



**AUDITED ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2014**

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## **GENERAL INFORMATION**

### **MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2014**

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**

First National Bank  
Private Bag X5  
Jeffreys Bay, 6330

### **REGISTERED OFFICE**

33 Da Gama Drive  
Jeffreys Bay

P O Box 21  
Jeffreys Bay  
6330

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

Webpage: [www.kouga.gov.za](http://www.kouga.gov.za)  
E-mail: [registry@ec108.org.za](mailto:registry@ec108.org.za)

### **MUNICIPAL MANAGER**

Mr. S Fadi

### **CHIEF FINANCIAL OFFICER**

Miss. 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	Petersen	D
6	Oliphant	P
7	Koliti	B
8	Aldendorff	D
9	Persent	X
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 annual financial statements, which are set out 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.

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**Mr. S Fadi**  
**Municipal Manager**

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**Date**

**KOUGA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2014**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

It gives me great pleasure to present the Annual Financial Statements of Kouga Municipality at 30 June 2014.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2012/13 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2014 indicates a decrease in Net Assets, a decrease in Non-current Liabilities and a decrease in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the deficit generated on the operating account. The decrease in Non-current Liabilities is primarily as a result of the decreases in Auuity Loans. The decrease in Current Liabilities is primarily as a result of the decrease in Payables from exchange transactions.

**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.

**2.1 Financial Statement Ratios:**

INDICATOR	2014	2013
Surplus / (Deficit) before Appropriations	(51 072 430)	(46 161 252)
Surplus / (Deficit) at the end of the Year	2 175 924 453	2 226 996 882
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	35.30%	35.41%
Remuneration of Councillors	1.53%	1.57%
Collection Costs	0.01%	0.00%
Depreciation and Amortisation	13.61%	14.92%
Impairment Losses	5.63%	0.99%
Repairs and Maintenance	3.81%	3.52%
Interest Paid	1.88%	4.05%
Bulk Purchases	28.65%	29.73%
Contracted Services	0.00%	0.00%
Grants and Subsidies Paid	0.00%	0.00%
General Expenses	9.59%	9.81%
Current Ratio:		
Trade Creditors Days	113	166
Debtors from Exchange Transactions Days	46	47

## 2.2 Performance Indicators:

INDICATOR	2014	2013
<b>Financial Position</b>		
Debtors Management:		
Outstanding Debtors to Revenue	12.90%	15.74%
Liquidity Management:		
Liquidity Ratio	0.16	0.10

A detailed ratio analysis, together with explanations, is included in Appendix "H".

## 3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Kouga Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2014 are as follows:

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	2 226 996 883	2 587 052 441	(13.92)	-	100.00
Operating income for the year	538 366 104	499 745 058	7.73	631 065 771	(14.69)
Appropriations for the year	-	-	-	-	-
	2 765 362 988	3 086 797 499	(10.41)	631 065 771	338.21
<b>Expenditure:</b>					
Operating expenditure for the year	589 438 534	545 906 310	7.97	615 928 519	(4.30)
Sundry transfers		313 894 306	(100.00)	-	-
Closing surplus / (deficit)	2 175 924 454	2 226 996 883	(2.29)	15 137 252	14 274.63
	2 765 362 988	3 086 797 499	(10.41)	631 065 771	338.21

### 3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	236 869 422	208 559 316	13.57	284 899 236	(16.86)
Expenditure	316 937 954	285 365 778	11.06	304 850 859	3.96
Surplus / (Deficit)	(80 068 532)	(76 806 462)	4.25	(19 951 623)	301.31
Surplus / (Deficit) as % of total income	(33.80)%	(36.83)%		(7.00)%	

### 3.2 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	66 011 958	75 548 761	(12.62)	73 533 453	(10.23)
Expenditure	59 597 764	54 468 126	9.42	55 761 459	6.88
Surplus / (Deficit)	6 414 194	21 080 635	(69.57)	17 771 994	(63.91)
Surplus / (Deficit) as % of total income	9.72%	27.90%		24.17%	

### 3.3 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R154,344,846 (2013: R146,128,688). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	193 764 697	180 523 335	7.33	211 395 546	(8.34)
Expenditure	175 907 433	166 538 348	5.63	197 791 248	(11.06)
Surplus / (Deficit)	17 857 264	13 984 986	27.69	13 604 298	31.26
Surplus / (Deficit) as % of total income	9.22%	7.75%		6.44%	



### 3.4 Water Services:

Water is bought in bulk from NMBM and "Gamtoos Irrigation Board" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R14,501,714 (2013: R16,161,171 ). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	41 720 027	35 113 647	18.81	61 237 536	(31.87)
Expenditure	33 992 644	36 400 794	(6.62)	52 954 694	(35.81)
Surplus / (Deficit)	7 727 383	(1 287 148)	(700.35)	8 282 842	(6.71)
Surplus / (Deficit) as % of total income	18.52%	(3.67)%		13.53%	
	559 598	557 598			

### 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R23,844,434 (2012/13: R25,240,849). Full details of Assets are disclosed in Notes 10, 11, 12 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R23,844,434 was financed as follows:

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Grants and Subsidies	18 099 086	29 233 425	(38.09)	84 765 975	(78.65)
	18 099 086	29 233 425	(38.09)	84 765 975	(78.65)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2014	2013
Grants and Subsidies	100.00%	100.00%
	100.00%	100.00%

## 5. RECONCILIATION OF BUDGET TO ACTUAL

### 5.1 Operating Budget:

DETAILS	2014	2013
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	15 137 252	36 464 761
Revenue variances	(92 699 667)	(44 244 626)
Expenditure variances:		
Employee Related Costs	(11 954 012)	(18 739 533)
Remuneration of Councillors	168 914	(190 140)
Collection Costs	(31 679)	235 176
Depreciation and Amortisation	(9 072 573)	(81 466 307)
Impairment Losses	9 861 988	13 289 033
Repairs and Maintenance	19 676 126	21 905 351
Interest Paid	(2 977 567)	5 998 192
Bulk Purchases	8 366 939	(2 762 710)
Contracted Services	40 000	63 000
Grants and Subsidies Paid	-	15 024 417
General Expenses	12 411 848	8 262 135
Loss on disposal of Property, Plant and Equipment	-	-
Actual surplus before appropriations	(51 072 430)	(46 161 252)

DETAILS	2014	2013
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	15 137 252	(33 508 602)
Executive and Council	1 210 033	2 272 091
Finance and Administration	(46 529 985)	(5 155 996)
Planning and Development	1 163 093	3 075 563
Health	-	-
Community and Social Services	1 283 375	1 986 678
Housing	1 007 923	492 533
Public Safety	(111 799)	(7 309 564)
Sport and Recreation	1 153 895	1 276 183
Environmental Protection	4 300 413	5 170 109
Waste Management	(11 357 800)	2 858 582
Roads and Transport	(8 073 395)	(10 200 784)
Water	(555 459)	7 365 481
Electricity	4 252 966	(5 151 231)
Other	(14 512 538)	(9 889 894)
Actual surplus before appropriations	(51 632 028)	(46 718 850)
	(559 598)	(557 598)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

## 5.2 Capital Budget:

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Variance actual 2013/14 / 2012/13 R	Budgeted 2013/14 R	Variance actual/ budgeted R
Executive and Council	1 196 069	-	1 196 069	-	1 196 069
Finance and Administration	97 712	-	97 712	18 212 500	(18 114 788)
Planning and Development	-	-	-	18 009 533	(18 009 533)
Community and Social Services	-	-	-	90 000	(90 000)
Housing	-	-	-	20 000	(20 000)
Public Safety	151 144	-	151 144	328 825	(177 681)
Sport and Recreation	-	-	-	5 036 598	(5 036 598)
Environmental Protection	-	-	-	-	-
Waste Management	9 684 802	-	9 684 802	16 800 000	(7 115 198)
Roads and Transport	483 920	-	483 920	-	483 920
Water	815 908	-	815 908	7 728 520	(6 912 612)
Electricity	5 669 531	-	5 669 531	18 540 000	(12 870 469)
Other	-	-	-	-	-
	18 099 086	-	18 099 086	84 765 975	(66 666 889)

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

## 6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2014 amounted to R2,175,924,453 (30 June 2013: R2,226,996,882) and is made up as follows:

Accumulated Surplus	<u>2 193 914 603</u>
	<u>2 193 914 603</u>

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 22 and the Statement of Change in Net Assets for more detail.

## 7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2014 was R54,696,199 (30 June 2013: R61,104,182).

Refer to Note 19 and Appendix "A" for more detail.

## 8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R67,329,001 as at 30 June 2014 (30 June 2013: R67,990,000) and is made up as follows:

Post-retirement Health Care Benefits Liability	67 168 999
Ex-Gratia Pension	160 000
	<u>67 328 999</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 20 for more detail.

## 9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R37,205,801 as at 30 June 2014 (30 June 2013: R42,597,600) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	26 471 601
Provision for Long Service Awards	10 682 000
Provision for Augmentation Fees	52 200
	<u>37 205 801</u>

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

Refer to Note 21 for more detail.

## 10. CURRENT LIABILITIES

Current Liabilities amounted R184,115,883 as at 30 June 2014 (30 June 2013: R183,324,519) and is made up as follows:

Consumer Deposits	Note 14	8 383 685
Provisions	Note 15	31 465 926
Payables from Exchange Transactions	Note 16	86 554 638
Payables from Non-exchange Transactions	Note 17	11 710 773
Unspent Conditional Grants and Receipts	Note 18	19 052 175
VAT Payable	Note 6	3 020 808
Current Portion of Long-term Liabilities	Note 19	23 927 878
		<u>184 115 883</u>

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

Refer to the indicated Notes for more detail.

## 11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R2,357,174,419 as at 30 June 2014 (30 June 2013: R2,419,424,940).

Refer to Note 10 and Appendices "B, C and E (4)" for more detail.

## 12. INTANGIBLE ASSETS

The net value of Intangible Assets were R171,608 as at 30 June 2014 (30 June 2013: R121,587).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 11 and Appendix "B" for more detail.

### 13. INVESTMENT PROPERTY

The net value of Investment Properties were R62,916,430 as at 30 June 2014 (30 June 2013: R62,894,570).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 12 and Appendix "B" for more detail.

### 14. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R0 as at 30 June 2014 (30 June 2013: R0).

### 15. LONG-TERM RECEIVABLES

Long-term Receivables of R188,060 at 30 June 2014 (30 June 2013: R336,529) is made up as follows:

Study Cost Loans	385 405
	<u>259 174</u>
Less: Short-term portion included in Current Assets	21 000
	<u><u>238 174</u></u>

The increase in the amount for Long-term Receivables is due to the increased amount of debt arrangements entered into with consumer debtors.

Refer to Note 13 for more detail.

### 16. CURRENT ASSETS

Current Assets amounted R98,820,821 as at 30 June 2014 (30 June 2013: R99,235,556) and is made up as follows:

Inventories	Note 2	4 321 092
Non-current Assets Held-for-Sale	Note 3	160 036
Receivables from Exchange Transactions	Note 4	53 158 536
Receivables from Non-exchange Transactions	Note 5	12 213 360
Cash and Cash Equivalents	Note 7	28 750 758
Operating Lease Assets	Note 8	196 039
Current Portion of Long-term Debtors	Note 13	21 000
		<u><u>98 820 821</u></u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

## **17. INTER-GOVERNMENTAL GRANTS**

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 18 and 26, and Appendix "F" for more detail.

## **18. EVENTS AFTER THE REPORTING DATE**

Full details of all known events, if any, after the reporting date are disclosed in Note 56.

## **19. EXPRESSION OF APPRECIATION**

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

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**CHIEF FINANCIAL OFFICER**

31 August 2014

**KOUGA MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014**

	Note	Actual	
		2014 R	2013 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>98 820 821</b>	<b>99 235 556</b>
Inventories	2	4 321 092	3 604 273
Non-current Assets Held-for-Sale	3	160 036	160 036
Receivables from Exchange Transactions	4	53 158 536	47 981 777
Receivables from Non-exchange Transactions	5	12 213 360	23 852 449
VAT Receivable	6	-	4 967 698
Cash and Cash Equivalents	7	28 750 758	18 534 066
Operating Lease Receivables	8	196 039	126 258
Current Portion of Long-term Receivables	9	21 000	9 000
<b>Non-Current Assets</b>		<b>2 420 450 516</b>	<b>2 482 777 626</b>
Property, Plant and Equipment	10	2 357 174 419	2 419 424 940
Intangible Assets	11	171 608	121 587
Investment Property	12	62 916 430	62 894 570
Long-term Receivables	13	188 060	336 529
<b>Total Assets</b>		<b>2 519 271 337</b>	<b>2 582 013 183</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>184 115 883</b>	<b>183 324 519</b>
Consumer Deposits	14	8 383 685	7 809 720
Provisions	15	31 465 926	17 537 673
Payables from Exchange Transactions	16	86 554 638	112 567 032
Payables from Non-exchange Transactions	17	11 710 773	2 262 490
Unspent Conditional Grants and Receipts	18	19 052 175	9 457 032
VAT Payable	6	3 020 808	-
Bank Overdraft	7	-	142 750
Current Portion of Long-term Liabilities	19	23 927 878	33 547 821
<b>Non-Current Liabilities</b>		<b>159 231 001</b>	<b>171 691 782</b>
Long-term Liabilities	19	54 696 199	61 104 182
Employee Benefit Liabilities	20	67 329 001	67 990 000
Non-current Provisions	21	37 205 801	42 597 600
<b>Total Liabilities</b>		<b>343 346 884</b>	<b>355 016 301</b>
<b>Total Assets and Liabilities</b>		<b>2 175 924 453</b>	<b>2 226 996 882</b>
<b>NET ASSETS</b>		<b>2 175 924 453</b>	<b>2 226 996 882</b>
Accumulated Surplus / (Deficit)	22	2 175 924 453	2 226 996 882
<b>Total Net Assets</b>		<b>2 175 924 453</b>	<b>2 226 996 882</b>

# KOUGA MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual	
		2014	2013
		R	Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	23	128 562 770	113 455 498
Fines	24	357 247	1 069 986
Licences and Permits	25	7 847 710	7 745 866
Government Grants and Subsidies Received	26	85 915 627	94 821 596
Public Contributions and Donations	27	57 030	-
<b>Revenue from Exchange Transactions</b>			
Service Charges	28	291 218 688	262 119 663
Rental of Facilities and Equipment	29	276 049	675 855
Interest Earned - External Investments	30	1 709 388	1 236 465
Interest Earned - Outstanding Debtors	30	3 842 757	6 455 937
Other Revenue	31	17 491 840	11 984 147
Gains on Disposal of Property, Plant and Equipment	42	1 086 999	180 045
<b>Total Revenue</b>		<b>538 366 104</b>	<b>499 745 058</b>
<b>EXPENDITURE</b>			
Employee Related Costs	32	208 085 170	193 299 330
Remuneration of Councillors	33	9 025 077	8 594 060
Collection Costs	34	31 679	-
Depreciation and Amortisation	35	80 214 708	81 466 307
Impairment Losses	36	33 194 968	5 400 817
Repairs and Maintenance	37	22 431 053	19 198 925
Finance Costs	38	11 107 974	22 090 103
Bulk Purchases	39	168 846 561	162 289 859
Grants and Subsidies Paid	40	-	-
General Expenses	41	56 501 345	53 566 908
<b>Total Expenditure</b>		<b>589 438 534</b>	<b>545 906 310</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(51 072 430)</b>	<b>(46 161 252)</b>

Refer to Budget Statement for explanation of budget variances



# KOUGA MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
<b>2013</b>		
Balance at 30 June 2012	2 587 052 441	2 587 052 441
Correction of Error (Note 43)	(313 894 306)	(313 894 306)
<b>Restated Balance</b>	<b>2 273 158 136</b>	<b>2 273 158 136</b>
Surplus / (Deficit) for the year	(46 161 252)	(46 161 252)
Balance previously reported	(41 009 958)	(41 009 958)
Correction of Error (Note 43)	(5 151 294)	(5 151 294)
	-	-
<b>Balance at 30 June 2013</b>	<b>2 226 996 883</b>	<b>2 226 996 883</b>
<b>2014</b>		
<b>Restated Balance</b>	<b>2 226 996 883</b>	<b>2 226 996 883</b>
Surplus / (Deficit) for the year	(51 072 430)	(51 072 430)
<b>Balance at 30 June 2014</b>	<b>2 175 924 454</b>	<b>2 175 924 454</b>

**KOUGA MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Actual	
		2014 R	2013 Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	23	118 164 129	109 024 865
Government Grant and Subsidies	26	95 510 769	91 173 767
Public Contributions and Donations	27	57 030	-
Service Charges	28	273 091 036	247 311 297
Interest Received	30	1 709 388	1 236 465
Other Receipts	31	37 029 265	32 134 299
<b>Payments</b>			
Employee Related Costs	32	(207 633 095)	(185 107 330)
Remuneration of Councillors	33	(9 025 077)	(8 594 060)
Interest Paid	38	(11 107 974)	(22 090 103)
Suppliers Paid		(197 974 158)	(176 260 888)
Other Payments	41	(56 501 345)	(53 566 908)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>44</b>	<b>43 319 967</b>	<b>35 261 403</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	10	(17 609 314)	(29 176 226)
Purchase of Investment Property	12	(538 000)	-
Purchase of Intangible Assets	11	(97 712)	(57 198)
Proceeds on Disposal of Property, Plant and Equipment	42	1 163 958	180 045
Decrease / (Increase) in Long-term Receivables	13	148 469	49 371
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(16 932 599)</b>	<b>(29 004 009)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings	19	(16 027 926)	(4 145 246)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(16 027 926)</b>	<b>(4 145 246)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7</b>	<b>10 359 442</b>	<b>2 112 148</b>
Cash and Cash Equivalents at Beginning of Period		18 391 316	16 279 168
Cash and Cash Equivalents at End of Period		28 750 758	18 391 316

**KOUGA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014**

30 June 2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>									
<b>Current Assets</b>									
Inventories	-	-	-	-	-	4 321 092	4 321 092	0.00	0.00
Non-current Assets Held-for-Sale	-	-	-	-	-	160 036	160 036	0.00	0.00
Receivables from Exchange Transactions	-	-	-	-	-	53 158 536	53 158 536	0.00	0.00
Receivables from Non-exchange Transactions	-	-	-	-	-	12 213 360	12 213 360	0.00	0.00
VAT Receivable	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents	-	-	-	-	-	28 750 758	28 750 758	0.00	0.00
Operating Lease Receivables	-	-	-	-	-	196 039	196 039	0.00	0.00
Current Portion of Long-term Receivables	-	-	-	-	-	21 000	21 000	0.00	0.00
<b>Non-Current Assets</b>									
Property, Plant and Equipment	82 025 975	2 740 000	84 765 975	-	84 765 975	2 357 174 419	2 272 408 444	2 780.80	2 873.69
Intangible Assets	-	-	-	-	-	171 608	171 608	0.00	0.00
Investment Property	-	-	-	-	-	62 916 430	62 916 430	0.00	0.00
Long-term Receivables	-	-	-	-	-	188 060	188 060	0.00	0.00
<b>Total Assets</b>	<b>82 025 975</b>	<b>2 740 000</b>	<b>84 765 975</b>	<b>-</b>	<b>84 765 975</b>	<b>2 519 271 337</b>	<b>2 434 505 362</b>	<b>2 972.03</b>	<b>3 071.31</b>
<b>Current Liabilities</b>									
Consumer Deposits	-	-	-	-	-	8 383 685	8 383 685	0.00	0.00
Provisions	-	-	-	-	-	31 465 926	31 465 926	0.00	0.00
Payables from Exchange Transactions	31 110 650	2 740 000	33 850 650	-	33 850 650	86 554 638	52 703 988	255.70	278.22
Payables from Non-exchange Transactions	-	-	-	-	-	11 710 773	11 710 773	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	19 052 175	19 052 175	0.00	0.00
Short-term Loans	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	23 927 878	23 927 878	0.00	0.00
<b>Non-Current Liabilities</b>									
Long-term Liabilities	-	-	-	-	-	54 696 199	54 696 199	0.00	0.00
Retirement Benefit Liabilities	-	-	-	-	-	67 329 001	67 329 001	0.00	0.00
Non-current Provisions	-	-	-	-	-	37 205 801	37 205 801	0.00	0.00
<b>Total Liabilities</b>	<b>31 110 650</b>	<b>2 740 000</b>	<b>33 850 650</b>	<b>-</b>	<b>33 850 650</b>	<b>343 346 884</b>	<b>309 496 234</b>	<b>1 014.30</b>	<b>1 103.63</b>
<b>Total Assets and Liabilities</b>	<b>50 915 325</b>	<b>-</b>	<b>50 915 325</b>	<b>-</b>	<b>50 915 325</b>	<b>2 175 924 453</b>	<b>2 125 009 128</b>	<b>4 273.61</b>	<b>4 273.61</b>
<b>Net Assets (Equity)</b>									
Accumulated Surplus / (Deficit)	50 915 325	-	50 915 325	-	50 915 325	2 175 924 453	2 125 009 128	4 273.61	4 273.61
<b>Total Net Assets</b>	<b>50 915 325</b>	<b>-</b>	<b>50 915 325</b>	<b>-</b>	<b>50 915 325</b>	<b>2 175 924 453</b>	<b>2 125 009 128</b>	<b>4 273.61</b>	<b>4 273.61</b>

**Financial Position: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

No Budget was adopted by Council for the Statement of Financial position for 2013/2014 financial year, except the budget for Property, Plant and Equipment additions for an amount of R R 84 million and the funding source thereof.

