



**ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2015**

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## **GENERAL INFORMATION**

### **MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2015**

D Kettleidas	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

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

### **ACTING CHIEF FINANCIAL OFFICER**

Mr. S Abrahams

## **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:

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 2015**

**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 2015.

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 2014/15 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

**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	2015	2014
Surplus / (Deficit) before Appropriations	93 346 851	(50 859 546)
Surplus / (Deficit) at the end of the Year	2 269 353 357	2 176 006 506
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	37.04%	35.32%
Remuneration of Councillors	1.70%	1.53%
Collection Costs	0.00%	0.01%
Depreciation and Amortisation	14.24%	13.58%
Impairment Losses	2.36%	5.63%
Repairs and Maintenance	4.60%	3.81%
Interest Paid	1.34%	2.27%
Bulk Purchases	29.64%	28.66%
Contracted Services	0.00%	0.00%
Grants and Subsidies Paid	0.00%	0.00%
General Expenses	9.08%	9.21%
Current Ratio:		
Trade Creditors Days	96	114
Debtors from Exchange Transactions Days	53	66

## 2.2 Performance Indicators:

INDICATOR	2015	2014
<b>Financial Position</b>		
Debtors Management:		
Outstanding Debtors to Revenue	12.51%	12.19%
Outstanding Service Debtors to Revenue	17.54%	14.58%
Liquidity Management:		
Liquidity Ratio	0.26	0.16
Liability Management:		
Capital Cost as percentage of Own Revenue	5.21%	6.50%
Borrowed Funding as percentage of Own Capital Expenditure	0.00%	0.00%
Borrowing as percentage of Total Capital Assets	2.03%	2.21%
Safety of Capital:		
Gearing	2.19%	2.46%
Financial Viability:		
Debt Coverage	24.61	25.51
Cost Coverage	0.07	0.06
<b>Financial Performance</b>		
Expenditure Management:		
Creditors to Cash and Investments	194.52%	292.40%
Capital Expenditure on Infrastructure to Total Capital Expenditure	96.95%	0.00%

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 2015 are as follows:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	2 176 006 506	2 226 866 052	(2.28)	-	100.00
Operating income for the year	668 701 359	538 364 595	24.21	644 660 145	3.73
Appropriations for the year	-	0	(100.00)	-	-
	2 844 707 866	2 765 230 647	2.87	644 660 145	341.27
<b>Expenditure:</b>					
Operating expenditure for the year	575 354 508	589 224 141	(2.35)	677 821 451	(15.12)
Sundry transfers	-	-	-	-	-
Closing surplus / (deficit)	2 269 353 357	2 176 006 506	4.29	(33 161 306)	(6 943.38)
	2 844 707 866	2 765 230 647	2.87	644 660 145	341.27

### 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 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	243 419 505	236 867 912	2.77	283 491 944	(14.14)
Expenditure	302 198 657	316 163 963	(4.42)	334 878 066	(9.76)
Surplus / (Deficit)	(58 779 152)	(79 296 051)	(25.87)	(51 386 122)	14.39
Surplus / (Deficit) as % of total income	(24.15)%	(33.48)%		(18.13)%	

### 3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	-	-	-	-	-
Expenditure	3 655 622	3 562 336	2.62	3 703 761	(1.30)
Surplus / (Deficit)	(3 655 622)	(3 562 336)	2.62	(3 703 761)	(1.30)
Surplus / (Deficit) as % of total income	(100.00)%	(100.00)%		(100.00)%	

### 3.3 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 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	103 689 398	66 011 958	57.08	90 717 128	14.30
Expenditure	55 032 856	59 597 764	(7.66)	62 670 414	(12.19)
Surplus / (Deficit)	48 656 541	6 414 194	658.58	28 046 714	73.48
Surplus / (Deficit) as % of total income	46.93%	9.72%		30.92%	

### 3.4 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 641 312 (2014: R154 344 846). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	193 831 290	193 764 697	0.03	218 718 890	(11.38)
Expenditure	179 016 903	175 907 433	1.77	219 479 322	(18.44)
Surplus / (Deficit)	14 814 387	17 857 264	(17.04)	(760 432)	(2 048.16)
Surplus / (Deficit) as % of total income	7.64%	9.22%		(0.35)%	



### 3.5 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 R15 886 751 (2014: R14 501 714 ). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	127 761 167	41 720 027	206.23	51 732 184	146.97
Expenditure	35 450 470	33 992 644	4.29	57 089 889	(37.90)
Surplus / (Deficit)	92 310 697	7 727 383	1 094.59	(5 357 705)	(1 822.95)
Surplus / (Deficit) as % of total income	72.25%	18.52%		(10.36)%	

### 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R117 359 852 (2013/14: R53 535 972). Full details of Assets are disclosed in Notes 9, 10, 11, N/A and Appendices "B, C and E (4)" to the Annual Financial Statements.

Capital Assets are funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

## 5. RECONCILIATION OF BUDGET TO ACTUAL

### 5.1 Operating Budget:

DETAILS	2015	2014
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(33 161 306)	10 941 719
Revenue variances	24 041 214	(103 248 715)
Expenditure variances:		
Employee Related Costs	703 178	(12 306 972)
Remuneration of Councillors	72 673	155 348
Collection Costs	-	(31 679)
Depreciation and Amortisation	413 430	(8 858 184)
Impairment Losses	36 091 214	9 861 988
Repairs and Maintenance	20 043 563	19 590 865
Interest Paid	15 329 974	(3 032 506)
Bulk Purchases	20 182 517	8 366 939
Contracted Services	-	90 000
Grants and Subsidies Paid	-	14 697 667
General Expenses	9 630 394	12 913 985
Loss on disposal of Property, Plant and Equipment	-	-
Actual surplus before appropriations	93 346 851	(50 859 546)

DETAILS	2015	2014
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(33 161 306)	14 259 811
Executive and Council	17 755 521	472 529
Budget and Treasury Office	737 715	(47 285 464)
Planning and Development	1 371 067	1 162 095
Health	-	-
Community and Social Services	(1 235 211)	1 446 773
Housing	48 139	1 083 962
Public Safety	(6 963 390)	(96 137)
Sport and Recreation	(7 141 606)	1 158 893
Environmental Protection	(1 146 363)	4 198 614
Waste Management	20 609 827	(11 935 956)
Roads and Transport	(5 803 259)	(8 133 555)
Water	97 668 401	(525 459)
Electricity	15 574 819	6 864 966
Other	(4 967 503)	(13 530 621)
Revenue Foregone	-	-
Actual surplus before appropriations	93 346 851	(50 859 546)

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)".

## 6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2015 amounted to R2 269 353 357 (30 June 2014: R2 176 006 506) and is made up as follows:

Accumulated Surplus	<u>2 269 353 357</u>
	<u><u>2 269 353 357</u></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 23 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 2015 was R49 705 810 (30 June 2014: R53 442 524).

Loans to the amount of R0 (2013/14: R0) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 20 and Appendix "A" for more detail.

## 8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R73 577 000 as at 30 June 2015 (30 June 2014: R67 329 000) and is made up as follows:

Post-retirement Health Care Benefits Liability	72 740 000
Long Service Awards Liability	-
	<u><u>72 740 000</u></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.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 21 for more detail.

## 9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R37 578 057 as at 30 June 2015 (30 June 2014: R37 205 801) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	25 947 857
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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 22 for more detail.

