

K O U G A

local municipality

Prosperity through vision

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

30 JUNE 2012

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2012

B Koerat	Executive Mayor
P Kota	Infrastructure Development
P Oliphant	Local Economic Development
VS Stuurman	Finance, Admin, Monitoring and Evaluation
T Maseti	Social Services
V Camelio-Benjamin	Tourism and Creative Industries

AUDITORS

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

BANKERS

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Jeffreys Bay, 6330

REGISTERED OFFICE

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Jeffreys Bay

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6330

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E-mail: registry@ec108.org.za

MUNICIPAL MANAGER

Mr. S Fadi

CHIEF FINANCIAL OFFICER

Ms.C Burger

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

MEMBERS OF THE KOUGA LOCAL MUNICIPALITY

WARD	COUNCILLOR	
1	Mayoni	Z
2	Hill	E
3	Thiart	H
4	Campher	F
5	Groep	E
6	Oliphant	P
7	Koliti	B
8	Aldendorff	D
9	Ntshiza	L
10	Kota	P
11	Ungerer	M
12	Rheeder	B
13	Matodlana	V
14	Meleni	T
15	Mahlathini	E
Proportional	Kettledas	D
Proportional	Camelio-Benjamin	V
Proportional	Dlomo	M
Proportional	Maseti	T
Proportional	Koerat	B
Proportional	Stuurman	V
Proportional	Prinsloo	J
Proportional	Cawood	C
Proportional	Botha	N
Proportional	Joy	J
Proportional	Benson	D
Proportional	Speelman	M
Proportional	Williams	B
Proportional	Baxter	F

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 1 to 115 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.



Mr. S Fadi
Municipal Manager

28/09/2012
Date

KOUGA LOCAL MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the consolidated financial position of Kouga Local Municipality for the fiscal year 2011/12.

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 consolidated 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.

Financial Statement Ratios:

INDICATOR	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
Surplus / (Deficit) before Appropriations	-84 558 667	-100 911 294	-84 964 941	-100 023 607
Surplus / (Deficit) at the end of the Year	2 714 239 259	2 797 223 164	2 714 249 300	2 797 639 481
Expenditure Categories as a percentage of Total Expenses:				
Employee Related Costs	33.00%	37.93%	32.98%	37.81%
Remuneration of Councillors	1.44%	0.76%	1.44%	0.76%
Bad Debts	6.98%	0.84%	6.99%	0.84%
Collection costs	0.00%	0.02%	0.00%	0.02%
Contracted services	0.01%	0.04%	0.01%	0.04%
Depreciation and amortization	13.96%	16.10%	13.97%	16.13%
Impairment losses - Property, Plant and Equipment	0.00%	0.00%	0.00%	0.00%
Repairs and Maintenance	2.82%	3.33%	2.82%	3.34%
Interest Paid	3.24%	3.16%	3.25%	3.16%
Bulk Purchases	26.09%	23.28%	26.11%	23.32%
Grants and Subsidies Paid	3.27%	2.94%	3.28%	2.95%
General Expenses	9.19%	11.13%	9.16%	11.16%
Current Ratio:				
Creditors Days	81	84	81	84
Debtors Days	114	114	95	92

3. OPERATING RESULTS

The overall operating results for Kouga Local Municipality for the year ended 30 June 2012 are as follows:

DETAILS	Actual 2011/2012 R	Actual 2010/2011 R	Percentage Variance %	Budgeted 2011/2012 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	2 799 214 242	2 897 663 087	-3.40%		
Operating income for the year	466 196 311	388 910 432	19.87%	434 249 807	7.36%
	3 265 410 553	3 286 573 519	-0.64%	434 249 807	656.84%
Expenditure:					
Operating expenditure for the year	551 161 252	488 934 038	12.73%	394 382 023	23.97%
Sundry transfers	-	-			-
Closing surplus / (deficit)	2 714 249 301	2 797 639 481			-
	3 265 410 553	3 286 573 519		394 382 023	733.35%

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 23, 873, 822 (2010/11: R 29, 408, 998), and in percentage terms amounts to 100% of budget. Full details of Property, Plant and Equipment are disclosed in note number 11 and appendices "B, C and E (2)" to the Annual Financial Statements.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Kouga Local Municipality's Operating Budget:

DETAILS	2012	2011
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	28 552 000	39 867 784
Revenue variances	17 492 305	45 339 375
Expenditure variances:		
Employee Related Costs	11 358 408	16 824 065
Remuneration of Councillors	-2 334	-1 595 611
Bad Debts	13 135 894	-18 582 533
Collection costs	0	-119 232
Contracted services	10 638	120 102
Depreciation	77 007 101	78 868 030
Repairs and Maintenance	-3 409 334	-8 146 800
Interest Paid	2 106 981	7 554 424
Bulk Purchases	4 341 377	15 036 241
Grants and Subsidies Paid	2 289 717	2 513 116
General Expenses	-10 819 071	-201 390
Budgeted Expenditure on non-GRAP compliant items	-5 260	-2 281 603.46
Actual surplus before appropriations	142 058 421	175 195 968

5.2 Kouga Local Municipality's Capital Budget:

	Actual 2011/2012 R	Budgeted 2011/2012 R	Variance actual/ budgeted R
Executive and Council	-	-	-
Finance and Administration	1 401 301	173 759	1 227 542
Planning and Development	270 986	270 986	0
Health	-	-	-
Community and Social Services	-	-	-
Housing	-	-	-
Public Safety	-	-	-
Sport and Recreation	-	-	-
Environmental protection	-	-	-
Waste Management	13 958 262	-	13 958 262
Waste Water Management	-	14 657 700	-14 657 700
Roads and Transport	-	-	-
Water	4 278 752	7 194 200	-2 915 448
Electricity	3 964 521	6 700 000	-2 735 479
Other	-	-	-
	23 873 822	28 996 645	-5 122 823

6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2012 was R 71,622,054 (30 June 2011: R 74,347,097).

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

7. NON-CURRENT PROVISIONS

Non-current Provisions are made up as follows:	Group		Kouga Local Municipality	
	2012	2011	2012	2011
Provision for Post Retirement Benefits				
Post-Employment Benefit Liability	80 994 999	74 352 241	80 994 999	74 352 241
Provision for Rehabilitation of Land-fill Sites	-	-	-	-
Provision for Long Service Awards	-	-	-	-
	80 994 999	74 352 241	80 994 999	74 352 241

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 3 and 4 for more detail.

8. CURRENT LIABILITIES

Current Liabilities are made up as follows:		Group		Kouga Local Municipality	
		2012	2011	2012	2011
Consumer Deposits	Note number 5	7 606 800	7 342 147	7 606 800	7 342 147
Provisions	Note number 6	18 332 915	21 074 378	18 332 915	21 074 378
Creditors	Note number 7	105 193 713	94 585 384	105 193 713	94 555 212
Unspent Conditional Grants and Receipts	Note number 8	18 236 296	13 071 405	18 236 296	12 998 055
VAT	Note number 9	3 854 649	3 398 632	3 813 329	3 360 770
Current Portion of Long-term Liabilities	Note number 2	27 605 937	25 712 716	27 605 935	25 712 714
Bank Overdraft	Note number 20	-	1 376 111	-	1 376 111
		180 830 309	166 560 773	180 788 988	166 419 387

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 2,912,560,517 as at 30 June 2012 (30 June 2011: R 2,965,092,942).

Refer to Note number 11 and Appendices "B, C and E (2)" for more detail.

10. INVESTMENTS

The municipality has short term Investments to the value of R 17,401,276 as at 30 June 2012 (30 June 2011: R 14,226,389). These investments are ring-fenced for and attributable to Collateral and Unspent conditional grants and receipts, with the result that no amounts are available for own purposes.

Refer to Note number 18 for more detail.

11. LONG-TERM RECEIVABLES

Long-term Receivables of R 542,578 at 30 June 2012 (30 June 2011: R 549,555) consist of staff loans. No staff loans were granted to officials of the municipality during the year under review. The outstanding amount relates to prior years and is still collectable.

Refer to Note number 14 for more detail.

12. CURRENT ASSETS

Current Assets are made up as follows:		Group		Kouga Local Municipality	
		2012	2011	2012	2011
Inventory	Note number 15	3 214 093	5 188 954	3 214 093	5 188 954
Consumer Debtors	Note number 16	44 853 931	55 037 305	44 853 931	55 037 305
Trade receivables from non-exchange tran	Note number 17	18 218 192	15 851 272	18 218 192	16 153 953
Current Portion of Long-term Receivables	Note number 14	38 865	130 522	38 865	130 522
Short-term Investment Deposits	Note number 18	17 401 276	14 226 389	17 401 276	14 226 389
Operating lease asset	Note number 19	87 753	62 640	87 753	62 640
Bank Balances and Cash	Note number 20	640 275	29 532	608 995	-
		90 811 890	90 526 615	84 423 106	90 799 764

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 8 and 26, 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 49.

15. EXPRESSION OF APPRECIATION

I am grateful to the Executive 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 2012 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 consolidated 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.



C. BURGER

CHIEF FINANCIAL OFFICER

28 September 2012

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

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

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 104	Financial Instruments	1 April 2012

The Municipality resolved to formulate an accounting policy based on the following GRAP standard which has been issued but is not yet effective.

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 25	Employee Benefits	1 April 2013

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

GRAP 24: Presenting of Budget Information in Financial Statements is not yet effective. However GRAP 1.15 requires a comparison between actual and budgeted amounts. This information has been disclosed in the financial statements.

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

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

**KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012**

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

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

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 18	<u>Segment Reporting</u> Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 20	<u>Related Party Disclosure</u> Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	<u>Presentation of Budget Information in Financial Statements</u> Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 103	<u>Heritage Assets</u> No adjustments will necessary other than a separate line item in the Statement of Financial Position and the transfer of the values from property, plant and equipment.	1 April 2012
GRAP 105	<u>Transfer of Functions between Entities under Common Control</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	<u>Transfer of Functions between Entities not under Common Control</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	<u>Mergers</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

The impact of these standards, amendments and interpretations on the Municipality once implemented are as follows:

GRAP 18 - Segment Reporting

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

The Standard requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

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

GRAP 24 – Presentation of Budget Information in the Annual Financial Statements

This standard becomes effective for years beginning on or after 1 April 2012. It determines the specific requirements and provides additional guidance on how to present a comparison between budgeted and actual amounts in the financial statements, as required by GRAP 1. This is expected to add significantly to the level of disclosures currently being provided.

GRAP 103 – Heritage Assets

This standard becomes effective for periods beginning on or after 1 April 2012 and has not been early adopted. It determines requirements for accounting for heritage assets. Heritage assets are defined as assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The Municipality currently recognises all its heritage assets at cost and includes heritage assets with property, plant and equipment. The key impact of GRAP 103 will therefore only be changes in disclosures.

GRAP 105 – Transfer of Function Between Entities Under common Control

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

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

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

GRAP 107 – Mergers

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

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

1.7. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.8. LEASES

1.8.1. 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. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

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

1.8.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

1.9. BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12. 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 resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipalities policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises in accordance with the requirements of GRAP 19 as stated in the preceding

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

paragraphs. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

1.13. EMPLOYEE BENEFITS

(a) Short-term Employee Benefits

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

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

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

(b) Post Retirement Medical obligations

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

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

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Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

(e) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

1.14. PROPERTY, PLANT AND EQUIPMENT

1.14.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

1.14.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.14.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	5-60	Buildings	20-30
Pedestrian Malls	20	Specialised vehicles	10-15
Electricity	4-80	Other vehicles	5-10
Water	5-100	Office equipment	5-15

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Sewerage	4-80	Furniture and fittings	5-15
Housing	30	Watercraft	10-15
		Bins and containers	5
<u>Community</u>		Plant and Equipment	4-15
Buildings	20-30	Landfill sites	20
Recreational Facilities	20-30		
Security	15	Emergency equipment	7
Halls	20-30		
Libraries	20-30		
Parks and gardens	20-30		
Other assets	15-20		
<u>Heritage assets</u>			
No depreciation			
<u>Finance lease assets</u>			
Office equipment	3-5		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.14.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The

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Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost, while for Other Assets the depreciated replacement cost method was used to establish the deemed cost.

1.15. INTANGIBLE ASSETS

1.15.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

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1.15.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.15.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3-10
Computer Software Licenses	As per license agreement

1.15.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. INVESTMENT PROPERTY

1.16.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

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

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of self-constructed investment property is the cost at date of completion.

1.16.2. Subsequent Measurement – Cost model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.16.3. Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	25-30

1.16.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost.

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1.17. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1. Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2. Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

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The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement

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cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

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

1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

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Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21. INVENTORY

1.21.1. Initial Recognition

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

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

1.21.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

In general, the basis of allocating cost to inventory items is the weighted average method.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include trade and other receivables (both from exchange transactions and non-exchange

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transactions), cash and cash equivalents, annuity loans and trade and other payables.

1.22.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.22.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1. Trade and Other Receivables

Trade and other receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after

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the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2. Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash 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, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.3. De-recognition

1.22.3.1. Financial Assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.22.5. Gains or losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

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1.23. REVENUE

1.23.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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 proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

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.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised

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as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2. Revenue from Exchange Transactions

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

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when 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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Trade and Other Payables in the Statement of Financial Position.

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

Service charges relating to sanitation (sewerage) 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. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23.3. Grants, Transfers and Donations (Non-exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.24. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity is the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25. 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 a 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.

1.26. 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 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could 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.

1.28. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

1.29. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations and Long service awards

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

Revenue Recognition

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, management considers 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 are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.32. COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources. The Standards of GRAP only requires the disclosure of commitments in certain cases, but does not require the recognition thereof in the annual financial statements until the specific liability is recognised.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements, where required by a specific Standard of GRAP

The Municipality discloses information regarding commitments in regards to:

- Approved and contracted capital commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, as required by GRAP 17.
- The total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting date, where the Municipality acts as lessee.
- The future minimum lease payments under non-cancellable operating leases where the Municipality acts as lessor.

KOUGA LOCAL MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	GROUP		KOUGA LOCAL MUNICIPALITY	
		2012 R	2011 R	2012 R	2011 R
NET ASSETS AND LIABILITIES					
Net Assets		2 714 239 259	2 797 223 164	2 714 249 300	2 797 639 481
Accumulated Surplus		2 714 239 259	2 797 223 164	2 714 249 300	2 797 639 481
Non-Current Liabilities					
Long-term liabilities	2	71 622 054	74 347 097	71 622 054	74 347 097
Provision for post- retirement benefits:	3	80 994 999	74 352 241	80 994 999	74 352 241
Other non-current provisions	4	16 188 316	10 644 223	16 188 316	10 602 366
Current Liabilities					
Consumer Deposits	5	7 606 800	7 342 147	7 606 800	7 342 147
Provisions	6	18 332 915	21 074 378	18 332 915	21 074 378
Creditors	7	105 193 713	94 585 384	105 193 713	94 555 212
Unspent Conditional Grants and Receipts	8	18 236 296	13 071 405	18 236 296	12 998 055
VAT Payable	9	3 854 649	3 398 632	3 813 329	3 360 770
Operating Lease Liability	10	-	1 399	-	-
Bank Overdraft	20	-	1 376 111	-	1 376 111
Current Portion of Long-term Liabilities	2	27 605 937	25 712 716	27 605 935	25 712 714
Total Net Assets and Liabilities		3 063 874 938	3 123 128 898	3 063 843 658	3 123 360 572
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	2 912 560 517	2 965 131 565	2 912 560 517	2 965 092 942
Investment Property	12	66 167 010	66 720 950	66 167 010	66 720 950
Intangible Assets	13	150 447	200 213	150 447	197 361
Long-term Receivables	14	542 578	549 555	542 578	549 555
Current Assets					
Inventory	15	3 214 093	5 188 954	3 214 093	5 188 954
Consumer Debtors	16	44 853 931	55 037 305	44 853 931	55 037 305
Trade receivables from non-exchange transactions	17	18 218 192	15 851 272	18 218 192	16 153 953
Current Portion of Long-term Receivables	14	38 865	130 522	38 865	130 522
Short-term Investment Deposits	18	17 401 276	14 226 389	17 401 276	14 226 389
Operating lease asset	19	87 753	62 640	87 753	62 640
Cash and cash equivalents	20	640 275	29 532	608 995	-
Total Assets		3 063 874 938	3 123 128 898	3 063 843 658	3 123 360 572

KOUGA LOCAL MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

BUDGET KOUGA LACAL MUN		Note	GROUP		KOUGA LOCAL MUN		
2012 R	2011 R		2012	2011	2012 R	2011 R	
REVENUE							
Revenue from Non-exchange transactions							
105 316 616	103 017 493	Property Rates	21	103 524 896	88 612 286	103 524 896	88 612 286
2 871 908	2 063 215	Fines		2 879 888	2 293 494	2 879 888	2 293 494
16 315 349	7 059 373	Licenses and Permits	25	7 302 280	6 631 860	7 302 280	6 631 860
74 950 591	62 506 156	Government Grants and Subsidies	26	71 453 346	62 788 382	70 806 256	60 546 613
Revenue from Exchange transactions							
270 309 238	224 796 623	Service Charges	22	267 154 921	215 980 058	267 154 921	215 980 058
455 142	398 631	Rental of Facilities and Equipment	23	722 796	604 016	722 796	604 016
572 056	661 875	Interest Earned - External Investments	24	940 393	2 655 375	937 488	2 633 862
3 813 527	5 702 634	Interest Earned - Outstanding Debtors	24	6 646 186	4 705 899	6 646 186	4 705 899
9 080 117	6 343 807	Other Income	27	6 540 154	6 919 489	6 221 600	6 902 343
4 072	21 700 000	Gains on disposal of Property, Plant and Equipment		-	-2 281 603	-	-
483 688 616	434 249 807	Total Revenue		467 164 861	388 909 257	466 196 311	388 910 432
EXPENDITURE							
170 403 287	168 033 196	Employee Related Costs	28	182 091 484	185 779 379	181 761 695	184 857 261
7 951 749	5 333 881	Remuneration of Councillors	29	7 949 415	3 738 270	7 949 415	3 738 270
25 379 290	22 679 723	Provision for bad debts	30	38 515 184	4 097 190	38 515 184	4 097 190
-	235 176	Collection costs		-	115 944	-	115 944
22 799	56 818	Contracted services		33 437	176 920	33 437	176 920
-	-	Depreciation and amortization	31	77 020 747	78 885 313	77 007 101	78 868 030
18 955 099	24 465 416	Repairs and Maintenance		15 546 605	16 329 386	15 545 765	16 318 616
15 782 933	7 896 712	Interest and Penalties paid	32	17 900 284	15 458 124	17 889 914	15 451 136
139 580 640	98 985 897	Bulk Purchases	33	143 923 891	114 028 080	143 922 017	114 022 138
15 764 629	11 907 349	Grants and Subsidies Paid	34	18 054 346	14 420 465	18 054 346	14 420 465
61 296 190	54 787 855	General Expenses	35	50 682 875	54 509 878	50 477 119	54 586 465
-	-	Losses on disposal of Property, Plant and Equipment		5 260	2 281 603	5 260	2 281 603
455 136 616	394 382 023	Total Expenditure		551 723 529	489 820 551	551 161 252	488 934 038
28 552 000	39 867 784	SURPLUS / (DEFICIT) FOR THE YEAR		-84 558 667	-100 911 294	-84 964 941	-100 023 607