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

30 June 2014									
Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>									
<b>Revenue from Non-exchange Transactions</b>									
Property Rates	123 762 412	4 925 573	128 687 985	(3)	128 687 982	128 562 770	(125 212)	99.90	103.88
Fines	2 029 346	60 021	2 089 367	0	2 089 367	357 247	(1 732 120)	17.10	17.60
Licences and Permits	9 221 094	(507 826)	8 713 268	1	8 713 269	7 847 710	(865 559)	90.07	85.11
Income for Agency Services	-	-	-	-	-	-	-	0.00	0.00
Government Grants and Subsidies Received	101 996 809	321 515	102 318 324	373 552	102 691 876	66 748 278	(35 943 598)	65.00	65.44
Public Contributions and Donations	-	8 000	8 000	-	8 000	57 030	49 030	712.88	0.00
<b>Revenue from Exchange Transactions</b>									
Service Charges	318 959 439	(263 664)	318 695 775	2	318 695 777	291 218 688	(27 477 089)	91.38	91.30
Rental of Facilities and Equipment	408 018	175 621	583 639	5	583 644	276 049	(307 595)	47.30	67.66
Interest Earned - External Investments	682 625	155 264	837 889	1	837 890	1 709 388	871 498	204.01	250.41
Interest Earned - Outstanding Debtors	5 982 542	874 099	6 856 641	1	6 856 642	3 842 757	(3 013 885)	56.04	64.23
Other Income	13 873 359	(2 711 449)	11 161 909	(258 085)	10 903 824	17 491 840	6 588 016	160.42	126.08
Gains on Disposal of Property, Plant and Equipment	50 000 000	997 500	50 997 500	-	50 997 500	1 086 999	(49 910 501)	2.13	2.17
Profit on Sale of Land	-	-	-	-	-	-	-	0.00	0.00
<b>Total Revenue</b>	<b>626 915 644</b>	<b>4 034 654</b>	<b>630 950 298</b>	<b>115 473</b>	<b>631 065 771</b>	<b>519 198 756</b>	<b>(111 867 015)</b>	<b>82.27</b>	<b>82.82</b>
<b>Expenditure</b>									
Employee Related Costs	195 778 197	347 932	196 126 129	5 029	196 131 158	208 085 170	11 954 012	106.09	106.29
Remuneration of Councillors	9 180 426	13 565	9 193 990	1	9 193 991	9 025 077	(168 914)	98.16	98.31
Collection Costs	-	-	-	-	-	31 679	31 679	0.00	0.00
Depreciation and Amortisation	71 142 130	5	71 142 135	-	71 142 135	80 214 708	9 072 573	112.75	112.75
Impairment Losses	43 056 956	0	43 056 956	-	43 056 956	33 194 968	(9 861 988)	77.10	77.10
Repairs and Maintenance	42 021 918	(336 592)	41 685 326	421 853	42 107 179	22 431 053	(19 676 126)	53.27	53.38
Finance Costs	10 323 894	(863 488)	9 460 406	(1 329 999)	8 130 407	11 107 974	2 977 567	136.62	107.59
Bulk Purchases	177 213 500	-	177 213 500	-	177 213 500	168 846 561	(8 366 939)	95.28	95.28
Contracted Services	90 000	-	90 000	(50 000)	40 000	-	(40 000)	0.00	0.00
General Expenses	67 166 904	1 555 140	68 722 045	191 148	68 913 193	56 501 345	(12 411 848)	81.99	84.12
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
<b>Total Expenditure</b>	<b>615 973 925</b>	<b>716 562</b>	<b>616 690 487</b>	<b>(761 968)</b>	<b>615 928 519</b>	<b>589 438 534</b>	<b>(26 489 985)</b>	<b>95.70</b>	<b>95.69</b>
<b>Surplus/(Deficit)</b>	<b>10 941 719</b>	<b>3 318 092</b>	<b>14 259 811</b>	<b>877 441</b>	<b>15 137 252</b>	<b>(70 239 778)</b>	<b>(85 377 030)</b>	<b>0.00</b>	<b>0.00</b>
Transfers Recognised - Capital	-	-	-	-	-	19 167 348	19 167 348	0.00	0.00
<b>Surplus/(Deficit) after Capital Transfers and Contributions</b>	<b>10 941 719</b>	<b>3 318 092</b>	<b>14 259 811</b>	<b>877 441</b>	<b>15 137 252</b>	<b>(51 072 430)</b>	<b>(66 209 682)</b>	<b>0.00</b>	<b>0.00</b>
<b>Surplus/(Deficit for the Year)</b>	<b>10 941 719</b>	<b>3 318 092</b>	<b>14 259 811</b>	<b>877 441</b>	<b>15 137 252</b>	<b>(51 072 430)</b>	<b>(66 209 682)</b>	<b>-</b>	<b>-</b>
<b>Financial Performance: Explanation of Variances between Approved Budget and Actual</b>									
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:									
Fines:									
Over budgeted for fines									
Government Grants and Subsidies Received:									
Low revenue recognized for grants and subsidies received is due to underspending on conditional grants									
Public Contributions and Donations:									
The donations received were not anticipated									
Rental of Facilities and Equipment:									
Over budgeted for rentals of facilities and equipment									
Interest Earned - External Investments:									
Interest Earned exceeded the budgetary expectations due to unspent grants invested.									
Interest Earned - Outstanding Debtors:									
It was budgeted only for the portion of interest expected to be paid by debtors.									
Other Income:									
Other Income received exceeded budgetary expectations.									
Gains on Disposal of Property, Plant and Equipment:									
Disposal of Council land which never materialized									
Depreciation and Amortisation									
Depreciation was under budgeted									
Impairment Losses:									
Over budgeted for Impairment Losses on Receivables.									
Repairs and Maintenance:									
Underspending on repair and maintenance was due to cash flow problems									
Finance Costs:									
Unanticipated finance cost due to late payment of creditors and interest and penalties charged by SARS									
General Expenses :									
Over budgeted for General Expenses.									

30 June 2014									
Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>									
Executive and Council	-	-	-	-	-	1 196 069	1 196 069	0.00	0.00
Finance and Administration	18 212 500	-	18 212 500	-	18 212 500	97 712	(18 114 788)	0.54	0.54
Planning and Development	16 664 000	1 345 533	18 009 533	-	18 009 533	-	(18 009 533)	0.00	0.00
Community and Social Services	90 000	-	90 000	-	90 000	-	(90 000)	0.00	0.00
Housing	20 000	-	20 000	-	20 000	-	(20 000)	0.00	0.00
Public Safety	328 825	-	328 825	-	328 825	151 144	(177 681)	45.96	45.96
Sport and Recreation	5 036 598	-	5 036 598	-	5 036 598	-	(5 036 598)	0.00	0.00
Environmental Protection	-	-	-	-	-	-	-	0.00	0.00
Waste Management	10 500 000	6 300 000	16 800 000	-	16 800 000	9 684 802	(7 115 198)	57.65	92.24
Roads and Transport	-	-	-	-	-	483 920	483 920	0.00	0.00
Water	15 374 053	(7 645 533)	7 728 520	-	7 728 520	815 908	(6 912 612)	10.56	5.31
Electricity	15 800 000	2 740 000	18 540 000	-	18 540 000	5 669 531	(12 870 469)	30.58	35.88
Other	-	-	-	-	-	-	-	0.00	0.00
<b>Total Capital Expenditure</b>	<b>82 025 975</b>	<b>2 740 000</b>	<b>84 765 975</b>	<b>-</b>	<b>84 765 975</b>	<b>18 099 086</b>	<b>(66 666 889)</b>	<b>21.35</b>	<b>22.07</b>
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>									
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:									
The Capital budget adopted by Council amount to R 84 million, funded through MIG by an amount of R 26,910 thousand, INEP grant by an amount of R 6,940 thousand and own Council funding of R 50,915 thousand subject to the sale of Council land. The sale of land never materialized and R 4 million was withheld by National Treasury for underspending on MIG projects. the overall underspending on capital budget is due to unspent MIG funds, refer to appendix F.									

30 June 2014									
Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>									
<b>Cash Flows from/(used in) Operating Activities</b>									
Property Rates	123 762 412	4 925 573	128 687 985	-	128 687 985	118 164 129	(10 523 856)	91.82	95.48
Grants	100 057 000	2 937 000	102 994 000	-	102 994 000	95 510 769	(7 483 231)	92.73	95.46
Public Contributions and Donations	-	-	-	-	-	57 030	57 030	0.00	0.00
Service Charges	318 959 439	(263 664)	318 695 775	-	318 695 775	273 091 036	(45 604 739)	85.69	85.62
Interest Received	-	-	-	-	-	1 709 388	1 709 388	0.00	0.00
Other Receipts	55 721 503	(2 700 758)	53 020 746	-	53 020 746	37 029 265	(15 991 481)	69.84	66.45
Employee Related Costs	(195 778 197)	(347 932)	(196 126 129)	-	(196 126 129)	(207 633 095)	(11 506 966)	0.00	0.00
Remuneration of Councillors	(9 180 426)	(13 565)	(9 193 990)	-	(9 193 990)	(9 025 077)	168 913	0.00	0.00
Interest Paid	(10 323 894)	863 488	(9 460 406)	-	(9 460 406)	(11 107 974)	(1 647 568)	0.00	0.00
Suppliers Paid	-	-	-	-	-	(197 974 158)	(197 974 158)	0.00	0.00
Other Payments	(301 191 512)	(2 087 161)	(303 278 673)	-	(303 278 673)	(56 501 345)	246 777 328	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>									
Purchase of Property, Plant and Equipment	(82 025 975)	(2 740 000)	(84 765 975)	-	(84 765 975)	(17 609 314)	67 156 661	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	(97 712)	(97 712)	0.00	0.00
Purchase of Investment Property	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	1 163 958	1 163 958	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	148 469	148 469	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>									
New Loans raised	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	(16 027 926)	(16 027 926)	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>351</b>	<b>572 981</b>	<b>573 333</b>	<b>-</b>	<b>573 333</b>	<b>10 897 442</b>	<b>10 324 109</b>	<b>1 900.72</b>	<b>3 103 704.82</b>
<b>Cash Flow: Explanation of Variances between Approved Budget and Actual</b>									
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below: Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.									

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

##### 1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below. The details of any changes in accounting policies are explained in the relevant notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

##### 1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements, additional detail regarding judgments and estimations are provided in the specific accounting policy:

##### 1.2.1 Revenue Recognition

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

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*) read with IGRAP 1 (Applying the Probability Test for Revenue at initial Recognition). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

##### 1.2.2 Financial Assets and Liabilities

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

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

##### 1.2.3 Impairment of Financial Assets

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

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

The total increase in estimation of the impairment of Receivables from Exchange Transactions and that of Receivables from Non-exchange Transactions are disclosed in Notes 4 and 5 to the Annual Financial Statements.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

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

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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 useful life 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.

#### 1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy on *Impairment of Assets*, on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

#### 1.2.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy on Water Inventory.

#### 1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

#### 1.2.8 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.

#### 1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

#### 1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency. No foreign exchange transactions are included in the financial statements.

#### 1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

#### 1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.



## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 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:

- GRAP 18 Segment Reporting - issued February 2011
- GRAP 20 Related Party Disclosures June 2011
- GRAP 32 Service Concession Arrangement Grantor - issued December 2009
- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010
- GRAP 108 Statutory Receivables - issued September 2013

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

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

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

## 2. NET ASSETS

Included in the Net Assets of the municipality are the following Reserves that are maintained in terms of specific requirements:

### 2.1 Accumulated Surplus

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

#### 2.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

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

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.

#### 2.1.2 Capitalisation Reserve

The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds.

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

#### 2.1.3 Donations and Public Contributions Reserve

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 3. PROPERTY, PLANT AND EQUIPMENT

##### 3.1 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 and excludes investment property.

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

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations at deemed cost, being the fair value of the asset as at date of acquisition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, 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.

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

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

##### 3.2 Subsequent Measurement

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

Subsequently all Property Plant and Equipment are measured at cost or deemed cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

##### 3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	<b>Buildings</b>			<b>Other</b>	
	Improvements	5 - 100		Bins and Containers	5 - 15
	<b>Infrastructure</b>			Computer Equipment	3 - 10
	Electricity	4 - 80		Emergency Equipment	7
	Roads and Paving	5 - 60		Furniture and Fittings	5 - 15
	Sanitation	7 - 55		Motor Vehicles	5 - 10
	Sewerage	4 - 80		Office Equipment	5 - 15
	Water	5 - 100		Plant and Equipment	4 - 15
	<b>Community</b>			Specialist Vehicles	10 - 20
	Community Facilities	20 - 30		Other Assets	15 - 20
	Recreational Facilities	20 - 30			

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

#### 3.5 Infrastructure Assets

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

#### 3.6 Incomplete Construction Work

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

#### 3.7 Derecognition

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

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

### 4. INTANGIBLE ASSETS

#### 4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bringing the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

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

#### 4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	3 - 10		Computer Software Licences	As per agreement

Intangible Assets are annually tested for impairment as described in Accounting Policy on *Impairment of Assets*, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

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

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 4.3 Derecognition

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

## 5. INVESTMENT PROPERTY

#### 5.1 Initial Recognition

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.

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

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

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

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

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

#### 5.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 25 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

#### 5.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 6. HERITAGE ASSETS

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

##### 6.1 Initial Recognition

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

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets 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 of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

##### 6.2 Subsequent Measurement

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

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

##### 6.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

#### 7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

##### 7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

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

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.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

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

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

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 amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss.

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

#### 8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets* or *Financial Liabilities* in accordance with the substance of the contractual agreement.

##### Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

##### Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

#### 8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

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

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  - (i) Derivatives;
  - (ii) Combined instruments that are designated at fair value;
  - (iii) Instruments held for trading;
  - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Amortised Cost
Current Portion of Non-current Investments	Financial Assets at Amortised Cost
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which 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 and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

#### 8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Creditors	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

#### 8.3 Initial and Subsequent Measurement

##### 8.3.1 Financial Assets:

###### Financial Assets measured at Amortised Cost

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment.

###### Financial Assets measured at Fair Value

*Financial Assets at Fair Value* are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

##### 8.3.2 Financial Liabilities:

###### Financial Liabilities measured at Fair Value

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

###### Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *financial liabilities held at amortised cost*. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

#### 8.4 Impairment of Financial Assets

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

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 8.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

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

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

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

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

#### 8.5 Derecognition of Financial Assets

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

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

#### 8.6 Derecognition of Financial Liabilities

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

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

## 9. INVENTORIES

### 9.1 Initial Recognition

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

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

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

### 9.2 Subsequent Measurement

#### 9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the (weighted average) cost of commodities.

#### 9.2.2 Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

#### 9.2.3 Unsold Properties

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

#### 9.2.4 Other Arrangements

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

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



## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 10. REVENUE RECOGNITION

##### 10.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

*Revenue 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.

*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.

##### 10.2 Revenue from Exchange Transactions

###### 10.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

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

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

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

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

###### 10.2.2 Prepaid Electricity

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

###### 10.2.3 Rentals Received

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

###### 10.2.4 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

###### 10.2.5 Tariff Charges

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

###### 10.2.6 Revenue from Agency Services

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

###### 10.2.7 Sale of Goods (including Houses)

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

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

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 10.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

##### 10.3.1 Rates and Taxes

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

##### 10.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

##### 10.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions 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 are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

##### 10.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

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

Revenue 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 are brought into use.

##### 10.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 11. PROVISIONS

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

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

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

##### **11.1 Provision for Environmental Rehabilitation**

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

#### 12. EMPLOYEE BENEFIT LIABILITIES

The municipality changed its Accounting Policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed.

##### **12.1 Short-term Employee Benefits**

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

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

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a 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.

##### **12.2 Post-employment Benefits**

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

###### **12.2.1 Defined Contribution Plans**

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

###### **12.2.2 Defined Benefit Plans**

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

###### **Post-retirement Health Care Benefits**

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

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

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

Past-service costs are recognised immediately in the Statement of Financial Performance.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

#### Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

#### Defined Benefit Pension Plans

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

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan asset. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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

Past-service costs are recognised immediately in the Statement of Financial Performance.

### 13. LEASES

#### 13.1 Classification

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

#### 13.2 The Municipality as Lessee

##### 13.2.1 Operating Leases

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

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

#### 13.3 The Municipality as Lessor

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

### 14. GRANTS-IN-AID

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

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

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

### 15. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

### 16. UNAUTHORISED EXPENDITURE

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

### 17. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

**Changes in Accounting Policies** that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

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

**Correction of Errors** is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

#### 20. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

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

#### 21. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

**Contingent Liabilities** represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**Contingent Assets** represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

#### 22. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

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

#### 23. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

#### 24. EVENTS AFTER THE REPORTING DATE

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

#### 25. COMPARATIVE INFORMATION

##### 25.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

##### 25.2 Prior Year Comparatives

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

##### 25.3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2013 to 30 June 2014.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>1. GENERAL INFORMATION</b>		
Kouga Municipality is a local government institution in Jeffrey's Bay, Eastern Cape, and is one of nine local municipalities under the jurisdiction of the Cacadu District. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).		
<b>2. INVENTORIES</b>		
Consumable Stores	3 983 118	3 297 997
Water - at cost	359 103	317 031
	(21 129)	(10 755)
Less: Provision for obsolete stock	(21 129)	(10 755)
<b>Total Inventories</b>	<b>4 321 092</b>	<b>3 604 273</b>

No write downs of Inventory to Net Realisable Value were required.  
No Inventories have been pledged as collateral for Liabilities of the municipality.

<b>3. NON-CURRENT ASSETS HELD-FOR-SALE</b>		
Motor Vehicles	113 953	113 953
Office Equipment	34 487	34 487
Plant & Equipment	3 893	3 893
Furniture & Fittings	7 704	7 704
<b>Net Non-current Assets Held-for-Sale</b>	<b>160 036</b>	<b>160 036</b>

**3.1 Non-Current Assets Held-for-Sale**

The municipality intends to dispose of movable assets within the next twelve months. No impairment loss was recognised on reclassification of the non-current assets as held-for-sale nor at 30 June 2014.

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>4. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
<b>As at 30 June 2014</b>			
Service Debtors:	82 118 513	(39 947 849)	42 170 664
Electricity	33 338 647	(9 781 176)	23 557 471
Refuse	13 495 142	(5 832 773)	7 662 369
Sewerage	11 279 583	(8 193 921)	3 085 663
Water	24 005 142	(16 139 980)	7 865 162
Other Receivables	18 657 369	(7 669 497)	10 987 872
<b>Total Receivables from Exchange Transactions</b>	<b>100 775 882</b>	<b>(47 617 346)</b>	<b>53 158 536</b>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2013</b>			
Service Debtors:	81 465 697	(37 128 404)	44 337 293
Electricity	32 219 907	(12 194 781)	20 025 126
Refuse	12 123 425	(7 272 069)	4 851 356
Sewerage	12 355 390	(6 043 327)	6 312 063
Water	24 766 973	(11 618 227)	13 148 746
Other Receivables	13 206 509	(9 562 025)	3 644 484
<b>Total Receivables from Exchange Transactions</b>	<b>94 672 206</b>	<b>(46 690 429)</b>	<b>47 981 777</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

2014  
R

2013  
R

**4.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2014**

	Past Due				Total
	0 - 30 Days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	4 187 334	1 869 268	1 107 824	26 174 220	33 338 647
Less: Provision for Impairment					(9 781 176)
<b>Net Balances</b>	<b>4 187 334</b>	<b>1 869 268</b>	<b>1 107 824</b>	<b>26 174 220</b>	<b>23 557 471</b>
<b>Refuse:</b>					
Gross Balances	1 694 990	756 661	448 436	10 595 055	13 495 142
Less: Provision for Impairment					(5 832 773)
<b>Net Balances</b>	<b>1 694 990</b>	<b>756 661</b>	<b>448 436</b>	<b>10 595 055</b>	<b>7 662 369</b>
<b>Sewerage:</b>					
Gross Balances	1 416 716	632 436	374 814	8 855 617	11 279 583
Less: Provision for Impairment					(8 193 921)
<b>Net Balances</b>	<b>1 416 716</b>	<b>632 436</b>	<b>374 814</b>	<b>8 855 617</b>	<b>3 085 663</b>
<b>Water:</b>					
Gross Balances	3 015 046	1 345 947	797 677	18 846 471	24 005 142
Less: Provision for Impairment					(16 139 980)
<b>Net Balances</b>	<b>3 015 046</b>	<b>1 345 947</b>	<b>797 677</b>	<b>18 846 471</b>	<b>7 865 162</b>
<b>Other Receivables:</b>					
Gross Balances	2 343 366	1 046 102	619 974	14 647 927	18 657 369
Less: Provision for Impairment					(7 669 497)
<b>Net Balances</b>	<b>2 343 366</b>	<b>1 046 102</b>	<b>619 974</b>	<b>14 647 927</b>	<b>10 987 872</b>

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	5 650 415	3 348 726	79 119 291	88 118 431
<b>Net Balances</b>	<b>5 650 415</b>	<b>3 348 726</b>	<b>79 119 291</b>	<b>88 118 431</b>

**As at 30 June 2013**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	4 046 820	1 806 542	1 070 649	25 295 896	32 219 907
Less: Provision for Impairment					(12 194 781)
<b>Net Balances</b>	<b>4 046 820</b>	<b>1 806 542</b>	<b>1 070 649</b>	<b>25 295 896</b>	<b>20 025 126</b>
<b>Refuse:</b>					
Gross Balances	1 522 702	679 750	402 855	9 518 119	12 123 425
Less: Provision for Impairment					(7 272 069)
<b>Net Balances</b>	<b>1 522 702</b>	<b>679 750</b>	<b>402 855</b>	<b>9 518 119</b>	<b>4 851 356</b>
<b>Sewerage:</b>					
Gross Balances	1 551 837	692 756	410 563	9 700 235	12 355 390
Less: Provision for Impairment					(6 043 327)
<b>Net Balances</b>	<b>1 551 837</b>	<b>692 756</b>	<b>410 563</b>	<b>9 700 235</b>	<b>6 312 063</b>
<b>Water:</b>					
Gross Balances	3 110 732	1 388 662	822 993	19 444 587	24 766 973
Less: Provision for Impairment					(11 618 227)
<b>Net Balances</b>	<b>3 110 732</b>	<b>1 388 662</b>	<b>822 993</b>	<b>19 444 587</b>	<b>13 148 746</b>
<b>Other Receivables:</b>					
Gross Balances	1 658 738	740 477	438 845	10 368 449	13 206 509
Less: Provision for Impairment	-	-	-		(9 562 025)
<b>Net Balances</b>	<b>1 658 738</b>	<b>740 477</b>	<b>438 845</b>	<b>10 368 449</b>	<b>3 644 484</b>

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	5 308 187	3 145 904	74 327 286	82 781 377
<b>Net Balances</b>	<b>5 308 187</b>	<b>3 145 904</b>	<b>74 327 286</b>	<b>82 781 377</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014	2013		
	R	R		
<b>4.2 Summary of Receivables from Exchange Transactions by Customer Classification</b>				
	<b>Household</b>	<b>Industrial/ Commercial</b>	<b>National and Provincial Government</b>	<b>Other</b>
	R	R	R	R
<b>As at 30 June 2014</b>				
<i>Current:</i>				
0 - 30 days	8 925 730	671 335	2 413 971	646 415
<i>Past Due:</i>				
31 - 60 Days	3 984 537	299 691	1 077 621	288 566
61 - 90 Days	2 361 441	177 612	638 654	171 019
+ 90 Days	55 793 024	4 196 384	15 089 268	4 040 615
Sub-total	71 064 732	5 345 022	19 219 513	5 146 615
Less: Provision for Impairment	(39 874 575)	(3 890 828)	-	(3 851 943)
<b>Total Trade Receivables by Customer Classification</b>	<b>31 190 157</b>	<b>1 454 194</b>	<b>19 219 513</b>	<b>1 294 672</b>
	<b>Household</b>	<b>Industrial/ Commercial</b>	<b>National and Provincial Government</b>	<b>Other</b>
	R	R	R	R
<b>As at 30 June 2013</b>				
<i>Current:</i>				
0 - 30 days	7 675 278	1 997 548	265 699	1 952 305
<i>Past Due:</i>				
31 - 60 Days	3 426 322	891 726	118 611	871 529
61 - 90 Days	2 030 614	528 482	70 295	177 120
+ 90 Days	47 976 254	12 486 745	1 660 090	12 543 591
Sub-total	61 108 468	15 904 500	2 114 694	15 544 544
Less: Provision for Impairment	(34 952 252)	(2 310 377)	-	(9 427 799)
<b>Total Trade Receivables by Customer Classification</b>	<b>26 156 216</b>	<b>13 594 123</b>	<b>2 114 694</b>	<b>6 116 745</b>
			<b>2014</b>	<b>2013</b>
			R	R

**4.3 Reconciliation of the Provision for Impairment**

Balance at beginning of year	46 690 429	46 764 935
Impairment Losses recognised	2 782 951	1 885 609
Amounts written off as uncollectable	(12 023 976)	(1 960 115)
Amounts recovered	-	-
<b>Balance at end of year</b>	<b>37 449 404</b>	<b>46 690 429</b>

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

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

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

**4.4 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year. The municipality did not pledge any of its Receivables as security for borrowing purposes.