## 10. CURRENT LIABILITIES

Current Liabilities amounted R141 993 307 as at 30 June 2015 (30 June 2014: R181 841 155) and is made up as follows:

Consumer Deposits	Note 13	8 592 611
Provisions	Note 14	30 148 388
Payables from Exchange Transactions	Note 15	72 767 272
Payables from Non-exchange Transactions	Note 16	13 368 006
Unspent Conditional Grants and Receipts	Note 17	5 888 767
Current Portion of Long-term Liabilities	Note 20	<u>11 228 264</u>
		<u>141 993 307</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 391 034 848 as at 30 June 2015 (30 June 2014: R2 358 104 589).

Refer to Note 9 and Appendices "B, C and E (4)" for more detail.

## 12. INTANGIBLE ASSETS

The net value of Intangible Assets were R183 165 as at 30 June 2015 (30 June 2014: R171 608).

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 10 and Appendix "B" for more detail.

## 13. INVESTMENT PROPERTY

The net value of Investment Properties were R61 823 970 as at 30 June 2015 (30 June 2014: R62 294 190).

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 11 and Appendix "B" for more detail.

## 14. LONG-TERM RECEIVABLES

Long-term Receivables of R170 601 at 30 June 2015 (30 June 2014: R188 060) is made up as follows:

Debtors Capitalised Loans	<u>209 060</u>
	505 892
Less: Short-term portion included in Current Assets	<u>38 459</u>
	<u>467 433</u>

The decrease in the amount for Long-term Receivables is due to the increased amount in the short-term portion due to agreements expiring in the year 2014/15.

Refer to Note 12 for more detail.

## 15. CURRENT ASSETS

Current Assets amounted R118 994 948 as at 30 June 2015 (30 June 2014: R95 066 539) and is made up as follows:

Inventories	Note 2	4 317 025
Receivables from Exchange Transactions	Note 3	43 578 518
Receivables from Non-exchange Transactions	Note 4	32 699 155
VAT Receivable	Note 5	734 061
Cash and Cash Equivalents	Note 6	37 409 220
Operating Lease Assets	Note 7	249 227
Current Portion of Long-term Debtors	Note 12	7 742
		<u>118 994 948</u>

Refer to the indicated Notes for more detail.

## 16. 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 17 and 27, and Appendix "F" for more detail.

## 17. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 57.

## 18. 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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**ACTING CHIEF FINANCIAL OFFICER**

31 August 2015

**KOUGA MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

	Note	Actual	
		2015 R	2014 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>118 994 948</b>	<b>95 066 539</b>
Inventories	2	4 317 025	4 321 092
Receivables from Exchange Transactions	3	43 578 518	52 941 790
Receivables from Non-exchange Transactions	4	32 699 155	8 835 858
VAT Receivable	5	734 061	-
Cash and Cash Equivalents	6	37 409 220	28 750 758
Operating Lease Receivables	7	249 227	196 039
Current Portion of Long-term Receivables	8	7 742	21 000
<b>Non-Current Assets</b>		<b>2 453 212 583</b>	<b>2 420 758 447</b>
Property, Plant and Equipment	9	2 391 034 848	2 358 104 589
Intangible Assets	10	183 165	171 608
Investment Property	11	61 823 970	62 294 190
Long-term Receivables	12	170 601	188 060
<b>Total Assets</b>		<b>2 572 207 532</b>	<b>2 515 824 986</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>141 993 307</b>	<b>181 841 155</b>
Consumer Deposits	13	8 592 611	8 383 685
Provisions	14	30 148 388	31 465 926
Payables from Exchange Transactions	15	72 767 272	84 065 973
Payables from Non-exchange Transactions	16	13 368 006	11 758 871
Unspent Conditional Grants and Receipts	17	5 888 767	19 219 120
VAT Payable	18	-	3 019 701
Current Portion of Long-term Liabilities	20	11 228 264	23 927 878
<b>Non-Current Liabilities</b>		<b>160 860 867</b>	<b>157 977 325</b>
Long-term Liabilities	20	49 705 810	53 442 524
Employee Benefit Liabilities	21	73 577 000	67 329 000
Non-current Provisions	22	37 578 057	37 205 801
<b>Total Liabilities</b>		<b>302 854 174</b>	<b>339 818 480</b>
<b>Total Assets and Liabilities</b>		<b>2 269 353 357</b>	<b>2 176 006 506</b>
<b>NET ASSETS</b>		<b>2 269 353 357</b>	<b>2 176 006 506</b>
Accumulated Surplus	23	2 269 353 357	2 176 006 506
<b>Total Net Assets</b>		<b>2 269 353 357</b>	<b>2 176 006 506</b>

# KOUGA MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Note	Actual	
		2015	2014
		R	Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	24	128 579 927	128 562 770
Fines	25	1 736 819	357 247
Licences and Permits	26	6 499 352	7 847 710
Government Grants and Subsidies Received	27	204 507 263	85 915 627
Public Contributions and Donations	28	-	57 030
<b>Revenue from Exchange Transactions</b>			
Service Charges	29	301 082 882	291 218 688
Rental of Facilities and Equipment	30	1 394 697	276 049
Interest Earned - External Investments	31	2 429 512	1 709 388
Interest Earned - Outstanding Debtors	31	3 925 942	3 841 248
Other Revenue	32	18 408 304	17 491 840
Gains on Disposal of Property, Plant and Equipment	42	136 661	1 086 999
<b>Total Revenue</b>		<b>668 701 359</b>	<b>538 364 595</b>
<b>EXPENDITURE</b>			
Employee Related Costs	33	213 093 086	208 085 170
Remuneration of Councillors	34	9 756 717	9 025 077
Collection Costs	35	-	31 679
Depreciation and Amortisation	36	81 944 404	80 000 315
Impairment Losses	37	13 591 967	33 194 968
Repairs and Maintenance	38	26 481 295	22 431 053
Finance Costs	39	7 726 443	13 356 400
Bulk Purchases	40	170 528 063	168 846 561
General Expenses	41	52 232 534	54 252 919
<b>Total Expenditure</b>		<b>575 354 508</b>	<b>589 224 141</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>93 346 851</b>	<b>(50 859 546)</b>

**KOUGA MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015**

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
<b>2014</b>		
Balance at 30 June 2013	2 226 996 883	2 226 996 883
Correction of Error (Note 43)	(130 831)	(130 831)
<b>Restated Balance at 30 June 2013</b>	<b>2 226 866 052</b>	<b>2 226 866 052</b>
	-	-
Restated Deficit for the year	(50 859 546)	(50 859 546)
<b>Balance at 30 June 2014</b>	<b>2 176 006 506</b>	<b>2 176 006 506</b>
<b>2015</b>		
Surplus for the year	93 346 851	93 346 851
<b>Balance at 30 June 2015</b>	<b>2 269 353 357</b>	<b>2 269 353 357</b>