KOUGA LOCAL MUNICIPALITY
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2012

Description	GROUP		KOUGA LOCAL MUN	
	Acc Surpls/deficit	Total	Acc Surplus/deficit	Total
			R	R
Balance as at 1 July 2011	154 776 019	154 776 019	154 304 645	154 304 645
Correction of error Note 36.2 (a)	109 460	109 460	109 460	109 460
Correction of error Note 36.2 (a)	2 743 248 983	2 743 248 983	2 743 248 983	2 743 248 983
Restated balance as at 1 July 2011	2 898 134 461	2 898 134 461	2 897 663 087	2 897 663 087
2011				
Deficit for the year ended 30 June 2011	-100 911 295	-100 911 295	-100 023 607	-100 023 607
Balance previously reported	-11 251 511	-11 251 511	-10 363 823	-10 363 823
Correction of error Note 36.2 (b)	-89 659 784	-89 659 784	-89 659 784	-89 659 784
Balance as at 30 June 2011	2 797 223 167	2 797 223 167	2 797 639 481	2 797 639 481
Correction of error	1 574 761	1 574 761	1 574 761	1 574 761
Restated balance as at 1 July 2012	2 798 797 928	2 798 797 928	2 799 214 242	2 799 214 242
2012				
Deficit for the year ended 30 June 2012	-84 558 667	-84 558 667	-84 964 941	-84 964 941
Balance as at 30 June 2012	2 714 239 260	2 714 239 260	2 714 249 301	2 714 249 301
			0.23	

KOUGA LOCAL MUNICIPALITY
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	GROUP		KOUGA LOCAL MUNICIPALITY	
		2012 R	2011	2012 R	2011
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts from government and other		433 838 156	372 193 992	433 175 192	371 142 676
Cash paid to suppliers and employees		(393 956 525)	(339 786 908)	(393 261 298)	(337 161 934)
Cash generated from / (utilised in) operations	37	39 881 631	32 407 084	39 913 894	33 980 742
Interest received		7 586 579	7 361 274	7 583 674	7 339 761
Interest paid		(17 900 284)	(15 458 124)	(17 889 914)	(15 451 136)
NET CASH FLOWS FROM OPERATING ACTIVITIES		29 567 926	24 310 234	29 607 654	25 869 367
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(23 818 784)	(24 689 655)	(23 857 407)	(24 752 830)
Proceeds on disposal of PPE		-	-	-	-
Purchase of intangible assets		(27 209)	(83 037)	(30 061)	(83 037)
Purchase of investment property		-	-	-	-
(Increase) / decrease in non-current receivables		6 977	142 625	6 977	142 625
Increase in Non-current investments		-	(12 490)	-	(12 490)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(23 839 016)	(24 642 557)	(23 880 491)	(24 705 732)
CASH FLOWS FROM FINANCING ACTIVITIES					
New loans raised		(831 822)	(10 124 836)	(831 822)	(10 124 838)
Increase / (decrease) in Consumer Deposits		264 653	306 930	264 653	306 930
NET CASH FLOWS FROM FINANCING ACTIVITIES		(567 169)	(9 817 906)	(567 169)	(9 817 908)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVAL		5 161 741	(10 150 229)	5 159 994	(8 654 273)
Cash and cash equivalents at the beginning of the year		12 879 810	23 030 041	12 850 278	21 504 552
Cash and cash equivalents at the end of the year	38	18 041 551	12 879 809	18 010 272	12 850 279

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

	2012 R	2011 R	2012 R	2011 R
2 LONG-TERM LIABILITIES				
Annuity Loans	81 674 227	77 602 775	81 674 227	77 602 775
Capitalised Lease Liability	17 553 764	22 457 039	17 553 764	22 457 039
Sub-total	<u>99 227 991</u>	<u>100 059 814</u>	<u>99 227 991</u>	<u>100 059 814</u>
<i>Less : Current Portion transferred to Current Liabilities</i>	27 605 937	25 712 716	27 605 937	25 712 716
Annuity Loans	21 642 583	20 809 441	21 642 583	20 809 441
Capitalised Lease Liability	5 963 354.10	4 903 274.90	5 963 354	4 903 275
Total Long-term Liabilities (Neither past due nor impaired)	<u><u>71 622 054</u></u>	<u><u>74 347 097</u></u>	<u><u>71 622 054</u></u>	<u><u>74 347 097</u></u>

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

Summary of arrangements:

ANNUITY LOANS:

Annuity Loans are repaid over periods varying from five to twenty years (2011: five to twenty years), and at interest rates varying from 8.5% to 14.61%. Annuity Loans are not secured.

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

FINANCE LEASE LIABILITIES:

The Municipality as lessee

Capitalised Lease Liabilities relate to office equipment with lease terms of five years (2011: five years). The effective interest rate on finance leases is between 7.8% and 18.20% (2011: 11.36% and 18.17%). Capitalised lease liabilities are secured over the items of office equipment leased.

The obligations under finance leases are scheduled below:

	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
Amounts payable under finance leases				
Within one year	3 429 328	4 387 239	3 429 328	4 387 239
1 to 5 years	14 124 436	18 069 800	14 124 436	18 069 800
More than 5 years				
Less : Future finance charges				
Present Value of Lease obligations	17 553 764	22 457 039	17 553 764	22 457 039
Less amounts due for settlement within 12 months (current portion)	-4 707 543	-4 903 275	-4 707 543	-4 903 275
Amounts due for settlement after 12 months (non-current)	12 846 221	17 553 764	12 846 221	17 553 764

The management of the municipality is of the opinion that the carrying value of Finance Leases approximate their fair values. Contingent rents is recognized as an expense in the current period. There are no restrictions imposed by the lease agreements.

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

- Office Equipment
- Motor vehicles

Included in these classes are the following significant leases:

(i) Konica Minolta 1050 Digital Copier	773 778
- Instalments are payable monthly in advance	
- Average period outstanding	24 months
- Average effective interest rate	11.36%
- Average capital redemption per month over lease period	32 240.73
(2) Various photocopiers and fax machines	5 950 525
- Instalments are payable monthly in advance	
- Average period outstanding	36 months
- Average effective interest rate	10.87%
- Average capital redemption per month over lease period	165 292
(3) Various motor vehicles	10 858 560
- Instalments are payable monthly in advance	
- Average period outstanding	24 months
- Average effective interest rate	16.61%
- Average capital redemption per month over lease period	452 440

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3 PROVISION FOR POST RETIREMENT BENEFITS	Group		Kouga Local Municipality	
	2012	2011	2012	2011
3.1 Post-Employment Health Care Benefit Liability				
Post-Employment Health Care Benefit Liability	81 878 000	75 310 418	81 878 000	75 310 418
Less: Transfer to Current Provisions	-1 530 000.00	-1 556 000.00	-1 530 000.00	-1 556 000.00
Total: Post Retirement Medical Aid Benefit Liability	80 348 000	73 754 418	80 348 000	73 754 418

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 2012 by a Fellow Member of the Actuarial Society of South Africa in the employment of ZAQEN Actuaries (Pty) Ltd. 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

In-service members (Employees)	436	448	436	448
Continuation members (Retirees, widowers and orphans)	56	56	56	56
Total	492	504	492	504

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

In-service members	36 040 000	32 846 000	36 040 000	32 846 000
Continuation members	25 601 000	23 213 000	25 601 000	23 213 000
Total Liability	61 641 000	56 059 000	61 641 000	56 059 000

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

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

The Future-service cost for the year ending 30 June 2012 is estimated to be R 4 164 000 (2011: R 3 845 000) whereas the interest cost for the ensuing year is estimated to be R 4 882 000 (2011: R 4 815 000).

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

	2012	2011	2012	2011
	%	%	%	%
i) Rate of interest				
Discount rate	7.92%	8.59%	7.92%	8.59%
Health Care Cost Inflation Rate	7.24%	7.59%	7.24%	7.59%
Expected Return on Reimbursement Rights	0.63%	100%	0.63%	100%
Expected Retirement Age - Females	60	60	60	60
Expected Retirement Age - Males	65	65	65	65

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

ii) Mortality rates

Pre-Retirement	SA 85 - 90 mortality table
Post-Retirement	PA(90) ultimate mortality table

iii) Normal retirement age

The normal retirement age for employees of the municipality was assumed to be 65 years where data was unavailable.

	Group		Kouga Local Municipality	
	2012	2011	2012	2011
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	81 878 000	75 310 418	81 878 000	75 310 418
Fair value of plan assets	-	-	-	-
	<u>81 878 000</u>	<u>75 310 418</u>	<u>81 878 000</u>	<u>75 310 418</u>
Unrecognised past-service cost	-	-	-	-
Unrecognised actuarial gains / (losses)	61 641 000.00	19 251 418	61 641 000	19 251 418
Present value of unfunded obligations	20 237 000.00	56 059 000	20 237 000	56 059 000
Net Liability	<u>81 732 000</u>	<u>81 732 000</u>	<u>81 732 000</u>	<u>75 310 418</u>

The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	75 310 000	68 576 487	75 310 000	68 576 487
Recognised past service cost	-	-	-	-
Current service cost	3 845 000	4 088 000	3 845 000	4 088 000
Interest cost	4 815 000	4 704 000	4 815 000	4 704 000
Benefits paid	-1 466 000	-1 556 000	-1 466 000	-1 556 000
Actuarial (gain)/loss on the obligation	-626 000	-502 069	-626 000	-502 069
Balance at end of year	<u>81 878 000</u>	<u>75 310 418</u>	<u>81 878 000</u>	<u>75 310 418</u>

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

Current service cost	3 845 000	4 088 000	3 845 000	4 088 000
Interest cost	4 815 000	4 704 000	4 815 000	4 704 000
Vested past service cost	-626 000.00	-502 069.00	-626 000	-502 069
Total included in staff costs (refer to note 31)	<u>8 034 000</u>	<u>8 289 931</u>	<u>8 034 000</u>	<u>8 289 931</u>

The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:

Increase

Effect on the current service cost	1 038 000	997 000	1 038 000	997 000
Effect on the interest cost	922 000	963 000	922 000	963 000
Effect on the defined benefit obligation	11 644 000	11 207 000	11 644 000	11 207 000

Decrease

Effect on the current service cost	-795 000	-742 000	-795 000	-742 000
Effect on the interest cost	-732 000	-741 000	-732 000	-741 000
Effect on the defined benefit obligation	-9 236 000	-8 636 000	-9 236 000	-8 636 000

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3 PROVISION FOR POST RETIREMENT BENEFITS (continued)	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
3.2 Ex-Gratia Pension Benefit Liability				
Ex-Gratia Pension Benefit Liability	722 000	635 000	722 000	635 000
Less: Transfer to Current Provisions	-75 000	-37 176	-75 000	-37 176
Net Ex-Gratia Pension Benefit Liability	647 000	597 824	647 000	597 824

The Municipality provides certain post retirement pension benefits to certain retired employees of the Municipality. According to the rules of the pension fund, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to certain pension benefits in which case the Municipality is liable for pension payments to retired members for the remainder of their lives.

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 2012 by a Fellow Member of the Actuarial Society of South Africa in the employment of ZAQEN Actuaries (Pty) Ltd. 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 Ex-Gratia Pension Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Pensioners	11	11	11	11
Total	11	11	11	11

The interest cost for the ensuing year is estimated to be R 54 000 (2011: R 55 000).

The principal assumptions used for the purposes of the actuarial valuations were as follows:	Group		Kouga Local Municipality	
	2012 %	2011 %	2012 %	2011 %
i) Rate of interest				
Discount rate	7.92%	8.59%	7.92%	8.59%
Post retirement interest rate	5.74%	3.59%	5.74%	3.59%
Net Effective Discount Rate	2.06%	5.00%	2.06%	5.00%
Expected Retirement Age - Females	60	60	60	60
Expected Retirement Age - Males	65	65	65	65

The assumed pension type used by the actuaries in their valuation was the Joint Life reducing on Principle member death. The reduction factor was

ii) Mortality rates
 Post-Retirement

PA(90) ultimate mortality table

iii) Normal retirement age

The normal retirement age for employees of the municipality was assumed to be 65 years where data was unavailable.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Group		Kouga Local Municipality	
	2012	2011	2012	2011
	R	R	R	R
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	722 000	635 000	722 000	635 000
Fair value of plan assets	-	-	-	-
	722 000	722 000	722 000	635 000
Unrecognised past-service cost	-	-	-	-
Unrecognised actuarial gains / (losses)	-	-	-	-
Present value of unfunded obligations	722 000	635 000	722 000	635 000
Net Liability	722 000	722 000	722 000	635 000

The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	634 900	305 900	634 900	305 900
Recognised past service cost	-	-	-	-
Current service cost	-	344 003.00	-	344 003
Interest cost	55 000	27 700	55 000	27 700
Pensions paid	-71 000	-55 949	-71 000	-55 949
Actuarial (gain)/loss on the obligation	103 000	-13 246	103 000	-13 246
Balance at end of year	721 900	608 408	721 900	608 408

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

Current service cost	-	-	-	-
Interest cost	55 000	27 700	55 000	27 700
Vested past service cost	-	-	-	-
Total included in staff costs (refer to note 31)	55 000	27 700	55 000	27 700

4 OTHER NON-CURRENT PROVISIONS

Provision for Rehabilitation of Land-fill Sites	9 265 316	9 265 316	9 265 316	9 265 316
Provision for Long Service Awards	6 923 000	1 337 050	6 923 000	1 337 050
Total Other Non-current Provisions	16 188 316	10 602 366	16 188 316	10 602 366

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

Provision for Long Service Awards

Balance at beginning of year	5 581 637	4 531 752	5 581 637	4 531 752
Contributions to provision	2 227 363	1 102 248	2 227 363	1 102 248
Increase due to discounting	522 000	451 000	522 000	451 000
Transfer to current provisions	-1 408 000	-503 363	-1 408 000	-503 363
Balance at end of year	6 923 000	5 581 637	6 923 000	5 581 637

Provision for Rehabilitation of Landfill Sites

Balance at beginning of year	-	-	13 959 114	8 489 181
Contributions to provision	-	-	-	3 900 801
Increase due to discounting	-	-	-	2 084 677
Transfer to current provisions	-	-	-4 693 798	-515 545
Balance at end of year	-	-	9 265 316	13 959 114

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4.1 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 2011 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 2012 and 2028. The cost factors derived from the study have been applied and projected at an annual inflation rate of 7% (2010: 7%) and discounted to present value at a rate of 10% (2010: 11%). The provision will be determined on an annual basis and actual rehabilitation costs will be debited against the provision.

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) Daming 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.

Provision for Environmental Clean-ups

- (a) In terms of section 19 of National Water Act, 36 (No. 36 of 1998), it requires the pollution prevention of a water recourse as a result of activities on land and imposes a general obligation on persons to take all reasonable measures to prevent the pollution from occurring, continuing and recurring. There are sewerage spills from the Polla Park Treatment Works and the Loerie Heuvel Informal settlement sewerage disposals, into a near by river or dam.
- (b) Illegal dumping of builders' and other rubble has also taken place on Erf 6532 across a watercourse that belongs to the municipality. Contrary to section S19A of Environmental Conservation Act, 73 (No. 73 of 1989), the municipality has not cleared the illegal dumping of builders' and other rubble.

The municipality has accounted for a provision for the cost to clean up the sewerage spills and clearing of builders' and other rubble as required by GRAP 19.20 - Provisions, contingent liabilities and contingent assets.

The net present value of the clean-up cost has been determined as at 30 June 2012 by technical specialists of the municipality. The provision is the best estimate of the net present value of future clean-up costs. The payment dates of the cost to clean up the sewerage spills and builders' and other rubble are uncertain, but are currently expected to be in the following financial years:

4.2 Long Service Awards

A long-service bonus is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the municipality at 30 June 2012 may become entitled to in future, based on an actuarial valuation performed at that date.

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 2012 by a Fellow Member of the Actuarial Society of South Africa in the employment of ZAQEN Actuaries (Pty) Ltd. 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. No other long service benefits are provided by the municipality.

The Long Service Bonus Benefit Plan is a defined benefit plan and the number of employees who qualify for the long service bonus are as follows:

Blue collar employees	565	445	565	445
White collar employees	392	325	392	325
Total	957	770	957	770

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The future-service cost for the year ending 30 June 2012 is estimated to be R 985 000 (2011: R 859 000) whereas the interest cost for the ensuing year is estimated to be R 654 000 (2011: R522 000).

The principal assumptions used for the purposes of the actuarial valuations were as follows:	Group		Kouga Local Municipality	
	2012 %	2011 %	2012 %	2011 %
i) Rate of interest				
Discount rate	7.92%	8.59%	7.92%	8.59%
Normal Salary Increase Rate	6.24%	7.09%	6.24%	7.09%
Net Effective Discount Rate	1.58%	1.50%	1.58%	1.50%
Expected Retirement Age - Females	60	60	60	60
Expected Retirement Age - Males	65	65	65	65

ii) Mortality rates
 Pre-Retirement SA 85 - 90 mortality table

iii) Normal retirement age
 The normal retirement age for employees of the municipality was assumed to be 65 years where data was unavailable.

	2012 R	2011 R	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	8 331 000	6 085 000	8 331 000	6 085 000
Fair value of plan assets	-	-	-	-
	<u>8 331 000</u>	<u>6 085 000</u>	<u>8 331 000</u>	<u>6 085 000</u>
Unrecognised past-service cost	-	-	-	-
Unrecognised actuarial gains / (losses)	-	-	-	-
Present value of unfunded obligations	8 331 000	6 085 000	8 331 000	6 085 000
Net Liability	<u>8 331 000</u>	<u>6 085 000</u>	<u>8 331 000</u>	<u>6 085 000</u>

The movement in the defined benefit obligation over the year is as follows:				
Balance at beginning of year	6 085 000	4 988 000	6 085 000	4 988 000
Recognised past service cost	-	-	-	-
Current service cost	859 000	752 000	859 000	752 000
Interest cost	522 000	451 000	522 000	451 000
Bonuses paid	-1 135 000	-748 000	-1 135 000	-748 000
Actuarial (gain)/loss on the obligation	2 000 000	642 000	2 000 000	642 000
Balance at end of year	<u>8 331 000</u>	<u>6 085 000</u>	<u>8 331 000</u>	<u>6 085 000</u>

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits*, paragraph 155 (a).

The amount recognised in the Statement of Financial Performance are as follows:				
Current service cost	859 000	752 000	859 000	752 000
Interest cost	522 000	451 000	522 000	451 000
Actuarial loss	2 000 000	547 000	2 000 000	547 000
Vested past service cost	-	-	-	-
Total included in staff costs (refer to note 31)	<u>3 381 000</u>	<u>1 750 000</u>	<u>3 381 000</u>	<u>1 750 000</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
5 CONSUMER DEPOSITS				
Electricity and water	7 606 800	7 342 147	7 606 800	7 342 147
Total Consumer Deposits	7 606 800	7 342 147	7 606 800	7 342 147

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.

