	-	-	-
313,156,064	(298,561,057)	14,595,008	Total	370,738,750	(324,268,142)	46,470,608

APPENDIX E(1)
KOUGA LOCAL MUNICIPALITY

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

Description	2008/2009 Actual		2008/2009 Budget		2008/2009 Variance		Explanation of Significant Variances Greater than 10% versus Budget
	R		R		R	%	
REVENUE							
Property Rates	77,719,212		80,782,470		(3,063,258)	-3,94%	
Service Charges	164,713,294		173,141,850		(8,428,556)	-5,12%	
Rental of Facilities and Equipment	448,561		432,770		15,791	3,52%	
Interest Earned - External investments	12,965,776		4,478,060		8,487,716	65,46%	Fair value adjustment of fixed deposits
Interest Earned - Outstanding debtors	9,158,786		4,381,060		4,777,726	52,17%	Fair value adjustment of assessment rates
Fines	3,216,107		1,798,570		1,417,537	44,08%	Increase in law avouchment
Licences and Permits	16,095,478		5,087,580		11,007,898	68,39%	Increase service delivery
Public Contributions and Donations	4,334,597		-		4,334,597	0,00%	
Government Grants and Subsidies	76,638,598		32,044,330		44,614,268	58,20%	Accounting for government grants according to GRAP 9 (refer to note 2)
Other Income	5,428,343		3,303,960		2,124,383	39,14%	
Gains on Disposal of Property, Plant and Equipment	0		6,001,600		(6,001,600)	0,00%	
Budgeted Income from non-GRAP compliant reserves	-		13,303,500		(13,303,500)	0,00%	
Total Revenue	370,738,750		324,755,750		45,983,000	14,16	
EXPENDITURE							
Employee Related Costs	112,173,661		109,544,750		2,628,911	2,34%	
Remuneration of Councillors	5,578,448		4,202,900		1,375,548	24,66%	As per gazette
Bad Debts	214,112		6,857,460		(6,643,348)	0,00%	
Collection costs	82,931		38,300		44,631	11,65%	
Contracted services	625,139		581,370		43,769	7,53%	
Depreciation	13,589,439		12,285,730		1,303,709	9,59%	Under provision
Impairment Losses	-		-		-	0,00%	
Repairs and Maintenance	21,009,922		22,809,580		(1,799,658)	-8,57%	
Interest Paid	15,400,648		12,124,800		3,275,848	21,27%	Under budget
Bulk Purchases	65,673,668		67,133,460		(1,459,792)	-2,22%	
Grants and Subsidies Paid	14,841,837		14,086,530		755,307	5,09%	
General Expenses	75,078,336		52,595,620		22,482,716	29,95%	
Loss on disposal of Property, Plant and Equipment	-		-		-	0,00%	
Budgeted Expenditure on non-GRAP compliant items	-		22,495,250		(22,495,250)	0,00%	
Total Expenditure	324,268,142		324,755,750		(576,008)	(0,18)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	46,470,608		-		46,470,608		

APPENDIX E(2)
KOUGA LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET
(ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

Description	2008/2009	2008/2009	2008/2009	2008/2009	2008/2009	2008/2009	2008/2009	2008/2009	Explanation of Significant Variances
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	Variance	Variance	greater than 5% versus Budget
	R	R	R	R	R	R	R	%	
Executive and Council	126,613	-	126,613	1,129,980	(1,003,367)			-89%	Insufficient realistic anticipated income provisions or project still in progress
Finance and Administration	4,020,951	234,347.04	4,255,298	30,663,550	(26,408,252)			-86%	Insufficient realistic anticipated income provisions or project still in progress
Planning and Development	144,721	-	144,721	290,495	(145,774)			-50%	Insufficient realistic anticipated income provisions or project still in progress
Health	58,127	2,507,609.34	2,565,736	2,660,740	(95,004)			-4%	
Community and Social Services	-	-	-	2,050,000	(2,050,000)			-100%	Had not commenced
Housing	104,596.00	1,444,194	1,548,790	36,407,800	(34,859,010)			-96%	Insufficient realistic anticipated income provisions or project still in progress
Public Safety	-	-	-	-	-			0%	
Sport and Recreation	104,822	5,164,853.00	5,269,675	7,438,608	(2,168,933)			-29%	Insufficient realistic anticipated income provisions or project still in progress
Environmental protection	318,018.38	1,602,980.00	1,920,998	1,951,010	(30,012)			-2%	
Waste Management	433,624	-	433,624	3,509,994	(3,076,370)			-88%	Insufficient realistic anticipated income provisions or project still in progress
Waste Water Management	11,874,682.34	30,422,765	42,297,448	38,438,747	3,858,701			10%	Insufficient realistic anticipated income provisions or project still in progress
Roads and Transport	1,054,138.04	13,800,384	14,854,522	32,283,240	(17,428,718)			-54%	Insufficient realistic anticipated income provisions or project still in progress
Water	5,250,544	26,894,425	32,144,969	21,019,010	11,125,959			53%	Insufficient realistic anticipated income provisions or project still in progress
Electricity	9,152,311	1,632,420	10,784,732	9,736,940	1,047,792			11%	Insufficient realistic anticipated income provisions or project still in progress
Other	-	-	-	-	-			0%	
Total	32,643,147	83,703,977	116,347,125	187,580,114	(71,232,989)				

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	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
Local Government Financial Management Grant	National Treasury	750,000	-	-	-	371,004	318,403	126,414	37,204	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Municipal Systems Improvement Grant	DLGH&TA (Nat)	400,000	-	-	-	57,249	32,804	13,159	335,817	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Integrated National Electrification Programme	DME	-	5,000,000	1,000,000	-	-	1,925,113	1,601,256	1,768,711	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Municipal Infrastructure Grant	DLGH&TA (Nat)	-	6,187,000	6,349,000	12,216,994	3,716,605	4,942,206	6,027,609	3,727,900	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		1,150,000	11,187,000	7,349,000	12,216,994	4,144,858	7,218,526	7,768,438	5,869,632							

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?