**KOUGA MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

	Note	Actual	
		2015 R	2014 Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	24	119 781 655	118 164 129
Government Grant and Subsidies	27	191 176 911	95 677 714
Public Contributions and Donations	28	-	57 030
Service Charges	29	301 659 586	273 096 934
Interest Received	31	2 429 512	1 709 388
Other Receipts	32	16 335 025	40 404 580
<b>Payments</b>			
Employee Related Costs	33	(206 757 137)	(208 559 096)
Remuneration of Councillors	34	(9 756 717)	(9 025 077)
Interest Paid	39	(7 726 443)	(13 356 400)
Suppliers Paid		(214 461 180)	(177 566 306)
Other Payments	41	(50 286 144)	(41 153 080)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>142 395 069</b>	<b>79 449 815</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(117 359 852)	(53 535 972)
Purchase of Intangible Assets	10	(94 546)	(97 712)
Purchase of Investment Property	11	-	(538 000)
Proceeds on Disposal of Property, Plant and Equipment	42	136 661	1 086 999
Decrease / (Increase) in Long-term Receivables	12	17 459	22 238
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(117 300 278)</b>	<b>(53 062 447)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings	20	(16 436 328)	(16 027 926)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(16 436 328)</b>	<b>(16 027 926)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>8 658 462</b>	<b>10 359 442</b>
		0.00	0.00
Cash and Cash Equivalents at Beginning of Period		28 750 758	18 391 316
Cash and Cash Equivalents at End of Period	6	37 409 220	28 750 758

## KOUGA MUNICIPALITY

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2015

Description	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>FINANCIAL POSITION</b>								
<b>Current Assets</b>								
Inventories	3 684 198	-	3 684 198	3 684 198	4 317 025	632 827	117.18	117.18
Receivables from Exchange Transactions	64 525 274	-	64 525 274	64 525 274	43 578 518	(20 946 756)	67.54	67.54
Receivables from Non-exchange Transactions	214 597 854	-	214 597 854	214 597 854	32 699 155	(181 898 699)	15.24	15.24
VAT Receivable	-	-	-	-	734 061	734 061	0.00	0.00
Cash and Cash Equivalents	22 081 730	-	22 081 730	22 081 730	37 409 220	15 327 491	169.41	169.41
Operating Lease Receivables	-	-	-	-	249 227	249 227	0.00	0.00
Current Portion of Long-term Receivables	-	-	-	-	7 742	7 742	0.00	0.00
<b>Non-Current Assets</b>								
Property, Plant and Equipment	2 738 272 898	10 965 124	2 749 238 022	2 749 238 022	2 391 034 848	(358 203 174)	86.97	87.32
Intangible Assets	68 824	-	68 824	68 824	183 165	114 341	266.13	266.13
Investment Property	63 664 296	-	63 664 296	63 664 296	61 823 970	(1 840 326)	97.11	97.11
Long-term Receivables	199 377	-	199 377	199 377	170 601	(28 776)	85.57	85.57
<b>Total Assets</b>	<b>3 107 094 450</b>	<b>10 965 124</b>	<b>3 118 059 574</b>	<b>3 118 059 574</b>	<b>2 572 207 532</b>	<b>(545 852 043)</b>	<b>82.49</b>	<b>82.78</b>
<b>Current Liabilities</b>								
Consumer Deposits	12 104 576	-	12 104 576	12 104 576	8 592 611	(3 511 965)	70.99	70.99
Provisions	23 186 791	-	23 186 791	23 186 791	30 148 388	6 961 596	130.02	130.02
Payables from Exchange Transactions	108 126 207	-	108 126 207	108 126 207	72 767 272	(35 358 935)	67.30	67.30
Payables from Non-exchange Transactions	-	-	-	-	13 368 006	13 368 006	0.00	0.00
Unspent Conditional Grants and Receipts	33 340 000	(33 340 000)	-	-	5 888 767	5 888 767	0.00	17.66
Current Portion of Long-term Liabilities	53 718 782	-	53 718 782	53 718 782	11 228 264	(42 490 519)	20.90	20.90
<b>Non-Current Liabilities</b>								
Retirement Benefit Liabilities	80 064 956	-	80 064 956	80 064 956	73 577 000	(6 487 956)	91.90	91.90
Non-current Provisions	21 882 652	-	21 882 652	21 882 652	37 578 057	15 695 406	171.73	171.73
<b>Total Liabilities</b>	<b>362 675 284</b>	<b>(33 340 000)</b>	<b>329 335 284</b>	<b>329 335 284</b>	<b>302 854 174</b>	<b>(26 481 110)</b>	<b>91.96</b>	<b>83.51</b>
<b>Total Assets and Liabilities</b>	<b>2 744 419 166</b>	<b>44 305 124</b>	<b>2 788 724 290</b>	<b>2 788 724 290</b>	<b>2 269 353 357</b>	<b>(519 370 933)</b>	<b>81.38</b>	<b>82.69</b>
<b>Net Assets (Equity)</b>								
Accumulated Surplus / (Deficit)	2 744 419 166	44 305 124	2 788 724 290	2 788 724 290	2 269 353 357	(519 370 933)	81.38	82.69
<b>Total Net Assets</b>	<b>2 744 419 166</b>	<b>44 305 124</b>	<b>2 788 724 290</b>	<b>2 788 724 290</b>	<b>2 269 353 357</b>	<b>(519 370 933)</b>	<b>81.38</b>	<b>82.69</b>
	0		0	0	(0)	(0)		

**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:

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 Inventories:

Increase in Major Spare Parts kept in stores emergency purposes, not budgeted for.

Receivables from Exchange Transactions:

Increase in Provision for Bad Debts, due to decline in recovery of Debtors, not budgeted for.

Receivables from Non-exchange Transactions:

Over budgeted for Assesment Rates Debtors, budget error.

VAT Receivable:

Claims for Input VAT not yet paid by SARS.

Cash and Cash Equivalents:

Capital expenditure budgeted for, not realised.

Operating Lease Receivables:

Did not budget for Lease Receivables.

Current Portion of Long-term Receivables:

Did not budget for Arrangement Debtors.

Property, Plant and Equipment:

Capital expenditure budgeted for, not realised.

Intangible Assets:

Under budgeted for current year Capital Expenditure.

Long-term Receivables:

Over budgeted for Arrangement Debtors.

Consumer Deposits:

Over budgeted for Water & Electricity deposits.

Provisions:

Under budgeted for Employee Benefits.

Payables from Exchange Transactions:

Over budgeted for Payables from Exchange Transactions.

Payables from Non-exchange Transactions:

Did not budget for Payables from Non-exchange Transactions.

Unspent Conditional Grants and Receipts:

Did not budget for Roll-over Projects funded from Grants.

Current Portion of Long-term Liabilities:

Over budgeted for Current Portion of Long-Term Liabilities

Non-current Provisions:

Under budgeted for Provision for Non-current Provisions.

Accumulated Surplus / (Deficit):

Over budgeted for Accumulated Surplus.