6 PROVISIONS

Performance Bonus	-	339 232	-	339 232
Staff leave	9 779 187	9 700 223	9 779 187	9 700 223
Current Portion of Non-Current Provisions (See Notes 4 & 5 above):	-	-	-	-
Provision for Post-Employment Health Care Benefit Liability	1 530 000	1 556 000	1 530 000	1 556 000
Provision for Ex-Gratia Pension Benefit Liability	75 000	37 176	75 000	37 176
Provision for Rehabilitation of Land-fill Sites	4 693 798	4 693 798,00	4 693 798	4 693 798
Provision for Long Service Awards	1 408 000	4 747 949	1 408 000	4 747 949
Provision for Environmental Clean-ups	846 930	-	846 930	-
Total Provisions	18 332 915	21 074 378	18 332 915	21 074 378

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

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.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
The movement in current provisions are reconciled as follows:				
<u>30 June 2012:</u>				
	Performance Bonus	Long Service Awards	Ex-gratia Pension	Post Employment Health Care
Balance at beginning of year	339 232	503 363	37 716	1 556 000
Contributions to provision	-	-	75 000	1 530 000
Transfer from non-current	-	-1 408 000	-37 716	-1 556 000
Expenditure incurred	-339 232	-503 363	-	-
Balance at end of year	-	-1 408 000	75 000	1 530 000

30 June 2011:

	Performance Bonus	Long Service Awards	Ex-gratia Pension	Post Employment Health Care
Balance at beginning of year	312 714	419 338	37 716	1 413 000
Contributions to provision	339 232	-	-	1 556 000
Transfer from non-current	-	-503 363	-	(1 413 000)
Expenditure incurred	-312 714	-419 338	-	-
Balance at end of year	339 232	-503 363	37 716	1 556 000

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Group		Kouga Local Municipality	
	2012	2011	2012	2011
	R	R	R	R
7 CREDITORS				
Trade Creditors and accruals	105 767 892.54	83 921 018	97 421 322	83 632 851
Payments received in Advance	7 676 857.98	10 683 980	7 676 858	10 683 980
Sundry Creditors	95 532.30	-19 614	95 532	238 380
Total Creditors	113 540 283	94 585 384	105 193 713	94 555 212
	8 346 570.18	-	-	-

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.

8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from Other Spheres of Government

Cacadu District Municipality	375 384	295 384	375 384	295 384
Department of Water Affairs	695 461	695 461	695 461	695 461
Department Economic Development	331 500	631 500	331 500	631 500
Department. Mineral and Energy/NER	3 022 505	260 171	3 022 505	260 171
Development Bank	350 576	350 576	350 576	350 576
DPLG&TA (Housing)	7 351 459	5 812 644	7 351 459	5 739 293
DPLG&TA (Other)	2 510 268	2 510 268	2 510 268	2 510 268
Municipal Infrastructure Grant	814 297	814 298	814 297	814 298
Municipal Systems Improvement Grant	502 279	-	502 279	-
Other	1 701 107	1 701 107.00	1 701 107	1 701 107
Skills Grant	546 461	-	546 461	-
Vuna Awards	35 000	-	35 000	-
Total Unspent Conditional Grants and Receipts	18 236 297	13 071 408	18 236 297	12 998 058

See Note 29 for the reconciliation of grants from other spheres of government.

9 VAT

Vat Payable	3 854 649	3 398 632	3 813 329	3 360 770
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VAT is payable/claimable on the cash basis. Only once payment has been received from debtors and payment has been made to creditors is VAT payable or claimable 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Group		Kouga Local Municipality
	2012		2011	
	R		R	R

10 OPERATING LEASES EXPENSE

The Municipality as lessee

Leasing arrangements:

Operating leases relate to office buildings with lease terms of between 0 to 1 year. The municipality does not have an option to purchase the leased asset at the expiry of the lease period. Cellular phone equipment contracts is nearing the end of its term and has no escalation.

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	191 761	191 761	191 761	173 400
Office buildings				
Up to 1 year	191 761	173 400	191 761	173 400
1 to 5 years	-	-	-	-
More than 5 years	-	-	-	-
Total Operating Lease Arrangements	191 761	191 761	191 761	173 400

The following payments have been recognised as an **expense** in the Statement of Financial Performance:

Minimum lease payments- Office Buildings	476 971	371 268	476 971	371 268
Minimum lease payments- Cellular Contracts	1 266 823	1 143 351	1 266 823	1 143 351
Total Operating Lease Expenses - as Lessee	1 743 794	1 514 619	1 743 794	1 514 619

Operating leases are recognized on the straight-line basis as per the requirement of GRAP 13.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11 PROPERTY, PLANT AND EQUIPMENT
30 June 2011 -Group
 Reconciliation of Carrying Values

Description	Community	Heritage	Housing	Infrastructure	Investment	Other	Capitalised Leased assets	Total
Carrying values at 1 July 2010	37 635 782	(0)	1 661 002	215 496 478	76 958	75 125 019	20 186 066	350 048 605
Cost	69 316 345	(0)	3 420 326	3 37 650 749	1 253 812	88 022 568	25 990 584	524 585 432
Accumulated Depreciation:	(31 680 563)	-	(1 759 324)	(122 154 271)	(1 176 854)	(12 897 550)	(5 804 517)	(174 351 966)
Correction of Prior year Error	(37 635 782,00)	-	(1 661 002,00)	(215 496 478,00)	(76 958,00)	(75 125 019)	(20 186 066)	(350 048 605)
Restated Carrying Values at 1 July 2010	69 965 000,00	-	-	1 881 501 563,01	67 274 890,00	999 872 700,92	21 784 321,53	3 040 398 475,46
Cost	69 965 000	-	-	2 567 962 197	70 875 500	1 032 047 679	32 202 906,93	3 773 053 283
Accumulated Depreciation:	-	-	-	(686 460 634)	(3 600 610)	(32 174 978)	(10 418 585 40)	(732 654 807)
Acquisitions	-	-	2 920	35 069 768	-	9 177 506	5 950 525	50 200 719
Capital under Construction	-	-	-	24 986 935	-	-	-	24 986 935,33
Depreciation:	-	-	-	(60 525 407)	(553 940)	(10 316 470)	(7 471 212)	(78 867 029)
Carrying values at 30 JUNE 2011	69 965 000,00	-	2 920,00	1 881 032 858,89	66 720 950,00	994 068 365,84	20 263 634,92	3 032 052 730
Cost	69 965 000,00	-	2 920,00	2 628 018 899,96	70 875 500,00	1 036 992 827,00	38 153 431,93	3 844 008 578,89
Accumulated Depreciation	-	-	-	(747 172 979,32)	(4 154 550,00)	(42 305 511,14)	(17 889 797,01)	(811 955 849,00)

30 June 2012-Group
 Reconciliation of Carrying Value

Description	Community	Heritage	Housing	Infrastructure	Investment	Other	Capitalised Leased assets	Total
Carrying values at 1 July 2011	69 965 000,00	-	2 920,00	1 881 032 858,89	66 720 950,00	994 068 365,84	20 263 634,92	3 032 053 730
Cost	69 965 000,00	-	2 920,00	2 628 018 899,96	70 875 500,00	1 036 806 906,98	38 153 431,93	3 843 822 638,87
Accumulated Depreciation:	-	-	-	(746 986 041,07)	(4 154 550,00)	(42 738 541,14)	(17 889 797,01)	(811 768 929,22)
Acquisitions	-	-	-	22 201 489	-	1 672 332	-	23 873 821,30
Depreciation	-	-	-	(61 089 715,99)	(553 940,00)	(9 957 689,66)	(5 694 324,63)	(77 295 670,28)
Capital under Construction	-	-	-	22 201 489,41	-	-	-	21 567 348,71
Carrying values at 30 June 2012	69 965 000,00	-	2 920,00	1 841 957 694,06	66 167 010,00	986 216 038,89	14 569 310,29	2 978 877 973,19
Cost	69 965 000,00	-	2 920,00	2 650 220 389,37	70 875 500,00	1 038 665 158,89	38 153 431,93	3 867 882 400,19
Accumulated Depreciation:	-	-	-	(808 262 695,31)	(4 708 490,00)	(52 449 120,00)	(23 584 121,64)	(889 004 427,00)

30 JUNE 2011 - KOUGA LOCAL MUNICIPALITY:
Reconciliation of Carrying Value

Description	Community	Heritage	Housing	Infrastructure	Investment	Other	Capitalised Leased assets	Total
Carrying values at 1 July 2010	R	R	R	R	R	R		R
Cost	37 635 782	(0)	1 661 002	215 496 478	76 958	75 125 019	20 186 066	350 048 605
Accumulated Depreciation:	69 316 345	(0)	3 420 326	337 650 749	1 253 812	88 022 568	25 990 584	524 585 432
Correction of Prior year Error	(31 680 563)	-	(1 759 324)	(122 154 271)	(1 176 854)	(12 897 550)	(5 804 517)	(174 351 966)
	(37 635 782)	-	(1 661 002)	(215 496 478)	-	(75 125 019)	(20 186 066)	(350 048 605)
Restated Carrying Values at 1 July 2010	69 965 000,00	-	-	1 881 501 563,01	67 274 890,00	999 872 700,92	21 784 321,53	3 040 398 475,46
Cost	69 965 000	-	-	2 567 962 197	70 875 500	1 032 047 679	32 202 906,93	3 773 053 283
Accumulated Depreciation:	-	-	-	(686 460 634)	(3 600 610)	(32 174 978)	(10 418 585,40)	(732 654 807)
Acquisitions 10/11	-	-	2 920	35 069 768	-	9 177 506	5 950 525	50 200 719
Capital under Construction 10/11	-	-	-	24 986 935	-	-	-	24 986 935
Depreciation: Transfers of Asset 10/11	-	-	-	(60 525 407)	(553 940)	(10 563 563)	(7 471 212)	(79 114 122)
Carrying values at 30 JUNE 2011	69 965 000	-	2 920	1 881 032 859	66 720 950	994 068 366	20 263 635	3 032 052 730
Cost	69 965 000	-	2 920	2 628 018 900	70 875 500	1 036 992 827	38 153 432	3 844 008 579
Accumulated Depreciation	-	-	-	(747 172 979)	(4 154 550)	(42 305 511)	(17 889 797)	(811 955 849)

30 June 2012- KOUGA LOCAL MUNICIPALITY

Reconciliation of Carrying Value

Description	Community	Heritage	Housing	Infrastructure	Investment	Other	Capitalised Leased assets	Total
Carrying values at 1 July 2011	R	R	R	R	R	R		R
Cost	69 965 000	-	2 920	1 881 032 859	66 720 950	994 068 366	20 263 635	3 032 052 730
Accumulated Depreciation:	69 965 000	-	2 920	2 628 018 900	70 875 500	1 036 992 827	38 153 432	3 844 008 579
	-	-	-	(747 172 979)	(4 154 550)	(41 872 481)	(17 889 797)	(811 955 849)
Acquisitions 11/12	-	-	-	22 201 489	-	1 672 332	-	23 873 821
Depreciation 11/12	-	-	-	(61 089 716)	(553 940)	(9 957 690)	(5 694 325)	(77 481 590)
Capital under Construction 11/12	-	-	-	22 201 489	-	-	-	22 201 489
Carrying values at 30 June 2012	69 965 000	-	2 920	1 841 957 694	66 167 010	986 216 039	14 569 310	2 978 877 973
Cost	69 965 000	-	2 920	2 650 220 389	70 875 500	1 038 665 159	38 153 432	3 867 882 400
Accumulated Depreciation:	-	-	-	(808 262 695)	(4 708 490)	(52 449 120)	(23 584 122)	(889 004 427)

Two Assets held for security Bank Loan for Overdraft of R5 million of Erf 721 = R2.5m plus Erf 722 = R2.5m
(Refer to Appendices 'B, C and E (2)' for more detail on Property, Plant and Equipment, including those in the course of construction.)

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

12 INVESTMENT PROPERTY

	Group		Kouga Local Municipality	
	2012	2011	2012	2011
	R	R	R	R
<i>The movement in Investment Property is reconciled as follows:</i>				
Net Carrying value at 1 July	66 720 950	67 274 890	66 720 950	74 476 110
Cost	70 875 500	70 875 500	70 875 500	70 875 500
Accumulated Depreciation	4 154 550	3 600 610	4 154 550	3 600 610
Investment property identified	-	-	-	-
Transferred to inventory	-	-	-	-
Depreciation	-553 940	-553 940	-553 940	-553 940
Net Carrying value at 30 June	66 167 010	66 720 950	66 167 010	66 720 950
Cost	70 875 500	70 875 500	70 875 500	70 875 500
Accumulated Depreciation	4 708 490	4 154 550	4 708 490	4 154 550

13 INTANGIBLE ASSETS

	2012	2011	2012	2011
<i>The movement in Intangible Assets is reconciled as follows:</i>				
<u>Computer software:</u>				
Carrying value at 1 July	197 360	296 834	197 360	290 762
Cost	573 397	507 113	573 397	490 359.36
Accumulated Amortisation	376 037	210 280	376 037	199 597.23
Acquisitions	30 062	83 037	30 062	83 037
Amortisation during the Year	-76 975	-179 659	-76 975	-176 439
Carrying value at 30 June	150 446	200 212	150 446	197 360
Cost	603 458	590 151	603 458	573 397
Accumulated Amortisation	453 012	389 939	453 012	376 037

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.

14 LONG-TERM RECEIVABLES

Staff debtors	581 443	680 078	581 443	680 078
	581 443	680 078	581 443	680 078
Less: Current Portion transferred to Current Receivables				
Staff debtors	-38 865	-130 522	-38 865	-130 522
	542 578	549 555	542 578	549 555
Less: Provision for Bad Debts	-158 366	-158 366	-158 366	-158 366
Total Long-term receivables	385 900	391 190	385 900	391 190

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.

Reconciliation of Provision for Bad Debts:

Balance at beginning of year	158 366	423	158 366	423
Reversal of provision	-	-423	-	-422.85
Contribution to provision	-	158 366	-	158 366
Bad Debts written off	-	-	-	-
Balance at end of year	158 366	158 366	158 366	158 366

STAFF LOANS

Staff loans are not granted to officials of the municipality. The outstanding amount relates to prior years and any overpayments made to employees are still collectable.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

15 INVENTORY	2012 R	2011 R	2012 R	2011 R
Consumable Stores - at cost	-	3 194	-	3 194
General Stores	3 457 651	5 151 102	3 457 651	5 151 102
Water	225 803	34 658	225 803	34 658
Unsold Properties held for resale				
	3 683 454	5 188 954	3 683 454	5 188 954
Less: Provision for obsolete stock	-469 360	-	-469 360	-
Total Inventory	3 214 093	5 188 954	3 214 093	5 188 954

16 CONSUMER DEBTORS

Service Debtors:	109 692 998	86 041 666	109 692 998	86 041 666
Rates	34 310 399	26 722 364	34 310 399	26 722 364
Electricity	32 924 864	25 007 904	32 924 864	25 007 904
Water	21 454 445	17 842 796	21 454 445	17 842 796
Sewerage	11 046 394	8 724 403	11 046 394	8 724 403
Refuse	9 956 896	7 744 200	9 956 896	7 744 200
Housing	48	45	48	45
Other Consumer Debtors	7 603 858	7 907 099	7 603 858	7 907 099
Gross balances	117 296 903	93 948 810	117 296 903	93 948 810
Add: Debtors with credit balances				
Less: Staff debtors included in other consumer debtors				
	117 296 903	93 948 810	117 296 903	93 948 810
Less: Provision for doubtful debts	-72 442 972	-38 911 505	-72 442 972	-38 911 505
Total consumer Debtors	44 853 931	55 037 305	44 853 931	55 037 305

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

Rates : Ageing

Current (0-30 Days)	3 571 339.45	-2 128 176	3 571 339.45	-2 128 176
31-60 Days	852 616.71	3 305 741	852 616.71	3 305 741
61-90 Days	512 049.97	687 230	512 049.97	687 230
91-120 Days	405 860.85	404 561	405 860.85	404 561
More than 120 Days	28 968 532.08	24 453 008	28 968 532.08	24 453 008
Total	34 310 399.06	26 722 364	34 310 399	26 722 364

Electricity: Ageing

Current (0 - 30 days)	8 553 572	42 261	8 553 572	42 261
31 - 60 days	2 239 135	11 122 980	2 239 135	11 122 980
61 - 90 days	1 415 475	2 012 735	1 415 475	2 012 735
91 - 120 days	961 654	1 215 089	961 654	1 215 089
More than 120 Days	19 755 028	10 614 839	19 755 028	10 614 839
Total	32 924 865	25 007 904	32 924 865	25 007 904

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
Water: Ageing				
Current (0 - 30 days)	2 379 809	28 381	2 379 809	28 381
31 - 60 days	1 032 056	2 263 930	1 032 056	2 263 930
61 - 90 days	861 464	1 280 399	861 464	1 280 399
91 - 120 days	849 237	768 074	849 237	768 074
More than 120 Days	16 331 880	13 502 012	16 331 880	13 502 012
Total	21 454 445	17 842 796	21 454 445	17 842 796
Sewerage: Ageing				
Current (0 - 30 days)	1 886 835	-8 565	1 886 835	-8 565
31 - 60 days	721 321	2 020 564	721 321	2 020 564
61 - 90 days	549 106	784 963	549 106	784 963
91 - 120 days	485 751	548 216	485 751	548 216
More than 120 Days	7 403 382	5 379 225	7 403 382	5 379 225
Total	11 046 393	8 724 403	11 046 393	8 724 403
Refuse: Ageing				
Current (0 - 30 days)	1 426 165	2 839	1 426 165	2 839
31 - 60 days	616 356	1 181 830	616 356	1 181 830
61 - 90 days	490 935	495 267	490 935	495 267
91 - 120 days	443 072	361 314	443 072	361 314
More than 120 Days	6 980 369	5 702 950	6 980 369	5 702 950
Total	9 956 897	7 744 200	9 956 897	7 744 200
Housing: Ageing				
Current (0 - 30 days)	45	45	45	45
31 - 60 days	3	-	3	-
61 - 90 days	-	-	-	-
91 - 120 days	-	-	-	-
More than 120 Days	0	-	0	-
Total	48	45	48	45
Other Consumer Debtors: Ageing				
Current (0 - 30 days)	-1 935 591	406 485	-1 935 591	406 485
31 - 60 days	289 636	636 154	289 636	636 154
61 - 90 days	280 001	381 509	280 001	381 509
91 - 120 days	274 260	368 765	274 260	368 765
More than 120 Days	8 695 552	6 114 185	8 695 552	6 114 185
Total	7 603 857	7 907 098	7 603 857	7 907 098
Reconciliation of Provision for Bad Debts				
Balance at beginning of year	-38 753 139	-40 125 210	-38 753 139	-40 125 210
Contribution / (Reversal) to provision	-33 689 833	1 213 705	-33 689 833	1 213 705
Bad Debts written off / recovered				
Balance at end of year	-72 442 972	-38 911 505	-72 442 972	-38 911 505

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.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

17 OTHER DEBTORS	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
Sundry Debtors	15 745 001	15 851 272	18 218 192	16 153 953
Total Other Debtors	15 745 001	15 851 272	18 218 192	16 153 953

(2 473 190)

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

18 SHORT-TERM INVESTMENT DEPOSITS

Call Deposits	17 401 276	14 226 389	17 401 276	14 226 389
Total Short-term Investment Deposits	17 401 276	14 226 389	17 401 276	14 226 389

Summary of current investments as at 30 June [MFMA 125 (2)(b)]:

ABSA	723 431	695 238	723 431	695 238
FNB	4 706 287	4 742 541	4 706 287	4 742 541
Nedbank	193 327	183 511	193 327	183 511
RMB	11 778 232	4 605 100	11 778 232	4 605 100
Investec	-	4 000 000	-	4 000 000
	17 401 276	14 226 389	17 401 276	14 226 389

Call Deposits are investments with a maturity period of less than 3 months and earn interest at rates varying from 7% to 12.05% p/a.