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R	
<b>5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>			
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2014</b>			
Assessment Rates Debtors	35 896 340	(27 784 032)	8 112 309
Staff Debtors	142 025		142 025
Sundry Debtors	3 957 676		3 957 676
Suspense Accounts	1 350		1 350
<b>Total Receivables from Non-exchange Transactions</b>	<b>39 997 391</b>	<b>(27 784 032)</b>	<b>12 213 360</b>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2013</b>			
Assessment Rates Debtors	36 125 104	(18 127 487)	17 997 617
Staff Debtors	142 025		142 025
Sundry Debtors	5 664 157		5 664 157
Suspense Accounts	48 650	-	48 650
<b>Total Receivables from Non-exchange Transactions</b>	<b>41 979 936</b>	<b>(18 127 487)</b>	<b>23 852 449</b>

**Sundry Deposits** are in respect of cash deposits made to Eskom for the supply of electricity. The municipality does not hold deposits or other security for its Receivables. None of the Receivables have been pledged as security for the municipality's financial liabilities.

**5.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2014**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	4 508 527	2 012 652	1 192 801	28 182 359	35 896 340
Less: Provision for Impairment					(15 262 985)
<b>Net Balances</b>	<b>4 508 527</b>	<b>2 012 652</b>	<b>1 192 801</b>	<b>28 182 359</b>	<b>20 633 355</b>
<b>Staff Debtors:</b>					
Gross Balances	142 025	-	-	-	142 025
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>142 025</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142 025</b>
<b>Sundry Debtors:</b>					
Gross Balances	3 957 676	-	-	-	3 957 676
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>3 957 676</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 957 676</b>
<b>Suspense Accounts:</b>					
Gross Balances	1 350	-	-	-	1 350
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>1 350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 350</b>
		Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances		2 012 652	1 192 801	28 182 359	31 387 813
<b>Net Balances</b>		<b>2 012 652</b>	<b>1 192 801</b>	<b>28 182 359</b>	<b>31 387 813</b>

**As at 30 June 2013**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	3 095 930	9 656 266	1 199 357	22 173 552	36 125 104
Less: Provision for Impairment					(18 127 487)
<b>Net Balances</b>	<b>3 095 930</b>	<b>9 656 266</b>	<b>1 199 357</b>	<b>22 173 552</b>	<b>17 997 617</b>
<b>Staff Debtors:</b>					
Gross Balances	142 024	-	-	-	142 024
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>142 024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142 024</b>
<b>Sundry Debtors:</b>					
Gross Balances	5 664 158	-	-	-	5 664 158
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>5 664 158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 664 158</b>
<b>Suspense Accounts:</b>					
Gross Balances	48 650	-	-	-	48 650
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>48 650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48 650</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R			2013 R
	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	9 656 266	1 199 357	22 173 552	33 029 174
Less: Provision for Impairment	-	-	-	-
<b>Net Balances</b>	<b>9 656 266</b>	<b>1 199 357</b>	<b>22 173 552</b>	<b>33 029 174</b>

**5.2 Summary of Assessment Rates Debtors by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2014</b>				
<i>Current:</i>				
0 - 30 days	2 451 029	651 055	76 595	651 055
<i>Past Due:</i>				
31 - 60 Days	1 094 164	290 637	34 193	290 637
61 - 90 Days	648 458	172 247	20 264	172 247
+ 90 Days	20 286 131	4 069 617	478 778	4 509 233
Sub-total	24 479 782	5 183 556	609 830	5 623 172
Less: Provision for Impairment	(17 666 306)	(5 176 536)	-	(4 941 191)
<b>Total Rates Debtors by Customer Classification</b>	<b>6 813 476</b>	<b>7 020</b>	<b>609 830</b>	<b>681 981</b>

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2013</b>				
<i>Current:</i>				
0 - 30 days	3 374 515	896 356	105 451	843 629
<i>Past Due:</i>				
31 - 60 Days	1 506 418	400 142	47 076	376 604
61 - 90 Days	892 781	237 145	27 899	223 197
+ 90 Days	21 093 446	5 602 947	659 170	6 037 515
Sub-total	26 867 160	7 136 590	839 596	7 480 945
Less: Provision for Impairment	(12 285 546)	(1 729 574)	-	(4 112 367)
<b>Total Rates Debtors by Customer Classification</b>	<b>14 581 614</b>	<b>5 407 016</b>	<b>839 596</b>	<b>3 368 578</b>

**5.3 Reconciliation of Provision for Impairment**

	2014 R	2013 R
Balance at beginning of year	(18 127 487)	(16 748 261)
Impairment Losses recognised	(20 283 950)	(3 349 102)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	10 627 405	1 969 875
Amounts recovered	-	-
<b>Balance at end of year</b>	<b>(27 784 032)</b>	<b>(18 127 487)</b>

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

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

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment 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.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

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

**6. VAT RECEIVABLE/PAYABLE**

Vat receivable/payable	<b>-3 020 808</b>	<b>4 967 698</b>
------------------------	-------------------	------------------

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

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

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>7. CASH AND CASH EQUIVALENTS</b>		
Current Investments	27 501 002	18 540 246
Bank Accounts	1 255 936	-
Bank Overdraft	-	(142 750)
Cash and Cash Equivalents	(6 180)	(6 180)
<b>Total Bank, Cash and Cash Equivalents</b>	<b><u>28 750 758</u></b>	<b><u>18 391 316</u></b>

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

**7.1 Current Investment Deposits**

Call Deposits	27 501 002	18 540 246
<b>Total Current Investment Deposits</b>	<b><u>27 501 002</u></b>	<b><u>18 540 246</u></b>

**Call Deposits** are investments with a maturity period of less than 3 months and earn interest rates varying from 2,5 % to 4,75 % (2013: 3,00% to 5,00%) per annum.

**Notice Deposits** are investments with a maturity period of less than 12 months and earn interest rates varying from 5,0 % to 5,11 % (2013: 5,54 % to 5,68 %) per annum.

Deposits attributable to Unspent Conditional Grants	25 649 547	16 433 718
Deposits attributable to General Investments	1 851 454	2 106 528
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b><u>27 501 002</u></b>	<b><u>18 540 246</u></b>

Deposits of R25 649 547 (2013: R16 433 718) are ring-fenced and attributable to Unspent Conditional Grants.

**Summary of Deposits per Institution**

ABSA	776 848	748 214
FNB	2 837 145	4 863 662
Nedbank	212 408	202 707
RMB	23 674 600	12 725 663
	<b><u>27 501 002</u></b>	<b><u>18 540 246</u></b>

**7.2 Bank Accounts**

Cash in Bank	1 255 936	-
Bank Overdraft	-	(142 750)
<b>Total Bank Accounts</b>	<b><u>1 255 936</u></b>	<b><u>(142 750)</u></b>

The Municipality has the following bank accounts:

Cash book balance at beginning of year	(142 750)	(1 116 719)
Cash book balance at end of year	<u>1 255 936</u>	<u>(142 750)</u>

**Primary Bank Account**

*First National Bank - Jeffreys Bay Branch - Account Number 52540020791:*

Bank statement balance at beginning of year	(1 257 280)	(3 082 829)
Bank statement balance at end of year	<u>156 420</u>	<u>(1 257 280)</u>

**Primary Bank Account**

*First National Bank - Jeffreys Bay Branch - Account Number 525 400 33 04:*

Bank statement balance at beginning of year	1 082 428	3 388 408
Bank statement balance at end of year	<u>1 059 464</u>	<u>1 082 428</u>

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>7.3 Cash and Cash Equivalents</b>		
Cash Floats and Advances	(6 180)	(6 180)
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<u><b>(6 180)</b></u>	<u><b>(6 180)</b></u>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities. No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

**8. OPERATING LEASE RECEIVABLES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	126 258	87 753
Operating Lease Revenue recorded	69 782	38 504
Operating Lease Revenue effected	-	-
<b>Total Operating Lease Receivables</b>	<u><b>196 039</b></u>	<u><b>126 258</b></u>

**8.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 99 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

**8.2 Amounts receivable under Operating Leases**

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	330 846	350 049
2 to 5 years	1 142 572	1 208 910
More than 5 years	813 053	1 077 469
<b>Total Operating Lease Arrangements</b>	<u><b>2 286 471</b></u>	<u><b>2 636 428</b></u>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R69 782 (2013: increase of R38 504) in current year income.

**9. CURRENT PORTION OF LONG-TERM RECEIVABLES**

Other Loans	21 000	9 000
<b>Total Current Portion of Long-term Receivables</b>	<u><b>21 000</b></u>	<u><b>9 000</b></u>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**10 PROPERTY, PLANT AND EQUIPMENT**  
**30 June 2014**

**Reconciliation of Carrying Value**

Description	Land	Buildings	Land and Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2013</b>	<b>272 670 250</b>	<b>50 851 051</b>	<b>323 521 301</b>	<b>1 978 201 937</b>	<b>77 493 000</b>	<b>31 193 897</b>	<b>9 014 806</b>	<b>2 419 424 942</b>
Cost	282 506 579	79 013 840	361 520 419	2 544 296 178	77 493 000	58 905 012	38 153 432	3 080 368 041
- Completed Assets	282 506 579	79 013 840	361 520 419	2 468 476 313	77 493 000	58 905 012	38 153 432	3 004 548 175
- Under Construction				75 819 866				75 819 866
Accumulated Depreciation:	-9 836 329	-28 162 789	-37 999 118	-566 094 239	-	-27 711 115	-29 138 626	-660 943 097
- Cost	-9 836 329	-28 162 789	-37 999 118	-566 094 239	-	-27 711 115	-29 138 626	-660 943 097
Acquisitions								
Borrowing Costs Capitalised								
Capital under Construction - Additions:								
- Cost				16 654 161		955 153		17 609 314
Capital under Construction - Completed				-36 369 625				-36 369 625
Transfer in								
- Borrowing Costs Capitalised								
Increases in Revaluation	387 407		387 407					387 407
Depreciation:								
- Based on Cost	-1 704 424	-4 145 830	-5 850 254	-65 312 537		-5 568 854	-3 325 231	-80 056 876
- Based on Revaluation								
Assets Transferred								
-Cost					-132 000			-132 000
-Depreciation								
Other Movements								
- Cost						-95 000		-95 000
- Accumulated Depreciation						-36 633		-36 633
- Based on Cost						-36 633		-36 633
<b>Carrying values at 30 June 2014</b>	<b>271 353 232</b>	<b>46 705 221</b>	<b>318 058 454</b>	<b>1 929 543 561</b>	<b>77 361 000</b>	<b>26 521 829</b>	<b>5 689 575</b>	<b>2 357 174 419</b>
Cost	282 893 986	79 013 840	361 907 826	2 560 950 339	77 361 000	59 765 165	38 153 432	3 098 137 762
- Completed Assets	282 893 986	79 013 840	361 907 826	2 504 845 938	77 361 000	59 765 165	38 153 432	3 042 033 361
- Under Construction				56 104 401				56 104 401
Accumulated Depreciation:	-11 540 753	-32 308 619	-43 849 372	-631 406 776	-	-33 243 336	-32 463 857	-740 963 341
- Cost	-11 540 753	-32 308 619	-43 849 372	-631 406 776	-	-33 243 336	-32 463 857	-740 963 341

30 June 2013

**Reconciliation of Carrying Value**

Description	Land	Buildings	Land and Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2012</b>	<b>274 291 651</b>	<b>54 009 109</b>	<b>328 300 761</b>	<b>2 014 073 375</b>	<b>77 493 000</b>	<b>36 240 489</b>	<b>14 569 310</b>	<b>2 470 676 935</b>
Cost	282 500 066	79 013 840	361 513 907	2 515 664 736	77 493 000	58 360 227	38 153 432	3 051 185 302
- Completed Assets	282 500 066	79 013 840	361 513 907	2 468 476 312	77 493 000	58 360 227	38 153 432	3 003 996 877
- Under Construction				47 188 425				47 188 425
Accumulated Impairment Losses								
Accumulated Depreciation:	-8 208 415	-25 004 731	-33 213 146	-501 591 361	-	-22 119 738	-23 584 122	-580 508 367
- Cost	-8 208 415	-25 004 731	-33 213 146	-501 746 558	-	-22 556 110	-23 584 122	-581 099 936
Correction of error				155 197		436 372		591 569
Acquisitions				28 631 441		544 785		29 176 226
Borrowing Costs Capitalised								
Capital under Construction - Additions:								
- Cost								
Additions								
Transfer in								
- Borrowing Costs Capitalised								
Increases in Revaluation	6 512							6 512
Depreciation:								
- Based on Cost	-1 627 914	-3 158 058	-4 785 972	-64 502 878	-	-5 591 377	-5 554 504	-80 826 310
- Based on Revaluation	-1 627 914	-3 158 058	-4 785 972	-64 657 406	-	-5 764 563	-5 554 504	-80 826 310
Correction of error								
<b>Carrying values at 30 June 2013</b>	<b>272 670 250</b>	<b>50 851 051</b>	<b>323 521 301</b>	<b>1 978 201 937</b>	<b>77 493 000</b>	<b>31 193 897</b>	<b>9 014 806</b>	<b>2 419 424 942</b>
Cost	282 506 579	79 013 840	361 520 419	2 544 296 178	77 493 000	58 905 012	38 153 432	3 080 368 041
- Completed Assets	282 506 579	79 013 840	361 520 419	2 468 476 313	77 493 000	58 905 012	38 153 432	3 004 548 175
- Under Construction				75 819 866				75 819 866
Accumulated Depreciation:	-9 836 329	-28 162 789	-37 999 118	-566 094 239	-	-27 711 115	-29 138 626	-660 943 097
- Cost	-9 836 329	-28 162 789	-37 999 118	-566 094 239	-	-27 711 115	-29 138 626	-660 943 097

**10 PROPERTY, PLANT AND EQUIPMENT (Continued)**

Total Property, Plant and Equipment held by the municipality at 30 June 2014 amounted to R2,373,281,689 billion (2012: R 2,436,054,188billion), consisting only of plant and Equipment less Intangible Assets and Investment Property. Refer to note 10 and 11 for Intangible Assets and Investment Property

Two Assets held for security Bank Loan for Overdraft of R5 million of R5 million of Erf 721 = R2.5m plus Erf722 =R2.5m

The leased Property, Plant and Equipment is secured as set out in Note 21

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

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>11 INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>171 607</b>	<b>121 587</b>
The movement in Intangible Assets is reconciled as follows:		
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2013</b>	<b>121 587</b>	<b>121 587</b>
Cost	660 656	660 656
Accumulated Amortisation	(539 069)	(539 069)
Acquisitions:	97 712	97 712
Purchased	97 712	97 712
Amortisation:	(47 692)	(47 692)
Purchased	(47 692)	(47 692)
<b>Carrying values at 30 June 2014</b>	<b>171 607</b>	<b>171 608</b>
Cost	758 369	758 369
Accumulated Amortisation	(586 761)	(586 761)
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2012</b>	<b>150 446</b>	<b>150 446</b>
Cost	603 458	603 458
Accumulated Amortisation	(453 012)	(453 012)
Acquisitions:	57 198	57 198
Purchased	57 198	57 198
Amortisation:	(86 057)	(86 057)
Purchased	(86 057)	(86 057)
<b>Carrying values at 30 June 2013</b>	<b>121 587</b>	<b>121 587</b>
Cost	660 656	660 656
Accumulated Amortisation	(539 069)	(539 069)
<b>12 INVESTMENT PROPERTY</b>		
At Cost less Accumulated Depreciation	<b>62 916 430</b>	<b>62 894 570</b>
The movement in Investment Property is reconciled as follows:		
<b>Carrying values at 1 July</b>	<b>62 894 570</b>	<b>63 410 710</b>
Cost	68 442 500	68 442 500
Accumulated Depreciation	(5 547 930)	(5 031 790)
Transfers during the Year:		
At Cost	538 000	-
Depreciation during the Year	(516 140)	(516 140)
<b>Carrying values at 30 June</b>	<b>62 916 430</b>	<b>62 894 570</b>
Cost	68 980 500	68 442 500
Accumulated Depreciation	(6 064 070)	(5 547 930)

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

**12.1 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>13 LONG-TERM RECEIVABLES</b>		
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>
<b>As at 30 June 2014</b>		<b>Net Balances R</b>
Other Loans	511 636	126 231
	<u>511 636</u>	<u>126 231</u>
Less: write-off		385 405
Less: Recovered		175 345
Less: Current Portion transferred to Current Receivables:-		1 000
Other Loans		21 000
<b>Total Long-term Receivables</b>		<b>188 060</b>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>
<b>As at 30 June 2013</b>		<b>Net Balances R</b>
Other Loans	583 131	166 107
	<u>583 131</u>	<u>166 107</u>
Less: write-off		417 024
Less: Recovered		-
Less: Current Portion transferred to Current Receivables:-		71 495
Other Loans		9 000
<b>Total Long-term Receivables</b>		<b>336 529</b>

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

**13.1 Ageing of Long-term Receivables**

The age analysis of these Long-term Receivables is as follows:

<i>Current:</i>		
0 - 30 days	-	-
<i>Past Due:</i>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	511 636	583 131
<b>Total</b>	<b>511 636</b>	<b>583 131</b>

As at 30 June Long-term Receivables of R511,636 (2013: R583,131) were past due but not impaired. No terms for payment have been renegotiated.

**13.2 Reconciliation of the Provision for Impairment**

Balance at beginning of year	166 107	158 366
Impairment Losses recognised	126 231	166 107
Impairment Losses reversed	(166 107)	(158 366)
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
<b>Balance at end of year</b>	<b>126 231</b>	<b>166 107</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>14 CONSUMER DEPOSITS</b>		
Electricity and Water	8 383 685	7 809 720
<b>Total Consumer Deposits</b>	<b>8 383 685</b>	<b>7 809 720</b>

Consumer Deposits are 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, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

**15 PROVISIONS**

Performance Bonuses	765 073	-
Leave Provisions	12 284 276	10 190 079
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20)	1 972 000	1 878 000
Current Portion of Long-term Service Liability (See Note 20)	2 143 000	1 721 000
Current Portion of Ex-Gratia Pension (See Note 20)	35 000	74 000
Current Portion of Non-Current Provisions (See Note 21):	14 266 577	3 674 594
Rehabilitation of Land-fill Sites	12 131 065	2 763 394
Environmental Clean-up	2 135 512	911 200
<b>Total Provisions</b>	<b>31 465 926</b>	<b>17 537 673</b>

**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.

**Provision for environmental Clean-ups**

Illegal dumping of builders' and other rubble is taken place throughout the Kouga area to the municipality's property. Contrary to S19A of Environmental Conservation Act, 73 (No 73 of 1989), the municipality has not cleared the illegal dumping and other rubble. The municipality has accounted for a provision for the cost of 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 - ups cost has been determined as at 30 June 2014. The provision is the best estimate of the net present value of future clean - up costs. The payments dates of the cost to clean up the builders' and other rubble are uncertain, but are currently expected to be in the to clean up the builders' and other rubble are uncertain, but are currently expected to be in the following years.

**Provision for staff leave**

Staff leave accrue to staff of the municipality on an annual basis, subject to certain conditions. The provision is the best estimate of the amount due at the reporting date.