Description	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>FINANCIAL PERFORMANCE</b>								
<b>Revenue from Non-exchange Transactions</b>								
Property Rates	138 420 009	1 320 385	139 740 394	139 740 394	128 579 927	(11 160 467)	92.01	92.89
Fines	8 094 550	87 772	8 182 323	8 182 323	1 736 819	(6 445 504)	21.23	21.46
Licences and Permits	9 116 150	106 174	9 222 323	9 222 323	6 499 352	(2 722 972)	70.47	71.29
Government Grants and Subsidies Received	113 973 519	7 554 937	121 528 456	121 528 456	81 918 304	(39 610 152)	67.41	71.87
<b>Revenue from Exchange Transactions</b>								
Service Charges	330 465 811	4 356 435	334 822 246	334 822 246	301 082 882	(33 739 364)	89.92	91.11
Rental of Facilities and Equipment	879 086	263 183	1 142 270	1 142 270	1 394 697	252 428	122.10	158.65
Interest Earned - External Investments	886 487	704 122	1 590 608	1 590 608	2 429 512	838 904	152.74	274.06
Interest Earned - Outstanding Debtors	7 254 327	(1 361 892)	5 892 435	5 892 435	3 925 942	(1 966 492)	66.63	54.12
Other Income	22 836 702	(297 612)	22 539 090	22 539 090	18 408 304	(4 130 786)	81.67	80.61
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	136 661	136 661	0.00	0.00
<b>Total Revenue</b>	<b>631 926 640</b>	<b>12 733 505</b>	<b>644 660 145</b>	<b>644 660 145</b>	<b>546 112 401</b>	<b>(98 547 745)</b>	<b>84.71</b>	<b>86.42</b>
<b>Expenditure</b>								
Employee Related Costs	206 451 718	(7 071 637)	199 380 081	213 796 264	213 093 086	(703 178)	99.67	103.22
Remuneration of Councillors	9 045 580	123 810	9 169 390	9 829 390	9 756 717	(72 673)	99.26	107.86
Depreciation and Amortisation	80 357 832	2	80 357 834	82 357 834	81 944 404	(413 430)	99.50	101.97
Impairment Losses	49 683 181	(0)	49 683 181	49 683 181	13 591 967	(36 091 214)	27.36	27.36
Repairs and Maintenance	44 597 991	1 926 867	46 524 857	46 524 857	26 481 295	(20 043 563)	56.92	59.38
Finance Costs	23 494 001	(437 585)	23 056 417	23 056 417	7 726 443	(15 329 974)	33.51	32.89
Bulk Purchases	190 710 580	-	190 710 580	190 710 580	170 528 063	(20 182 517)	89.42	89.42
General Expenses	71 676 663	7 260 698	78 937 360	61 862 928	52 232 534	(9 630 394)	84.43	72.87
<b>Total Expenditure</b>	<b>676 057 547</b>	<b>1 763 904</b>	<b>677 821 451</b>	<b>677 821 451</b>	<b>575 354 508</b>	<b>(102 466 943)</b>	<b>84.88</b>	<b>85.10</b>
<b>Surplus/(Deficit for the Year)</b>	<b>(44 130 906)</b>	<b>10 969 601</b>	<b>(33 161 306)</b>	<b>(33 161 306)</b>	<b>93 346 851</b>	<b>126 508 157</b>	<b>-</b>	<b>-</b>

**Financial Performance: 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 Performance are explained below:

Fines:

Budgeted for Fines paid, and not accrued for in terms of GRAP 23.

Licences and Permits:

Over budgeted for Licences and Permits.

Government Grants and Subsidies Received:

Capital Transfers for housing infrastructure, not budgeted for.

Rental of Facilities and Equipment:

Rental for Sport and Community Hall under budgeted for.

Interest Earned - External Investments:

Interest Earned exceeded the budgetary expectations due to funds not spent.

Interest Earned - Outstanding Debtors:

Over budgeted for interest Earned - Outstanding Debtors

Other Income:

Other Income received exceeded budgetary expectations.

Gains on Disposal of Property, Plant and Equipment:

Did not budget for Gains on Disposal of Property, Plant and Equipment

Impairment Losses:

Over budgeted for Impairment Losses on Receivables.

Repairs and Maintenance:

Repairs & Maintenance budget was under spent due to the lack of Maintenance Plans.

Finance Costs:

The budget included the Capital Repayment of Long-Term Liabilities

General Expenses :

Over budgeted for General Expenses.

Description	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 PER FUNCTION</b>								
Executive and Council	-	121 400	121 400	121 400	35 918	(85 482)	29.59	0.00
Budget and Treasury Office	-	152 726	152 726	152 726	124 309	(28 417)	81.39	0.00
Corporate Services	-	103 000	103 000	103 000	5 945 896	5 842 896	5 772.71	0.00
Community and Social Services	1 800 000	65 500	1 865 500	1 865 500	45 795	(1 819 705)	2.45	2.54
Sport and Recreation	4 251 060	3 169 406	7 420 466	7 420 466	6 157 054	(1 263 412)	82.97	144.84
Public Safety	-	60 000	60 000	60 000	311 298	251 298	518.83	0.00
Housing	-	45 240	45 240	45 240	29 941	(15 299)	66.18	0.00
Planning and Development	1 417 020	(822 860)	594 160	594 160	352 720	(241 440)	59.36	24.89
Environmental Protection	1 091 000	20 000	1 111 000	1 111 000	15 604	(1 095 396)	1.40	1.43
Electricity	5 000 000	(941 437)	4 058 563	4 058 563	346 908	(3 711 655)	8.55	6.94
Water	-	-	-	-	30 007 619	30 007 619	0.00	0.00
Waste Water Management	22 672 320	8 992 154	31 664 474	31 664 474	70 510 731	38 846 257	222.68	311.00
<b>Total Capital Expenditure</b>	<b>36 231 400</b>	<b>10 965 129</b>	<b>47 196 529</b>	<b>47 196 529</b>	<b>113 883 793</b>	<b>66 687 264</b>	<b>241.30</b>	<b>314.32</b>

**Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:

Savings realised on capital items budgeted for and not purchased.

Budget and Treasury Office:

Savings realised on capital items budgeted for and not purchased.

Corporate Services:

Finance Lease Assets recognized.

Community and Social Services:

Savings realised on capital items budgeted for and not purchased.

Sport and Recreation:

MIG Projects not finalised.

Public Safety:

Fire Equipment, not budgeted for.

Housing:

Savings realised on capital items budgeted for and not purchased.

Planning and Development:

Savings realised on capital items budgeted for and not purchased.

Roads and Transport:

Savings realised on capital items budgeted for and not purchased.

Environmental Protection:

Savings realised on capital items budgeted for and not procured.

Electricity:

Capital Expenditure - Work-In-Progress.

Water:

Department of Human Settlement Housing Infrastructure Projects.

Waste Water Management:

Department of Human Settlement Housing Infrastructure Projects.

Description	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>CASH FLOW</b>								
<b>Cash Flows from/(used in) Operating Activities</b>								
Property Rates	111 366 645	120 710	111 487 354	111 487 354	119 781 655	8 294 300	107.44	107.56
Grants	121 187 199	9 235 323	130 422 522	130 422 522	191 176 911	60 754 389	146.58	157.75
Service Charges	335 711 877	3 305 445	339 017 322	339 017 322	301 659 586	(37 357 736)	88.98	89.86
Interest Received	8 140 814	(657 769)	7 483 045	7 483 045	2 429 512	(5 053 533)	32.47	29.84
Other Receipts	26 314 602	71 480	26 386 082	26 386 082	16 335 025	(10 051 057)	61.91	62.08
Employee Related Costs	(202 775 420)	1 325 186	(201 450 233)	(201 450 233)	(206 757 137)	(5 306 904)	0.00	0.00
Remuneration of Councillors	(10 911 420)	(47 740)	(10 959 160)	(10 959 160)	(9 756 717)	1 202 443	0.00	0.00
Interest Paid	(18 333 271)	(368 941)	(18 702 212)	(18 702 212)	(7 726 443)	10 975 769	0.00	0.00
Suppliers Paid	-	-	-	-	(214 461 180)	(214 461 180)	0.00	0.00
Other Payments	(334 474 100)	(2 018 571)	(336 492 671)	(336 492 671)	(50 286 144)	286 206 527	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>								
Purchase of Property, Plant and Equipment	(36 231 400)	(10 965 124)	(47 196 524)	(47 196 524)	(117 359 852)	(70 163 328)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(94 546)	(94 546)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	136 661	136 661	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	17 459	17 459	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>								
Loans repaid	-	-	-	-	(16 436 328)	(16 436 328)	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>(4 474)</b>	<b>0</b>	<b>(4 474)</b>	<b>(4 474)</b>	<b>8 658 462</b>	<b>8 662 936</b>	<b>0.00</b>	<b>0.00</b>

**Cash Flow: 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 Cash Flow Statement are explained below:

Property Rates

Property Rates cash inflow exceeded the budgetary expectations.