Fixed Deposits are investments, transferred from non-current investments, with a maturity period of less than 12 months & earn interest at a rate of 15.5%.

Deposits of R 34,087 (2011: R 41,054) are ring-fenced and attributable to the Capital Replacement Reserve (CRR).

Deposits of R 12,381,873 (2011: R 5,177,105) are ring-fenced and attributable to Unspent Conditional Grants and Receipts.

Deposits of R 3,003,878 (2011: R 3,160,800) are ring-fenced and attributable to Housing Developments.

Deposits of R 255,656 (2011: R 242, 580) are ring-fenced and attributable to Collateral.

19 OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor

At the Statement of Financial Position date, where the municipality acts as a lessor under non-cancellable operating leases, it will receive operating lease income as follows:

Up to 1 year	370 519	172 181	370 519	172 181
1 to 5 years	1 282 623	562 351	1 282 623	562 351
More than 5 years	1 353 805	676 498	1 353 805	676 498
Total Operating Lease Arrangements	3 006 947	1 411 030	3 006 947	1 411 030

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 25,113 (2011: R 179)

In respect of non-cancellable Operating Leases the following asset has been recognised:

	87 753	62 640	87 753	62 640
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KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

20 BANK, CASH AND OVERDRAFT BALANCES	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
Cash and Cash Equivalents	345 820	-1 892 993	314 540	-1 922 524
Bank Overdraft	608 995	-1 376 111	608 995	-1 376 111
Total Cash and Cash Equivalents	954 815	-3 269 104	923 535	-3 298 635

The Municipality has the following bank accounts:

Cash book balance at beginning of year	-33 728 108	-19 253 820
Cash book balance at end of year	608 995	-1 376 111
<i>Account Number 525 400 207 91 (Primary Bank Account):</i>		
Bank statement balance at beginning of year	-2 772 829	-4 373 060
Bank statement balance at end of year	-3 082 828	-2 772 829
<i>Account Number 525 400 335 04 (Primary Bank Account):</i>		
Bank statement balance at beginning of year	841 345	1 489 790
Bank statement balance at end of year	3 388 408	841 345
Cash Floats and Advances	8 960	8 960
Total Bank and Cash	314 540	-1 922 524
Total Overdraft	608 995	-1 376 111
Total Bank and Cash	923 535	-3 298 635

An amount of R 2,102,854.38 for housing grant has been ring-fenced to the municipality's cheque account (Acc nr: 525 400 335 04).

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.

Security provided for overdraft: Deed of hypothecation R 2 500 000.00 dated 25-09-2003.
 Bank overdraft facility: Direct overdraft facility R 5,000,000.00.

Kouga Development Agency

The Agency has the following bank accounts

Current Account (Primary account)

Absa Bank, Ring Road Greenacres

	2012 R	2011 R
Cashbook balance at beginning of year	6 562	38 030
Cashbook balance at end of year	30 792	6 562
Bank statement balance at end of the year	30 792	6 562

Investment Accounts

Absa Bank, Ring Road Greenacres
 First National Bank, Jeffreys bay

Cash Balance	488	22703
Bank statement	488	22703

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Which are disclosed in the Statement of Financial Position as follows:

Bank Balances and Cash		
Bank balances	30 792	6 562
Investment accounts	488	22 703
Cash at hand	-	268
	<u>31 280</u>	<u>29 532</u>

21 PROPERTY RATES	Vacant	Improved	Total	2012	2011
	Land	Land		Actual Income	
Humansdorp RD	42 646 000	4 544 248 700	4 586 894 700	3 938 820	-2 575 684
Amaninzi	0	0	-	-	-
Aston Bay	91 995 000	1 815 186 000	1 907 181 000	6 518 988	6 752 344
Kaap St Francis	190 410 100	1 450 794 000	1 641 204 100	5 829 555	5 545 666
Hankey	12 519 000	327 262 900	339 781 900	630 582	631 104
Humansdorp	27 551 000	1 505 502 150	1 533 053 150	5 030 923	5 067 139
Jeffreys Bay	885 352 100	10 877 227 550	11 762 579 650	41 956 905	41 675 763
Kruisfontein	9 436 500	276 761 050	286 197 550	524 219	573 322
Oesterbaai	114 456 000	443 884 500	558 340 500	2 052 629	1 804 960
Paradysstrand	484 397 000	1 078 885 500	1 563 282 500	5 750 239	4 002 696
Patensie	7 383 500	291 870 000	299 253 500	849 218	839 326
Pellrus	17 402 500	234 402 500	251 805 000	664 882	628 394
Sea Vista	1 792 449 500	5 160 080 480	6 952 529 980	25 652 813	20 430 925
St Francis Links	56 775 000	766 168 000	822 943 000	2 386 435	2 443 254
Zwartenbosch	-	-	-	-	-
Uitenhage Rd	12 368 000	847 044 950	859 412 950	965 092	305 984
Loeriehuwel	0	15 450 500	15 450 500	8 534	13 617
Thornhill	409 000	17 428 500	17 837 500	21 298	24 920
Gamtoos Mouth	2 432 500	258 970 000	261 402 500	743 763	448 554
Crossways	0	0	-	-	-
Total Rates Income	<u>3 747 982 700</u>	<u>29 911 167 280</u>	<u>33 659 149 980</u>	<u>103 524 896</u>	<u>88 612 286</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 2009. 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 and agricultural tariffs amounts to R 0.0034.

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.

22 SERVICE CHARGES	Group		Kouga Local Municipality	
	2012	2011	2012	2011
	R	R	R	R
Sale of electricity	172 753 284.46	130 049 219	172 753 284	130 049 219
Sale of water	38 085 066.38	33 259 105	38 085 066	33 259 105
Refuse removal	23 888 492.16	19 182 003	23 888 492	19 182 003
Sewerage and Sanitation Charges	30 996 515.67	28 616 637	30 996 516	28 616 637
Other Service Charges	11 455 854.08	10 690 557	11 455 854	10 690 557
	<u>277 179 212.75</u>	<u>221 797 521</u>	<u>277 179 213</u>	<u>221 797 521</u>
Less: Interdepartmental service charges	-10 024 291.36	-5 817 463	-10 024 291	-5 817 463
Total Service Charges	<u>267 154 921.39</u>	<u>215 980 058</u>	<u>267 154 921</u>	<u>215 980 058</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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

23 RENTAL OF FACILITIES AND EQUIPMENT	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
Rental Revenue from Buildings	416 789	424 156	416 789	424 156
Rental Revenue from Other facilities	306 007	179 860	306 007	179 860
Total Rental of Facilities and Equipment	722 796	604 016	722 796	604 016
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.				
24 INTEREST EARNED				
External Investments:				
Bank Account deposits	2 905.50 937 487.98 940 393	21 512.50 2 633 862.12 2 655 375	- 937 488 937 488	- 2 633 862 2 633 862
Outstanding Debtors:	6 646 186	4 705 899	6 646 186	4 705 899
Total Interest Earned	7 586 580	7 361 274	7 583 674	7 339 761
25 LICENCES AND PERMITS				
Licence fees	6 783 100	6 174 124	6 783 100	6 174 124
Permits and registration fees	519 180	457 736	519 180	457 736
	7 302 280	6 631 860	7 302 280	6 631 860

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

26 GOVERNMENT GRANTS AND SUBSIDIES	Group		Kouga Local Municipality	
	2012	2011	2012	2011
	R	R	R	R
Equitable share	38 073 000	34 882 484	38 073 000	34 882 484
Health subsidy	1 532 555	1 846 218	1 532 555	1 846 218
Unconditional Grants	696 149	857 000		
Conditional Grants	29 582 039	25 202 681	29 631 098	23 817 911
Libraries	227 603	-	227 603	-
Public Works	1 322 000	-	1 322 000	-
	71 453 346	62 788 383	70 806 256	60 546 613

26.1 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.

	2012	2011	2012	2011
26.2 National: Municipal Infrastructure Grant (MIG)				
Balance unspent at the beginning of the year	814 297	4 931 822	814 297	4 931 822
Current year receipts	23 002 000	14 748 000	23 002 000	14 748 000
Conditions met transferred to revenue	-23 002 000	-18 865 525	-23 002 000	-18 865 525
Conditions still to be met - transferred to liabilities	814 297	814 297	814 297	814 297

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

26.3 Provincial - Housing Grants (DPLG & TA)

Balance unspent at the beginning of the year	5 739 293	10 558 405	5 739 293	10 558 405
Current year receipts	9 538 961	12 563 736	9 465 611	12 091 371
Current year expenditure	-7 926 806	-16 982 662	-7 853 455	-16 510 297
Correction of error				-400 186
Conditions still to be met - transferred to	7 351 449	6 139 479	7 351 449	5 739 293

Grants utilised for the Reconstruction and Development Plan Government Housing.

	2012	2011	2012	2011
26.4 Provincial - Other Provincial Grants (DPLG & TA)				
Balance unspent at the beginning of the year	2 510 268	2 510 268	2 510 268	2 510 268
Current year receipts	-	-	-	-
Conditions met transferred to revenue	-	-	-	-
Conditions still to be met - transferred to liabilities	2 510 268	2 510 268	2 510 268	2 510 268

Grant received to assist with the following: Floods, audit related matters, performance

26.5 District - Cadadu District Municipal Grants

	2012	2011	2012	2011
Balance unspent at the beginning of the year	295 384	140 321	295 384	140 321
Current year receipts	130 000	491 245	130 000	491 245
Conditions met transferred to revenue	-50 000	-294 897	-50 000	-294 897
Conditions still to be met - transferred to liabilities	375 384	336 669	375 384	336 669
Correction of error	-	-41 285	-	-41 285
Transfers between funds	-	-	-	-
Restated balance	375 384.00	295 384	375 384	295 384

Grants received to assist with the Integrated Development Plan.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

26.6 Department of Health

	Group		Kouga Local Municipality	
	2012	2011	2012	2011
Balance unspent at the beginning of the year	-	504 840	-	504 840
Current year receipts	-	-	-	-
Conditions met transferred to revenue	-	-504 840	-	-504 840
Conditions still to be met - transferred to liabilities	-	-	-	-

26.7 Department of Water Affairs

	2012	2011	2012	2011
Balance unspent at the beginning of the year	695 461	156 064	695 461	156 064
Current year receipts	540 236	0	540 236	-
Conditions met transferred to revenue	-540 236	-10 603	-540 236	-10 603
Correction	-	-	-	550 000
Conditions still to be met - transferred to liabilities	695 461	145 461	695 461	695 461

Grant utilised for the St Francis Bay Bulk water supply pipeline.

26.8 Department of Economic Development

Balance unspent at the beginning of the year	631 500	631 500	631 500	631 500
Current year receipts	-	-	-	-
Conditions met transferred to revenue	-300 000	-	-300 000	-
Conditions still to be met - transferred to liabilities	331 500	631 500	331 500	631 500

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

26.9 Department of Mineral and Energy/NER

	2012 R	2011 R	2012 R	2011 R
Balance unspent at the beginning of the year	260 171	260 171	260 171	260 171
Current year receipts	6 500 000	-	6 500 000	-
Conditions met transferred to revenue	-3 737 666	-	-3 737 666	-
Conditions still to be met - transferred to liabilities	3 022 505	260 171	3 022 505	260 171

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

26.10 Development Bank

	2012 R	2011 R	2012 R	2011 R
Balance unspent at the beginning of the year	350 576	350 576	350 576	350 576
Current year receipts	-	-	-	-
Conditions met transferred to revenue	-	-	-	-
Conditions still to be met - transferred to liabilities	350 576	350 576	350 576	350 576

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

26.11 Financial Support (Provincial)

	2012 R	2011 R	2012 R	2011 R
Balance unspent at the beginning of the year	-	-	-	-
Current year receipts	1 450 000.00	1 200 000	1 450 000	1 200 000
Conditions met transferred to revenue	-1 450 000.00	-1 200 000	-1 450 000	-1 200 000
Conditions still to be met - transferred to liabilities	-	-	-	-

Grant received from the Provincial Administration to assist with an GRAP compliant Assets

KOUGA LOCAL MUNICIPALITY
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26.12 Other Spheres of Government Grants	2012	2011	2012	2011
	R	R	R	R
Balance unspent at the beginning of the year	1 701 107	1 701 107	1 701 107	1 701 107
Current year receipts	-	-	-	-
Conditions met transferred to revenue	-	-	-	-
Conditions still to be met - transferred to liabilities	1 701 107	1 701 107	1 701 107	1 701 107

Grants received to assist with the following: Upgrade of bulk water supply to St Francis Bay, EIA study of the sewer treatment plant

26.13 Skills Grant	2012	2011	2012	2011
	R	R	R	R
Current year receipts	809 937	-	809 937	-
Conditions met transferred to revenue	-263 476	-	-263 476	-
Conditions still to be met - transferred to liabilities	546 461	-	546 461	-

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

26.14 VUNA Awards	2012	2011	2012	2011
	R	R	R	R
Balance unspent at the beginning of the year	-	-	-	-
Current year receipts	35 000	-	35 000	-
Conditions met transferred to revenue	-	-	-	-
	35 000	-	35 000	-

26.15 Municipal Systems Improvement Grant	2012	2011	2012	2011
	R	R	R	R
Balance unspent at the beginning of the year	-	-	-	-
Current year receipts	790 000	750 000	790 000	750 000
Conditions met transferred to revenue	-287 721	-750 000	-287 721	-750 000
	502 279	-	502 279	-

26.16 Industrial Development Corporation of South Africa	2012	2011	2012	2011
	R	R	R	R
Balance unspent at the beginning of the year	-	-	-	-
Current year receipts	-	184 906	-	-
Conditions met transferred to revenue	-	-184 906	-	-
	-	-	-	-

26.17 Department of Economic Development and Environmental Affairs	2012	2011	2012	2011
	R	R	R	R
Balance unspent at the beginning of the year	-	-	-	-
Current year receipts	-	479 117	-	-
Conditions met transferred to revenue	-	-479 117	-	-
	-	-	-	-

26.18 Thina Sinako	2012	2011	2012	2011
	R	R	R	R
Balance unspent at the beginning of the year	-	-	-	-
Current year receipts	9 769.50	365 683	-	-
Conditions met transferred to revenue	-9 769.50	-365 683	-	-
	-	-	-	-

26.19 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.

KOUGA LOCAL MUNICIPALITY
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27 OTHER INCOME	Group		Kouga Local Municipality	
	2012	2011	2012	2011
	R	R	R	R
Building fees	1 243 649	1 250 191	1 243 649	1 250 191
Burial sites	107 132	102 229	107 132	102 229
Caravan Park Fees	1 518 925	1 762 239	1 518 925	1 762 239
Re-connection fees	51 515	91 412	51 515	91 412
Commission	287 526	228 721	287 526	228 721
Consent uses	42 225	25 393	42 225	25 393
Sign boards	43 659	19 178	43 659	19 178
Subdivisions	49 278	39 588	49 278	39 588
Sundries	3 105 253.30	3 367 866	2 801 193	3 350 720
Valuation Certificates	66531.28	-	66 531	-
Augmentation fees from developers	9967.32	32 672.14	9 967	32 672
Total Other Income	6 525 660	6 919 489	6 221 600	6 902 343
	-14 494.00	-	-	-

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.

28 EMPLOYEE RELATED COSTS	2012	2011	2012	2011
	R	R	R	R
Employee Related Costs - Salaries and Wages	111 122 712.26	116 373 045	112 391 597	115 520 454
Employee Related Costs - Contributions for UIF/Skills	3 360 921.99	10 555	3 369 859	-
Employee Related Costs - Contributions for Pensions &	26 391 633	-	26 391 633	-
Travel, Motor Car, Accommodation, Subsistence and C	8 770 948	14 290 551	8 770 948	14 290 551
Housing Benefits and Allowances	503 005	463 417	503 005	463 417
Overtime Payments	7 867 189	7 396 248	7 867 189	7 396 248
Annual bonuses	8 272 739	8 502 300	8 272 739	8 449 925
Performance Bonuses	-	-	-	-
Long-service awards	539 810	1 638 950	539 810	1 638 950
Leave paid & provision for leave	717 728.61	354 901	694 946	348 303
Group Life insurance, Bargaining council and labour re	11134037.1	-	11 134 037	-
Other	1 825 933.00	36 749 413	1 825 933.00	36 749 413
Total Employee Related Costs	180 506 655	185 779 379	181 761 694	184 857 261

There were no advances to employees. Loans to employees are set out in Note 14.

	Group		Kouga Local Municipality	
	2012	2011	2012	2011
	R	R	R	R
<i>Remuneration of the Municipal Manager - Mr S Fadi</i>				
Annual Remuneration	354 069	870 488	354 069	870 488
Car Allowance	48 345	148 140	48 345	148 140
Performance Bonus	-	112 808	-	112 808
Back pay	-	377 849	-	377 849
Acting allowance	-	-	-	-
Subsistence & Travel	9 798	33 473	9 798	33 473.00
Contributions to UIF, Medical and Pension Funds	5 330	1 497	5 330	1 497
Settlement	859 401	-	859 401	-
Group life, bargaining council	3 081	-	3 081	-
Total	1 280 024	1 544 255	1 280 024	1 544 255

KOUGA LOCAL MUNICIPALITY
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Remuneration of the Chief Financial Officer: Ms C Burger (Acting)

Annual Remuneration	437 484	820 693	437 484	820 693
Car Allowance	36 000	72 000	36 000	72 000
Performance Bonus	-	46 145	-	46 145
Back pay	-	314 874	-	314 874
Cell phone allowance	13 254	-	13 254	-
Acting Allowance	-	-	-	-
Group life insurance	27 866	-	27 866	-
Subsistence & Travel	308	10 526	308	10 526.00
Settlement	708 766	-	708 766	-
Contributions to UIF, Medical and Pension Funds	749	1 497	749	1 497
Total	1 224 426	1 265 735	1 224 426	1 265 735

The Chief Financial Officer's employment contract came to an end on 31 January 2012. 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 February 2012 to 31 July 2012.