The movement in provisions are reconciled as follows:

**Current Provisions:**

**Performance Bonuses:**

Balance at beginning of year	-	-
Contributions to provision	-	-
Expenditure incurred	765 073	-
<b>Balance at end of year</b>	<b>765 073</b>	<b>-</b>

**Leave Provisions:**

Balance at beginning of year	10 190 079	9 779 187
Contributions to provision	2 094 197	955 924
Expenditure incurred	-	(545 033)
<b>Balance at end of year</b>	<b>12 284 276</b>	<b>10 190 079</b>



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R	
<b>Current Portion of Non-Current Provisions:</b>			
	<b>Post-retirement R</b>	<b>Long-term Service R</b>	<b>Ex-Gratia Pension R</b>
<b>30 June 2014</b>			
Balance at beginning of year	1 878 000	1 721 000	74 000
Transfer from non-current	94 000	-	35 000
Contributions to provision	-	422 000	(74 000)
<b>Balance at end of year</b>	<b><u>1 972 000</u></b>	<b><u>2 143 000</u></b>	<b><u>35 000</u></b>
	<b>Post-retirement R</b>	<b>Long-term Service R</b>	<b>Ex-Gratia Pension R</b>
<b>30 June 2013</b>			
Balance at beginning of year	1 605 000	1 408 000	-
Transfer from non-current	273 000	-	74 000
Expenditure incurred	-	-	-
<b>Balance at end of year</b>	<b><u>1 878 000</u></b>	<b><u>1 721 000</u></b>	<b><u>74 000</u></b>
		<b>Landfill Sites R</b>	<b>Environmental Clean-up R</b>
<b>30 June 2014</b>			
Balance at beginning of year		2 763 394	911 200
Transfer from non-current		9 367 671	
Contributions to provision			1 224 312
<b>Balance at end of year</b>		<b><u>12 131 065</u></b>	<b><u>2 135 512</u></b>
		<b>Landfill Sites R</b>	<b>Environmental Clean-up R</b>
<b>30 June 2013</b>			
Balance at beginning of year			846 930
Transfer from non-current		2 763 394	
Contributions to provision			64 270
<b>Balance at end of year</b>		<b><u>2 763 394</u></b>	<b><u>911 200</u></b>
	<b>2014 R</b>	<b>2013 R</b>	
<b>16 PAYABLES FROM EXCHANGE TRANSACTIONS</b>			
Trade Creditors	76 440 315	106 873 948	
Retentions	194 006	194 006	
Other Creditors	9 920 317	5 499 078	
<b>Total Payables</b>	<b><u>86 554 638</u></b>	<b><u>112 567 032</u></b>	

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.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014	2013
	R	R
<b>17 PAYABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Other Creditors	26 085	-
Suspense Accounts	9 227 847	71 926
Sundry Deposits	<u>2 456 840</u>	<u>2 190 565</u>
<b>Total Payables</b>	<b><u>11 710 773</u></b>	<b><u>2 262 490</u></b>

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

**18 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

<b>18.1 Conditional Grants from Government</b>	<b>19 052 175</b>	<b>9 457 032</b>
National Government Grants	<u>11 966 519</u>	<u>1 144 508</u>
Provincial Government Grants	<u>6 866 217</u>	<u>8 093 085</u>
Other Spheres of Government	<u>219 439</u>	<u>219 439</u>
<b>Total Conditional Grants and Receipts</b>	<b><u>19 052 175</u></b>	<b><u>9 457 032</u></b>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 26 for the reconciliation of Grants from Government and Note 27 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. Please see notes 26.3 and 26.5 for grants withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>19 LONG-TERM LIABILITIES</b>		
The municipality had liabilities to be classified as Long-term Liabilities in terms of its Accounting Policies and Cash Management Policy at year-end as set out below:		
Annuity Loans	72 934 502	81 767 544
Finance Lease Liabilities	<u>5 689 575</u>	<u>12 884 459</u>
Sub-total	<u>78 624 077</u>	<u>94 652 003</u>
Less: Current Portion transferred to Current Liabilities:-	23 927 878	33 547 821
Annuity Loans	<u>19 090 000</u>	<u>26 076 408</u>
Finance Lease Liabilities	<u>4 837 878</u>	<u>7 471 413</u>
<b>Total Long-term Liabilities</b> (Neither past due, nor impaired)	<u><u>54 696 199</u></u>	<u><u>61 104 182</u></u>
The Annuity Loan is repaid over a period of 2 to 10 (2013: 2 to 11) years and at an interest rate of 11,18% to 11,88% (2013: 9,25% to 16,50%) per annum. The Absa is secured, with ERF 13 in Patensie. No security is held on Inca and DBSA.		
The total Annuity Loans is made up of the following loans:		
Absa	71 346.00	83 940.00
Inca	10 335 364.00	12 957 701.00
Cacadu District Municipality	925 681.00	925 681.00
Development Bank of South Africa	<u>61 602 111.00</u>	<u>67 800 223.00</u>
	<u>72 934 502.00</u>	<u>81 767 545.00</u>

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.  
The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**19.1 Obligations under Finance Lease Liabilities**

**The Municipality as Lessee:**

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 2 years (2013: 3 years). The effective interest rate on Finance Leases is between 7.8% and 18.20% (2013: 13.21% and 48.13%).

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

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

- Office Equipment
- Vehicles

Included in these classes are the following significant leases:

(i) Various photocopier and fax machines	R 3 156 117.71	R 8 078 475.36
- Installments are payable yearly		
- Average period outstanding	12 months	24 months
- Average effective interest rate	14.00%	14.00%
- Average capital redemption per month over the period leased	R 52 601.96	R 74 800.70
(ii) Vehicles	R 2 533 458	R 4 805 984
- Installments are payable monthly in advance		
- Average period outstanding	12 months	24 months
- Average effective interest rate, based on prime	15.00%	15.00%
- Average capital redemption per month over the period leased	R 70 373.82	R 133 499.57

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2014 R	2014 R	2013 R	
<b>Amounts payable under finance leases:</b>				
Within one year	1 689 014	1 111 523	3 429 328	
In the second to fifth years, inclusive	6 956 571	4 578 050	14 124 436	
Over five years	-	-	-	
	<u>8 645 585</u>	<u>5 689 573</u>	<u>17 553 764</u>	
Less: Future Finance Obligations	(5 267 843)	(4 837 878)	(4 669 306)	
<b>Present Value of Minimum Lease</b>	<u><u>3 377 742</u></u>	<u><u>851 695</u></u>	<u><u>12 884 458</u></u>	

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>20 EMPLOYEE BENEFIT LIABILITIES</b>		
Post-retirement Health Care Benefits Liability	67 168 999	67 553 999
Ex-Gratia Pension	160 000	436 000
<b>Total Employee Benefit Liabilities</b>	<b><u>67 328 999</u></b>	<b><u>67 989 999</u></b>
<b>20.1 Post-retirement Health Care Benefits Liability</b>		
Balance at beginning of Year	69 431 999	61 640 999
Contributions to Provision	<u>(291 000)</u>	<u>7 791 000</u>
Balance at end of Year	69 140 999	69 431 999
Transfer to Current Provisions	<u>(1 972 000)</u>	<u>(1 878 000)</u>
<b>Total Post-retirement Health Care Benefits Liability</b>	<b><u>67 168 999</u></b>	<b><u>67 553 999</u></b>
<p>The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying 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 Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.</p>		
<p>The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2014 by ZAQEN Actuaries, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p>		
<p>The members of the Post-employment Health Care Benefit Plan are made up as follows:</p>		
In-service Members (Employees)	438	396
Continuation Members (Retirees, widowers and orphans)	<u>58</u>	<u>54</u>
<b>Total Members</b>	<b><u>496</u></b>	<b><u>450</u></b>
<p>The liability in respect of past service has been estimated as follows:</p>		
In-service Members	42 375 000	44 351 000
Continuation Members	<u>26 766 000</u>	<u>25 081 000</u>
<b>Total Liability</b>	<b><u>69 141 000</u></b>	<b><u>69 432 000</u></b>
<p>The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:</p> <ul style="list-style-type: none"> <li>- Bonitas</li> <li>- Hosmed</li> <li>- Keyhealth</li> <li>- LA Health</li> <li>- Samwumed</li> </ul>		
<p><b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b></p>		
Discount Rate	8.94%	7.89%
Health Care Cost Inflation Rate	8.05%	7.14%
Net Effective Discount Rate	0.82%	0.70%
Expected Retirement Age - Females	63	58
Expected Retirement Age - Males	63	63
<p><b>Movements in the present value of the Defined Benefit Obligation were as follows:</b></p>		
Balance at the beginning of the year	69 432 000	61 641 000
Current service costs	5 217 000	4 164 000
Interest cost	5 612 000	4 882 000
Benefits paid	<u>(1 755 000)</u>	<u>(1 565 000)</u>
Actuarial losses / (gains)	<u>(9 365 000)</u>	<u>310 000</u>
<b>Total Recognised Benefit Liability</b>	<b><u>69 141 000</u></b>	<b><u>69 432 000</u></b>
<p><b>The amounts recognised in the Statement of Financial Position are as follows:</b></p>		
Present value of fund obligations	<u>69 141 000</u>	<u>69 432 000</u>
<b>Total Benefit Liability</b>	<b><u>69 141 000</u></b>	<b><u>69 432 000</u></b>
<p><b>The amounts recognised in the Statement of Financial Performance are as follows:</b></p>		
Current service cost	5 217 000	4 164 000
Interest cost	5 612 000	4 882 000
Actuarial losses / (gains)	<u>(9 365 000)</u>	<u>310 000</u>
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 32)</b>	<b><u>1 464 000</u></b>	<b><u>9 356 000</u></b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>The history of experienced adjustments is as follows:</b>		
	2014 R	2013 R
Present Value of Defined Benefit Obligation	69 141 000	61 641 000
<b>Deficit</b>	<u><u>69 141 000</u></u>	<u><u>61 641 000</u></u>

	2014 R	2013 R
<b>The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:</b>		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	1 881 000	1 929 000
Effect on the defined benefit obligation	12 186 000	11 878 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	(1 490 000)	(1 545 000)
Effect on the defined benefit obligation	(9 785 000)	(9 559 000)

**20.2 Ex-Gratia Pension**

Balance at beginning of year	510 000	722 000
Contributions to provision	(317 000)	54 000
Increase due to discounting	-	(196 000)
Expenditure incurred	<u>2 000</u>	<u>(70 000)</u>
Balance at end of Year	195 000	510 000
Transfer to Current Provisions	<u>(35 000)</u>	<u>(74 000)</u>
<b>Total Ex-Gratia Pension Liability</b>	<u><u>160 000</u></u>	<u><u>436 000</u></u>

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 Conditions 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 the present value of the defined benefit obligation were carried out at 30 June 2014 by ZAQEN Actuaries, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

	2014 R	2013 R
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	8.94%	7.40%
Cost Inflation Rate	7.05%	5.66%
Net Effective Discount Rate	1.77%	1.65%
Expected Retirement Age - Females	63	58
Expected Retirement Age - Males	63	63

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	510 000	722 000
Current service costs		
Interest cost	35 000	54 000
Benefits paid	(33 000)	(70 000)
Actuarial losses / (gains)	<u>(317 000)</u>	<u>(196 000)</u>
<b>Total Recognised Benefit Liability</b>	<u><u>195 000</u></u>	<u><u>510 000</u></u>

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

Present value of fund obligations	<u>195 000</u>	<u>510 000</u>
<b>Total Benefit Liability</b>	<u><u>195 000</u></u>	<u><u>510 000</u></u>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>		
Current service cost	-	-
Interest cost	35 000	54 000
Actuarial losses / (gains)	(317 000)	(196 000)
Benefits Paid	(33 000)	(70 000)
#REF!	<u>(315 000)</u>	<u>(212 000)</u>

The history of experienced adjustments is as follows:

	2014 R	2013 R	2012 R
Present Value of Defined Benefit Obligation	195 000	510 000	722 000
<b>Deficit</b>	<u>195 000</u>	<u>510 000</u>	<u>722 000</u>

	2014 R	2013 R
<b>The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:</b>		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	1 000	2 000
Effect on the defined benefit obligation	10 000	30 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	(1 000)	(27 000)
Effect on the defined benefit obligation	(10 000)	(2 000)

**21 NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Land-fill Sites	26 471 601	33 446 400
Provision for Long Service Awards	10 682 000	9 099 000
Provision for Augmentation Fees	52 200	52 200
<b>Total Non-current Provisions</b>	<u>37 205 801</u>	<u>42 597 600</u>

The movement in Non-current Provisions are reconciled as follows:

		Land-fill Sites R
<b>30 June 2014</b>		
Balance at beginning of year		36 209 794
Contributions to provision		<u>2 392 872</u>
		38 602 666
Transfer to current provisions		(12 131 065)
<b>Balance at end of year</b>		<u>26 471 601</u>
<b>30 June 2013</b>		
Balance at beginning of year		34 309 572
Contributions to provision		<u>1 900 222</u>
		36 209 794
Transfer to current provisions		(2 763 394)
<b>Balance at end of year</b>		<u>33 446 400</u>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

2014                      2013  
R                                      R

**21.1 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs of R38,602,667 (2013: R36,209,794) to restore the site at the end of its useful life, estimated to be between 2015 and 2038. Provision has been made for the net present value of this cost, using the CPI index for inflation.

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 2014 by a technical specialist, Mr S Nel, (Pr Eng, BSc Eng (Civil), BCom Honours), the branch manager for the East London branch of Bosch Munitech (Pty) Ltd. 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 2015 and 2038.

**Major assumptions concerning future**

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; and
- (d) Rehabilitating the site in accordance with the end-use plan e.g. grassing, sport field etc.

**21.2 Long Service Awards Liability**

Balance at beginning of year	10 820 000	8 331 000
Contributions to provision	2 005 000	2 489 000
Balance at end of Year	12 825 000	10 820 000
Transfer to Current Provisions	(2 143 000)	(1 721 000)
<b>Total Long Service Awards Liability</b>	<b>10 682 000</b>	<b>9 099 000</b>

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 2014 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of the present value of the unfunded defined benefit obligation were carried out as at 30 June 2014 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.

#REF!

#REF!

2014                      2013  
R                                      R

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

Discount Rate	7.96%	7.40%
Cost Inflation Rate	6.33%	5.66%
Net Effective Discount Rate	0.59%	0.69%
Expected Retirement Age - Females	63	58
Expected Retirement Age - Males	63	63

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	10 820 000	8 331 000
Current service costs	1 129 000	985 000
Interest cost	793 000	654 000
Benefits paid	(1 570 000)	(617 033)
Actuarial losses / (gains)	1 653 000	1 467 033
<b>Total Recognised Benefit Liability</b>	<b>12 825 000</b>	<b>10 820 000</b>

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

Present value of fund obligations	12 825 000	10 820 000
<b>Total Benefit Liability</b>	<b>12 825 000</b>	<b>10 820 000</b>

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

Current service cost	1 129 000	985 000
Interest cost	793 000	654 000
Actuarial losses / (gains)	1 653 000	2 000 000
<b>#REF!</b>	<b>3 575 000</b>	<b>3 639 000</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>The history of experienced adjustments is as follows:</b>		
	2014 R	2013 R
Present Value of Defined Benefit Obligation	12 825 000	10 820 000
<b>Deficit</b>	<b>12 825 000</b>	<b>10 820 000</b>

	2014 R	2013 R
<b>The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:</b>		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	147 000	123 000
Effect on the defined benefit obligation	798 000	652 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	(134 000)	(112 000)
Effect on the defined benefit obligation	(727 000)	(596 000)

**22 ACCUMULATED SURPLUS**

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	2 175 924 454	2 226 996 883
<b>Total Accumulated Surplus</b>	<b>2 175 924 454</b>	<b>2 226 996 883</b>

Accumulated Surplus has been restated to correctly classify amounts held by the municipality. Refer to Note 43 "Correction of Error" for details of the restatements.

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

**23 PROPERTY RATES**

	Property Valuations July 2013 R000's	Actual Levies	
Commercial and Residential	129 303 709	143 082 005	126 078 057
Less Revenue Forgone (Rebates)		(14 519 234)	(12 622 559)
<b>Total Property Rates</b>	<b>129 303 709</b>	<b>128 562 770</b>	<b>113 455 498</b>

**23.1 Calculation of Cash Flow:**

Property Rates Income	128 562 770	113 455 498
Opening Balance of Debtors: Assessment Rates	36 125 104	33 664 347
Closing Balance of Debtors: Assessment Rates	(35 896 340)	(36 125 104)
Amounts written-off as uncollectable	(10 627 405)	(1 969 875)
<b>Total Receipts for Property Rates</b>	<b>118 164 129</b>	<b>109 024 865</b>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009 and a one year extension was approved with the new valuation roll coming into effect 1 July 2014. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0.4787 c/R (2012/13: 0.4236 c/R)

Business Properties: 0.4787 c/R (2012/13: 0.4236 c/R)

Agricultural Properties: 0.1197 c/R (2012/13: 0.1059 c/R)

**Rebates**

R15 000.00 on Residential Properties	15 000	15 000
National Monuments	-100%	-100%
R 85000.00 on In/Formal Settlements	85 000	85 000
Infrastructure	-30%	-30%
Welfare/Churches		
Discount Category : PBO	-100%	-100%
Municipal Properties	-100%	-100%
Phasing In Discount (Where applicable)		
Discount Category : PH25	-25%	-25%
Discount Category : PH50	-50%	-50%
Discount Category : PH75	-75%	-75%
Private Towns	-20%	-20%
Private Towns (Exempt)	-100%	-100%
Agricultural		
- % As applied for approved	- Approved %	- Approved %
- Provision of Land Act	-100%	-100%
- Communal Property Association	-100%	-100%
- Protected Areas	-100%	-100%



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>24 FINES</b>		
Traffic Fines	257 722	1 019 633
Other Fines	99 525	50 353
<b>Total Fines</b>	<u>357 247</u>	<u>1 069 986</u>
<b>25 LICENCES AND PERMITS</b>		
Boat Licenses And Permits	942 213	612 735
Drivers Licenses	2 774 589	2 644 704
Other Licenses And Permits	173 823	192 937
Vehicle Licenses And Registration	3 957 085	4 295 490
<b>Total Licences and Permits</b>	<u>7 847 710</u>	<u>7 745 866</u>
<b>26 GOVERNMENT GRANTS AND SUBSIDIES</b>		
National Equitable Share	52 500 000	47 299 297
Other Subsidies	3 466 619	6 333 244
<b>Operational Grants</b>	<u>55 966 619</u>	<u>53 632 541</u>
<b>Conditional Grants</b>	29 949 008	41 189 055
National Government: EPWP	1 330 000	1 615 684
National Government: FMG	1 550 000	1 500 000
National Government: MIG	14 082 460	27 902 000
National Government: MSIG	1 303 313	882 513
National Government: DME	5 949 217	6 995 484
Provincial Government: HOUSING	536 093	-
Provincial Treasury: DISASTER	5 197 926	2 293 374
<b>Total Government Grants and Subsidies</b>	<u>85 915 627</u>	<u>94 821 596</u>
<b>26.1 Calculation of Cash Flow:</b>		
Government Grants and Subsidies Income	85 915 627	94 821 596
Opening Balance of Unspent Government Grants	(9 457 032)	(13 104 861)
Closing Balance of Unspent Government Grants	19 052 175	9 457 032
<b>Total Receipts for Government Grants and Subsidies</b>	<u>95 510 769</u>	<u>91 173 767</u>
<b>Operational Grants:</b>		
<b>26.2 National: Equitable Share</b>	<u>52 500 000</u>	<u>47 299 297</u>
<p>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R166 (2013: R156), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month.</p> <p>An amount of R752 000 has been withheld for EPWP Grant ( Note 26.3), an amount of R413,313 for MSIG (Note 26.6) and an amount of R4,000,000 has been withheld for MIG (Note 26.5)</p>		
<b>Conditional Grants:</b>		
<b>26.3 National: EPWP Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 330 000	1 615 684
Conditions met - transferred to Revenue: Operating Expenses	(578 000)	(1 615 684)
Other Adjustments/Refunds	(752 000)	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>

The Expanded Public Works Programme Grant was allocated to the municipality for environmental and water infrastructure projects. R752 000 has been withheld from the Equitable share allocation for EPWP .

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>26.4 National: FMG Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 550 000	1 500 000
Conditions met - transferred to Revenue: Operating Expenses	<u>(1 550 000)</u>	<u>(1 500 000)</u>
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds has been withheld.

**26.5 National: MIG Funds**

Balance unspent at beginning of year	-	-
Current year receipts	24 327 000	27 902 000
Conditions met - transferred to Revenue: Operating Expenses	(1 416 350)	(1 395 100)
Conditions met - transferred to Revenue: Capital Expenses	<u>(12 666 110)</u>	<u>(26 506 900)</u>
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>10 244 540</u>	<u>-</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. An amount of R4,000,000 has been withheld. An application was made to rollover the unspent funds to the 2014/2015 financial year.

**26.6 National: MSIG Funds**

Balance unspent at beginning of year	413 313	495 825
Current year receipts	890 000	800 000
Conditions met - transferred to Revenue: Capital Expenses	<u>(1 303 313)</u>	<u>(882 513)</u>
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>413 313</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. An amount of R413 313 has been withheld from the EQS grant for MSIG.

**26.7 National: Department Water Affairs (DWA)**

Balance unspent at beginning of year	<u>550 000</u>	<u>550 000</u>
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>550 000</u>	<u>550 000</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWA to the municipality, the refurbishment of water infrastructure, and the payment of salaries of staff. No funds has been withheld.

**26.8 National: Department Energy**

Balance unspent at beginning of year	-	2 946 184
Current year receipts	6 940 000	4 049 300
Conditions met - transferred to Revenue: Operating Expenses	(5 949 217)	-
Conditions met - transferred to Revenue: Capital Expenses	<u>-</u>	<u>(6 995 484)</u>
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>990 783</u>	<u>-</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds has been withheld. An application was made to rollover the unspent funds to the 2014/2015 financial year.

**26.9 National: Department of economic development**

Balance unspent at beginning of year	181 195	181 195
Current year receipts	<u>-</u>	<u>-</u>
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>181 195</u>	<u>181 195</u>

No funds have been withheld.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>26.10 Provincial: Housing</b>		
Balance unspent at beginning of year	7 372 159	7 351 459
Current year receipts	30 150	20 700
Conditions met - transferred to Revenue: Operating Expenses	<u>(536 093)</u>	<u>-</u>
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><b>6 866 217</b></u>	<u><b>7 372 159</b></u>

No funds has been withheld.

**26.11 National: Treasury - Disaster**

Balance unspent at beginning of year	720 926	-
Current year receipts	4 477 000	3 014 300
Conditions met - transferred to Revenue: Capital Expenses	<u>(5 197 926)</u>	<u>(2 293 374)</u>
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><b>-</b></u>	<u><b>720 926</b></u>

No funds has been withheld.