Grants

Department of Human Settlement funding for housing infrastructure projects.

Service Charges

Collection is largely based on current accounts.

Interest Received

Interest Earned low due to non-payment of Outstanding Consumer Debt

Other Receipts

Over budget for Other Receipts.

Interest Paid

Interest Paid was negotiated with relevant banks for the Long-Term Liabilities

Suppliers Paid

Budget for Suppliers Paid included in Other Payments.

Other Payments

It was not budgeted for the effect of changes in outstanding payables.

Purchase of Property, Plant and Equipment:

Department of Human Settlement funding for housing infrastructure projects.

Purchase of Intangible Assets:

Budget not aligned to GRAP requirements - Purchase of Intangible Assets included in Purchase of Property, Plant and Equipment above.

Proceeds on Disposal of Property, Plant and Equipment:

Insurance claims for lost assets

Decrease / (Increase) in Long-term Receivables:

Did not budget for the change in Long-term Receivables.

Loans repaid:

Budget omitted.



# KOUGA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 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 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. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values 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:

##### 1.2.1 Revenue Recognition

Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 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*). 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 8.1 on Financial Assets Classification and Accounting Policy 8.2 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*).

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1.2.3 Impairment of Financial Assets

Accounting Policy 8.4 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 creditworthiness. 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, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 3, 4 and 12 to the Annual Financial Statements.

#### 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.

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

Accounting Policy 7 on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 9.2 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 9.2.2.

#### 1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.2, 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.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 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.

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes.

Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions is included in note 14 & 22.

#### 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.

#### 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.

#### 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 March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor
- 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
- IGRAP 17 Service Concession Arrangements where a Grantor controls a significant Residual Interest in an Asset

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

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.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

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.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 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.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

##### 2.1.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

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

##### 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.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 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.

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, deemed cost, being the fair value of the asset on initial recognition. 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, 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.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued 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>Community</b>	
	Improvements	5 - 100		Community Facilities	20 - 30
				Recreational Facilities	20 - 30
	<b>Infrastructure</b>			<b>Other</b>	
	Electricity	4 - 80		Computer Equipment	3 - 10
	Roads and Paving	5 - 60		Emergency Equipment	5 - 10
	Sanitation	7 - 55		Furniture and Fittings	5 - 15
	Sewerage / Solid Waste	4 - 80		Motor Vehicles	5 - 10
	Water	5 - 100		Office Equipment	5 - 15
				Plant and Equipment	4 - 15
				Specialist Vehicles	10 - 20
				Other Assets	15 - 20

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.

#### 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 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

#### 3.8 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 or disposal.

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 are not classified as revenue.

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.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 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 bring 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. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) 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.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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			

Intangible Assets are annually tested for impairment as described in Accounting Policy 7 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.

#### 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.

The cost of self-constructed Investment Property is the cost at date of completion.

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.



## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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, to their estimated residual value, which is estimated at 5 - 30 years. The residual values of Investment Properties are assumed to be nil. 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.

## **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 also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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 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.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### **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.

#### **6.4 Transitional Provisions**

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement 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 2015

#### **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.

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.

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*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

##### **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.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### **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.
  
- **Financial Assets measured at Cost** are investments in residual interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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 Fair Value
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.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 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 Liability	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
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

**Financial Liabilities that are measured at Fair Value** are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

#### 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, with interest recognised on an *Effective Yield Basis*.

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

###### 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 *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. 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.

Prepayments are carried at cost less any accumulated impairment losses.

#### 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 2015

#### 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 excluding 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.

#### 8.4.2 Financial Assets at Cost

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

#### 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.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 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).

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.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

###### 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 2015

#### 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.

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

##### 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 are recognised 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.



## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 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.

#### 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.

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

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.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 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 2015

#### 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.

##### **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. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The 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.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 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 and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out 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.

##### **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 assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are 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 2015

#### 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. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor, or the lease does not meet the definition of a finance lease, are classified as **Operating Leases**.

##### 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.

###### 13.2.1 Finance Leases

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

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

##### 13.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

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.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 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.

#### 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.

## KOUGA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 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

The municipality changed its Accounting Policy from IPSAS 20 to GRAP 20 with no effect on the financial information previously disclosed.

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 2014 to 30 June 2015.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

2015  
R

2014  
R

**1. GENERAL INFORMATION**

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 Sarah Baartman 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).

**2. INVENTORIES**

Consumable Stores	3 993 354	3 983 118
Water - at cost	342 719	359 103
Less: Provision for obsolete stock	(19 048)	(21 129)
<b>Total Inventories</b>	<b>4 317 025</b>	<b>4 321 092</b>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

No Inventories have been pledged as collateral for Liabilities of the municipality.

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2015</b>			
Service Debtors:	87 936 583	57 283 662	30 652 921
Electricity	33 525 274	10 117 212	23 408 061
Refuse	14 500 682	13 974 974	525 709
Sewerage	12 548 920	10 535 947	2 012 973
Water	27 361 707	22 655 529	4 706 179
Other Receivables	21 239 442	8 313 845	12 925 597
<b>Total Receivables from Exchange Transactions</b>	<b>109 176 025</b>	<b>65 597 507</b>	<b>43 578 518</b>

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2014</b>			
Service Debtors:	82 121 396	39 947 870	42 173 527
Electricity	33 335 077	9 781 176	23 553 901
Refuse	13 491 043	5 832 773	7 658 270
Sewerage	11 290 918	8 193 921	3 096 997
Water	24 004 358	16 140 000	7 864 358
Other Receivables	18 437 741	7 669 477	10 768 264
<b>Total Receivables from Exchange Transactions</b>	<b>100 559 137</b>	<b>47 617 347</b>	<b>52 941 790</b>

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2015, the municipality is owed R 1 812 499 (30 June 2014: R3 015 743) by National and Provincial Government.