Remuneration of the Director Corporate Services: Mrs. C Dreyer (Acting)

Annual Remuneration	249 718	777 133	249 718	777 133
Car Allowance	38 520	72 000	38 520	72 000
Acting allowance	157 130	0	157 130	-
Performance Bonus	-	92 289	-	92 289
Back pay	-	314 874	-	314 874
Group life insurance	6 508	-	6 508	-
Subsistence & Travel	-	10 813	-	10 813.00
Contributions to UIF, Medical and Pension Funds	499	1 823	499	1 823
Total	452 375	1 268 932	452 375	1 268 932

	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
Remuneration of the Director of Technical Services: Mr. E Oosthuizen (Acting)				
Annual Remuneration	-	-	-	-
Car Allowance	-	-	-	-
Performance Bonus	-	-	-	-
Back pay	-	-	-	-
Cell phone allowance	-	-	-	-
Acting allowance	-	277 084.00	-	277 084.00
Contributions to UIF, Medical and Pension Funds	-	-	-	-
Total	-	277 084.00	-	277 084.00

Remuneration of the Director of Strategic Services: Ms T Woni (Acting)

Annual Remuneration	415 704	777 133	415 704	777 133
Car Allowance	57 780	111 560	57 780	111 560
Performance Bonus	0.00	92 289	-	92 289
Back pay	0.00	314 874	-	314 874
Acting allowance	37 449	-	37 448.56	-
Settlement	105 525	-	105 524.98	-
Group life, Bargain council	4 995	-	4 994.55	-
Subsistence and travelling	8 663	6 771	8 663	6 771
Contributions to UIF, Medical and Pension Funds	749	1 497	749	1 497
Total	630 864	1 304 124	630 864	1 304 124

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Remuneration of the Director of Community Services: Mr J Jansen (Acting)

Annual Remuneration	-	596 496	-	596 496
Car Allowance	-	231 784	-	231 784
Performance Bonus	-	-	-	-
Back pay	-	-	-	-
Acting allowances	-	-	-	-
Other (Leave)	-	-	-	-
Subsistence & Travel	-	9 005	-	9 005
Contributions to UIF, Medical and Pension Funds	-	179 539	-	179 539
Total	-	1 016 824	-	1 016 824

Remuneration of the Director of Planning and Development Mr. D Rautenbach (Acting)

Annual Remuneration	295 656	298 248	295 656	298 248
Car Allowance	20 000	117 518	20 000	117 518
Performance Bonus	0	-	-	-
Back pay	616 698	-	616 698	-
Settlement	122 812	-	122 812	-
Group life	5 028	-	5 028	-
Contributions to UIF, Medical and Pension Funds	499	83 255	499	83 255
Total	1 060 693	499 021	1 060 693	499 021

29 REMUNERATION OF COUNCILLORS

Mayor	655 928	468 181	655 928	468 181
Speaker	538 921	349 653	538 921	349 653
Mayoral committee members	2 447 661	1 639 005	2 447 661	1 639 005
Councillors	4 306 904	1 281 431	4 306 904	1 281 431
Councillors pension contributions	-	-	-	-
Councillors medical aid contributions	-	-	-	-
Reimburse travel outside the municipal area	-	-	-	-
Total Councillors' Remuneration	7 949 415	3 738 270	7 949 415	3 738 270

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.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30 BAD DEBTS & IMPAIRMENT LOSSES	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
<i>Provision for bad debts:</i>				
Consumer Debtors (See note 19)	38 356 818	3 938 824	38 356 818	3 938 824
Long-term Receivables (See note 16)	158 366	158 366	158 366	158 366
Bad debts written off	-	-	-	-
<i>Impairment losses:</i>				
Long-term Receivables - KCC Loan account (See note	-	-	-	-
	38 515 184	4 097 190	38 515 184	4 097 190
31 DEPRECIATION AND AMORTISATION				
Depreciation: Property, Plant and Equipment	76 678 402	78 151 714	76 376 186	78 137 651
Depreciation: Investment Property (Refer note 13)	553 940	553 940	553 940	553 940
Amortisation: Intangible Assets (Refer note 14)	76 975	179 659.00	76 975	176 439
Total Depreciation and Amortisation	77 309 317	78 885 313	77 007 101	78 868 030
	288 569	-	-	-
32 INTEREST AND PENALTIES PAID	2012	2011	2012	2011
	R	R	R	R
<i>Interest paid</i>				
Long-term Liabilities	6 471 360.08	13 182 928	15 073 046.11	13 182 927.60
<i>Penalties</i>	2 827 238.23	2 275 197	2 816 868	2 268 209
Total interest paid	9 298 598	15 458 124	17 889 914	15 451 136
	-8 601 686	-	-	-
33 BULK PURCHASES	2012	2011	2012	2011
	R	R	R	R
Electricity	129 916 862	100 519 441	129 914 987	100 513 499
Water	14 007 030	13 508 639	14 007 030	13 508 639
Total Bulk Purchases	143 923 891	114 028 080	143 922 017	114 022 138
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.				
34 GRANTS AND SUBSIDIES PAID	2012	2011	2012	2011
	R	R	R	R
Equitable share allocation	18 054 346	14 420 464.62	18 054 346	14 420 465
Total Grants and Subsidies	18 054 346	14 420 465	18 054 346	14 420 465

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

35 GENERAL EXPENSES	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
Included in General Expenses are the following:				
Accommodation, Seminars and Travelling	311 358.68	1 897 102.09	302 504	1 868 880
Audit Fees	4 672 437.12	4 530 315.04	2 476 954	4 311 615
Chemicals	1 399 703.36	934 457.70	1 399 703	934 458
Connection expenses	543 943.02	1 405 782.28	543 943	1 405 782
Contracted services	1 254 954.75	1 143 351.06	1 254 955	1 143 351
Fuel and oil	8 135 014.54	7 330 247.02	8 135 015	7 330 247
Grant expenditure - Various projects	3 071 753.52	1 435 883.28	1 486 925	1 435 883
Insurance General	2 955 928.29	2 970 929.51	2 955 928	2 968 148
Legal expenses	2 873 395.14	2 257 890.09	2 873 395	2 176 076
Planning fees	51 895.08	575 607.69	51 895	575 608
Postage	1 314 722.63	1 154 198.19	1 314 723	1 153 848
Printing and Stationery	616 612.05	830 346.15	616 393	810 994
Prepaid finance costs	1 723 624.28	585 459.21	1 723 624	585 459
Rentals: Property, Plant and Equipment	578 162.44	1 245 482.84	548 487	1 118 094
Special projects	183 824.45	807 441.56	183 824	807 442
Telephones, Facsimiles and Internet Lines	2 003 642.75	2 372 596.27	1 974 280	2 338 886
Valuation costs & interim valuations	2 742 428.56	3 019 318.13	2 742 429	3 019 318
Other General Expenses	18 923 518.77	22 295 073	19 892 143	20 602 376
Total General expenses	53 356 919	56 791 481	50 477 119	54 586 465

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.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

36 CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES

Correction of errors:

During the 2010/11 financial period the following errors occurred, which are set out below:

Adjustment of balances - assets and liabilities - as at 30 June 2011

36.1 **Property, Plant and Equipment**

Balance previously reported:- 380 198 938
Plus:
 Correction of provision against PPE

Corrections against accumulated surplus as at 1 July 2010

		2 651 812 314
a	- Writing of PPE at cost	-1 320 932 721
b	- Writing of accumulated depreciation for PPE	1 042 481 050
c	- Operating lease	-1 952
d	-Brought in accumulated depreciation for finance lease asset	-10 418 585
e	-Recognition of additional finance lease asset	6 212 323
f	-Brought in accumulated depreciation for investment property - buildings	-3 600 610
g	-Brought in accumulated depreciation for PPE	-718 635 612
h	-Brought in PPE at cost	3 740 850 375
i	-Writing of accumulated depreciation for investment property	1 169 387
j	-Writing of investment property	-1 246 344
k	-Writing off accumulated depreciation for intangible asset	59 560
l	-Writing off intangible asset	-549 680
m	-loss on disposal of asset	-4 706 847
n	-Brought in depreciation for 2010/2011	-78 868 030

Restated balance

3 032 011 252

36.2 **Accumulated Surplus as at 1 July 2011**

Balance previously reported:- -154 304 645

Plus/(Minus):

Correction of errors:

		-2 735 426 740
	- Writing of PPE at cost	1 320 932 721
	- Writing of accumulated depreciation for PPE	-1 042 481 050
	- Operating lease	-37 597
	-Brought in accumulated depreciation for finance lease asset	10 418 585
	-Recognition of additional finance lease asset	-6 212 323
	-Brought in accumulated depreciation for investment property - buildings	3 600 610
	-Brought in accumulated depreciation for PPE	718 635 612
	-Brought in PPE at cost	-3 740 850 375
	-Writing of accumulated depreciation for investment property	-1 169 387
	-Writing of investment property	1 246 344
	-Writing off accumulated depreciation for intangible asset	-59 560
	-Writing off intangible asset	549 680

Incorrect disclosure of correction of error as at 30 June 2010 -196 307

Incorrect opening balance as at 2011 86 848

Transferring of outstanding orders to current financial year -7 822 242

Restated balance

-2 897 663 087

36.3 **Deficit for the year ended 30 June 2011**

Balance previously reported:- 10 363 823

Correction of errors:

		84 462 144
a	Depreciation (refer to note 34)	78 868 030
b	Stock adjustment (refer to note 17)	-487 103
c	Provision for obsolete stock (refer to note 17)	-9 565
d	Unspent grant mig (refer to note 9)	-41 286
e	Reversal of debtors raised	128 454
f	Rental - operating lease (refer to note 22)	1 773
g	Interest accrued(refer to Appendix A)	3 873 968
h	Audit fees written to prior year	1 969 507
i	Provision for bad debt - staff debtors (refer to note 16)	158 366
j	Expense accrued	1 033 735
k	Re-allocation of interest accrued through a suspense account	620 000
l	-loss on disposal of asset	4 706 852
m	Reversal interest raised - DBSA	(1 162 947)

Total

100 023 607

KOUGA LOCAL MUNICIPALITY
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

36.4 Value Added Tax

Balance previously reported:-	4 442 424
<u>Correction of errors</u>	-7 803 195
i - VAT debtors account remapped to accounts receivable	-7 803 195
<u>Restated balance</u>	-3 360 771

36.5 Accounts payable

Balance previously reported:-	106 991 532
<u>Plus/(Minus):</u>	
<u>Correction of errors:</u>	-12 436 321
a - Interest accrued for DBSA	2 236 000
b - Reversal of accrual for DBSA	-6 340 804
c - Reversal of accrual for DBSA	-1 836 071
d - Reversal of accrual for INCA	-2 901 271
e - Reversal of accrual for INCA	-4 000 000
f - Creditors previously mapped to debtors	742 593
g - Interest accrued for INCA	1 637 968
h - Debtors: unallocated amounts re-mapped to accounts receivable	-8 914 785
i - Journals	6 940 049
<u>Restated balance</u>	94 555 211

36.6 Accounts receivable

Balance previously reported:-	56 987 339
<u>Correction of errors:</u>	-1 950 033
i - VAT debtors account remapped to accounts receivable	7 803 195
ii - Debtors: unallocated amounts previously mapped to creditors	-8 914 785
iii - Increase in provision for bad debt (staff debtors)	-158 366
iv - Re-mapping of staff debtors to trade receivables from non-exchange transactions	-680 078
<u>Restated balance</u>	55 037 305

36.7 Inventory

Balance previously reported:-	4 673 515
<u>Correction of errors:</u>	515 439
i Journal	515 439
<u>Restated balance</u>	5 188 954

36.8 Trade receivables from non-exchange transactions

Balance previously reported:-	28 742 137
<u>Correction of errors:</u>	-12 588 183
i - Creditors previously mapped to debtors	-742 593
ii Journal	-11 845 590
<u>Restated balance</u>	16 153 954

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

36.9 Current portion of long term receivables

Balance previously reported:-	-
<u>Correction of errors:</u>	
i Current portion of long term receivables previously not recognized	130 522
	130 522
<u>Restated balance</u>	130 522

36.10 Cash and cash equivalents

Balance previously reported:-	14 226 389
<u>Correction of errors:</u>	
i - Short-term investment previously disclosed to the statement of position as cash and cash equivalents	-14 226 389
	-14 226 389
<u>Restated balance</u>	-

36.11 Short-term investment deposits

Balance previously reported:-	-
<u>Correction of errors:</u>	
i - Short-term investment previously disclosed to the statement of position as cash and cash equivalents	14 226 389
	14 226 389
<u>Restated balance</u>	14 226 389

36.12 Long-term receivables

Balance previously reported:-	660 269
<u>Correction of errors:</u>	
i - Correction of amount previously reported (see journal nr 7182)	-110 714
	-110 714
<u>Restated balance</u>	549 555

36.13 Bank Overdraft

Balance previously reported:-	-13 168 982
<u>Correction of errors:</u>	
i - Correction of the comparative figure to payroll payments reclassified as payables at year end	11 792 871
	11 792 871
<u>Restated balance</u>	-1 376 111

36.14 Operating lease liability

Balance previously reported:-	36 197
<u>Correction of errors:</u>	
i - Operating lease liability was written off to the accumulated surplus	-36 197
	-36 197
<u>Restated balance</u>	-

36.15 Unspent Conditional Grants and Subsidies

Balance previously reported:-	13 039 340
<u>Correction of errors:</u>	
i - Vat portion not transferred to revenue in the previous financial year	-41 285
	-41 285
<u>Restated balance</u>	12 998 055

36.16 Provisions

Balance previously reported:-	7 129 569
<u>Correction of errors:</u>	
i - Leave provision previously mapped to other non-current provision	13 944 809
ii - Long service provision previously mapped to other non-current provisions	9 700 223
	4 244 586
<u>Restated balance</u>	21 074 378

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

36.17 Other non-current provisions

Balance previously reported:-	24 528 400
<u>Correction of errors:</u>	
i - Leave provision previously mapped to other non-current provision	-13 926 034
ii - Long service provision previously mapped to other non-current provisions	-9 700 223
iii - Provision for inventory reversed	-4 244 586
	18 775
<u>Restated balance</u>	<u>10 602 366</u>

36.18 Long-term liabilities

Balance previously reported:-	84 682 668
<u>Correction of errors:</u>	
i - Interest capitalized - DBSA	-10 335 570
ii - Interest capitalized - INCA	4 504 751
iii - Capital DBSA	2 257 968
iv - Current portion understated	1 836 071
	-18 934 360
<u>Restated balance</u>	<u>74 347 098</u>

36.19 Current Portion of Long term Liabilities

Balance previously reported:-	6 778 356
<u>Correction of errors:</u>	
i - Current portion of absa loan was understated	18 934 359
ii - Current portion of Finance lease previously not recognized	630
iii - Current portion of DBSA loan was understated	4 903 275
iv - Current portion of INCA loan was understated	6 518 184
	7 512 270
<u>Restated balance</u>	<u>25 712 715</u>

37 CASH GENERATED BY OPERATIONS	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
Surplus for the Year	(84 558 667)	(100 911 294)	(84 964 941)	(100 023 607)
Adjustment for:				
Correction of prior year Error	(1 428 481)	109 461	(1 428 481)	109 461
Depreciation and amortization	77 020 747	915 995	77 020 747	78 868 030
Contribution to Provisions - Non-Current	14 858 851	78 885 313	14 900 709	7 589 227
Contribution to Provisions - Current	(2 820 427)	7 631 084	(2 820 427)	3 368 406
Contribution to Bad Debt Provision	33 531 467	3 368 406	33 531 467	(1 213 705)
Provision for staff leave	78 964	(1 213 705)	78 964	1 712 451
Operating lease expenses accrued	(1 399)	1 677 192		(1 579)
Operating lease income accrued	(25 113)	(1 579)	(25 113)	1 400
Investment Income	(7 586 579)	652	(7 583 674)	(7 339 761)
Interest Paid	17 900 284	(7 361 274)	17 889 914	15 451 136
		15 458 124		
Operating surplus before working capital changes	46 969 647	(1 441 625)	46 599 165	(1 478 541)
(Increase)/Decrease in Inventories	1 974 861	(223 667)	1 974 861	(223 667)
(Increase)/Decrease in Current Portion of Long-term r	91 657	(7 318)	91 657	(7 318)
(Increase)/Decrease in Trade receivables from exchan	(25 715 013)	(11 207 731)	(25 412 332)	(11 460 151)
(Increase)/Decrease in VAT	456 017	2 656 037	452 559	2 539 185
Cash payments made against provisions	(2 672 000)	(2 359 949)	(2 672 000)	(2 359 949)
Increase/(Decrease) in Conditional Grants and Receip	5 164 891	(19 582 391)	5 238 241	(18 602 642)
Increase/(Decrease) in Creditors	13 611 571	64 573 726	13 641 743	65 573 825
Cash generated by / (utilised in) operations	39 881 631	32 407 082	39 913 894	33 980 742

KOUGA LOCAL MUNICIPALITY
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38 CASH AND CASH EQUIVALENTS	Group		Kouga Local Municipality	
	2012 R	2011 R	2012 R	2011 R
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:				
Bank Balances and Cash	640 275	29 532	608 995	-
Bank Overdraft	-	-1 376 111	-	-1 376 111
Call investment deposits	17 401 276	14 226 389	17 401 276	14 226 389
Total Cash and Cash Equivalents	18 041 551	12 879 809	18 010 272	12 850 278

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% to 12,05% per annum.

	2012	2011	2012	2011
39 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term Liabilities (See Note 2)	99 227 991	100 059 814	99 227 991	100 059 814
Used to finance Property, Plant and Equipment - at cos	-99 227 991	-100 059 814	-99 227 991	-100 059 814
Sub-total	-	-0.35	-	-0.35
Cash set aside for the Repayment of Long-term Liabilities	-	-	-	-
Cash invested for Repayment of Long-term Liabilities (See note 18)	-	-	-	-

External loans have been utilised in accordance with the Municipal Finance Management Act.

40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

40.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:				
Opening balance	185 398 945	75 143 569	185 398 945	75 143 569
Unauthorised Expenditure current year	123 197 581	110 255 375.56	123 197 581	110 255 376
Approved by Council or condoned	-	-	-	-
To be recovered – contingent asset	-	-	-	-
Transfer to receivables for recovery	-	-	-	-
Unauthorised Expenditure awaiting authorisation	308 596 526	185 398 945	308 596 526	185 398 945

Incident	R	Disciplinary Steps / Criminal Proceedings
Employee related costs	16 824 065.00	None
Depreciation	78 868 030.00	None
Interest and penalties	7 554 424.00	None
Bulk purchases	15 036 241.00	None
Grants and subsidies paid	2 513 116.00	None
Contracted services	120 102.00	None
Losses on disposal of assets	2 281 603.00	None
	123 197 581.00	

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40.2 Fruitless and Wasteful Expenditure	2012	2011	2012	2011
	R	R	R	R
Reconciliation of Fruitless and Wasteful expenditure:				
Opening balance	21 884 684	21 400 000	21 884 684	21 400 000
Fruitless and Wasteful Expenditure current year	9 301 452	484 684	9 301 452	484 684
Condoned or written off by Council	-	-	-	-
To be recovered – contingent asset	-	-	-	-
Transfer to receivables for recovery	-	-	-	-
Fruitless and Wasteful Expenditure awaiting condon	31 186 136	21 884 684	31 186 136	21 884 684

Incident		Disciplinary Steps / Criminal Proceedings
<i>Interest on late payment of trade creditors</i>	4 740 237	<i>Currently None - subject to possible future investigation</i>
<i>Penalty on the late payment on SARS account</i>	2 201 814	<i>Currently None - subject to possible future investigation</i>
<i>Dr Rankwana - settlement paid out for rest of his contract</i>	859 401	<i>Currently None - subject to possible future investigation</i>
<i>Legal cost due to unfair dismissal of Mr Fred Dennis</i>	1 500 000	<i>Currently None - subject to possible future investigation</i>
Total	9 301 452	

40.3 Irregular Expenditure	2012	2011	2012	2011
	R	R	R	R
Reconciliation of Irregular Expenditure:				
Opening balance	31 716 778	27 092 909	31 716 778	27 092 909
Irregular Expenditure current year	15 967 181	4 623 869	15 967 181	4 623 869
Condoned or written off by Council	-	-	-	-
Recovered	-	-	-	-
To be recovered – contingent asset	-	-	-	-
Transfer to receivables for recovery	-	-	-	-
Irregular Expenditure awaiting condonement	47 683 959	31 716 778	47 683 959	31 716 778

Incident	R	Disciplinary Steps / Criminal Proceedings
<i>Supply chain compliance not followed</i>	10 129 648	<i>None</i>
<i>Supply chain compliance not followed</i>	5 837 533	<i>None</i>
	15 967 181	

Group		Kouga Local Municipality	
2012	2011	2012	2011
R	R	R	R

41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

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

Opening Balance	-	-	-	-
Council Subscriptions	762 698	762 698.00	762 698	762 698
Amount Paid - current year	-762 698	-762 698.00	-762 698	-762 698
Closing balance	-	-	-	-

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

Opening Balance	3 079 819	-	3 079 819	-
Current year Audit Fee	6 088 427	3 561 147.00	6 088 427	3 561 147
Amount Paid - current year	-1 567 132	-481 328.00	-1 567 132	-481 328
Closing balance	7 601 114	3 079 819.00	7 601 114	3 079 819

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

VAT refundable is shown in note 9.