**26.12 Other Government: VUNA**

Balance unspent at beginning of year	<u>35 000</u>	<u>35 000</u>
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><b>35 000</b></u>	<u><b>35 000</b></u>

No funds has been withheld.

**26.13 Other Government: Other**

Balance unspent at beginning of year	<u>184 439</u>	<u>184 439</u>
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><b>184 439</b></u>	<u><b>184 439</b></u>

The municipality receives grants from other spheres of government for urban greening in the municipal area. The grant was utilised for this purpose. No funds has been withheld.

**26.14 Changes in levels of Government Grants**

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2014), government grant funding is expected to increase over the forthcoming three financial years.

**27 PUBLIC CONTRIBUTIONS AND DONATIONS**

Other Donations	57 030	-
<b>Total Public Contributions and Donations</b>	<u><b>57 030</b></u>	<u><b>-</b></u>

**27.1 Calculation of Cash Flow:**

Public Contributions and Donations Income	<u>57 030</u>	<u>-</u>
<b>Total Receipts for Public Contributions and Donations</b>	<u><b>57 030</b></u>	<u><b>-</b></u>

*Public Contributions and Donations* have been received in terms of computer equipment for the use by the Disaster Management section.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>28 SERVICE CHARGES</b>		
Sale of Electricity	211 860 095	193 104 101
Sale of Water	28 983 070	23 546 272
Refuse Removal	41 458 330	36 453 576
Sewerage and Sanitation Charges	33 264 357	28 860 710
Other Service Charges	(24 347 164)	(19 844 996)
<b>Total Service Charges</b>	<b><u>291 218 688</u></b>	<b><u>262 119 663</u></b>

**28.1 Calculation of Cash Flow:**

Service Charges Income	291 218 688	262 119 663
Opening Balance of Debtors: Service Charges	94 672 206	81 823 954
Closing Balance of Debtors: Service Charges	(100 775 882)	(94 672 206)
Amounts written-off as uncollectable	(12 023 976)	(1 960 115)
<b>Total Receipts for Service Charges</b>	<b><u>273 091 036</u></b>	<b><u>247 311 297</u></b>

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.

**29 RENTAL OF FACILITIES AND EQUIPMENT**

Rental Revenue from Amenities	9 000	(72 436)
Rental Revenue from Buildings	161 570	166 353
Rental Revenue from Halls	161 121	116 604
Rental Revenue from Land	67 850	61 626
Rental Revenue from Other Facilities	(123 491)	403 707
<b>Total Rental of Facilities and Equipment</b>	<b><u>276 049</u></b>	<b><u>675 855</u></b>

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

**30 INTEREST EARNED**

**External Investments:**

Bank Account	305 910	62 554
Other Deposits	1 403 478	1 173 911
	<b><u>1 709 388</u></b>	<b><u>1 236 465</u></b>

**Outstanding Debtors:**

Outstanding Billing Debtors	3 842 757	6 455 937
	<b><u>3 842 757</u></b>	<b><u>6 455 937</u></b>
<b>Total Interest Earned</b>	<b><u>5 552 145</u></b>	<b><u>7 692 402</u></b>

**30.1 Calculation of Cash Flow:**

External Interest Income	1 709 388	1 236 465
<b>Total Receipts for Interest Received</b>	<b><u>1 709 388</u></b>	<b><u>1 236 465</u></b>

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

External Interest Income	1 709 388	1 236 465
Outstanding Billing Debtors	3 842 757	6 455 937
	<b><u>5 552 145</u></b>	<b><u>7 692 402</u></b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014	2013
	R	R
<b>31 OTHER REVENUE</b>		
Augmentation Fees	427 754	3 937 839
Building Plan Fees	1 297 399	868 555
Caravan Park Fees	1 934 471	1 738 850
Cemetery Fees	186 430	141 821
Conversion Fees	1 618 150	1 750 809
Prints	8 181	7 105
Sundry Income	11 633 236	2 998 843
Tender Documents	76 185	42 064
Town Planning Fees	310 034	498 260
<b>Total Other Revenue</b>	<b><u>17 491 840</u></b>	<b><u>11 984 147</u></b>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 30, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**31.1 Calculation of Cash Flow:**

Income from Other Revenue	17 491 840	11 984 147
Income from Interest on Outstanding Debtors	3 842 757	6 455 937
Income from Rental of Facilities and Equipment	276 049	675 855
Income from Licences and Permits	7 847 710	7 745 866
Income from Fines	357 247	1 069 986
Opening Balance of Non-current Assets Held-for-Sale	160 036	160 036
Closing Balance of Non-current Assets Held-for-Sale	(160 036)	(160 036)
Opening Balance of Debtors: Non-exchange Transactions	41 979 936	45 964 552
Opening Balance of Debtors: Assessment Rates	(36 125 104)	(33 664 347)
Closing Balance of Debtors: Non-exchange Transactions	(39 997 391)	(41 979 936)
Closing Balance of Debtors: Assessment Rates	35 896 340	36 125 104
Opening Balance of VAT Receivable	4 967 698	2 397 098
Closing Balance of VAT Receivable	-	(4 967 698)
Opening Balance of Operating Lease Receivables	126 258	87 753
Closing Balance of Operating Lease Receivables	(196 039)	(126 258)
Opening Balance of Current Portion of Long-term Receivables	9 000	-
Closing Balance of Current Portion of Long-term Receivables	(21 000)	(9 000)
Opening Balance of Consumer Deposits	(7 809 720)	(7 434 481)
Closing Balance of Consumer Deposits	8 383 685	7 809 720
<b>Total Receipts for Other Revenue</b>	<b><u>37 029 265</u></b>	<b><u>32 134 299</u></b>

**32 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	133 414 047	126 013 804
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	47 809 756	44 737 095
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	15 908 393	14 140 490
Housing Benefits and Allowances	450 438	464 992
Overtime Payments	9 737 463	7 942 949
Performance Bonuses	765 073	-
<b>Total Employee Related Costs</b>	<b><u>208 085 170</u></b>	<b><u>193 299 330</u></b>

No advances were made to employees. Loans to employees are set out in Note 13.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>32.1 Calculation of Cash Flow:</b>		
Employee Related Costs Expenditure	208 085 170	193 299 330
Opening Balance of Employee Benefit Liabilities	67 990 000	60 110 999
Closing Balance of Employee Benefit Liabilities	(67 329 001)	(67 989 999)
Closing Balance of Provision for Performance Bonuses	(765 073)	(0)
Opening Balance of Provision for Long-term Service	1 721 000	1 408 000
Closing Balance of Provision for Long-term Service	(2 143 000)	(1 721 000)
Closing Balance of Post-retirement Benefits	74 000	-
<b>Total Payments for Employee Related Costs</b>	<b>207 633 095</b>	<b>185 107 330</b>
<b>Remuneration of Section 57 Employees:</b>		
<b>Remuneration of the Municipal Manager: Mr S. Fadi</b>		
Annual Remuneration	861 021	792 780
Car and Other Allowances	160 826	149 670
Company Contributions to UIF, Medical and Pension Funds	9 888	11 620
<b>Total</b>	<b>1 031 736</b>	<b>954 070</b>
<b>Remuneration of the Chief Financial Officer: Ms C. Burger</b>		
Annual Remuneration	891 958	763 552
Car and Other Allowances	-	3 894
Company Contributions to UIF, Medical and Pension Funds	11 708	11 021
<b>Total</b>	<b>903 665</b>	<b>778 467</b>
<b>Remuneration of the Manager: Social Services Mr J Jansen</b>		
Annual Remuneration	891 958	763 552
Car and Other Allowances	-	465
Company Contributions to UIF, Medical and Pension Funds	11 708	11 021
<b>Total</b>	<b>903 665</b>	<b>775 038</b>
<b>Remuneration of the Manager: Administration, Monitoring and Evaluation Mrs T. Tom</b>		
Annual Remuneration	795 957	683 552
Car and Other Allowances	101 629	108 092
Company Contributions to UIF, Medical and Pension Funds	13 580	11 481
<b>Total</b>	<b>911 166</b>	<b>803 125</b>
<b>Remuneration of the Manager: Tourism and Creative Industries Mrs C Arendse</b>		
Annual Remuneration	795 957	683 552
Car and Other Allowances	96 000	98 092
Company Contributions to UIF, Medical and Pension Funds	10 562	11 481
<b>Total</b>	<b>902 519</b>	<b>793 125</b>
<b>Remuneration of the Manager: Infrastructure, Planning and Development Mr V. Felton</b>		
Annual Remuneration	795 957	675 552
Car and Other Allowances	132 587	135 499
Company Contributions to UIF, Medical and Pension Funds	13 580	11 635
<b>Total</b>	<b>942 124</b>	<b>822 686</b>
<b>33 REMUNERATION OF COUNCILLORS</b>		
Mayor	508 370	484 162
Speaker	406 696	387 329
Executive Committee Members	1 906 390	1 815 609
Councillors	3 287 292	3 199 519
Company Contributions to UIF, Medical and Pension Funds	126 850	92 496
Other Allowances (Cellular Phones, Housing, Transport, etc)	2 789 479	2 614 945
<b>Total Councillors' Remuneration</b>	<b>9 025 077</b>	<b>8 594 060</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>Remuneration of Councillors:</b>		
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Mayor, Speaker and five members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
<b>34 COLLECTION COSTS</b>		
Legal Costs	31 679	-
<b>Total Collection Costs</b>	<b>31 679</b>	<b>-</b>
<b>35 DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	80 172 674	76 675 418
Amortisation: Intangible Assets	47 692	86 057
Depreciation: Investment Property	553 940	5 262 430
<b>Total Depreciation and Amortisation</b>	<b>80 774 306</b>	<b>82 023 905</b>
<b>36 IMPAIRMENT LOSSES</b>		
<i>36.1 Impairment Losses on Financial Assets</i>		
<b>Impairment Losses Recognised:</b>		
Long-term Receivables	33 361 074	5 559 183
Receivables from Exchange Transactions	126 231	166 107
Receivables from Non-exchange Transactions	2 782 951	1 885 609
	30 451 892	3 507 468
<b>Impairment Losses Reversed:</b>		
Long-term Receivables	(166 107)	(158 366)
	(166 107)	(158 366)
<b>Total Impairment Losses</b>	<b>33 194 968</b>	<b>5 400 817</b>
At the end of the reporting period the municipality assesses all financial assets, other than those at fair value excluding directly attributable transaction costs, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor).		
Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognized.		
<b>37 REPAIRS AND MAINTENANCE</b>		
Land and Buildings	654 009	517 070
Infrastructure - Electricity	5 758 088	5 523 459
Infrastructure - Road Transport	3 529 450	2 335 223
Infrastructure - Sanitation	1 393 799	1 238 453
Infrastructure - Water	650 266	772 517
Infrastructure - Other	1 533 027	1 055 581
Other Assets	7 942 589	6 928 499
Intangible Assets	969 825	828 123
<b>Total Repairs and Maintenance</b>	<b>22 431 053</b>	<b>19 198 925</b>
<b>38 FINANCE COSTS</b>		
Creditors Overdue	2 305 973	9 447 636
Landfill Provision	2 005 466	1 893 712
Loans and Payables at amortised cost	6 796 536	10 748 755
<b>Total Interest Paid on External Borrowings</b>	<b>11 107 974</b>	<b>22 090 103</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>39 BULK PURCHASES</b>		
Electricity	154 344 846	146 128 688
Water	14 501 714	16 161 171
<b>Total Bulk Purchases</b>	<b>168 846 561</b>	<b>162 289 859</b>

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 NMBM.

**40 GRANTS AND SUBSIDIES PAID**

The Grants and Subsidies paid which relates to **Free Basic Services** in respect of assistance to and providing basic service levels to indigent households have been reclassified to revenue in terms of IGRAP 1, revenue forgone.

**41 GENERAL EXPENSES**

Included in General Expenses are the following:

Advertising	408 256	208 709
Bank Charges	855 327	824 028
Chemicals & Poison	2 044 276	2 265 865
Clean Up Operation	1 224 312	64 270
Cleaning Material	535 780	460 987
Congress & Delegates Expenses	514 761	455 182
Connection Fees	346 991	497 472
Disaster Expenditure	4 568 869	2 534 869
Entertainment	242 112	176 191
Expenditure Incurred From Finance Management Grant	1 475 053	322 504
External Audit Fees	2 518 621	2 521 247
Fuel (Small Plant)	407 267	450 972
General Expenses	7 657 477	10 779 848
Hire Of Facilities & Equipment	3 989 403	4 230 603
Insurance	1 880 557	2 700 945
Inventory Items	340 889	(226 278)
Laboratorium Tests/Analysis	186 864	465 513
Lease Charges	131 223	318 783
Legal Cost	2 775 127	2 350 678
Licences	584 450	486 703
Life Saving Services	828	131
Mayoral Special Programmes	247 918	151 859
Network Connection	376 892	876 823
Planning Fees	396 436	209 558
Postage & Telegrams	1 088 778	1 161 984
Printing And Stationery	773 142	638 728
Refuse Bins/Bags	243 837	233 384
Security	485 065	471 456
St Francis Beach Rehabilitation	600 000	2 400 000
Statuary Obligations	3 348 222	2 272 148
Stock Shortages/Surpluses	808	2 254
Telephone Cost	3 420 801	3 227 201
Tourism Strategy	285 000	240 000
Training	55 300	342 257
Transport Cost	8 062 665	7 828 189
Uniforms & Protective Clothing	836 500	463 041
Valuation Costs	3 584 338	1 151 604
Website Hosting	7 200	7 200
<b>Total General Expenses</b>	<b>56 501 345</b>	<b>53 566 908</b>

**42 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS**

Proceeds on Sale of Assets	1 086 999	180 045
<b>Total Gains / Losses on Disposal of Capital Assets</b>	<b>1 086 999</b>	<b>180 045</b>



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

2014  
R

2013  
R

**43 CORRECTION OF ERROR**

Corrections were made to the prior financial years in respect of errors identified during the current financial year. Details of the corrections are described below:

**Statement of Financial Position**

**43.1 Accumulated Surplus**

<b>Balance previously reported as at 30 June 2013</b>	<b>2 546 042 483.24</b>	
Movements Property Plant and Equipment	-115 824 608.44	43.1.1
Movements in Inventory	91 228.15	43.1.2
Movements in Receivables from exchange transactions	91 021.96	43.1.3
Movements in Receivables from non-exchange transactions	-325 161.89	43.1.4
Movements in Bank Overdraft	325 953.29	43.1.5
Movements in long-term loans	-1 223 937.31	43.1.6
Movements in non-current provisions	-24 181 084.42	43.1.7
Movements in provisions	1 930 404.00	43.1.8
Movements in Payables from exchange transactions	-5 861 804.34	43.1.9
Movements in Payables from non-exchange transactions	2 468 248.55	43.1.10
Movements in unspent grants	495 825.00	43.1.11
Movements in Vat receivables	465 968.60	43.1.12
Movements in Consumer Deposits	883 698.06	43.1.14
Movements in Non-Current Assets Held for Sale	-175 662 851.00	43.1.15
Movements in Investment Property	-2 718 500.00	43.1.16
<b>Restated balance</b>	<b><u>2 226 996 883.45</u></b>	

**43.1.1 Property Plant and Equipment**

Balance previously reported	2 535 249 548.44
	-115 824 608.42
Write off of Non-current assets not on Municipality's name	-131 276 386.80
Recognition of Landfill sites	15 451 778.38
<b>Restated balance</b>	<b><u>2 419 424 940.02</u></b>

**43.1.2 Inventory**

Balance previously reported	3 513 045.30
Correction on prior year water stock adjustment	91 228.15
<b>Restated balance</b>	<b><u>3 604 273.45</u></b>

**43.1.3 Receivables from Exchange transactions**

Balance previously reported	47 890 754.71
Correction on prior year Consumer debtors	91 021.96
<b>Restated balance</b>	<b><u>47 981 776.67</u></b>

**43.1.4 Receivables from Non-exchange transactions**

Balance previously reported	24 177 611.00
Correction on prior year sundry debtors	-325 161.89
<b>Restated balance</b>	<b><u>23 852 449.11</u></b>

**43.1.5 Bank Overdraft**

Balance previously reported	474 883.40
Reclassify from cash and cash equivalent: Petty cash and cash float	-6 180.00
Correction on prior year unallocated receipts	-325 953.29
<b>Restated balance</b>	<b><u>142 750.11</u></b>

**43.1.6 Long-term loans**

Balance previously reported	59 880 244.54
	1 223 937.31
Adjustment on the Absa liability previously recognized	18.66
Adjustment on Inca liability previously recognized	2.00
Adjustment on Cacadu liability previously recognized	136 810.90
Adjustments on DBSA liability previously recognized	741 130.19
DBSA liability - interest capitalized	258 869.80
Recognition of DBSA capital repayment	-1 000 000.00
Adjustment on Finance lease liability	1 087 105.76
<b>Restated balance</b>	<b><u>61 104 181.85</u></b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>43.1.7 Non-current provision</b>		
Balance previously reported	18 416 515.66	
Correction on prior year landfill site provisions	<u>24 181 084.42</u>	
Restated balance	<u><b>42 597 600.08</b></u>	
<b>43.1.8 Provisions</b>		
Balance previously reported	19 468 076.85	
Correction on prior year landfill site current provisions	<u>-1 930 404.00</u>	
Restated balance	<u><b>17 537 672.85</b></u>	
<b>43.1.9 Payables from Exchange transactions</b>		
Balance previously reported	106 705 227.85	
Correction on prior year trade creditors recognized	<u>5 861 804.34</u>	
Restated balance	<u><b>112 567 032.19</b></u>	
<b>43.1.10 Payables from Non-Exchange Transactions</b>		
Balance previously reported	4 730 739.00	
Correction on prior year sundry creditors recognized	<u>-2 468 248.55</u>	
Reclassify from Consumer Deposits: Building deposits	<u>-3 351 946.61</u>	
	<u>883 698.06</u>	
Restated balance	<u><b>2 262 490.45</b></u>	
<b>43.1.11 Unspent Grants</b>		
Balance previously reported	9 952 857.01	
Recognition of revenue on conditional grant	<u>-495 825.00</u>	
Restated balance	<u><b>9 457 032.01</b></u>	
<b>43.1.12 Vat Receivable</b>		
Balance previously reported	4 501 729.61	
Prior year Vat adjustment	<u>465 968.60</u>	
Restated balance	<u><b>4 967 698.21</b></u>	
<b>43.1.13 Cash and Cash Equivalents</b>		
Balance previously reported	18 540 246.00	
Reclassify to Bank Overdraft: Petty cash and cash float	<u>-6 180.00</u>	
Restated balance	<u><b>18 534 066.00</b></u>	
<b>43.1.14 Consumer Deposits</b>		
Balance previously reported	8 693 417.88	
Reclassify to Payables from Non-Exchange Transactions: Building Deposits	<u>-883 698.06</u>	
Restated balance	<u><b>7 809 719.82</b></u>	
<b>43.1.15 Non-Current Assets Held for Sale</b>		
Balance previously reported	175 822 885.57	
Write off of Non-Current Assets Held for Sale not on Municipality's name	<u>-175 662 851.00</u>	
Restated balance	<u><b>160 034.57</b></u>	
<b>43.1.16 Investment Property</b>		
Balance previously reported	65 613 070.00	
Adjustment due to the 2009 Municipal Valuation Roll	<u>-2 718 500.00</u>	
Restated balance	<u><b>62 894 570.00</b></u>	
<b>Statement of Financial Performance</b>		
<b>43.2 (Surplus)/or Deficit for the year ended 30 June 2013</b>		
Balance previously reported	<b>41 009 958.16</b>	
<b>Movements in Revenue</b>		
Movements in Property rates	87 137.45	43.2.1
Movements in Service charges	21 603 005.42	43.2.2
Movements in Interest earned - outstanding debtors	2 085.56	43.2.3
Movements in Fines	-34 803.93	43.2.4
Movements in Licenses and permits	-477 197.76	43.2.5
Movements in Government grants and subsidies	-157 686.25	43.2.6
Movements in Other revenue	255 477.33	43.2.7
<b>Movements in Expenditure</b>		
Movements in Depreciation	742 603.12	43.2.8
Movements in Interest paid	3 230 755.58	43.2.9
Movements in Other expenditure	1 199 926.87	43.2.10
Movements in Grants and Subsidies Paid	<u>-21 300 009.10</u>	43.2.11
<b>Restated balance</b>	<u><b>46 161 252.45</b></u>	
<b>43.2.1 Property Rates</b>		
Balance previously reported	113 542 635.39	
Reclassify to Grants and Subsidies Paid: Rebate for sewerage & sanitation for the registered indigent households	<u>-87 137.45</u>	
Reclassify from Grants and Subsidies Paid - Revenue forgone	<u>57 753.54</u>	
	<u>-144 890.99</u>	
Restated balance	<u><b>113 455 497.94</b></u>	

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>43.2.2 Service Charges</b>		
Balance previously reported	283 722 668.69	
	-21 603 005.42	
Reclassify from Grants and Subsidies Paid - Revenue forgone	-21 212 871.65	
Correction of prior year Prepaid Sales: Electricity	-390 133.77	
Restated balance	<b>262 119 663.27</b>	
<b>43.2.3 Interest earned - Outstanding debtors</b>		
Balance previously reported	6 458 022.68	
Adjustment of Interest charged on Property Rates	-2 085.56	
Restated balance	<b>6 455 937.12</b>	
<b>43.2.4 Fines</b>		
Balance previously reported	1 035 181.59	
Adjustment on traffic fines revenue recognized	34 803.93	
Restated balance	<b>1 069 985.52</b>	
<b>43.2.5 Licenses and Permits</b>		
Balance previously reported	7 268 668.65	
Adjustment on Vehicle licenses revenue recognized	477 197.76	
Restated balance	<b>7 745 866.41</b>	
<b>43.2.6 Government grants and subsidies</b>		
Balance previously reported	94 663 909.87	
	157 686.25	
Environmental health subsidy adjustment	-338 138.75	
Equitable share adjustment due to conditional grant funds withheld by National Treasury	495 825.00	
Restated balance	<b>94 821 596.12</b>	
<b>43.2.7 Other Revenue</b>		
Balance previously reported	12 239 624.52	
	-255 477.33	
Correction of error: Building Deposits	-2 987 446.28	
Adjustments on sundry income	2 731 968.95	
Restated balance	<b>11 984 147.19</b>	
<b>43.2.8 Depreciation</b>		
Balance previously reported	80 723 703.81	
Adjustment on prior year depreciation	742 603.12	
Restated balance	<b>81 466 306.93</b>	
<b>43.2.9 Interest and Penalties Paid</b>		
Balance previously reported	18 859 347.57	
	3 230 755.58	
Finance costs: Landfill Provision	1 893 710.12	
Correction of error: Interest and Penalties on late payments	1 078 175.66	
Finance costs: Dbsa loan	258 869.80	
Restated balance	<b>22 090 103.15</b>	
<b>43.2.10 Grants and Subsidies Paid</b>		
Balance previously reported	21 300 009.10	
	-21 300 009.10	
Reclassify from Property Rates Less Revenue forgone: Rabate for sewerage & sanitation fo the registered households	57 753.54	
Reclassify to Services Charges: Revenue forgone	-21 357 762.64	
Restated balance	<b>-</b>	
<b>43.2.11 General Expenses</b>		
Balance previously reported	52 366 981.47	
Adjustments on rental of machinery	1 199 926.87	
Restated balance	<b>53 566 908.34</b>	

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>44 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	(51 072 430)	(46 161 252)
Adjustment for:		
Correction of Prior Year Errors	-	(196 093 843)
Depreciation and Amortisation	80 214 708	81 466 307
Losses / (Gains) on Disposal of Property, Plant and Equipment	(1 086 999)	(180 045)
Non-Cash Disposal of PPE	132 000	-
Contribution to Provisions - Current	13 928 254	(795 242)
Contribution to Provisions - Non-current	(5 391 799)	26 409 284
Contribution to Employment benefits	(660 999)	7 232 000
Contribution to Impairment Provision	-	-
Bad Debts Written-off	-	-
<b>Operating surplus before working capital changes</b>	<b>36 062 735</b>	<b>(128 122 791)</b>
Decrease/(Increase) in Inventories	(716 819)	(390 181)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	-	175 662 850
Decrease/(Increase) in Receivables from Exchange Transactions	(5 176 759)	(13 052 645)
Decrease/(Increase) in Receivables from Non-exchange Transactions	11 639 089	4 758 584
Decrease/(Increase) in VAT Receivable	4 967 698	(2 574 114)
Decrease/(Increase) in Operating Lease Assets	(69 782)	(38 505)
Decrease/(Increase) in Current Portion of Long-term Receivables	(12 000)	29 865
Increase/(Decrease) in Consumer Deposits	573 965	202 920
Increase/(Decrease) in Payables from Exchange Transactions	(26 012 394)	5 195 045
Increase/(Decrease) in Payables from Non-exchange Transactions	9 448 283	(2 761 797)
Increase/(Decrease) in Conditional Grants and Receipts	9 595 143	(3 647 829)
Increase/(Decrease) in VAT Payable	3 020 808	-
<b>Cash generated by / (utilised in) Operations</b>	<b>43 319 967</b>	<b>35 261 403</b>

**45 NON-CASH INVESTING AND FINANCING TRANSACTIONS**

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2013/14 financial year.