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 2015**

2015  
R

2014  
R

**3.1 Ageing of Receivables from Exchange Transactions**

As at 30 June 2015

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	20 093 210	2 427 081	1 170 196	9 834 786	33 525 274
Less: Provision for Impairment					10 117 212
<b>Net Balances</b>	<b>20 093 210</b>	<b>2 427 081</b>	<b>1 170 196</b>	<b>9 834 786</b>	<b>23 408 062</b>
<b>Refuse:</b>					
Gross Balances	170 330	605 207	460 025	13 265 120	14 500 682
Less: Provision for Impairment					13 974 974
<b>Net Balances</b>	<b>170 330</b>	<b>605 207</b>	<b>460 025</b>	<b>13 265 120</b>	<b>525 708</b>
<b>Sewerage:</b>					
Gross Balances	2 693 457	777 362	521 899	8 556 202	12 548 920
Less: Provision for Impairment					10 535 947
<b>Net Balances</b>	<b>2 693 457</b>	<b>777 362</b>	<b>521 899</b>	<b>8 556 202</b>	<b>2 012 973</b>
<b>Water:</b>					
Gross Balances	3 459 439	1 181 797	870 128	21 850 342	27 361 707
Less: Provision for Impairment					22 655 529
<b>Net Balances</b>	<b>3 459 439</b>	<b>1 181 797</b>	<b>870 128</b>	<b>21 850 342</b>	<b>4 706 178</b>
<b>Other Receivables:</b>					
Gross Balances	1 036 952	351 535	262 538	19 588 417	21 239 442
Less: Provision for Impairment					8 313 845
<b>Net Balances</b>	<b>1 036 952</b>	<b>351 535</b>	<b>262 538</b>	<b>19 588 417</b>	<b>12 925 597</b>
		<b>Past Due</b>			<b>Total</b>
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances		5 342 981	3 284 787	73 094 867	81 722 635
<b>Net Balances</b>		<b>5 342 981</b>	<b>3 284 787</b>	<b>73 094 867</b>	<b>16 125 128</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R			2014 R	
<b>As at 30 June 2014</b>					
	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Electricity:</b>					
Gross Balances	4 187 334	1 869 268	1 107 824	26 170 650	33 335 077
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>26 170 650</b>	<b>23 553 901</b>
<b>Refuse:</b>					
Gross Balances	1 694 990	756 661	448 436	10 590 956	13 491 042
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>10 590 956</b>	<b>7 658 269</b>
<b>Sewerage:</b>					
Gross Balances	1 416 716	632 436	374 814	8 866 952	11 290 918
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>8 866 952</b>	<b>3 096 997</b>
<b>Water:</b>					
Gross Balances	3 015 046	1 345 947	797 677	18 845 688	24 004 359
Less: Provision for Impairment					16 140 000
<b>Net Balances</b>	<b>3 015 046</b>	<b>1 345 947</b>	<b>797 677</b>	<b>18 845 688</b>	<b>7 864 359</b>
<b>Other Receivables:</b>					
Gross Balances	2 343 366	1 046 102	619 974	14 428 299	18 437 741
Less: Provision for Impairment					7 669 477
<b>Net Balances</b>	<b>2 343 366</b>	<b>1 046 102</b>	<b>619 974</b>	<b>14 428 299</b>	<b>10 768 264</b>
		<b>Past Due</b>			<b>Total</b>
		<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>					
Gross Balances		5 650 415	3 348 726	78 902 545	87 901 686
<b>Net Balances</b>		<b>5 650 415</b>	<b>3 348 726</b>	<b>78 902 545</b>	<b>87 901 686</b>

**3.2 Summary of Receivables from Exchange Transactions by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2015</b>				
<u>Current:</u>				
0 - 30 days	513 227	6 498 369	283 122	17 208
<u>Past Due:</u>				
31 - 60 Days	1 177 301	1 124 422	104 878	15 731
61 - 90 Days	2 794 180	433 957	36 697	6 944
+ 90 Days	90 382 156	4 642 024	640 333	505 475
Sub-total	94 866 864	12 698 773	1 065 030	545 358
Less: Provision for Impairment	60 196 129	5 075 981		325 397
<b>Total Trade Receivables by Customer Classification</b>	<b>34 670 735</b>	<b>7 622 792</b>	<b>1 065 030</b>	<b>219 961</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R			2014 R
	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	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	55 576 279	4 196 384	15 089 268	4 040 615
Sub-total	<u>70 847 987</u>	<u>5 345 022</u>	<u>19 219 513</u>	<u>5 146 615</u>
Less: Provision for Impairment	39 874 575	3 890 828	-	3 851 943
<b>Total Trade Receivables by Customer Classification</b>	<b><u>30 973 412</u></b>	<b><u>1 454 194</u></b>	<b><u>19 219 513</u></b>	<b><u>1 294 672</u></b>

	2015 R	2014 R
<b>3.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	47 617 347	46 690 429
Impairment Losses recognised	8 786 568	12 950 894
Amounts written off as uncollectable	9 193 592	(12 023 976)
<b>Balance at end of year</b>	<b><u>65 597 507</u></b>	<b><u>47 617 347</u></b>

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.

**3.4 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2015</b>			
Assessment Rates Debtors	33 444 729	16 540 186	16 904 543
Staff Debtors	142 025	-	142 025
Sundry Debtors	15 652 587	-	15 652 587
<b>Total Receivables from Non-exchange Transactions</b>	<b><u>49 239 341</u></b>	<b><u>16 540 186</u></b>	<b><u>32 699 155</u></b>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2014</b>			
Assessment Rates Debtors	35 890 303	27 784 032	8 106 271
Staff Debtors	142 025	-	142 025
Sundry Debtors	587 562	-	587 562
<b>Total Receivables from Non-exchange Transactions</b>	<b><u>36 619 890</u></b>	<b><u>27 784 032</u></b>	<b><u>8 835 858</u></b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

2015  
R                      2014  
R

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

**As at 30 June 2015**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	5 935 483	1 132 446	658 602	25 718 198	33 444 729
Less: Provision for Impairment					16 540 217
<b>Net Balances</b>	<b>5 935 483</b>	<b>1 132 446</b>	<b>658 602</b>	<b>25 718 198</b>	<b>16 904 512</b>

<b>Staff Debtors:</b>					
Gross Balances	142 025	-	-	-	142 025
<b>Net Balances</b>	<b>142 025</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142 025</b>

<b>Sundry Debtors:</b>					
Gross Balances	15 652 587	-	-	-	15 652 587
<b>Net Balances</b>	<b>15 652 587</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 652 587</b>

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

<b>All Receivables:</b>				
Gross Balances	1 132 446	658 602	25 718 198	27 509 246
<b>Net Balances</b>	<b>1 132 446</b>	<b>658 602</b>	<b>25 718 198</b>	<b>27 509 246</b>

**As at 30 June 2014**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	4 508 527	2 012 652	1 192 801	28 176 322	35 890 303
Less: Provision for Impairment					27 784 032
<b>Net Balances</b>	<b>4 508 527</b>	<b>2 012 652</b>	<b>1 192 801</b>	<b>28 176 322</b>	<b>8 106 271</b>

<b>Staff Debtors:</b>					
Gross Balances	142 025	-	-	-	142 025
<b>Net Balances</b>	<b>142 025</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142 025</b>

<b>Sundry Debtors:</b>					
Gross Balances	631 126	-	-	-	631 126
<b>Net Balances</b>	<b>631 126</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>631 126</b>

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

<b>All Receivables:</b>				
Gross Balances	2 012 652	1 192 801	28 176 322	31 381 776
<b>Net Balances</b>	<b>2 012 652</b>	<b>1 192 801</b>	<b>28 176 322</b>	<b>31 381 776</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R		
<b>4.2 Summary of Assessment Rates Debtors 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 2015</b>				
<i>Current:</i>				
0 - 30 days	4 977 739	918 043	315	2 361
<i>Past Due:</i>				
31 - 60 Days	951 609	171 509	317	316
61 - 90 Days	538 916	116 763	320	316
+ 90 Days	<u>21 626 132</u>	<u>3 375 217</u>	<u>743 192</u>	<u>21 666</u>
Sub-total	28 094 396	4 581 531	744 144	24 658
Less: Provision for Impairment	<u>15 448 620</u>	<u>1 077 871</u>	<u>-</u>	<u>13 695</u>
<b>Total Rates Debtors by Customer Classification</b>	<b><u>12 645 777</u></b>	<b><u>3 503 660</u></b>	<b><u>744 144</u></b>	<b><u>10 963</u></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	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	<u>18 279 094</u>	<u>4 069 617</u>	<u>478 778</u>	<u>6 510 233</u>
Sub-total	22 472 745	5 183 556	609 830	7 624 172
Less: Provision for Impairment	<u>17 666 306</u>	<u>5 176 536</u>	<u>-</u>	<u>4 941 191</u>
<b>Total Rates Debtors by Customer Classification</b>	<b><u>4 806 439</u></b>	<b><u>7 020</u></b>	<b><u>609 830</u></b>	<b><u>2 682 981</u></b>