KOUGA LOCAL MUNICIPALITY
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	Group		Kouga Local Municipality	
	2012	2011	2012	2011
<u>41.4 PAYE and UIF [MFMA 125 (1)(b)]</u>	R	R	R	R
Opening Balance				
Current year Payroll Deductions	19 441 501	18 730 515	19 441 501	18 730 515
Amount Paid - current year	-13 382 512	-18 730 515	-13 382 512	-18 730 515
Amount Paid - previous years	-	-	-	-
Balance Unpaid (included in Creditors)	6 058 989	-	6 058 989	-

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

<u>41.5 Pension and Medical Aid Deductions [MFMA 125 (1)(b)]</u>				
Opening Balance	-	-	-	-
Current year Payroll Deductions	40 753 931	25 030 896.00	40 753 931	25 030 896
Amount Paid - current year	-28 825 676	-25 030 896.00	-28 825 676	-25 030 896
Amount Paid - previous years	-	-	-	-
Closing balance	11 928 255	-	11 928 255.00	-

41.6 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 2012:

Surname	Initials	Outstanding more than 90 days		
		Service accounts	Sundry accounts	Total
RHEEDER	BF	-	-	-
MASETI	LF	-	-	-
KETTLEDAS	DA	-	-	-
GROEP	ED	-	-	-
CAMPHER	FJ	-	-	-
KOERAT	B	-	-	-
CAMEALIO	VA	-	-	-
OLIPHANT	PJ	-	-	-
HILL	ED&MM	-	-	-
MELENI	TN	1 026	-	1 026
BENSON	D	-	-	-
UNGERER	M	-	-	-
ALDENDORFF	DE	-	-	-
DLOMO	M	-	-	-
OLIPHANT	PJ&XD	8 239	-	8 239
MAHLATHINI	ME	6 048	-	6 048
BAXTER	F	1 172	-	1 172
DLOMO	M	-	-	-
KOLITI	DS	-	-	-
		16 485	-	16 485

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The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2011:

Surname	Initials	Outstanding more than 90 days		Total
		Service accounts	Sundry accounts	
RHEEDER	BF	-	-	-
MASETI	LF	-	-	-
KETTLEDAS	DA	-	-	-
GROEP	ED	-	-	-
CAMPHER	FJ	-	-	-
KOERAT	B	32 003	-	32 003
CAMEALIO	VA	1 575	-	1 575
OLIPHANT	PJ	3 126	-	3 126
HILL	ED&MM	2 262	-	2 262
MELENI	TN	-	-	-
BENSON	D	3 147	-	3 147
UNGERER	M	-	-	-
ALDENDORFF	DE	-	-	-
DLOMO	M	-	-	-
OLIPHANT	PJ&XD	-	-	-
MAHLATHINI	ME	2 554	-	2 554
BAXTER	F	-	-	-
DLOMO	M	-	-	-
KOLITI	DS	-	-	-
		44 667	-	44 667

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

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

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

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

CONTRACT NAME	SERVICE PROVIDER	AMOUNT	NOTES
Term Bridge at Sand River	Total Productive Instruments	R 159 306.45	Sec 36 Deviation
Emergency Repairs to Water pipeline	LRC Civils	R 99 716.16	Sec 36 Deviation
Emergency Repairs to Elec Swithgear	Synchronised Traffic System	R 166 365.90	Sec 36 Deviation
Cold Mix 7mm	Much Asphalt	R 121 571.00	Sec 36 Deviation
Hire Super Sucker Tanker	Coega Plant & Tool Hire	R 111 372.30	Sec 36 Deviation
Cold Mix	Much Asphalt	R 121 571.00	Sec 36 Deviation.
Advertisement	Dumisa	R 58 664.00	Sec 36 Deviation
Mailing of Water & Lights Accounts	Synchronised Traffic System	R 62 500.00	Sec 36 Deviation.
Daily Banking	CAB Holdings	R 31 681.44	Sec 36 Deviation
Hire Super Sucker Tanker	Coega Plant & Tool Hire	R 35 007.12	Sec 36 Deviation.
Shell Festival Expenses			
Tents- Volleyball	P & D Bemarking	R 8 664.00	Sec 36 Deviation.
Volleyball Accomodation	Summertime Trade	R 6 250.00	Sec 36 Deviation.
Toilethire	Greenville Trading 312 cc v/a Renco	R 8 892.00	Sec 36 Deviation.
Cultural Village	E.Z. Maqubula	R 18 015.00	Sec 36 Deviation.
Security	Smhart Security	R 24 624.00	Sec 36 Deviation.
Radio Station	Rodney Coetzer	R 8 000.00	Sec 36 Deviation.
Solid Rock Marimba & Steel Band	LW. Van Zyl	R 2 100.00	Sec 36 Deviation.
Advertising & Magazine	SA Expo v/a Feesjolyt	R 450.00	Sec 36 Deviation.

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Opening function- Catering	Catch of the Day: R Swiegers	R 2 090.00	Sec 36 Deviation.
Opening function- Catering	Catch of the Day: R Swiegers	R 5 050.00	Sec 36 Deviation.
Cleaning	Enviroman	R 3 556.80	Sec 36 Deviation.
Cultural Performances	Mrs. Williams	R 10 000.00	Sec 36 Deviation.
Prize Money	Volleyball	R 37 500.00	Sec 36 Deviation.
Drums	Anton Kolesky	R 4 404.00	Sec 36 Deviation.
Purchase of 120 ton Bulk Asphalt	Much Asphalt	R 166 309.13	Sec 36 Deviation
Daily Banking	Protea Coin Security Group	R 32 005.20	Sec 36 Deviation.
Fees for Mailing Water & Lights Accounts	CAB Holdings	R 111 165.64	Sec 36 Deviation
Appointment of Service Provider :IDP Review 2011/12: Compilation of IDP May- June	Ultimate Project Managers t/a Hard Blach Cube	R 136 800.00	Sec 36 Deviation-
Two Sewerage Pumps-4B Pumpstation	Brackstone Engineering	R 227 607.84	Sec 36 Deviation.
Advertising- Posts (Sunday Times)	Dumisa	R 129 823.20	Sec 36 Deviation.
Advertising- Posts(Herald)	Dumisa	R 23 119.20	Sec 36 Deviation
Advertising- Erratum (Sunday Times)	Dumisa	R 31 207.50	Sec 36 Deviation
Advertising- Erratum (Herald)	Dumisa	R 4 446.00	Sec 36 Deviation
Emergency Repairs to Main Water line to St. Francis Bay	LRC Civils	R 356 603.40	Sec 36 Deviation.
Fees for Mailing Water & Lights Accounts	CAB Holdings	R 62 500.00	Sec 36 Deviation
Purchase of Asphalt for Road Repairs(Cold Mix)	Much Asphalt	R 145 885.20	Sec 36 Deviation
Repairs to DBS 643 EC- Engine	Billson Trucks	R 98 871.62	Sec 36 Deviation-
Repairs to DVS 003 EC- Clutch Kit, Strip Gearbox	Billson Trucks	R 40 042.50	Sec 36 Deviation-
Repairs to DVR 990 EC- "C" Service- brakes, battery etc	Billson Trucks	R 34 764.72	Sec 36 Deviation-
Printing and Mailing of Municipal Accounts	CAB Holdings	R 103 470.55	Sec 36 Deviation-
Secure Transport of Money form the Municipal Office to the Bank on a daily basis	Protea Coin Security Group	R 31 630.14	Sec 36 Deviation-
Repair of Robot Pumpstation(Agents) Pumpstation 4B	Brackstone Engineering	R 39 550.06	Sec 36 Deviation-
Mechanical Repairs of Truck (Agent) DBV 396 EC	Billson Trucks	R 120 313.01	Sec 36 Deviation-
Fees for Mailing- Dec 2011	CAB Holdings	R 97 208.60	Sec 36 Deviation.
Advertising- Funds Proposal	Avusa Media	R 34 131.60	Sec 36 Deviation
Advertising- Funds Proposal	Media 24	R 11 559.60	Sec 36 Deviation
Fees - mailing of Water and Lights Accounts: Nov 2011	CAB Holdings	R 34 708.60	Sec 36 Deviation
Daily Collection- Banking	Protea Coin	R 31 402.14	Sec 36 Deviation.
Purchase of Asphalt for Road Repairs	Much Asphalt	R 190 554.00	Sec 36 Deviation
Purchase of Water Treatment Chemicals	Metsi Water Solutions	R 67 223.79	Sec 36 Deviation
Emergency Design and Repair to Main Water Supply Pipeline: St. Francis Bay/ Cape St. Francis	Aurecon	R 142 917.89	Sec 36 Deviation-
Legal Fees	Mc Williams & Elliot	R 33 761.31	Sec 36 Deviation
Legal Fees	Mc Williams & Elliot	R 3 500.00	Sec 36 Deviation
Legal Fees	Mc Williams & Elliot	R 113 489.00	Sec 36 Deviation
Legal Fees	Mc Williams & Elliot	R 16 537.40	Sec 36 Deviation
Renovations at Country Club- Office for Housing Department	Ozzies	R 33 579.60	Sec 36 Deviation-

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Legal Fees	Van der Walt Attorneys	R 78 120.00	Sec 36 Deviation
Legal Fees	Van der Walt Attorneys	R 63 720.00	Sec 38 Deviation
Legal Fees	Van der Walt Attorneys	R 96 520.00	Sec 36 Deviation
Legal Fees	Van der Walt Attorneys	R 101 907.44	Sec 36 Deviation
Fees for Mailing December 2011	CAB Holdings	R 31 799.51	Sec 36 Deviation-
Legal Fees- Disciplinary Procedures	Joubert, Galpin, Searle	R 8 134.02	Sec 36 Deviation-
Legal Fees	SC Heystek Attorneys	R 8 010.78	Sec 36 Deviation-
Legal Fees	Joubert, Galpin, Searle	R 171 791.00	Sec 36 Deviation-
Legal Fees	CW Malan	R 8 035.35	Sec 36 Deviation
Legal Fees	CW Malan	R 4 173.17	Sec 36 Deviation
Legal Fees	CW Malan	R 30 367.56	Sec 36 Deviation
Legal Fees	CW Malan	R 222.47	Sec 36 Deviation
Legal Fees	CW Malan	R 25 947.20	Sec 36 Deviation
Purchase of Bitumen Products for Road Repairs (40X 200lt Drums of Anionic Stablenix)	Eastcape Roadbinders	R 83 904.00	Sec 36 Deviation
Fees for Mailing Water & Lights Accounts- Dec 2011	CAB Holdings	R 62 500.00	Sec 36 Deviation-
Purchase of Water Treatment Chemicals	MetsiChem Water Solutions	R 148 519.20	Sec 36 Deviation
Purchase of Water Treatment Chemicals	Metsi Water Solutions	R 67 223.79	Sec 36 Deviation.
Daily Collection- Banking	Protea Coin Security Group Pty Ltd	R 33 397.14	Sec 36 Deviation
Fees- Mailing of Water & Lights Accounts- March 2012	CAB Holdings	R 62 500.00	Sec 36 Deviation
Advertising- Vacancy for Directpr Admin, Monitoring & Evaluation in Sunday Times	Dumisa Design Advertising	R 41 532.48	Sec 36 Deviation
Repairs to CAT TLB FJV431EC - front axle & other- agent	Barloworld Equipment	R 74 282.45	Sec 36 Deviation.
Repairs to FJV 430EC- front suspension & other- agent	Barloworld Equipment	R 35 295.86	Sec 36 Deviation
Dispensers- Jeffreys Bay	Steiner Hygiene	R 32 151.45	Sec 36 Deviation
Dispensers- Jeffreys Bay	Steiner Hygiene	R 2 118.03	Sec 36 Deviation
Dispensers- Humansdorp	Steiner Hygiene	R 8 988.89	Sec 36 Deviation
Dispensers- Humansdorp	Steiner Hygiene	R 290.97	Sec 36 Deviation
Dispensers- Humansdorp	Steiner Hygiene	R 4 009.87	Sec 36 Deviation
Dispensers- Humansdorp	Steiner Hygiene	R 1 336.63	Sec 36 Deviation
Dispensers- Jeffreys Bay	Steiner Hygiene	R 12 335.09	Sec 36 Deviation
Dispensers- Jeffreys Bay	Steiner Hygiene	R 706.01	Sec 36 Deviation
Dispensers- Beachfront	Steiner Hygiene	R 8 240.00	Sec 36 Deviation
Dispensers- Humansdorp Caravan Park	Steiner Hygiene	R 5 825.41	Sec 36 Deviation
Dispensers- Humansdorp Caravan Park	Steiner Hygiene	R 1 456.43	Sec 36 Deviation
Dispensers- Beachfront	Steiner Hygiene	R 2 060.00	Sec 36 Deviation
Dispensers- Cultural Centre	Steiner Hygiene	R 1 240.30	Sec 36 Deviation
Legal Fees	Joubert, Galpin, Searle	R 88 341.05	Sec 36 Deviation-
Legal Fees	Van der Walt Attorneys	R 63 460.00	Sec 36 Deviation-
Rental Contract- Installation of Equipment & Maintenance- Tel. System	Advanced Communications	R 56 198.50	Sec 36 Deviation
Rental Contract- Installation of Equipment & Maintenance- Tel. System	Advanced Communications	R 22 479.44	Sec 36 Deviation
Advertising- Vacancy for Chief Financial Officer- Sunday Times/ City Press	Dumisa Design Advertising	R 62 627.04	Sec 36 Deviation
IDP Review	Ultimate Project Managers CC t/a Hard Black Cube	R 68 400.00	Sec 36 Deviation-

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Repairs to Terex TL210 - FKD 012 EC	New Holland	R 46 496.38	Sec 36 Deviation
Repairs to Komatsu TLB - CXY 282 EC -Front Drive Shaft & eccelatorator	Komatsu SA	R 32 749.79	Sec 36 Deviation
Daily Collection- Banking	Protea Coin Security Group Pty Ltd	R 31 630.14	Sec 36 Deviation
Valuation for Municipal Properties- Alienation& Municipal Employee Leases	M & R Valuers Malan Ferreira	R 84 363.99	Sec 36 Deviation
Valuation for Housing Dept: Erven 2917	M & R Valuers Malan Ferreira	R 5 220.06	Sec 36 Deviation
Valuation of Municipal Properties for Alienation Tender 225/2010 iro Land Sales	M & R Valuers Malan Ferreira	R 148 724.40	Sec 36 Deviation
Purchase of water pump: Patensie Water Treatment Works	Northfield Engineering	R 41 034.30	Sec 36 Deviation.
Total Reward Task- Evaluation Human Resources	Deloitte Consulting Pty Ltd	R 40 493.94	Sec 36 Deviation
Repairs to Sewerage Pumps- Gamtoos Lorie	Brackstone Engineering	R 19 544.16	Sec 36 Deviation
Repairs to Sewerage Pumps- Centerton	Brackstone Engineering	R 18 781.50	Sec 36 Deviation
Fees - Mailing and Cleaning of Six (6) Monthly List for Feb 2012	CAB Holdings	R 99 941.44	Sec 36 Deviation
Carry out of 3000hr Service and various other repairs (DXC 541 EC)	Komatsu	R 44 799.36	Sec 36 Deviation
Emergency Repair to Main Supply Pipeline: St. Francis Bay/ Cape St. Francis(Design and Preparation on documentation)	Aurecon	R 40 714.38	Sec 36 Deviation-
Purchase of Macerator at Kwanomzamo Pump Station	Northfield Engineering	R 79 902.60	Sec 36 Deviation.
Fees- Mailing of Accounts- January 2012	CAB Holdings	R 33 111.16	Sec 36 Deviation
Project Management: Sea Vista 157 Rectification Project	Aurecon	R 197 890.00	Sec 36 Deviation
Repairs to Dennis Gearbox- CLP384EC	Universal Equipment	R 61 566.05	Sec 36 Deviation
Purchase of Water Treatment Chemicals- Ultrafloc U3800 (6ton)	Metsi Water Solutions	R 68 259.16	Sec 36 Deviation
Repairs to Elevated Water Tower	SPEC Corrossion Protection	R 42 009.00	Sec 36 Deviation
Fuel Payment: Small Plant and Machinery	Extra Dimensions 180 Pty Ltd t/a Jeffreysbaai Motors	R 30 443.24	Sec 36 Deviation
Report Writing and Minute Taking Skills Training 47 Employees	Popose Family Trading Enterprises t/a Supply Chain Solutions	R 72 333.00	Sec 36 Deviation.
Fees- Mailing of Accounts- March 2012	CAB Holdings	R 33 543.47	Sec 36 Deviation
Legal Fees	Van der Walt Attorneys	R 99 243.85	Sec 36 Deviation
Purchase of Water Treatment Chemicals- Ultrafloc U3800 (6ton)	Metsi Water Solutions	R 68 259.16	Sec 36 Deviation
Fees- Provisional Mailing of Accounts- May 2012	CAB Holdings	R 76 260.00	Sec 36 Deviation
Fees- Provisional Mailing of Accounts- April 2012	CAB Holdings	R 76 260.00	Sec 36 Deviation
Essential Work: Cleaning of Sewer Pump Station Sumps:Hire of Super Sucker Combined Truck	Teloc	R 37 050.00	Sec 36 Deviation
Purchase of Water Treatment Chemicals: Hankey & Patensie Waterworks	Extra Dimensions 180 Pty Ltd t/a Jeffreysbaai Motors	R 148 519.20	Sec 36 Deviation
Legal Fees	Joubert Galpin Searle	R 352 954.38	Sec 36 Deviation
Repairs to 48KW 295rpm Submersible Pump: Apiesdraai	Postma & Postma	R 39 430.32	Sec 36 Deviation
Essential Work: Cleaning of Sewer Pump Station Sumps- Hire of Super Sucker Combined Truck	Teloc	R 74 100.00	Sec 36 Deviation