**46 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term Liabilities (See Note 19)	78 624 077	94 652 003
Used to finance Property, Plant and Equipment - at cost	<u>(78 624 077)</u>	<u>(94 652 003)</u>
	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

**47 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**47.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:		
Opening balance	341 456 321	310 910 523
Unauthorised Expenditure current year	<u>24 595 429</u>	<u>30 545 798</u>
Unauthorised Expenditure awaiting authorisation	<u>366 051 750</u>	<u>341 456 321</u>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

2014                      2013  
R                                      R

Incident	Disciplinary Steps / Criminal Proceedings
<b>2013/2014 (2012/2013)</b>	
Employee Related Costs R 11,954,012 (2013: R 12,057,533)	Currently None - subject to possible future investigation
Remuneration of Councillors R Nil (2013: R 211,970)	Currently None - subject to possible future investigation
Collection Costs R 31,679 (2013: Nil)	Currently None - subject to possible future investigation
Depreciation and Amortisation R 9,632,171 (2013: R 10,881,776)	Currently None - subject to possible future investigation
Finance Costs R 2,977,567 (2013: R 4,631,808)	Currently None - subject to possible future investigation
Bulk Purchases R Nil (2013: R 2,762,710)	Currently None - subject to possible future investigation
<b>2011/2012 (2010/2011)</b>	
Employee Related Costs R 9,978,531 (2011: R 16,824,065)	Currently None - subject to possible future investigation
Collection Costs R 622,156 (2011: Nil)	Currently None - subject to possible future investigation
Contracted services R nil (2011: R 120,102)	Currently None - subject to possible future investigation
Depreciation and Amortisation R 77,007,101 (2011: R 78,868,030)	Currently None - subject to possible future investigation
Impairment Losses R 4,364,483 (2011: Nil)	Currently None - subject to possible future investigation
Finance Costs R 5,067,792 (2011: R 7,554,424)	Currently None - subject to possible future investigation
Bulk Purchases R 13,102,155 (2011: R 15,036,241)	Currently None - subject to possible future investigation
Grants and Subsidies Paid R 2,421,895 (2011: R 2,513,116)	Currently None - subject to possible future investigation
Losses on disposal of PPE R 5,260 (2011: R 2,281,603)	Currently None - subject to possible future investigation
<b>2009/2010</b>	
The 2009/2010 approved budget was over spent by R 75,143,569	Currently None - subject to possible future investigation

**47.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	29 131 281	19 683 644
Fruitless and Wasteful Expenditure current year	2 305 973	9 447 636
Fruitless and Wasteful Expenditure awaiting condonement	<u>31 437 254</u>	<u>29 131 281</u>

Incident	Amount	Disciplinary Steps / Criminal Proceedings
<b>2008/2009:</b>		
Interest on late payment of trade creditors	347 882	Currently None - subject to possible future investigation
Penalty on the late submission of the Employer Reconciliation Declaration (EMP501)	1 108 679	Currently None - subject to possible future investigation
Payments made to directors while on suspension for more than six months	1 500 000	Currently None - subject to possible future investigation
The municipality engaged in illegal dumping activities at Paradise Beach Transfer where the Department of Economic Development and Environmental Affairs intervened to stop the municipality from engaging in the illegal activities. The municipality incurred fruitless and wasteful expenditure as a result of the illegal dumping.	510 000	Currently None - subject to possible future investigation
<b>2009/2010:</b>		
Interest on overdue accounts 2009/10	638 116	Currently None - subject to possible future investigation
Prolonged staff suspension	1 165 345	Currently None - subject to possible future investigation
<b>2010/2011:</b>		
Interest on late payment of trade creditors	2 268 205	Currently None - subject to possible future investigation
Payments made to directors while on suspension for more than six months	1 615 732	Currently None - subject to possible future investigation
Prolonged staff suspension (Mr. F. Dennis)	1 000 416	Currently None - subject to possible future investigation
<b>2011/2012:</b>		
Interest on late payment of trade creditors	4 740 237	Currently None - subject to possible future investigation
Penalty on the late payment on SARS account	2 429 632	Currently None - subject to possible future investigation
Settlement paid out for previous MM's contract (Dr. E.M. Rankwana)	859 401	Currently None - subject to possible future investigation
Legal cost due to unfair dismissal of Mr Fred Dennis	1 500 000	Currently None - subject to possible future investigation
<b>2012/2013:</b>		
Interest and penalties on late payment of trade creditors (Including SARS accounts)	9 447 636	Currently None - subject to possible future investigation
<b>2013/2014:</b>		
Interest and penalties on late payment of trade creditors (Including SARS accounts)	2 305 973	Currently None - subject to possible future investigation

**KOUGA MUNICIPALITY**  
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**47.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:

Opening balance	79 038 929	47 922 780
Irregular Expenditure current year	2 569 294	31 116 149
Irregular Expenditure awaiting condonement	<u>81 608 223</u>	<u>79 038 929</u>

Incident	Amount	Disciplinary Steps / Criminal Proceedings
<b>2007/2008:</b>		
Irregular expenditure incurred on study loans to employees contrary to section 164(1)(c) of the MFMA	401 371	Currently None - subject to possible future investigation
Performance bonuses paid to section 57 employees contrary to regulation 8, 23 and 34 of GRN 805 of August 2006, read with section 129(1) of the MFMA.	358 665	Currently None - subject to possible future investigation
<b>2008/2009:</b>		
Contrary to regulation 12, 16 and 17 of the Supply Chain Management Police, the municipality acquired goods and services without obtaining three written quotations.	428 095	Currently None - subject to possible future investigation
Payments were made to a supplier that did not follow the competitive bid process that was contrary to the GRN 868 of May 2005: Municipal Supply Chain Management Regulations, in terms of Regulation 19.	999 213	Currently None - subject to possible future investigation
Inventory was written-off (medical stock) in the Annual Financial Statements as a result of differences between actual stock and stock records. (Section 125(2)(d)(i) of the MFMA).	1 100 000	Currently None - subject to possible future investigation
Receipts were misappropriated from the caravan park. (Section 125(2)(d)(i) of the MFMA).	40 000	Currently None - subject to possible future investigation
A tender was awarded to a business associate of one of the directors of the municipality. An investigation was conducted which indicated irregularities over the bid process.	13 800 000	Currently None - subject to possible future investigation
Contrary to the Regulation 12 of the GRN 868 of 30 May 2005: Municipal Supply Chain Management Regulations, transactions occurred involving business of family members of officials of the municipality who did not follow the procurement process with regards to the quotation process.	58 034	Currently None - subject to possible future investigation
Forensic investigation indicated that payments had been made for which the work had not been complete or the proper procurement processes followed for the construction of a cottage in terms of the GRN 868 of 30 May 2005: Municipal Supply Chain Management Regulations.	108 554	Currently None - subject to possible future investigation
Forensic investigation indicated that two municipal officials did not follow the GRN 868 of 30 May 2005: Municipal Supply Chain Management Regulations and as a result, funds may have been misappropriated.	1 800 000	Currently None - subject to possible future investigation
The signature of a municipal official requesting services for the cutting of grass was found to be forged on the municipality's requisitions.	19 500	Currently None - subject to possible future investigation
Contrary to regulation 12, 16 and 17 of the Supply Chain Management Policy, the municipality did not obtain three written quotations when procuring goods or services from close family members of persons in the service of the state.	1 479 477	Currently None - subject to possible future investigation
Procurement irregularities occurred regarding a cell phone contract which was entered into with a service provider in terms of Regulation 19 of the GRN 868 of 30 May 2005: Municipal Supply Chain Management	6 500 000	Currently None - subject to possible future investigation
<b>2010/2011:</b>		
Overpayment of acting allowances to officials	1 144 228	Currently None - subject to possible future investigation
Supply chain compliance not followed	3 718 462	Currently None - subject to possible future investigation
<b>2011/2012:</b>		
Supply chain compliance not followed	10 129 648	Currently None - subject to possible future investigation
Supply chain compliance not followed	5 837 533	Currently None - subject to possible future investigation
<b>2012/2013:</b>		
Supply chain compliance not followed	106 318	Currently None - subject to possible future investigation
Supply chain compliance not followed	19 913 596	Currently None - subject to possible future investigation
Supply chain compliance not followed	11 096 235	Currently None - subject to possible future investigation
	<b>31 116 149</b>	
<b>2013/2014:</b>		
Supply chain compliance not followed as Section 36 deviation to reduce the number of days for advertisement from 21 days to 7 days not deemed valid	1 425 255	Currently None - subject to possible future investigation
Supply chain compliance not followed as the tax clearance certificate submitted with the tender document did not include the VAT which resulted in the tax certificate being deemed outdated at the time the tender closed	634 586	Currently None - subject to possible future investigation
Supply chain compliance not followed in that the same Supply Chain Management Official attended both the Bid Evaluation Committee and Bid Adjudication Committee on three tenders due to the death of the Supply Chain Manager in contravention of section 29(4) of the Municipal Supply Chain Management Regulation GNR.868	261 338	Currently None - subject to possible future investigation
Supply chain compliance not followed in that the winning bidder's account for municipal rates and taxes and municipal service charges were not checked to ensure that the account was not in arrears for more than 3 months at the bid evaluation committee. It was only checked at the time that the tender closed and was found to be in good standing.	110 445	Currently None - subject to possible future investigation
Supply chain compliance not followed as the municipality did not give notice within the required time frame which resulted in additional rentals in relation to photocopiers rented.	137 670	Currently None - subject to possible future investigation
	<b>2 569 294</b>	

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	2014 R	2013 R
<b>48 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>48.1 Contributions to organised local government - SALGA</b>		
Opening Balance	1 869 798	-
Council Subscriptions	2 027 942	1 869 798
Amount Paid - current year	(1 869 798)	-
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<b><u>2 027 942</u></b>	<b><u>1 869 798</u></b>
<b>48.2 Audit Fees</b>		
Opening Balance	7 163 324	7 601 114
Current year Audit Fee	3 928 218	3 488 078
Amount Paid - current year	(5 846 002)	(3 925 868)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<b><u>5 245 540</u></b>	<b><u>7 163 324</u></b>
<b>48.3 VAT</b>		
<i>Refer to note 6 for vat disclosure</i>		
<b>48.4 PAYE, Skills Development Levy and UIF</b>		
Opening Balance	7 221 084	6 058 989
Current year Payroll Deductions	22 451 288	19 670 775
Amount Paid - current year	(23 863 266)	(18 508 680)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<b><u>5 809 106</u></b>	<b><u>7 221 084</u></b>
<b>48.5 Pension and Medical Aid Deductions</b>		
Opening Balance	3 592 604	11 928 255
Current year Payroll Deductions and Council Contributions	45 158 922	43 603 856
Amount Paid - current year	(44 961 111)	(51 939 507)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<b><u>3 790 415</u></b>	<b><u>3 592 604</u></b>
<b>48.6 Councillor's arrear Consumer Accounts</b>		
The following Councillors had arrear accounts outstanding for more than 90 days as at:		
<b>30 June 2014</b>		<b>Outstanding more than 90 days</b>
Councillor Baxter		1 037
<b>Total Councillor Arrear Consumer Accounts</b>		<b><u>1 037</u></b>

**KOUGA MUNICIPALITY**  
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	2014 R	2013 R
<b>30 June 2013</b>		<b>Outstanding more than 90 days</b>
Councillor Ntshiza		1 175
Councillor Kettleidas		2 741
Councillor Baxter		444
Councillor Koluti		415
<b>Total Councillor Arrear Consumer Accounts</b>		<b>4 774</b>

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

	Highest amount outstanding	Ageing
<b>30 June 2014</b>		
Councillor Baxter	2 154	> 90 Days
<b>30 June 2013</b>		
Councillor Kettleidas	4 686	> 90 Days
Councillor Thiarit	2 410	> 90 Days
Councillor Ntshiza	2 314	> 90 Days
Councillor Koluti	415	> 90 Days

**48.7 Deviation from, and ratification of minor breaches of, the Procurement Processes**

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

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

Department	Successful Tenderer	Reason	Amount
Finance	<i>Various occasions (97)</i>	<i>Various reasons like preferred supplier &amp; venue, urgency, etc</i>	6 825 734.33
<i>97 Occasions during the financial year procuring various services amounting to R6,825,734-33</i>			
Infrastructure Development & Planning	<i>Various occasions (117)</i>	<i>Various reasons like preferred supplier &amp; venue, urgency, etc</i>	9 674 384.65
<i>117 Occasions during the financial year procuring various services amounting to R9,900,384-65</i>			
Administration	<i>Various occasions (305)</i>	<i>Various reasons like preferred supplier &amp; venue, urgency, etc</i>	2 736 066.50
<i>305 Occasions during the financial year procuring various services amounting to R3,249,066-50</i>			
Social Services	<i>Various occasions (41)</i>	<i>Various reasons like preferred supplier &amp; venue, urgency, etc</i>	1 519 520.61
<i>41 Occasions during the financial year procuring various services amounting to R1,519,520-61</i>			
LED/Tourism	<i>Various occasions (13)</i>	<i>Various reasons like preferred supplier &amp; venue, urgency, etc</i>	232 048.90
<i>13 Occasions during the financial year procuring various services amounting to R232,048.90</i>			



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**48.8 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA**

Material Electricity and Water Losses were as follows and are not recoverable:

**Electricity:**

	Lost Units	Tariff	Value
<b>30 June 2014</b>	<u>11 383 379</u>	<u>0.8200</u>	<u>9 334 371</u>
<b>30 June 2013</b>	<u>6 851 379</u>	<u>0.7989</u>	<u>5 473 567</u>

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2014 R	2013 R
<b>Volumes in kWh/year:</b>		
System Input Volume	224 418 821	227 102 350
Billed Consumption	(195 081 936)	(202 082 783)
Distribution Loss	11 383 379	11 082 595
Percentage Distribution Loss	5.07%	4.88%

**Water:**

	Lost Units	Tariff	Value
<b>30 June 2014</b>	<u>2 844 819</u>	<u>4.1700</u>	<u>11 862 895</u>
<b>30 June 2013</b>	<u>2 477 182</u>	<u>3.6900</u>	<u>9 140 802</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

	2014 R	2013 R
<b>Volumes in Kl/year:</b>		
System Input Volume	6 953 556	6 503 398
Billed Consumption	4 108 737	4 026 217
Distribution Loss	2 844 819	2 477 181
Percentage Distribution Loss	40.91%	38.09%

**49 COMMITMENTS FOR EXPENDITURE**

**49.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

<b>- Approved and Contracted for:-</b>	<b>82 564 813</b>	<b>-</b>
Infrastructure	73 212 973	-
Community	9 351 840	-
<b>Total Capital Commitments</b>	<u><b>82 564 813</b></u>	<u><b>-</b></u>

This expenditure will be financed from:

Government Grants	<u>82 564 813</u>	<u>-</u>
	<u><b>82 564 813</b></u>	<u><b>-</b></u>

**49.2 Other Commitments**

The municipality has entered into a contract on 15 February 2013 with DDP Valuers (Pty) Ltd for the compiling of the Valuation Roll for 4 years, which will give rise to a total charge of R2 688 600. Various other actions coming forward from the valuation processes are charged per item/hour/day. The contract terminates on 30 June 2017.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

2014  
R                      2013  
R

**50 FINANCIAL INSTRUMENTS**

**50.1 Classification**

**FINANCIAL ASSETS:**

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

<u>Financial Assets</u>	<u>Classification</u>		
<b>Non-Current Assets</b>			
Long-term Receivables	Amortized Cost	188 060	336 529
<b>Current Assets</b>			
Receivables from Exchange Transactions	Amortized Cost	53 158 536	47 981 777
Receivables from Non-exchange Transactions	Amortized Cost	12 213 360	23 852 449
Current Investments	Amortized Cost	28 750 758	18 534 066
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Long-term Receivables	Amortized Cost	188 060	336 529
Receivables from Exchange Transactions	Amortized Cost	53 158 536	47 981 777
Receivables from Non-exchange Transactions	Amortized Cost	12 213 360	23 852 449
Cash and Cash Equivalents	Amortized Cost	28 750 758	18 534 066
		<u>94 310 713</u>	<u>90 704 821</u>
<b>Total Financial Assets</b>		<u><b>94 310 713</b></u>	<u><b>90 704 821</b></u>

**FINANCIAL LIABILITIES:**

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

<u>Financial Liabilities</u>	<u>Classification</u>		
<b>Non-Current Liabilities</b>			
Long-term Liabilities	Amortized Cost	54 696 199	61 104 182
Non-current Provisions	Amortized Cost	37 205 801	42 597 600
<b>Current Liabilities</b>			
Consumer Deposits	Amortized Cost	8 383 685	7 809 720
Payables from Exchange Transactions	Amortized Cost	86 554 638	112 567 032
Payables from Non-exchange Transactions	Amortized Cost	11 710 773	2 262 490
Unspent Conditional Grants and Receipts	Amortized Cost	19 052 175	9 457 032
Bank Overdraft	Amortized Cost	-	142 750
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial Liabilities at Amortised Cost:</b>			
Long-term Liabilities		54 696 199	61 104 182
Non-current Provisions		37 205 801	42 597 600
Consumer Deposits		8 383 685	7 809 720
Payables from Exchange Transactions		86 554 638	112 567 032
Payables from Non-exchange Transactions		11 710 773	2 262 490
Unspent Conditional Grants and Receipts		19 052 175	9 457 032
Bank Overdraft		-	142 750
		<u>217 603 270</u>	<u>235 940 806</u>
<b>Total Financial Liabilities</b>		<u><b>217 603 270</b></u>	<u><b>235 940 806</b></u>

**KOUGA MUNICIPALITY**  
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	2014	2013
	R	R

**50.2 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 funds, reserves and accumulated surplus. The municipality's overall strategy remains unchanged from 2012.

The capital structure of the municipality consists of Debt, Cash and Cash Equivalents (including the Bank Overdraft) and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 23 and the Statement of Changes in Net Assets.

**50.3 Gearing Ratio**

	2014	2013
	R	R

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

Debt	343 346 884	355 016 301
Cash and Cash Equivalents	28 750 758	18 534 066
Net Debt	324 812 818	355 016 301
Equity	2 193 914 603	2 245 546 630
<b>Net debt to equity ratio</b>	<b>14.81%</b>	<b>15.81%</b>

Debt is defined as Long and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**FINANCIAL RISK MANAGEMENT OBJECTIVES**

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

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

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

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these Annual Financial Statements.

**SIGNIFICANT RISKS**

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

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

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

**Credit Risk**

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

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

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2014	2013
R	R

**MARKET RISK MANAGEMENT**

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market, however the risk is perceived to be low as confirmed by the gearing ratio. The extent of the exposure is disclosed in the interest sensitivity analysis.

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

The municipality manages its interest rate risk by:

- securing long term loans at fixed interest
- the short investing term agreed for investments of surplus cash such as call deposits and notice deposits with reputable banking institutions.
- the variable interest rate exposure of cash deposits is offset by the variable interest rate exposure of the finance lease liability.

The municipality has entered into a finance lease agreement with a variable interest rate. The risk exposure is limited due to the short finance lease period.