	2015 R	2014 R
<b>4.3 Reconciliation of Provision for Impairment</b>		
Balance at beginning of year	27 784 032	18 127 487
Impairment Losses recognised	-	20 283 950
Amounts written off as uncollectable	(11 243 846)	(10 627 405)
<b>Balance at end of year</b>	<b><u>16 540 186</u></b>	<b><u>27 784 032</u></b>

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

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.

**5. VAT RECEIVABLE**

Vat Receivable	<u><u>734 061</u></u>	<u><u>-</u></u>
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Vat is payable on the receipts 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 2015**

	2015 R	2014 R
<b>6. CASH AND CASH EQUIVALENTS</b>		
Current Investments	36 786 383	27 501 002
Bank Accounts	630 318	1 255 936
Petty Cash	(7 480)	(6 180)
<b>Total Bank, Cash and Cash Equivalents</b>	<b>37 409 220</b>	<b>28 750 758</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.

**6.1 Current Investment Deposits**

Call Deposits	36 786 383	27 501 002
<b>Total Current Investment Deposits</b>	<b>36 786 383</b>	<b>27 501 002</b>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 2,75 % to 5,00 % (2014: 2,5% to 4,75%) per annum.

Fixed Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5,10 % to 5,66 % (2014: 5,00 % to 5,11 %) per annum.

Deposits attributable to Unspent Conditional Grants	34 204 873	25 649 547
Deposits attributable to General Investments	2 581 510	1 851 454
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b>36 786 383</b>	<b>27 501 002</b>

**6.2 Bank Accounts**

Cash in Bank	630 318	1 255 936
<b>Total Bank Accounts</b>	<b>630 318</b>	<b>1 255 936</b>

The Municipality has the following bank accounts:

Cash book balance at beginning of year	1 255 936	(142 750)
Cash book balance at end of year	630 318	1 255 936

**Primary Bank Account**

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

Bank statement balance at beginning of year	156 420	(1 257 280)
Bank statement balance at end of year	945 422	156 420

*First National Bank- Jeffreys Bay Branch- Account number 52540033304*

Bank statement balance at beginning of year	1 059 464	1 082 428
Bank statement balance at end of year	1 544 947	1 059 464

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.

**6.3 Cash and Cash Equivalents**

Cash Floats and Advances	(7 480)	(6 180)
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<b>(7 480)</b>	<b>(6 180)</b>

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.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>7. OPERATING LEASE RECEIVABLES</b>		
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	196 039	126 258
Operating Lease Revenue recorded	53 187	69 782
<b>Total Operating Lease Receivables</b>	<b>249 227</b>	<b>196 039</b>

**7.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 99 (2014: 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.

**7.2 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	304 386	330 846
2 to 5 years	1 101 521	1 142 572
More than 5 years	549 718	813 053
<b>Total Operating Lease Arrangements</b>	<b>1 955 625</b>	<b>2 286 471</b>

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 R53 187 (2014: increase of R69 782) in current year income.

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

Study Cost Loans	7 742	21 000
<b>Total Current Portion of Long-term Receivables</b>	<b>7 742</b>	<b>21 000</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**  
**PROPERTY PLANT AND EQUIPMENT**

9

**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 2014</b>	<b>282 561 279</b>	<b>47 651 304</b>	<b>330 212 582</b>	<b>1 930 547 411</b>	<b>64 927 000</b>	<b>26 728 011</b>	<b>5 689 575</b>	<b>2 358 104 580</b>
Cost	284 265 703	79 710 522	363 976 225	2 562 102 080	64 927 000	60 341 139	38 153 432	3 089 499 876
- Completed Assets	284 265 703	79 710 522	363 976 225	2 505 538 478	64 927 000	60 341 139	38 153 432	3 032 936 274
- Under Construction				56 563 602				56 563 602
Accumulated Depreciation:	(1 704 424)	(32 059 219)	(33 763 643)	(631 554 669)		(33 613 127)	(32 463 857)	(731 395 296)
- Cost	(1 704 424)	(32 059 219)	(33 763 643)	(631 554 669)		(33 613 127)	(32 463 857)	(731 395 296)
Acquisitions				3 626 519		1 050 068	5 859 837	10 536 424
Capital under Construction - Additions:				106 823 428				106 823 428
- Cost								
Capital under Construction - Completed				(3 626 519)				(3 626 519)
- Cost								
Decrease in Revaluation	(2 925 615)		(2 925 615)					(2 925 615)
Depreciation:								
- Based on Cost	(560 187)	(3 469 443)	(4 029 630)	(65 532 524)		(5 259 047)	(6 585 854)	(81 407 056)
Assets derecognised during the year								
Cost						(1 209 968)	(33 026 919)	(34 236 887)
Accumulated Depreciation						1 113 054	33 026 919	34 139 973
								-
<b>Carrying values at 30 June 2015</b>	<b>279 075 476</b>	<b>44 181 861</b>	<b>323 257 337</b>	<b>1 975 464 835</b>	<b>64 927 000</b>	<b>22 422 118</b>	<b>4 963 558</b>	<b>2 391 034 848</b>
Cost	279 635 663	79 710 522	361 050 610	2 672 552 027	64 927 000	60 181 238	10 986 350	3 169 697 225
- Completed Assets	279 635 663	79 710 522	361 050 610	2 509 164 997	64 927 000	60 181 238	10 986 350	3 006 310 195
- Under Construction				163 387 030				163 387 030
Accumulated Depreciation:	(560 187)	(35 528 661)	(37 793 273)	(697 087 193)	-	(37 759 121)	(6 022 792)	(778 662 378)
- Cost	(560 187)	(35 528 661)	(37 793 273)	(697 087 193)		(37 759 121)	(6 022 792)	(778 662 378)
Assets derecognised during year								