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Daily Banking: April 2012	Protea Coin Security Group Pty Ltd	R 33 816.66	Sec 36 Deviation
Daily Banking: May 2012	Protea Coin Security Group Pty Ltd	R 30 957.54	Sec 36 Deviation
Assistance in balancing Creditors Control Account	Bytes System Integration	R 30 000.00	Sec 36 Deviation
Remove and Repair to Aerator Humansdorp WWTW: shaft	Diesel Mechanical Services	R 87 107.26	Sec 36 Deviation
Repair Aerator Humansdorp WWTW: New Gearbox to be supplied and installed	Diesel Mechanical Services	R 127 812.59	Sec 36 Deviation
Purchase of Water Treatment Chemicals	Metsi Water Solutions	R 68 259.16	Sec 36 Deviation.
Daily Banking June 2012 and Banking Service Fees	Protea Coin Security Group	R 36 715.68	Sec 36 Deviation
Training on Asset & Fleet Module on Samra	Bytes System Integration	R 10 100.00	Sec 36 Deviation
Electrical Control Panel Sewer Pump Station 4B	Synchronized Traffic Systems	R 137 918.34	Sec 36 Deviation
Fees - Mailing for June 2012	CAB Holdings	R 76 260.00	Sec 36 Deviation
Purchase of Water Treatment Chemicals	Metsi Water Solutions	R 16 410.30	Sec 36 Deviation.
Purchase of Water Treatment Chemicals	Metsi Water Solutions	R 15 335.74	Sec 36 Deviation.
Legal Fees	Van der Walt Attorneys	R 53 940.00	Sec 36 Deviation
Legal Fees	Van der Walt Attorneys	R 92 620.00	Sec 36 Deviation
Legal Fees	CW Maan	R 70 452.00	Sec 36 Deviation
Dispensers: Jeffreys Bay	Steiner Hygiene	R 13 980.71	Sec 36 Deviation.
Dispensers: Loeerie, Thomhill & Hankey	Steiner Hygiene	R 4 297.21	Sec 36 Deviation.
Dispensers: Humansdorp	Steiner Hygiene	R 7 126.50	Sec 36 Deviation.
Development Applications for Erven 1795 Hankey and 554 Sea Vista	Urban Dynamics	R 65 989.65	Sec 36 Deviation.
Preparation of 24G Application for submission to the DEAET for an amendment to the ROD of Portion 125 of Farm Estate Klein Zeekoel River NO.335	CEN Integrated Environmental Management Unit	R 49 151.10	Sec 36 Deviation
Pegging of Erven: Maak n Las Area, Kruisfontein	Maarschalk & Partners	R 89 781.59	Sec 36 Deviation
Fees - Mailing for May 2012	CAB Holdings	R 44 789.21	Sec 36 Deviation
Legal Fees	CW Maan	R 33 679.00	Sec 36 Deviation
GRAP Compliant Asset Register	Oucharme Consulting	R 830 779.00	Sec 32: Requisition No: 16856 dated 22 May 2012

42 CAPITAL COMMITMENTS	2012 R	2011 R	2012 R	2011 R
Commitments in respect of Capital Expenditure:				
- Approved and contracted for:-	34 940 994	41 787 238	34 940 994	41 787 238
- Approved but not yet contracted for:-	-	-	-	-
- Contracted but not yet approved	-	-	-	-
Total Capital Commitments	34 940 994	41 787 238	34 940 994	41 787 238
This expenditure will be financed from:				
Internal sources	500 000	4 850 078	500 000	4 850 078
External source	34 440 994	36 937 160	34 440 994	36 937 160
	34 940 994	41 787 238	34 940 994	41 787 238

43 CONTINGENT LIABILITIES

43.1 Possible claims against council

(i) Council is involved in a dispute with different individuals as at 30 June 2012:

Claims against the municipality	19 915 702
Possible legal fees	1 628 745

(ii) Contrary to section 20(1) of the Environmental Conservation Act (Act 50 of 2003) some of the municipality's landfill sites have not been issued with a permit by the Department of Economic and Environmental Affairs. In terms of section 29(4), for non-compliance of section 20(1), the municipality may incur a fine to the amount of R 5million per contravention.

20 000 000

41 544 447

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

44 FINANCIAL INSTRUMENTS		Group		Kouga Local Municipality	
		2012	2011	2012	2011
		R	R	R	R
44.1 Classification:					
Financial Assets					
In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:					
<i>Long-term Receivables</i>					
Kouga Cultural Centre	Loans and receivables	-	-	-	-
Staff debtors	Loans and receivables	542 578	549 555.25	542 578	549 555
<i>Consumer Debtors</i>					
	Loans and receivables	44 853 931	55 037 305.20	44 853 931	55 037 305
<i>Other Debtors</i>					
Sundry Debtors	Loans and receivables	18 218 192	16 153 953.27	18 218 192	16 153 953
<i>Current Portion of Long-term Receivables</i>					
Staff loans	Loans and receivables	38 865	130 522.49	38 865	130 522
<i>Short-term Investment Deposits</i>					
Call Deposits	Loans and receivables	17 401 276	14 226 389.25	17 401 276	14 226 389
<i>Bank Balances and Cash</i>					
Bank Balances	Available for sale	-	-1 376 111.26	-	(1 376 111)
Cash Floats and Advances	Available for sale	8 960	8 960.00	8 960	8 960
VAT	Loans and receivables	3 813 329	-	3 813 329	-
Total Financial Assets		84 877 131	84 730 574.20	84 877 131	84 730 574
<i>Loans and Receivables</i>					
Long-term Receivables	Staff debtors	542 578	549 555.25	542 578	549 555
Consumer Debtors		44 853 931	55 037 305.20	44 853 931	55 037 305
Other Debtors	Sundry Debtors	18 218 192	16 153 953.27	18 218 192	16 153 953
Current Portion of Long-term	Staff loans	38 865	130 522.49	38 865	130 522
Short-term Investment Deposits	Call Deposits	17 401 276	14 226 389.25	17 401 276	14 226 389
VAT	VAT	3 813 329	-	3 813 329	-
		84 868 171	86 097 725.46	84 868 171	86 097 725
<i>Available for Sale:</i>					
Bank Balances and Cash	Bank Balances	-	-1 376 111.26	-	-1 376 111
Bank Balances and Cash	Cash Floats and Advance	8 960	8 960.00	8 960	8 960
		8 960	-1 367 151.26	8 960	-1 367 151
Total Financial Assets		84 877 131	84 730 574.20	84 877 131	84 730 574

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Group		Kouga Local Municipality	
		2012	2011	2012	2011
		R	R	R	R
<u>Financial liabilities</u>					
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows:					
(FVTPL = Fair Value through Profit or Loss):					
Classification					
Long-term Liabilities					
Annuity Loans	Not valued at FVTPL	60 031 645	56 793 333	60 031 645	56 793 333
Consumer Deposits					
Electricity and Water	Not valued at FVTPL	7 606 800	7 342 147	7 606 800	7 342 147
Accounts payable					
Trade creditors	Not valued at FVTPL	97 421 322	83 632 851	97 421 322	83 632 851
Payments received in advance	Not valued at FVTPL	7 676 858	10 683 980	7 676 858	10 683 980
Other creditors	Not valued at FVTPL	95 532	238 380	95 532	238 380
Unspent Conditional Grant	Not valued at FVTPL	18 236 297	12 998 058	18 236 297	12 998 058
Operating Lease Liability					
Operating Lease Liability	Not valued at FVTPL	-	-	-	-
Bank Overdraft	Not valued at FVTPL	-608 995	1 376 111	-608 995	1 376 111
Current Portion of Long-term Liabilities					
Annuity Loans	Not valued at FVTPL	21 642 583	20 809 441	21 642 583	20 809 441
Total Financial Liabilities		212 102 041	197 235 072	212 102 041	197 235 072

44.2 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	99 227 991	100 059 814	99 227 991	100 059 814
Equity	2 714 249 300	2 797 639 481	2 714 249 300	2 797 639 481
Net debt to equity ratio	4%	4%	4%	4%

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

44.3 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.

44.4 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.

44.6 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

44.7 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.

44.8 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.

	2012 R	2011 R	2012 R	2011 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:				
Long-term Receivables	581 443.10	680 077.74	581 443	680 078
Consumer Debtors	44 853 931.24	55 037 305.20	44 853 931	55 037 305
Other Debtors	18 218 191.59	15 851 272.27	18 218 192	16 153 953
Short-term Investment Deposits	17 401 276.28	14 226 389.25	17 401 276	14 226 389
Bank and Cash Balances	640 274.99	29 531.50	8 960	-1 367 151
VAT	3 813 329.22	-	3 813 329	-
Maximum Credit and Interest Risk Exposure	84 877 131.43	84 730 574.20	84 877 131	84 730 574

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

46 RELATED PARTY TRANSACTIONS

46.1 Related party relationships:

Councillors:	<i>Ward</i>	<i>Surname</i>	<i>Initials</i>	
	Ward 1	Mayoni	Z	
	Ward 2	Hill	E	
	Ward 3	Thiart	H	
	Ward 4	Campher	F	
	Ward 5	Groep	E	
	Ward 6	Oliphant	P	
	Ward 7	Koliti	B	
	Ward 8	Aldendorff	D	
	Ward 9	Ntsize	L	
	Ward 10	Kota	K	
	Ward 11	Ungerer	U	
	Ward 12	Rheeder	B	
	Ward 13	Matodlana	V	
	Ward 14	Meleni	T	
	Ward 15	Mahlathini	E	
	Proportional	Camelio-Benjamin	V	
	Proportional	Diomo	M	
	Proportional	Maseti	T	
	Proportional	Koerat	B	
	Proportional	Stuurman	V	
	Proportional	Cawood	C	
	Proportional	Botha	N	
	Proportional	Joy	J	
	Proportional	Benson	D	
	Proportional	Speelman	M	
	Proportional	Williams	B	
	Proportional	Baxter	F	
	Proportional	Prinsloo	J	
	Proportional	Kettleidas	D	
	Proportional	Blouw	Z	
	Proportional	Njela	C	
Directors:	Municipal Manager	Fadi	S	<i>refer to note 31</i>
	Acting Chief Financial Officer	Burger	C	<i>refer to note 31</i>
	Acting Director Corporate Services	Dreyer	C	<i>refer to note 31</i>
	Acting Director Technical Services	Oosthuizen	E	<i>refer to note 31</i>
	Acting Director Strategic Planning	Ngcayisa	J	<i>refer to note 31</i>
	Acting Director Community Development	Jansen	J	<i>refer to note 31</i>
	Acting Director Planning & Infrastructure	Rautenbach	D	<i>refer to note 31</i>

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

KOUGA LOCAL MUNICIPALITY
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46.2 Related Party Transactions

Surname	Initials	Service accounts	Total 30 days+
RHEEDER	BF	-	-
MASETI	LF	-	-
KETTLEDAS	DA	-	-
GROEP	ED	-	-
CAMPHER	FJ	-	-
KOERAT	B	-	-
CAMEALIO	VA	-	-
OLIPHANT	PJ	-	-
HILL	ED&MM	-	-
MELENI	TN	1 026	1 026
BENSON	D	-	-
UNGERER	M	-	-
ALDENDORFF	DE	-	-
DLOMO	M	-	-
OLIPHANT	PJ&XD	8 239	8 239
MAHLATHINI	ME	6 048	6 048
BAXTER	F	1 172	1 172
DLOMO	M	-	-
KOLITI	DS	-	-
		16 485	16 485

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.

46.3 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.

46.4 Compensation of key management personnel

Remuneration of the family of key management personnel and councillors that are employed at the municipality:

Directors	Names	Family Member	Relationship	Department	Remuneration
Managers	Names	Family Member	Relationship	Department	Remuneration
Expenditure	L. Jenneker	M. Jenneker	Daughter	Comm. Services	118 428.00
Asset & Fleet	S. Baartman	N. Baartman	Daughter	Expenditure	123 360.00
Asset & Fleet	S. Baartman	E. Welcome	Daughter	Income	118 428.00
Electrical	A. Marais	B. Marais	Son	Technical Services	147 636.00
Councillors					
Mayor	B. Koerat	F. Muller	Daughter	Comm. Services	184 512.00
Mayor	B. Koerat	C. Kettledas	Daughter	Budget & Treasury	199 104.00
Ward 2	E. Hill	M. Hill	Wife	Expenditure	120 840.00
Ward 6	P. Oliphant	D. Oliphant	Wife	Comm. Services	149 904.00
Ward 9	L. Ntshiza	J.Ntshiza	Wife	Comm. Services	120 840.00
Ward 14	T. Meleni	S. Meleni	Wife	Comm. Services	105 432.00
Proportional	D. Kettledas	C. Witbooi	Cousin	Human Resources	120 840.00

KOUGA LOCAL MUNICIPALITY
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46.5 Transactions with close family members of persons in the service of the state

Company	Kouga employee	Employee to company owner/(s)	Designation	Amount awarded R
Lippert Cabinets	C. Lippert	Wife	EQS/ Admin	1 680.00
BG Le Grange Surveys/	G. Le Grange	Brother	Building Inspector	19 101.08
				20 781

46.6 Entities under the control of management or councillors

First name	Surname	Position held	Company	Company registration number
		EE & Skills Development: Manager	Ithemba Labafazi Investments Pty Ltd	2005/006175/07
Ntomboxolo Vivian	Blouw		Majormatic 115 Pty Ltd	2003/028012/07
Ashley	Perils	Manager: pmu	Pop's Spaza Pty Ltd	2012/089266/07
Pheelo Eric	Mosiane	Manager: hr	Limakatso Miracle Trading CC	2009/172603/23
Shukree	Abrahams	Manager: B&T	Es And Ba Trading CC	2009/005102/23
Deidre Elizabeth	Duvenage	Manager: IT	Marilyn Hoes CC	1997/010915/23
Owen Victor	Putzier	Service Co-ordinator: St. Francis Bay	Falcodor 118 CC	
			384 Linden-Uitbreiding CC	1990/027531/23
			Erf 1303 Jeffreysbaai CC	1997/0541508/23
			Seafront Restaurant CC	1994/014212/23
Carina Rosa	Strydom	Manager: Tourism	Waterkant 1298 CC	1991/025601/23
			Sindwezama Fishing Pty Ltd	2004/035740/07
Tabisa	Woni	Manager: IDP	Dontchemistry Traing and Suppliers CC	2007/187997/23
Nomvula	Machelesi	Manager: Environmental Health	St. Francis Bay His	1996/054912/23
			Carmelo Investments 118 Pty Ltd	2005/037560/07
			Elgacare Pty Ltd	2010/017757/07
			Gemini Moon Trading 112 Pty Ltd	2005/002536/07
			Grandisec CC	2010/050512/23
Japie	Jansen	Director: Community & Social Services	McBeejay Professional Services CC	1997/027972/23

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First name	Surname	Ward/PR/Party	Company	Company Registration Nr
PR. Councillors				
Frances	Baxter	PR/DA	n/a	n/a
			Jeffreys Bay Tourism (Ass Inc under S21)	2002/029360/08
			The Marina Martinique Home Owners Association(Ass in under S21)	1990/007381/08
Brenton John	Williams	PR/DA	The Supertubes Foundation (Ass Inc under S21)	2004/031549/08
Daniel	Benson	PR/DA	Benson's Human Resource Service CC	2003/027714/23
			Daddy's Girls Caterers CC	2008/053609/23
			Phuhliso Bricks Youth Project CC	2005/173164/23
			Taffyn's Caterers CC	2007/059050/23
Mthunzikazi Theodora	Speelman	PR/DA	Thethayedwa General Trading CC	2007/204690/23
			Prinsvale Cash Store CC	2006/151939/23
Jan	Joy	PR/DA	Valinor Trading 286 CC	2006/221771/23
			Big Seven Earthmoving Services CC	2006/203849/23
			Blooming Desert Holdings Pty Ltd	2005/013907/07
			Business Wise Consultants CC	2007/077517/23
			Coastal Trink Agencies CC	2008/159040/23
			Property Management Specialist Pty Ltd	2005/044514/07
			Laphula Rural Tourism Development	2010/000054/24
			Scenic Route Trading 980 CC	2008/030127/23
			Tsitsikamma Forest Village Development CC	2004/014894/23
Juline Doline	Prinsloo	PR/DA	Weavers of Khoisan Pty Ltd	1996/005629/07

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Joseph	Cawood	PR/DA	Kouga Cultural Centre Ass Inc under S21	1999/021962/08
			Eikebaai CC	1985/007002/23
Nicolaas Stephanus	Botha	PR/DA	Kouga Cultural Centre Ass Inc under S21	1999/021962/08
Vernon Samuel	Stuurman	PR/ANC	Island House Trading 115 Pty Ltd	2007/009150/07
			Centre Ass Inc under S21	1999/021962/08
			Summer Season Trading 41 Pty Ltd	2005/036981/07
			Sweet Breeze Investment Pty Ltd	2006/037524/07
Virginia Alice	Camealio-Benjamin	PR/ANC	Tanking A Chance Trading CC	2007/244373/23
Angeline Thandeka	Maseti	PR/ANC	n/a	n/a
Magadalele	Diomo	PR/ANC	Summer Sun Trading 195 Pty Ltd	2005/006385/07
			Kougmina Cultural Centre Ass Inc under S21	1999/021962/08
Booi	Koerat	PR/ANC	Blue Spin Holdings Pty Ltd	2005/020342/07
			Bright Ideas Projects 524 CC	2004/038132/23
			Kouga Cultural Centre Ass Inc under S21	1999/021962/08
			Roll-On Transport CC	2007/189654/23
			Seven Mile Trading 487 CC	2006/139477/23
			Shine The Way 421 CC	2004/092942/23
			Weavers of Khoisan Pty Ltd	1996/005629/07
			Winter Night Investments 340CC	2006/094430/23
			The Rose Inn CC	1987/016270/23
			Thunderstorm Coastal Fishing CC	1998/038231/23
			Tru-Stitch Clothing Project(Humansdorp) Foundation Ass Inc under S21	1998/011090/08
			Ec Consulting Engineers Pty Ltd	2000/008335/07
			Vierkant Beleggings CC	1987/008575/23
Daphne	Kettledas	PR/ANC	n/a	n/a

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Ward Councillors				
Julius Zolani	Mayoni	Ward 1/ ANC	Hennox 536 CC	2005/059157/23
			Homecare Aid Hospice (Ass Inc under S21)	2005/009449/08
			Plusko 165 Pty Ltd	2005/035745/07
			The Kouga Sports and Development Project Academy Pty Ltd	2004/026306/07
Earl Deon	Hill	Ward 2/ ANC	Coetzburgh Trailers CC	1992/034269/23
Sophia Hendrina	Thiart	Ward 3 /DA	n/a	n/a
Eugene Daniel	Groep	Ward 4/DA	n/a	n/a
Frederick Jacobus	Campher	Ward 5 /DA	n/a	n/a
			Vessel Company Pty Ltd	1999/016128/07
			Ndlovu Fishing CC	2009/055653/23
			Siyanda Industrial Painting CC	2002/001561/23
			Khetha Inlanzi Fishing Pty Ltd	2004/022376/07
			P Oliphant and Associates CC	1996/056175/23
Phumzile Joseph	Oliphant	Ward 6 / ANC	Kouga Fishing Pty Ltd	1999/027281/07
Bulelwa Cynthia	Kolifi	Ward 7/ ANC	n/a	n/a
David Ernest	Aldendorff	Ward 8/ DA	n/a	n/a
			Singabenu Trading CC	2008/024285/23
David Lulamile	Ntshiza	Ward 9/ANC	Zabalaza Mhlali Trading CC	2008/123411/23
Patrick	Kota	Ward 10/ANC	n/a	n/a
Mercia	Ungerer	Ward 11/ DA	n/a	n/a
Benjamin Fredeman	Rheeder	Ward 12/ DA	Kouga Cultural Centre Ass inc under S21	1999/021962/08
			Ingomso Lethu Enterprise CC	2006/177170/23
Vuyelwa Nathalia	Matodlana	Ward 13/ANC	Vhz Trading CC	2009/008203/23
			Avulekile Amasongo Construction CC	2005/015654/23
			Duwano Building and Manufacturing CC	2006/002705/23
			Siphalele Trading CC	2007/009148/23
			White Rose Trading CC	2006/088934/23
			Winter Night Investments 340CC	2006/094430/23
Timothy Ncedile	Meleni	Ward 14/ ANC	Ginipax Trading CC	2009/036578/23
Mzukisi Eric	Mahlathini	Ward 15/ ANC	Siyazama Zama Construction CC	2007/064110/23
			Uvimba Transport Solutions	2008/004599/24

47 IN-KIND DONATIONS AND ASSISTANCE

No in-kind donations and assistance were received.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

48 PRIVATE PUBLIC PARTNERSHIPS

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

49 EVENTS AFTER THE REPORTING DATE

No events incurred after the reporting date

50 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)".