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

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

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

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared with reference to the amount of the investments and liabilities at the end of the financial year. A 50 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

Account heading	2014 - effect of change in 50 basis points R	2013 - effect of change in 50 basis points R
Current Investments	143 754	92 670
Bank Overdraft	-	714

**CREDIT RISK MANAGEMENT**

The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

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

The municipality only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the municipality uses other publicly available financial information and its own trading records to rate its major customers. The municipality's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

**Investments/Bank, Cash and Cash Equivalents**

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

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and within a large geographical area within the jurisdiction of the municipality. Periodic credit evaluations are performed on the financial condition of key debtors.

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. Interest is levied on overdue accounts.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**2014**                      **2013**  
**R**                                      **R**

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

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

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy. Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

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

**LIQUIDITY RISK MANAGEMENT**

The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. The municipality has secured credit facilities in the form of an overdraft facility with its banker in order to cater for any unexpected temporary shortfall in operating funds. The maximum exposure to liquidity risk is the trade creditors and long term borrowings.

The following table details the municipality's remaining contractual maturity for its financial liabilities. The table has 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 estimated interest and principal cash flows.

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Bank overdraft		
< 3 months	-	-
> 3 months	-	142 750
Consumer Deposits		
< 3 months	-	-
> 3 months	8 383 685	7 809 720
Payables from Exchange Transactions		
< 3 months	86 554 638	112 567 032
> 3 months	-	-
Payables from Non-exchange Transactions		
< 3 months	-	-
> 3 months	11 710 773	2 262 490
Unspent Conditional Grants and Receipts		
< 3 months	-	-
> 3 months	19 052 175	9 457 032
	<b>125 701 271</b>	<b>132 239 025</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	<b>2014</b>	<b>2013</b>
	R	R

**51 RELATED PARTY TRANSACTIONS**

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

**51.1 Services rendered to Related Parties**

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

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
<b>For the Year ended 30 June 2014</b>				
Councillors	47 022	137 763	596	16 878
Municipal Manager and Section 57 Personnel	1 373	8 337	-	8 261
<b>Total Services</b>	<b>48 395</b>	<b>146 100</b>	<b>596</b>	<b>25 138</b>

**For the Year ended 30 June 2013**

Councillors	34 076	133 907	-	15 983
Municipal Manager and Section 57 Personnel	11 925	51 406	-	7 102
<b>Total Services</b>	<b>46 001</b>	<b>185 313</b>	<b>-</b>	<b>23 085</b>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**51.2 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 13 to the Annual Financial Statements.

**51.3 Compensation of Related Parties**

Name of Related Person	Designation	Amount	Description of Related Party Relationship
F. Muller	Official	216 816.00	Daughter of the mayor
C. Kettledas	Official	239 520.00	Daughter of the mayor
M. Hill	Official	144 396.00	Wife of councillor Hill
D. Oliphant	Official	171 900.00	Wife of councillor Oliphant
S. Meleni	Official	125 436.00	Wife of councillor Meleni
C. Witbooi	Official	144 396.00	Cousin of the councillor Kettledas
M. Jenneker	Official	141 468.00	Daughter of the Manager Expenditure
N. Baartman	Official	147 624.00	Daughter of the Manager Asset & Fleet
B. Marais	Official	177 948.00	Son of the Manager Technical Services

**2014**  
R

**51.4 Purchases from Related Parties**

Listed below are the transactions with related parties during the financial year 2013/2014

Company Name	Related Person	Municipal Capacity	Purchases for the Year
Faulkner Bouers	Bradley Faulkner	Official	9 800
Ixelexwa Catering & B&B	Magdelene Dlomo	Councillor	37 000
R Tarentaal Services	Theo Madatt	Manager	8 075
Hilla's Events & services	Hendriena	Official	53 050
IT Intaba Trading	Solomzi Dayimani	Official	43 901
<b>Total Purchases</b>			<b>151 826</b>

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

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>52 CONTINGENT LIABILITIES</b>		
(i) Council is involved in a dispute with different individuals as at 30 June 2014:		
Claims against the municipality	8 919 000	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.		
	<u>20 000 000</u>	<u>20 000 000</u>
	<b><u>28 919 000</u></b>	<b><u>41 544 447</u></b>

Rectification project in Sea Vista. Dispute emanating from difference in quantum claimed and value created.	Unknown
Dispute in quantum available and amount claimed as a result of the year in which the work was done as opposed to when the tender was awarded for Internal Services for Housing projects in both Oceanview and Kruisfontein.	Unknown
Claim for damages and loss of income by contractor for various Housing projects for which work claimed exceeds value created.	5 000 000
Claim by Contractor for cancelled Housing Top Structure construction contract irregularly procured.	2 500 000
Various unfair dismissal disputes (5 cases).	1 130 000
Promotion dispute by current employee (2 cases).	150 000
Unlawful deduction claim by SAMWU on behalf of its members.	30 000
Interest claimed on award to previous employee.	10 000
Claim for ex-gratia payment by current employee (1 case).	25 000
Recoup of overpayment to employees.	30 000
Possible legal fees.	44 000
<b>TOTAL</b>	<b>8 919 000</b>

The categorization and job evaluation wage curves collective agreement implementable 1 July 2010 has never been adopted by Kouga Municipality due to not finalizing job descriptions and evaluations. The adoption of this agreement might result in back pay from 1 July 2010 to certain employees if found to be in incorrect task grade. The possible back pay cannot be quantified due to the complex evaluation process and lack of job descriptions.

Management has considered all legal cases against it to be in nature uncertain relating to timing and/or amount. Probability is uncertain. At year end a present obligation does not exist as the outcome is unknown. The possibility of any reimbursement is also unlikely.

**53 CONTINGENT ASSETS**

**53.1 Insurance Claims:**

	<b><u>1 239 519</u></b>	<b><u>116 700</u></b>
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(i) Lost / Damaged Assets:

	1 239 519	116 700
--	-----------	---------

The municipality has claims outstanding against its Insurers for lost and/or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of R1,239,519 (2013: R116,700) will be recovered.

**54 IN-KIND DONATIONS AND ASSISTANCE**

The municipality received computer equipment to the value of R60,000 from Sanlam for assistance with Disaster Management.

**55 PRIVATE PUBLIC PARTNERSHIPS**

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

**56 EVENTS AFTER THE REPORTING DATE**

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

**57 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 43).

**58 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

(i) On 28 May 2014 the Council adopted the 2014/15 to 2016/17 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

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

**APPENDIX A  
LOANS AND FINANCE LEASES REGISTER JUNE 2014**

**KOUGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance previously reported as at 30/06/2012	Corrections	Restated balances at 30/06/2012	Received / Recognised during the year	Redemption during the year	Balance at 30/06/2013	Received / Recognised during the year	Redemption during the year	Balance at 2014/06/30	Current portion Redemption 2014	Non-current liability 30/06/2015
	R	%			R		R	R	R	R	R	R	R		
<b>ANNUITY LOANS:</b>															
ABSA	166 000	14.50%	528	30/11/2016	95 499		95 499		(11 559)	83 940		(12 594)	71 346	(20 063)	51 283
<b>Total ABSA</b>	<b>166 000</b>				<b>95 499</b>	<b>-</b>	<b>95 499</b>	<b>-</b>	<b>(11 559)</b>	<b>83 940</b>	<b>-</b>	<b>(12 594)</b>	<b>71 346</b>	<b>(20 063)</b>	<b>51 283</b>
ASDR & Cacadu	938 870	14.25%	513	30/12/2011	801 110		801 110	136 811	(12 240)	925 681			925 681	(925 681)	-
<b>Total ASDR &amp; Cacadu</b>	<b>938 870</b>				<b>801 110</b>	<b>-</b>	<b>801 110</b>	<b>136 811</b>	<b>(12 240)</b>	<b>925 681</b>	<b>-</b>	<b>-</b>	<b>925 681</b>	<b>(925 681)</b>	<b>-</b>
DBSA	67 602 200	11.180%	61007231	31/12/2024	65 886 728		65 886 728	4 749 565.88	(2 836 071)	67 800 223	1 156 757	-7 354 868	61 602 111	(13 999 999)	47 602 112.06
<b>Total DBSA</b>	<b>67 602 200</b>				<b>65 886 728</b>	<b>0</b>	<b>65 886 728</b>	<b>4 749 566</b>	<b>(2 836 071)</b>	<b>67 800 223</b>	<b>1 156 757</b>	<b>-7 354 868</b>	<b>61 602 111</b>	<b>(13 999 999)</b>	<b>47 602 112</b>
INCA	71 157 199	11.88%		30/06/2016	14 460 151		14 460 151		(1 502 451)	12 957 701		(2 622 336)	10 335 364	(4 144 256)	6 191 108
<b>Total INCA</b>	<b>71 157 199</b>				<b>14 460 151</b>	<b>-</b>	<b>14 460 151</b>	<b>-</b>	<b>(1 502 451)</b>	<b>12 957 701</b>	<b>-</b>	<b>(2 622 336)</b>	<b>10 335 364</b>	<b>(4 144 256)</b>	<b>6 191 108</b>
<b>Total Annuity Loans</b>	<b>139 864 268</b>				<b>81 243 488</b>	<b>0</b>	<b>81 243 488</b>	<b>4 886 377</b>	<b>-4 362 321</b>	<b>81 767 544</b>	<b>1 156 757</b>	<b>-9 989 798</b>	<b>72 934 502</b>	<b>-19 089 999</b>	<b>53 844 503</b>
Operating leases reclassified as finance leases					17 553 764		17 553 764	919 210.61	(5 588 517)	12 884 458		(7 194 885)	5 689 573	(4 837 878)	851 695
Total capitalised lease	1 822 463				17 553 764	-	17 553 764	919 211	(5 588 517)	12 884 458	-	(7 194 885)	5 689 573	(4 837 878)	851 695
<b>TOTAL EXTERNAL LOANS</b>					<b>98 797 252</b>		<b>98 797 252</b>	<b>5 805 587</b>	<b>-9 950 838</b>	<b>94 652 002</b>	<b>1 156 757</b>	<b>-17 184 683</b>	<b>78 624 076</b>	<b>(23 927 877)</b>	<b>54 696 198</b>
						-									





**APPENDIX C**  
**KOUGA LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 June 2014**

Description	Historical Cost					Cost / Revaluation					Accumulated Depreciation		Carrying	
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Under Construction			Under Construction	Closing Balance	Opening Balance	Closing Balance	Value
							Balance b/f	Added	Completed					
R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Executive and Council														
Finance and Administration	438 454 684	848 721	-	(95 000.00)	439 208 405	439 208 405					439 208 405	88 441 509.36	91 443 707.17	346 065 018
Planning and Development	7 903 842	345 132	-	-	8 248 974	8 248 974					8 248 974	4 992 055.21	5 531 936.44	2 717 037
Community and Social Services	69 965 000		-	-	69 965 000	69 965 000					69 965 000	-	-	69 965 000
Housing	2 920		-	-	2 920	2 920					2 920	-	-	2 920
Public Safety	1 807 251	151 144	-	-	1 958 395	1 958 395					1 958 395	630 147.97	791 996.59	1 166 399
Sport and Recreation	6 800 000		-	-	6 800 000	6 800 000					6 800 000	-	-	6 800 000
Waste Management	348 916 437	9 684 801.94	-	-	358 601 239	342 229 187	39 776 875	9 684 801.94	(33 089 625.47)	16 372 051	358 601 239	38 139 015.38	48 629 881.15	309 971 358
Roads and Transport	1 691 881 547	483 920	-	-	1 692 365 467	1 691 881 547		483 920		483 920	1 692 365 467	468 953 797.36	508 888 185.47	1 183 477 282
Water	311 233 320	815 907.84	-	-	312 049 228	288 427 448	22 805 871	815 907.84		23 621 779	312 049 227	34 397 646.43	43 012 122.01	269 037 105
Electricity	192 264 872	5 669 531.16	-	-	197 934 403	182 307 754	13 237 118	5 669 531.16	(3 280 000.00)	15 626 649	197 934 403	24 603 779.75	30 876 587.24	167 057 816
Transfer to Non Current Assets held for Sale	(160 035)				(160 035)						(160 035)			(160 035)
<b>Total PPE</b>	<b>3 069 069 838</b>	<b>17 999 158</b>	<b>-</b>	<b>(95 000)</b>	<b>3 086 973 996</b>	<b>3 031 029 631</b>	<b>75 819 864</b>	<b>16 654 161</b>	<b>(36 369 625)</b>	<b>56 104 399</b>	<b>3 086 973 995</b>	<b>660 157 951</b>	<b>729 174 416.07</b>	<b>2 356 099 899</b>
Non Current Assets held For Sale	160 035				160 035						160 035			160 035
Investment assets	67 231 500				67 231 500	67 231 500					67 231 500	5 262 430	4 937 310.00	62 294 190
Intangible assets	660 657	97 712			758 369	758 369					758 369	539 069	586 760.97	171 608
<b>Total Assets Register</b>	<b>3 137 122 029</b>	<b>18 096 871</b>	<b>-</b>	<b>(95 000)</b>	<b>3 155 124 050</b>	<b>3 099 019 650</b>	<b>75 819 864</b>	<b>16 654 161</b>	<b>(36 369 625)</b>	<b>56 104 399</b>	<b>3 155 124 050</b>	<b>665 959 450.60</b>	<b>734 698 487</b>	<b>2 418 725 732</b>

**APPENDIX D**  
**KOUGA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

2013 Actual Income	2013 Budgeted Income	2013 Actual Expenditure	2013 Budgeted Expenditure	2013 Surplus/ (Deficit)	Description	Vote Number	2014 Actual Income	2014 Budgeted Income	2014 Actual Expenditure	2014 Budgeted Expenditure	2014 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
2 100	2 100	23 527 526	25 799 617	(23 525 426)	Executive and Council		4 238	4 238	25 828 237	27 038 271	(25 824 000)
2 100	2 100	15 651 197	16 274 707	(15 649 097)	Council	130	4 238	4 238	17 503 586	16 842 968	(17 499 348)
-	-	968 979	1 144 548	(968 979)	Executive Mayor	530	-	-	941 801	1 156 275	(941 801)
-	-	-	-	-	Executive Mayor: Secretariate	531	-	-	-	-	-
-	-	488 867	568 745	(488 867)	MM: Media	572	-	-	536 606	570 235	(536 606)
-	-	622 734	618 514	(622 734)	MM: PMS	571	-	-	700 912	667 697	(700 912)
-	-	411 046	478 336	(411 046)	MM: Risk Management	229	-	-	393 137	529 531	(393 137)
-	-	-	-	-	MM: Secretariate	573	-	-	-	-	-
-	-	5 384 704	6 714 767	(5 384 704)	Municipal Manager	570	-	-	5 752 196	7 271 565	(5 752 196)
-	-	-	-	-			-	-	-	-	-
174 220 331	171 624 094	86 636 676	78 884 443	87 583 655	Finance and Administration		202 164 379	244 569 226	104 358 675	100 233 537	97 805 704
115 596 462	116 786 368	2 421 553	2 125 000	113 174 909	Finance: Assessment Rates	030	129 742 752	130 948 674	4 870 976	5 455 865	124 871 776
-	-	12 320 466	7 187 034	(12 320 466)	Finance: Asset & Fleet Management	226	-	-	10 068 900	7 384 729	(10 068 900)
1 236 465	604 093	3 619 480	3 832 531	(2 383 015)	Finance: Budget & Financial Reporting	221	1 709 388	837 890	4 192 930	4 704 487	(2 483 542)
51 828 126	49 779 045	1 424 759	3 184 464	50 403 368	Finance: CFO	220	56 350 812	57 602 500	2 684 778	3 399 903	53 666 034
377 101	270 477	12 663 996	3 440 489	(12 286 895)	Finance: Expenditure	222	10 122 094	320 545	5 742 556	3 533 560	4 379 538
5 090 382	4 166 761	26 001 378	32 954 976	(20 910 996)	Finance: Revenue	223	4 110 896	4 752 785	49 630 663	48 944 743	(45 519 766)
42 064	11 976	1 361 558	1 398 845	(1 319 494)	Finance: SCM	228	76 185	38 685	1 382 728	1 500 579	(1 306 543)
-	-	-	-	-	Finance: Secretariate	225	-	-	-	-	-
(35)	2 743	1 317 133	1 349 385	(1 317 168)	Finance: Stores	227	1	3 100	1 352 732	1 476 327	(1 352 731)
-	-	1 085 353	1 110 204	(1 085 353)	Mechanical Workshop	550	-	-	1 277 831	1 447 664	(1 277 831)
-	-	3 614 730	3 700 517	(3 614 730)	Human Resources	333	-	-	3 503 071	4 026 865	(3 503 071)
25 113	2 631	19 059 441	16 869 557	(19 034 327)	Corporate Services	121	183	2 974	16 916 804	16 402 829	(16 916 620)
24 651	-	1 746 829	1 731 441	(1 722 178)	Corporate Services: Director	120	52 067	50 062 073	2 734 707	1 955 986	(2 682 640)
-	-	-	-	-			-	-	-	-	-
1 509 711	1 292 720	11 030 735	13 889 307	(9 521 024)	Planning and Development		1 730 666	1 455 215	11 519 899	12 407 540	(9 789 232)
-	-	311 309	410 189	(311 309)	Economic Development: Agriculture	171	-	-	411 853	424 990	(411 853)
-	-	418 820	541 895	(418 820)	Economic Development: Business	172	18 000	-	446 942	529 922	(428 942)
47 798	245 711	874 079	1 796 367	(826 280)	Economic Development: General	170	-	50 000	901 144	851 376	(901 144)
-	-	701 827	929 275	(701 827)	Economic Development: Tourism	173	-	-	897 317	1 117 462	(897 317)
-	-	1 734 982	1 880 352	(1 734 982)	IDP/LED	340	-	50 000	1 615 615	2 000 839	(1 615 615)
-	-	850 785	992 330	(850 785)	Social Development	790	-	-	870 544	851 470	(870 544)
-	-	-	-	-	Director Planning and Development	701	-	-	-	-	-
1 461 913	1 047 009	6 138 933	7 338 899	(4 677 021)	Planning & Development	700	1 712 666	1 355 215	6 376 483	6 631 481	(4 663 816)
-	-	-	-	-			-	-	-	-	-
-	-	-	-	-	Health		-	-	-	-	-
-	-	-	-	-	Clinic Andrieskraal	323	-	-	-	-	-
-	-	-	-	-	Clinic Kwanomzamo	321	-	-	-	-	-
-	-	-	-	-	Clinic Pellsrus	322	-	-	-	-	-
-	-	-	-	-	Health (Primary)	320	-	-	-	-	-
-	-	-	-	-			-	-	-	-	-
5 250 544	6 414 143	11 260 194	14 410 471	(6 009 650)	Community and Social Services		4 294 218	4 611 801	12 689 287	14 290 245	(8 395 069)
1 394 721	171 592	499 267	1 254 366	895 454	Cemeteries	110	186 430	193 900	453 089	1 116 706	(266 659)
645	7 633	107 172	834 853	(106 527)	Kouga Cultural Centre	400	836	8 712	3 544	307 409	(2 708)
2 103 386	4 184 842	3 590 727	4 215 290	(1 487 341)	Libraries	500	2 031 515	2 034 975	4 014 673	4 447 220	(1 983 158)
(81 436)	81 436	132 408	195 630	(213 844)	Museum	580	-	92 023	155 671	158 224	(155 671)
-	-	2 672 107	2 453 322	(2 672 107)	Beach	040	-	-	3 028 346	2 740 985	(3 028 346)
-	-	110 463	610 095	(110 463)	Blue Flag	041	-	-	188 821	296 783	(188 821)
1 832 283	1 968 259	2 792 212	3 758 657	(959 928)	Caravan Parks	100	2 075 077	2 281 760	3 462 163	3 857 270	(1 387 086)
-	-	830 176	764 266	(830 176)	Community & Social Services: Director	791	-	-	1 086 551	913 381	(1 086 551)
944	381	525 662	323 992	(524 718)	Community Services	115	360	431	296 430	452 267	(296 070)
-	-	-	-	-			-	-	-	-	-
-	-	3 690 862	4 183 395	(3 690 862)	Housing		-	-	3 562 336	4 570 259	(3 562 336)
-	-	3 690 862	4 183 395	(3 690 862)	Housing Services	325	-	-	3 562 336	4 570 259	(3 562 336)
-	-	-	-	-			-	-	-	-	-
9 901 714	20 351 906	26 111 802	29 252 430	(16 210 088)	Public Safety		8 474 953	10 870 385	27 534 655	29 818 288	(19 059 702)
-	-	10 700 818	11 771 038	(10 700 818)	Fire Services	230	(332 255)	(259 274)	11 966 936	12 340 730	(12 299 191)