51 COMPARATIVE FIGURES

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

52 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

53 BULK ELECTRICITY AND WATER LOSSES IN TERMS OF THE MFMA SECTION 125 (2)(d)(i)

Material water and electricity losses during the year under review were as follows and are not

Electricity:

Purchased during the year	177 141 093	units (kWh)
Sold during the year	<u>(148 623 565)</u>	units (kWh)
Unaccounted	28 517 528	units (kWh)
Normal distribution losses - (8%) of electricity purchases	<u>(14 171 287)</u>	units (kWh)
Loss	<u>14 346 241</u>	units (kWh)
Loss %	<u>8.10%</u>	
Loss (R):	<u>9 898 906</u>	

Calculated as follows:

<u>Lost units</u>	<u>Tariff</u>	<u>Value @</u>
14 346 241	0.69	9 898 906

Electricity losses occur due to *inter alia*, the tampering of meters, the incorrect ratios used on bulk meters, faulty

Water:

	<u>Lost units</u>	<u>Tariff</u>	<u>Value @</u>
Unaccounted water:	<u>2 506 681</u>	<u>3.26</u>	<u>8 171 780</u>

**APPENDIX A
KOUJAL LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

Details	Original Loan Amount	Interest Rate %	Loan Number	Releasable	Balance previously reported as at 30/06/2010	Corrections	Restated Balances at 30/06/2010	Received / Recognised during the year	Redemption during the year	Balance at 30/06/2011	Received / Recognised during the year	Redemption during the year	Balance at 30/06/2012	Current portion Redemption 2013	Non-current liability 30/06/2012
ANNUITY LOANS:															
ABSA	166 000	14,50%	528	30/11/2016	116 815	-	116 815	-	(110 139)	106 676	19	(11 195)	95 500	(14 198)	81 302
ABSA	166 000				116 815	-	116 815	-	(110 139)	106 676	19	(11 195)	95 500	(14 198)	81 302
Total ABSA															
ASDR	150 000	14,25%	513	30/12/2011	32 049	-	32 049	-	(20 623)	11 426	814	-	12 240	(12 240)	0
ASDR	150 000				32 049	-	32 049	-	(20 623)	11 426	814	-	12 240	(12 240)	0
Total ASDR															
Caredu	788 870														
DBSA	6 128 561	11,88%		30/09/2024	5 555 996	-	5 555 996	314 186	(80 201)	5 789 980	671 864	(4 636 298)	14 460 152	(1 502 451)	12 957 702
DBSA	33 112 638	14,610%		30/09/2016	23 987 104	-	23 987 104	1 742 749	(1 164 451)	24 565 402	3 725 036	(4 636 298)	14 460 152	(1 502 451)	12 957 702
DBSA	6 000 000	9,265%		31/03/2016	4 879 520	-	4 879 520	226 126	(312 710)	4 792 936	503 546	(4 636 298)	14 460 152	(1 502 451)	12 957 702
DBSA	1 600 000	8,995%		31/03/2013	1 042 769	-	1 042 769	43 352	(155 199)	932 922	103 716	-	1 036 638	(237 410)	799 228
DBSA	20 000 000	11,180%		30/09/2017	20 000 000	-	20 000 000	2 176 538,39	(1 172 561)	22 176 538,39	7 629 149	-	24 801 325	(7 646 738)	17 154 587
Total DBSA	66 841 199				55 465 389	0	55 465 389	4 504 751	(1 172 561)	58 257 578	7 629 149	-	65 886 728	(19 324 824)	46 561 904
Total INCA	71 157 199	11,88%		30/06/2016	33 392 788,21	-	33 392 788	2 257 968,05	(16 524 399)	18 796 358	300 093	(4 636 298)	14 460 152	(1 502 451)	12 957 702
Total Annuity Loans	139 103 268				89 007 040,71	-	89 007 041	2 257 968,05	(18 597 721)	77 172 039	8 718 945	(4 647 493)	81 243 490	(21 642 583)	59 600 907
CAPITALISED LEASE LIABILITIES:															
Webbank - sewerage tr	922 982	14,00%	533	28/02/2011	175 701	-	175 701	-	-	175 701	-	-	175 701	-	175 701
Webbank - P.O.S	107 520	15,469%	534	30/06/2010	0	-	0	-	(4 247 416)	22 457 039	-	(4 903 275)	17 553 764	(5 963 554)	11 590 410
Webbank - P.O.S	133 046	14,489%	535	31/08/2010	5 798	-	5 798	-	-	5 798	-	-	5 798	-	5 798
Webbank - Health	119 350	14,00%	536	31/07/2008	32 404	-	32 404	-	-	32 404	-	-	32 404	-	32 404
Webbank - Health	119 350	14,00%	537	31/08/2011	34 841	-	34 841	-	-	34 841	-	-	34 841	-	34 841
Webbank	420 215	14,00%	547	31/07/2012	181 994	-	181 994	-	-	181 994	-	-	181 994	-	181 994
Total Webbank	1 822 463				430 738	-	430 738	-	-	430 738	-	-	430 738	-	430 738
Operating leases reclassified as finance leases					20 753 930	-	20 753 930	5 950 525,00	(4 247 416)	22 457 039	-	(4 903 275)	17 553 764	(5 963 554)	11 590 410
Total capitalised lease	1 822 463				21 184 668	-	21 184 668	5 950 525	(4 247 416)	22 887 777	-	(4 903 275)	17 984 502	(5 963 554)	11 590 410
TOTAL EXTERNAL	140 925 731				110 191 708,67	-	110 191 708,67	12 713 243,93	(22 845 136,96)	100 059 815,64	8 718 945,00	(9 550 768,28)	99 227 992	(27 605 937)	71 622 055

Description	Current Balance 1 July 2011	Historical Cost		Revaluation		Cost Revaluation		Accumulated Depreciation		Carrying Value	Asset's Held for Sale	
		Additions 1112	Closing Balance	Additions	Transfers	Disposals	Closing Balance	Additions	Closing Balance			
INTANGIBLES												
Trade, Patents, Trademarks and Domain Names	1 681 861 560	4 374 751 672	1 681 861 560	1 681 861 560		1 681 861 560	4 278 751 672	40 308 647	428 419 471	1 282 402 088		
Other Intangible Assets	908 874 781		403 153 523	403 153 523		403 153 523		0 488 638	149 804 183	258 218 340		
Goodwill	281 547 012	3 964 821 118	281 547 012	281 547 012		281 547 012	3 964 821 118	5 941 871	132 641 710	152 308 710		
Software Licenses and Patents	831 995 903	13 998 216 671	205 525 205	205 525 205		205 525 205	13 998 216 671	6 785 902	97 817 848	167 801 307		
Street Lighting	4 147 693	4 147 693	4 147 693	4 147 693		4 147 693		165 507	353 842	3 791 103		
Other Intangible Assets												
HERITAGE												
Heritage	2 628 018 954	22 201 488 41	2 628 018 954	2 628 018 954		2 628 018 954	22 201 488 41	51 028 716	838 016 774	1 642 143 513		
HOUSING												
Financial Schemes	2 920		2 920	2 920		2 920				2 920		
OTHER ASSETS												
Motor Vehicles	22 788 917	1 191 212 06	23 980 129	23 980 129		23 980 129	33 978 129	33 978 129		24 007 789		
Computer equipment												
Brands and equipment	7 129 811	17 272 03	7 141 623	7 141 623		7 141 623		1 601 592	3 465 773	3 941 285		
Furniture & Fixtures	1 471 409		1 471 409	1 471 409		1 471 409		101 893	402 291	1 068 280		
Specialized vehicles	7 658 856	116 100,41	7 768 951	7 768 951		7 768 951	7 768 951	664 783	4 301 944	3 431 002		
Plant and Equipment	7 478 232	102 680,03	7 580 912	7 580 912		7 580 912		1 111 786	4 271 027	3 681 048		
Tools												
Transportation	148 965	194 893,98	343 771	343 771		343 771		11 388	77 303	226 438		
Security Measures	201 807		201 807	201 807		201 807				110 675		
Emergency Equipment	56 872 582	1 842 270,38	58 714 852	58 714 852		58 714 852		5 773 481	12 027 074	35 519 403		
LAND & BUILDINGS												
Central Land & Buildings												
Central Land	7 528 883		7 528 883	7 528 883		7 528 883				7 528 883		
Stores/Stores - Land	50 123 920		50 123 920	50 123 920		50 123 920				50 123 920		
Land held for Sale	60 119 920		60 119 920	60 119 920		60 119 920				60 119 920		
Industrial buildings - held for sale	13 848 525		13 848 525	13 848 525		13 848 525				13 848 525		
Investment property - Buildings	57 027 000		57 027 000	57 027 000		57 027 000				57 027 000		
Commercial Land - Land	23 209 000		23 209 000	23 209 000		23 209 000				23 209 000		
Commercial Land - Land	448 000		448 000	448 000		448 000				448 000		
Offices - Land	673 000		673 000	673 000		673 000				673 000		
Offices - Land	3 400 000		3 400 000	3 400 000		3 400 000				3 400 000		
Offices - Land	702 488 156		702 488 156	702 488 156		702 488 156				702 488 156		
Land	41 672 000		41 672 000	41 672 000		41 672 000				41 672 000		
Plants - Land	30 028 388		30 028 388	30 028 388		30 028 388				30 028 388		
Buildings	1 120 186 013		1 120 186 013	1 120 186 013		1 120 186 013				1 120 186 013		
Financial Asset assets	38 153 432		38 153 432	38 153 432		38 153 432				38 153 432		
Total	38 153 432		38 153 432	38 153 432		38 153 432		5 084 325	34 421 074	23 500 122	14 520 510	

**APPENDIX C
KOUGA LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 June 2012**

Description	Historical Cost				Cost / Revaluation				Accumulated Depreciation		Carrying Value	
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Under Construction Balance b/f	Added	Under Construction	Closing Balance	Opening Balance		Closing Balance
Executive and Council	R											
Finance and Administration	1 051 366 911	1 371 239	-	-	1 058 738 150	-	-	-	56 089 558 80	71 029 742 17	987 708 908 00	
Planning and Development	7 832 726	270 986	-	-	8 089 722	-	-	-	3 853 165 03	1 459 270 05	8 690 446 56	
Community and Social Services	63 965 000	-	-	-	63 965 000	-	-	-	60 986 000 00	-	60 986 000 00	
Housing	2 930	-	-	-	2 930	-	-	-	-	-	2 930 00	
Public Safety	1 673 286	-	-	-	1 673 286	-	-	-	62 468 05	61 211	1 682 034 86	
Sport and Recreation	7 528 000	-	-	-	7 528 000	-	-	-	-	-	7 528 000 00	
Water Management	251 566 983	13 958 261 01	-	-	265 525 245	-	-	-	91 031 890 34	67 817 833	167 707 411 88	
Roads and Transport	1 601 881 540	-	-	-	1 601 881 540	-	-	-	399 082 924 11	429 419 471	1 202 462 066 39	
Winter	398 874 781	4 278 751 02	-	-	403 153 533	-	-	-	139 474 553 38	141 834 183	255 219 398 56	
Electricity	266 695 975	3 064 521 18	-	-	269 660 097	-	-	-	127 397 699 79	132 405 277	166 754 819 35	
Kouga Development Agency	1 85 920	-	-	-	185 920	-	-	-	144 444 50	-	145 000	
Total PPE	3 772 559 642	28 843 740	-	-	3 798 403 412	21 567 349	21 567 349	-	806 992 250 00	883 842 924	2 912 560 477	
Investment assets	70 875 500	30 082	-	-	70 875 500	-	-	-	4 154 550 00	4 708 480	68 167 010	
Intangible assets	578 397	-	-	-	603 458	-	-	-	376 037 00	483 012	150 446	
Total Assets Register	3 844 008 519	28 873 822	-	-	3 867 882 400	21 567 349	21 567 349	-	811 955 840 80	888 004 421	2 978 877 974	

APPENDIX D
KOUGA LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R	Description	2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
-	23 456 358	-23 456 358	Executive and Council	-	23 786 610	-23 786 610
131 739 679	141 106 851	-9 367 172	Finance and Admin	152 260 134	175 610 196	-23 350 061
3 143 521	48 419 033	-45 275 512	Planning and development	4 237 056	47 091 665	-42 854 609
819 740	1 841 972	-1 022 232	Health	-	-	-
2 963 259	34 073 009	-31 109 750	Community and Social Services	2 902 611	31 223 062	-28 320 451
-	3 902 456	-3 902 456	Housing	-	3 601 652	-3 601 652
9 714 963	26 389 708	-16 674 745	Public Safety	10 922 564	23 750 567	-12 828 003
-	632 545	-632 545	Sport and Recreation	-	464 338	-464 338
12 332 038	6 146 282	6 185 756	Environmental Protection	12 875 224	7 658 822	5 216 402
19 182 003	25 744 494	-6 562 491	Waste Management	23 888 492	28 671 136	-4 782 644
47 482 163	26 119 487	21 362 675	Waste Water Management	53 998 516	25 796 417	28 202 099
-	-	-	Road Transport	-	-	-
33 519 708	38 126 759	-4 607 051	Water	38 625 302	38 089 119	536 183
131 549 219	116 510 944	15 038 275	Electricity	176 490 950	155 422 205	21 068 745
392 446 291	492 469 898	-100 023 607	Sub-Total	476 200 849	561 165 790	-84 964 941
5 817 463.00	5 817 463.00	-0.00	Less: Inter-departmental Charges	10 024 291	10 024 291	0
386 628 828.27	486 652 434.86	-100 023 607	Total	466 176 558	551 141 498	-84 964 941

APPENDIX E(1)
KOUGA LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR
ENDED 30 JUNE 2012

Description	2011/2012 Actual	2011/2012 Budget	2011/2012 Variance	2011/2012 Variance
	R	R	R	%
REVENUE				
Property Rates	103 524 896	105 316 616	-1 791 720	-1.73%
Service Charges	267 154 921	270 309 238	-3 154 317	-1.18%
Rental of Facilities and Equipment	722 796	455 142	267 654	37.03%
Interest Earned - External investments	937 488	572 056	365 432	38.98%
Interest Earned - Outstanding debtors	6 646 186	3 813 527	2 832 659	42.62%
Interest Earned - Fair value adjustment of rates	-	-	-	
Fines	2 879 888	2 871 908	7 980	0.28%
Licences and Permits	7 302 280	16 315 349	-9 013 069	-123.43%
Government Grants and Subsidies	70 806 256	74 950 591	-4 144 335	-5.85%
Other Income	6 221 600	9 080 117	-2 858 517	-45.95%
Gains on Disposal of Property, Plant and Equipment	-	4 072	-4 072	0.00%
Budgeted Income from non-GRAP compliant reserves	-	-	-	
Total Revenue	466 196 311	483 688 616	-17 492 305	(3.62)
EXPENDITURE				
Employee Related Costs	181 761 695	170 403 287	11 358 408	6.25%
Remuneration of Councillors	7 949 415	7 951 749	-2 334	-0.03%
Bad Debts	38 515 184	25 379 290	13 135 894	-
Collection costs	-	-	-	-
Contracted services	33 437	22 799	-	-
Depreciation	77 007 101	-	77 007 101	-
Impairment Losses	-	-	-	-
Repairs and Maintenance	15 545 765	18 955 099	-3 409 334	-21.93%
Interest Paid	17 889 914	15 782 933	2 106 981	11.78%
Bulk Purchases	143 922 017	139 580 640	4 341 377	3.02%
Grants and Subsidies Paid	18 054 346	15 764 629	2 289 717	12.68%
General Expenses	50 477 119	61 296 190	-10 819 071	-21.43%
Loss on disposal of Property, Plant and Equipment	-	-	-	-
Budgeted Expenditure on non-GRAP compliant items	5 260	-	5 260	-
Total Expenditure	551 161 252	455 136 616	96 013 998	21.10
NET SURPLUS / (DEFICIT) FOR THE YEAR	-84 964 941	28 552 000	-113 516 941	(397.58)

APPENDIX E(2)
KOUGA LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/2012	2011/2012	2011/2012	2011/2012	2011/2012	2011/2012	Explanation of Significant Variances
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	
	R	R	R	R	R	%	
Executive and Council	-	-	-	-	-	-	
Finance and Administration	173 759	-	1 401 301,30	173 759,05	-1 227 542,25	-706%	
Planning and Development	270 986	-	270 986,39	270 986,00	-0,39	0%	
Health	-	-	-	-	-	0%	
Housing	-	-	-	-	-	0%	
Sport and Recreation	-	-	-	-	-	0%	
Environmental protection	-	-	-	-	-	0%	
Waste Management	-	-	13 958 261,61	-	-13 958 261,61	0%	
Waste Water Management	-	13 942 200	-	14 657 700	14 657 700	100%	
Roads and Transport	-	-	-	-	-	0%	
Water	-	4 278 752	4 278 751,62	7 194 200	2 915 448	41%	
Electricity	-	3 346 397	3 964 521,18	6 700 000	2 735 479	41%	Funds rolled over to the 2012/2013 financial year
Total	444 745,05	21 567 348,71	23 873 822,10	28 996 645	5 122 823		

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 (9) 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	1 450 000	-	-	-	764 308	79 722	573 530	79 722	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Municipal Systems Improvement Grant	DLG&TA (Nat)	790 000	-	-	-	214 875	214 875	689 017	22 800	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Integrated National Electrification Programme	DME	2 000 000	4 500 000	7 684 000	-	3 032 765	202 297	5 040 452	2 779 358	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Municipal Infrastructure Grant	DLG&TA (Nat)	7 433 000	7 885 000	7 684 000	-	7 352 063	7 352 063	7 576 720	7 576 720	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		11 673 000	7 885 000	12 184 000	0	3 797 073	7 848 957	6 302 999	10 458 600							

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