**APPENDIX D**  
**KOUGA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

2013 Actual Income	2013 Budgeted Income	2013 Actual Expenditure	2013 Budgeted Expenditure	2013 Surplus/ (Deficit)	Description	Vote Number	2014 Actual Income	2014 Budgeted Income	2014 Actual Expenditure	2014 Budgeted Expenditure	2014 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
-	-	814 803	1 111 761	(814 803)	Disaster Management	140	-	-	344 051	716 338	(344 051)
8 879 481	17 331 170	4 135 549	4 577 073	4 743 933	National Traffic	590	8 527 439	9 109 804	4 260 552	4 647 597	4 266 887
1 022 233	3 020 736	10 460 632	11 792 558	(9 438 399)	Protection Services	710	279 769	2 019 855	10 963 115	12 113 623	(10 683 346)
124	124	21 216 327	22 492 510	(21 216 203)	Sport and Recreation		24 804	690	22 642 715	23 772 496	(22 617 911)
-	-	20 692 622	20 947 672	(20 692 622)	Parks & Open Space	680	22 708	-	22 115 330	22 692 063	(22 092 622)
124	124	523 705	1 544 838	(523 581)	Sport & Recreation	800	2 095	690	527 385	1 080 433	(525 289)
10 772 105	8 581 391	7 606 897	10 586 293	3 165 207	Environmental Protection		12 190 582	12 134 749	7 150 841	11 395 422	5 039 740
1 410 921	557 281	2 464 447	2 770 742	(1 053 526)	Environmental Health	210	1 722 577	1 832 402	2 950 099	3 200 331	(1 227 522)
377 037	663 370	10 724	258 934	366 313	Nature Reserves	600	432 101	759 028	12 387	181 384	419 713
8 984 146	7 360 740	5 131 726	7 556 617	3 852 421	Environmental Management Fee	731	10 035 904	9 543 319	4 188 355	8 013 707	5 847 549
75 548 761	75 056 523	54 468 126	56 834 470	21 080 635	Waste Management		66 011 958	73 533 453	59 597 764	55 761 459	6 414 194
43 657	89 432	4 451 666	4 866 575	(4 408 009)	Sanitation	750	42 768	209 586	4 355 601	4 929 702	(4 312 833)
56 882 573	54 311 577	27 680 651	27 898 663	29 201 922	Sewerage	780	45 512 957	46 838 740	29 228 348	25 856 112	16 284 609
18 622 531	20 655 514	22 335 808	24 069 232	(3 713 277)	Refuse Removal	730	20 456 233	26 485 127	26 013 815	24 975 645	(5 557 582)
4 819 988	8 666 410	69 076 791	62 722 429	(64 256 803)	Roads and Transport		7 378 116	8 326 001	73 280 889	66 155 379	(65 902 773)
1 049 604	1 450 106	10 238 548	1 528 855	(9 188 944)	Water Ways	990	1 563 748	1 796 596	10 135 794	1 919 347	(8 572 046)
3 770 384	7 216 304	58 838 243	61 193 574	(55 067 860)	Public Works	720	5 814 368	6 529 405	63 145 095	64 236 032	(57 330 727)
35 113 647	41 080 781	36 400 794	49 733 410	(1 287 148)	Water		41 720 027	61 237 536	33 992 644	52 954 694	7 727 383
35 113 647	41 080 781	36 400 794	49 733 410	(1 287 148)	Water	980	41 720 027	61 237 536	33 992 644	52 954 694	7 727 383
180 523 335	200 001 439	166 538 348	180 865 222	13 984 986	Electricity		193 764 697	211 395 546	175 907 433	197 791 248	17 857 264
180 523 335	200 001 439	166 538 348	180 865 222	13 984 986	Electricity	190	193 764 697	211 395 546	175 907 433	197 791 248	17 857 264
2 082 700	2 622 336	28 341 231	19 548 572	(26 258 531)	Other		607 467	2 926 931	31 373 157	19 739 681	(30 765 691)
1 276 074	800 000	1 647 206	2 665 183	(371 131)	Skills Development	820	408 560	848 000	1 937 240	2 304 046	(1 528 679)
-	-	4 009 463	4 254 061	(4 009 463)	Finance: IT	224	(58 367)	-	3 721 553	4 496 353	(3 779 920)
337 326	9 924	2 144 072	2 358 837	(1 806 747)	Engineering	200	(223 220)	11 215	2 231 502	2 432 839	(2 454 722)
-	1 395 100	1 003 524	1 401 752	(1 003 524)	Mig Administration Unit	560	-	1 416 350	1 186 306	1 215 688	(1 186 306)
-	-	937 815	941 407	(937 815)	Technical Services: Director	551	-	-	1 089 663	1 002 068	(1 089 663)
-	-	-	-	-	Technical Services: Secretariate	552	-	-	-	-	-
49 300	(49 300)	12 120 160	826 656	(12 070 860)	Strategic Services: Director	330	-	186 776	14 435 109	1 054 659	(14 435 109)
-	-	-	-	-	Strategic Services: Secretariate	331	-	-	-	-	-
420 000	466 612	6 478 991	7 100 676	(6 058 991)	Building & Property	070	480 494	464 590	6 771 786	7 234 028	(6 291 292)
499 745 058	535 693 967	545 906 309	569 202 569	(46 161 252)	Sub-Total		538 366 104	631 065 771	589 438 534	615 928 519	(51 072 430)
					Revenue Foregone						
499 745 058	535 693 967	545 906 309	569 202 569	(46 161 252)	Total		538 366 104	631 065 771	589 438 534	615 928 519	(51 072 430)

**APPENDIX E(1)  
KOUGA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2014**

Description	2013/14									2012/13
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R
<b>REVENUE - STANDARD</b>										
<b>Governance and Administration:</b>										
Executive and Council	-	4 238	4 238	0	4 238	4 238	(0)	99.99	0.00	2 100
Budget and Treasury Office	187 620 990	6 883 188	194 504 178	1	194 504 179	202 112 129	7 607 950	103.91	107.72	174 170 566
Corporate Services	52 576 314	42 109	52 618 422	373 556	52 991 978	659 717	(52 332 261)	1.24	1.25	2 132 464
<b>Community and Public Safety:</b>										
Community and Social Services	4 554 083	57 717	4 611 800	1	4 611 801	4 294 218	(317 583)	93.11	94.29	5 250 544
Sport and Recreation	140	550	689	1	690	24 804	24 114	3 594.72	17 747.45	124
Public Safety	11 352 309	(220 588)	11 131 721	(261 336)	10 870 385	8 474 953	(2 395 432)	77.96	74.65	9 901 714
Housing	-	-	-	-	-	-	-	0.00	0.00	-
Health	-	-	-	-	-	-	-	0.00	0.00	-
<b>Economic and Environmental Services:</b>										
Planning and Development	6 283 120	(4 827 953)	1 455 167	48	1 455 215	1 730 666	275 451	118.93	27.54	1 509 711
Road Transport	8 606 990	(280 990)	8 326 001	0	8 326 001	7 378 116	(947 885)	88.62	85.72	4 819 988
Environmental Protection	11 632 310	499 236	12 131 546	3 203	12 134 749	12 190 582	55 833	100.46	104.80	10 772 105
<b>Trading Services:</b>										
Electricity	209 409 863	1 985 682	211 395 545	1	211 395 546	193 764 697	(17 630 849)	91.66	92.53	180 523 335
Water	61 641 261	(403 725)	61 237 536	0	61 237 536	41 720 027	(19 517 509)	68.13	67.68	35 113 647
Waste Water Management	46 755 687	292 640	47 048 327	(1)	47 048 326	45 555 725	(1 492 601)	96.83	97.43	56 926 230
Waste Management	26 482 577	2 549	26 485 126	1	26 485 127	20 456 233	(6 028 894)	77.24	77.24	18 622 531
<b>Other:</b>										
Tourism	-	-	-	-	-	-	-	0.00	0.00	-
<b>Total Revenue - Standard</b>	<b>626 915 644</b>	<b>4 034 654</b>	<b>630 950 298</b>	<b>115 473</b>	<b>631 065 771</b>	<b>538 366 104</b>	<b>(92 699 667)</b>	<b>85.31</b>	<b>85.88</b>	<b>499 745 058</b>
<b>EXPENDITURE - STANDARD</b>										
<b>Governance and Administration:</b>										
Executive and Council	26 411 974	(111 207)	26 300 767	737 504	27 038 271	25 828 237	(1 210 034)	95.52	97.79	23 527 526
Budget and Treasury Office	77 356 214	211 635	77 567 850	280 007	77 847 857	81 204 094	3 356 237	104.31	104.97	62 215 676
Corporate Services	40 976 741	485 976	41 462 717	662 644	42 125 361	54 527 739	12 402 378	129.44	133.07	52 762 231
<b>Community and Public Safety:</b>										
Community and Social Services	14 698 922	(245 280)	14 453 642	(163 397)	14 290 245	12 689 287	(1 600 958)	88.80	86.33	11 260 194
Sport and Recreation	23 491 028	286 467	23 777 494	(4 998)	23 772 496	22 642 715	(1 129 781)	95.25	96.39	21 216 327
Public Safety	29 580 485	514 802	30 095 286	(276 998)	29 818 288	27 534 655	(2 283 633)	92.34	93.08	26 111 802
Housing	4 576 062	70 236	4 646 298	(76 039)	4 570 259	3 562 336	(1 007 923)	77.95	77.85	3 690 862
Health	-	-	-	-	-	-	-	0.00	0.00	-
<b>Economic and Environmental Services:</b>										
Planning and Development	17 369 230	(4 962 735)	12 406 495	1 045	12 407 540	11 519 899	(887 641)	92.85	66.32	11 030 735
Road Transport	61 282 721	4 835 551	66 118 272	37 107	66 155 379	73 280 889	7 125 510	110.77	119.58	69 076 791
Environmental Protection	10 929 772	360 648	11 290 420	105 002	11 395 422	7 150 841	(4 244 581)	62.75	65.43	7 606 897
<b>Trading Services:</b>										
Electricity	202 064 816	(1 661 568)	200 403 247	(2 611 999)	197 791 248	175 907 433	(21 883 815)	88.94	87.05	166 538 348
Water	52 051 589	933 105	52 984 694	(30 000)	52 954 694	33 992 644	(18 962 050)	64.19	65.31	36 400 794
Waste Water Management	30 657 041	(10 982)	30 646 059	139 755	30 785 814	33 583 949	2 798 135	109.09	109.55	32 132 318
Waste Management	24 527 331	9 914	24 537 245	438 400	24 975 645	26 013 815	1 038 170	104.16	106.06	22 335 808
<b>Other:</b>										
Tourism	-	-	-	-	-	-	-	0.00	0.00	-
<b>Total Expenditure - Standard</b>	<b>615 973 925</b>	<b>716 562</b>	<b>616 690 487</b>	<b>(761 968)</b>	<b>615 928 519</b>	<b>589 438 534</b>	<b>(26 489 985)</b>	<b>95.70</b>	<b>95.69</b>	<b>545 906 310</b>
<b>Surplus/(Deficit) for the year</b>	<b>10 941 719</b>	<b>3 318 092</b>	<b>14 259 811</b>	<b>877 441</b>	<b>15 137 252</b>	<b>(51 072 430)</b>	<b>(66 209 682)</b>	<b>0.00</b>	<b>0.00</b>	<b>(46 161 252)</b>

**APPENDIX E (2)  
KOUGA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2014**

Description	2013/14								2012/13	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R
<b>REVENUE BY VOTE</b>										
Vote 1 - EXECUTIVE & COUNCIL	-	4 238	4 238	0	4 238	4 238	(0)	99.99	0.00	2 100
Vote 2 - FINANCIAL SERVICES	187 620 990	6 883 188	194 504 178	1	194 504 179	202 053 762	7 549 583	103.88	107.69	174 170 566
Vote 3 - ADMINISTRATION, MONITORING AND EVALUATION	50 002 973	62 074	50 065 047	0	50 065 047	52 250	(50 012 797)	0.10	0.10	49 765
Vote 4 - SOCIAL SERVICES	55 812 310	336 458	56 148 767	(258 131)	55 890 636	47 003 701	(8 886 935)	84.10	84.22	45 595 976
Vote 5 - LED, TOURISM AND CREATIVE INDUSTRIES	5 956 625	(5 186 689)	769 936	373 552	1 143 488	427 396	(716 092)	37.38	7.18	1 373 818
Vote 6 - INFRASTRUCTURE, PLANNING & DEVELOPMENT	327 522 745	1 935 386	329 458 132	51	329 458 183	288 824 758	(40 633 425)	87.67	88.18	278 552 833
<b>Total Revenue by Vote</b>	<b>626 915 644</b>	<b>4 034 654</b>	<b>630 950 298</b>	<b>115 473</b>	<b>631 065 771</b>	<b>538 366 104</b>	<b>(92 699 667)</b>	<b>85.31</b>	<b>85.88</b>	<b>499 745 058</b>
<b>EXPENDITURE BY VOTE</b>										
Vote 1 - EXECUTIVE & COUNCIL	26 411 974	(111 207)	26 300 767	737 504	27 038 271	25 828 237	(1 210 034)	95.52	97.79	23 527 526
Vote 2 - FINANCIAL SERVICES	80 455 461	161 077	80 616 538	280 008	80 896 546	83 647 815	2 751 269	103.40	103.97	65 139 786
Vote 3 - ADMINISTRATION, MONITORING AND EVALUATION	21 465 818	207 225	21 673 042	712 638	22 385 680	23 154 581	768 901	103.43	107.87	24 421 000
Vote 4 - SOCIAL SERVICES	104 697 264	920 230	105 617 494	1 098 010	106 715 504	107 034 108	318 604	100.30	102.23	99 513 188
Vote 5 - LED, TOURISM AND CREATIVE INDUSTRIES	13 355 148	(4 764 449)	8 590 699	4	8 590 703	20 648 765	12 058 062	240.36	154.61	17 915 554
Vote 6 - INFRASTRUCTURE, PLANNING & DEVELOPMENT	369 588 260	4 303 686	373 891 946	(3 590 131)	370 301 815	329 125 028	(41 176 787)	88.88	89.05	315 389 255
<b>Total Expenditure by Vote</b>	<b>615 973 925</b>	<b>716 562</b>	<b>616 690 487</b>	<b>(761 968)</b>	<b>615 928 519</b>	<b>589 438 534</b>	<b>(26 489 985)</b>	<b>95.70</b>	<b>95.69</b>	<b>545 906 310</b>
<b>Surplus/(Deficit) for the year</b>	<b>10 941 719</b>	<b>3 318 092</b>	<b>14 259 811</b>	<b>877 441</b>	<b>15 137 252</b>	<b>(51 072 430)</b>	<b>(66 209 682)</b>	<b>0.00</b>	<b>0.00</b>	<b>(46 161 252)</b>

**APPENDIX E (3)**  
**KOUGA MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

Description	2013/14									2012/13
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R
<b>Revenue by Source</b>										
Property Rates	123 762 412	4 925 573	128 687 985	(3)	128 687 982	128 562 770	(125 212)	99.90	103.88	113 455 498
Service Charges - Electricity	226 300 733	57 391	226 358 124	2	226 358 126	211 860 095	(14 498 031)	93.60	93.62	193 104 101
Service Charges - Water	32 265 105	0	32 265 105	-	32 265 105	28 983 070	(3 282 035)	89.83	89.83	23 546 272
Service Charges - Sanitation	33 671 844	1	33 671 845	-	33 671 845	33 264 357	(407 488)	98.79	98.79	28 860 710
Service Charges - Refuse	39 825 674	537 296	40 362 970	1	40 362 971	41 458 330	1 095 359	102.71	104.10	36 453 576
Service Charges - Other	(13 103 916)	(858 352)	(13 962 268)	(2)	(13 962 270)	(24 347 164)	(10 384 894)	0.00	0.00	(19 844 996)
Rental of Facilities and Equipment	408 018	175 621	583 639	5	583 644	276 049	(307 595)	47.30	67.66	675 855
Interest Earned - External Investments	682 625	155 264	837 889	1	837 890	1 709 388	871 498	204.01	250.41	1 236 465
Interest Earned - Outstanding Debtors	5 982 542	874 099	6 856 641	1	6 856 642	3 842 757	(3 013 885)	56.04	64.23	6 455 937
Fines	2 029 346	60 021	2 089 367	0	2 089 367	357 247	(1 732 120)	17.10	17.60	1 069 986
Licences and Permits	9 221 094	(507 826)	8 713 268	1	8 713 269	7 847 710	(865 559)	90.07	85.11	7 745 866
Agency Services	-	-	-	-	-	-	-	0.00	0.00	-
Transfers Recognised - Operational	(133 498 342)	(196 377 059)	(329 875 401)	373 552	(329 501 849)	66 805 308	396 307 157	0.00	0.00	94 821 596
Other Revenue	13 873 359	(2 711 449)	11 161 909	(258 085)	10 903 824	17 491 840	6 588 016	160.42	126.08	11 984 147
Gains on Disposal of PPE	50 000 000	997 500	50 997 500	-	50 997 500	1 086 999	(49 910 501)	2.13	2.17	180 045
<b>Total Revenue (excluding Capital Transfers &amp; Contributions)</b>	<b>391 420 493</b>	<b>(192 671 920)</b>	<b>198 748 573</b>	<b>115 473</b>	<b>198 864 046</b>	<b>519 198 756</b>	<b>320 334 710</b>	<b>261.08</b>	<b>132.64</b>	<b>499 745 058</b>
<b>Expenditure</b>										
Employee Related Costs	195 778 197	347 932	196 126 129	5 029	196 131 158	208 085 170	11 954 012	106.09	106.29	193 299 330
Remuneration of Councillors	9 180 426	13 565	9 193 990	1	9 193 991	9 025 077	(168 914)	98.16	98.31	8 594 060
Debt Impairment	43 056 956	0	43 056 956	-	43 056 956	33 194 968	(9 861 988)	77.10	77.10	5 400 817
Depreciation and Asset Impairment	71 142 130	5	71 142 135	-	71 142 135	80 214 708	9 072 573	112.75	112.75	82 023 905
Finance Charges	10 323 894	(863 488)	9 460 406	(1 329 999)	8 130 407	11 107 974	2 977 567	136.62	107.59	22 090 103
Bulk Purchases	177 213 500	-	177 213 500	-	177 213 500	168 846 561	(8 366 939)	95.28	95.28	162 289 859
Other Materials	42 021 918	(336 592)	41 685 326	421 853	42 107 179	22 431 053	(19 676 126)	53.27	53.38	19 198 925
Contracted Services	90 000	-	90 000	(50 000)	40 000	-	(40 000)	0.00	0.00	-
Transfers and Grants	-	-	-	-	-	-	-	0.00	0.00	-
Other Expenditure	67 166 904	1 555 140	68 722 045	191 148	68 913 193	56 533 024	(12 380 169)	82.04	84.17	53 566 908
Loss on Disposal of PPE	-	-	-	-	-	-	-	0.00	0.00	-
<b>Total Expenditure</b>	<b>615 973 925</b>	<b>716 562</b>	<b>616 690 487</b>	<b>(761 968)</b>	<b>615 928 519</b>	<b>589 438 534</b>	<b>(26 489 985)</b>	<b>95.70</b>	<b>95.69</b>	<b>546 463 908</b>
<b>Surplus/(Deficit)</b>	<b>(224 553 432)</b>	<b>(193 388 482)</b>	<b>(417 941 914)</b>	<b>877 441</b>	<b>(417 064 473)</b>	<b>(70 239 778)</b>	<b>346 824 695</b>	<b>0.00</b>	<b>0.00</b>	<b>(46 718 850)</b>
Transfers Recognised - Capital	235 495 151	196 706 574	432 201 725	-	432 201 725	19 167 348	(413 034 377)	4.43	8.14	-
<b>Surplus/(Deficit) for the Year</b>	<b>10 941 719</b>	<b>3 318 092</b>	<b>14 259 811</b>	<b>877 441</b>	<b>15 137 252</b>	<b>(51 072 430)</b>	<b>(66 209 682)</b>	<b>-</b>	<b>-</b>	<b>(46 718 850)</b>

**APPENDIX E(4)  
KOUGA MUNICIPALITY**

**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2014**

Description	2013/14							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE - STANDARD</b>								
<b>Governance and Administration:</b>								
Executive and Council	-	-	-	-	1 196 069	1 196 069	0.00	0.00
Budget and Treasury Office	18 212 500	-	18 212 500	18 212 500	97 712	(18 114 788)	0.54	0.54
Corporate Services	-	-	-	-	-	-	0.00	0.00
<b>Community and Public Safety:</b>								
Community and Social Services	90 000	-	90 000	90 000	-	(90 000)	0.00	0.00
Sport and Recreation	5 036 598	-	5 036 598	5 036 598	-	(5 036 598)	0.00	0.00
Public Safety	328 825	-	328 825	328 825	151 144	(177 681)	45.96	45.96
Housing	20 000	-	20 000	20 000	-	(20 000)	0.00	0.00
<b>Economic and Environmental Services:</b>								
Planning and Development	16 664 000	1 345 533	18 009 533	18 009 533	-	(18 009 533)	0.00	0.00
Road Transport	-	-	-	-	483 920	483 920	0.00	0.00
Environmental Protection	-	-	-	-	-	-	0.00	0.00
<b>Trading Services:</b>								
Electricity	15 800 000	2 740 000	18 540 000	18 540 000	5 669 531	(12 870 469)	30.58	35.88
Water	15 374 053	(7 645 533)	7 728 520	7 728 520	815 908	(6 912 612)	10.56	5.31
Waste Water Management	-	-	-	-	-	-	-	-
Waste Management	10 500 000	6 300 000	16 800 000	16 800 000	9 684 802	(7 115 198)	57.65	92.24
<b>Total Capital Expenditure - Standard</b>	<b>82 025 975</b>	<b>2 740 000</b>	<b>84 765 975</b>	<b>84 765 975</b>	<b>18 099 086</b>	<b>(66 666 889)</b>	<b>21.35</b>	<b>22.07</b>
<b>FUNDED BY:</b>								
National Government	82 025 975	2 740 000	84 765 975	84 765 975	18 099 086	(66 666 889)	21.35	22.07
<b>Transfers Recognised - Capital</b>	<b>82 025 975</b>	<b>2 740 000</b>	<b>84 765 975</b>	<b>84 765 975</b>	<b>18 099 086</b>	<b>(66 666 889)</b>	<b>21.35</b>	<b>22.07</b>
<b>Total Capital Funding</b>	<b>82 025 975</b>	<b>2 740 000</b>	<b>84 765 975</b>	<b>84 765 975</b>	<b>18 099 086</b>	<b>(66 666 889)</b>	<b>21.35</b>	<b>22.07</b>



**APPENDIX F**  
**KOUGA MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below Yes / No	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
Equitable Share	Nat Treasury	22 067 000	16 221 000	14 212 000	0	22 067 000	16 221 000	14 212 000	0	N/A	1 163 000	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	1 550 000	0	0	0	221 538	473 553	263 205	591 704	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	9 309 000	0	15 000 000	0	436 432	3 477 645	2 439 170	7 729 213	N/A	N/A	4 000 000	N/A	N/A	Yes	N/A
DME Projects	DME	2 000 000	2 200 000	2 740 000	0	0	1 810 225	772 252	3 366 740	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	890 000	0	0	0	94 964	346 063	213 513	235 460	N/A	N/A	N/A	N/A	N/A	Yes	N/A
EPWP Incentive Grant	Province	532 000	399 000	399 000	0	370 192	382 077	392 799	184 932	N/A	N/A	N/A	N/A	N/A	Yes	N/A
<b>Total Grants and Subsidies Received</b>		<b>36 348 000</b>	<b>18 820 000</b>	<b>32 351 000</b>	<b>0</b>	<b>23 190 126</b>	<b>22 710 563</b>	<b>18 292 939</b>	<b>12 108 049</b>	<b>0</b>	<b>1 163 000</b>	<b>4 000 000</b>	<b>0</b>			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																