**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>283 878 296</b>	<b>51 075 746</b>	<b>334 954 042</b>	<b>1 979 248 037</b>	<b>64 927 000</b>	<b>31 428 908</b>	<b>9 014 806</b>	<b>2 419 572 794</b>
Cost	283 878 296	79 710 522	363 588 818	2 545 447 920	64 927 000	59 369 753	38 153 432	3 071 486 922
- Completed Assets	283 878 296	79 710 522	363 588 818	2 469 628 053	64 927 000	59 369 753	38 153 432	2 995 667 056
- Under Construction				75 819 867				75 819 867
Accumulated Depreciation:	-	(28 634 776)	(28 634 776)	(566 199 883)		(27 940 844)	(29 138 626)	(651 914 128)
- Cost		(28 634 776)	(28 634 776)	(566 199 883)		(27 940 844)	(29 138 626)	(651 914 128)
Acquisitions				16 654 161		971 386		17 625 547
Capital under Construction -Completed				35 910 425				35 910 425
- Cost				(35 910 425)				(35 910 425)
Increases in Revaluation	387 407		387 407					387 407
Depreciation:	(1 704 424)	(3 424 443)	(5 128 867)	(65 354 786)		(5 672 283)	(3 325 231)	(79 481 168)
- Based on Cost	(1 704 424)	(3 424 443)	(5 128 867)	(65 354 786)		(5 672 283)	(3 325 231)	(79 481 168)
								-
<b>Carrying values at 30 June 2014</b>	<b>282 561 279</b>	<b>47 651 304</b>	<b>330 212 582</b>	<b>1 930 547 411</b>	<b>64 927 000</b>	<b>26 728 011</b>	<b>5 689 575</b>	<b>2 358 104 580</b>
Cost	284 265 703	79 710 522	363 976 225	2 562 102 080	64 927 000	60 341 139	38 153 432	3 089 499 876
- Completed Assets	284 265 703	79 710 522	363 976 225	2 505 538 478	64 927 000	60 341 139	38 153 432	3 032 936 274
- Under Construction				56 563 602				56 563 602
Accumulated Depreciation:	(1 704 424)	(32 059 219)	(33 763 643)	(631 554 669)	-	(33 613 127)	(32 463 857)	(731 395 296)
- Cost	(1 704 424)	(32 059 219)	(33 763 643)	(631 554 669)		(33 613 127)	(32 463 857)	(731 395 296)

The net value of Property, Plant and Equipment was R 2 391 034 848 as at 30 June 2015 (30 June 2014: R2 358 104 580)

The Municipality also have a finance lease for Capital Equipment which consist of Office Machines and Plant and Equipment which amounts to R4 963 558 at 30 June 2015 and ( 30 June 2014: R 5 689 575)



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>10 INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>183 165</b>	<b>171 608</b>
The movement in Intangible Assets is reconciled as follows:		
<b>Computer</b>		<b>Total</b>
<b>Software</b>		
<b>Carrying values at 01 July 2014</b>		<b>171 608</b>
Cost		440 371
Work-in-Progress		-
Accumulated Amortisation		(268 763)
Acquisitions:		94 546
Purchased		94 546
Work-in-Progress		-
Amortisation:		(82 989)
Purchased		(82 989)
Internally Developed		-
<b>Carrying values at 30 June 2015</b>		<b>183 165</b>
Cost		534 916
Work-in-Progress		-
Accumulated Amortisation		(351 752)
<b>Computer</b>		<b>Total</b>
<b>Software</b>		
<b>Carrying values at 01 July 2013</b>		<b>122 818</b>
Cost		342 658
Work-in-Progress		-
Accumulated Amortisation		(219 841)
Acquisitions:		97 712
Purchased		97 712
Work-in-Progress		-
Amortisation:		(48 922)
Purchased		(48 922)
Internally Developed		-
<b>Carrying values at 30 June 2014</b>		<b>171 608</b>
Cost		440 371
Work-in-Progress		-
Accumulated Amortisation		(268 763)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 36).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

2015  
R

2014  
R

**10.1 Significant Intangible Assets**

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

**10.2 Intangible Assets with Indefinite Useful Lives**

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

**10.3 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

**11 INVESTMENT PROPERTY**

At Cost less Accumulated Depreciation

**61 823 970**      **62 294 190**

The movement in Investment Property is reconciled as follows:

**Carrying values at 1 July**

**62 294 190**      **62 226 410**

Cost

67 231 500      66 693 500

Accumulated Depreciation

(4 937 310)      (4 467 090)

Acquisitions during the Year

-      538 000

Depreciation during the Year

(470 220)      (470 220)

**Carrying values at 30 June**

**61 823 970**      **62 294 190**

Cost

67 231 500      67 231 500

Accumulated Depreciation

(5 407 530)      (4 937 310)

**Estimated Fair Value of Investment Property at 30 June**

**4 605 000**      **4 605 000**

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.

**11.1 Investment Property carried at Fair Value**

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

**11.2 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 2015**

	2015 R	2014 R
<b>12 LONG-TERM RECEIVABLES</b>		
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>
		<b>Net Balances R</b>
<b>As at 30 June 2015</b>		
Debtors Capitalised Loans	335 291	126 231
	<u>335 291</u>	<u>126 231</u>
Less:		209 060
Recovered		38 459
Current portion transferred to Current Receivables		30 716
		<u>7 742</u>
<b>Total Long-term Receivables</b>		<b><u>170 601</u></b>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>
		<b>Net Balances R</b>
<b>As at 30 June 2014</b>		
Other loans	511 636	126 231
	<u>511 636</u>	<u>126 231</u>
Less:		385 405
Write-off		197 345
Recovered		175 345
Current portion transferred to Current Receivables		1 000
		<u>21 000</u>
<b>Total Long-term Receivables</b>		<b><u>188 060</u></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.

**12.1 Ageing of Long-term Receivables**

Current:

0 - 30 days

Past Due:

+ 120 Days

**Total**

-	-
304 575	335 291
<u>304 575</u>	<u>335 291</u>

As at 30 June Long-term Receivables of R304 575 (2014: R335 291) were past due but not impaired. No terms for payment have been re-negotiated. The age analysis of these Long-term Receivables is as follows:

**12.2 Reconciliation of the Provision for Impairment**

Balance at beginning of year	126 231	166 107
Contributions to the provision	126 231	126 231
Debt impairment written off against provision	(126 231)	(166 107)
<b>Balance at end of year</b>	<b><u>126 231</u></b>	<b><u>126 231</u></b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>13 CONSUMER DEPOSITS</b>		
Electricity and Water	8 592 611	8 383 685
<b>Total Consumer Deposits</b>	<b>8 592 611</b>	<b>8 383 685</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.

**14 PROVISIONS**

Performance Bonuses	817 022	765 073
Leave Provisions	12 133 593	12 284 276
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 21)	2 314 000	1 972 000
Current Portion of Long-term Service Liability (See Note 21)	1 837 000	2 143 000
Current Portion of Ex-Gratia Pension Liability (See Note 21)	75 000	35 000
Current Portion of Non-Current Provisions (See Note 22):	12 971 773	14 266 577
Environmental Cleanup	795 852	2 135 512
Rehabilitation of Land-fill Sites	12 175 921	12 131 065
<b>Total Provisions</b>	<b>30 148 388</b>	<b>31 465 926</b>

**Performance Bonuses** accrue to senior managers on an annual basis, subject to certain conditions. The provision has been reversed for the previous year as no performance management system was in place resulting that no bonuses were accrued at the reporting date.

The movement in provisions are reconciled as follows:

**Current Provisions:**

**Performance Bonuses:**

Balance at beginning of year	765 073	0
Expenditure incurred	51 949	765 073
<b>Balance at end of year</b>	<b>817 022</b>	<b>765 073</b>

**Leave Provisions:**

Balance at beginning of year	12 284 276	10 190 079
Contributions to provision	(150 683)	2 094 197
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>12 133 593</b>	<b>12 284 276</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>Current Portion of Non-Current Provisions:</b>		
	<b>Ex-Gratia Pension</b>	<b>Long-term Service</b>
	<b>R</b>	<b>R</b>
<b>30 June 2015</b>		
Balance at beginning of year	35 000	2 143 000
Transfer from non-current	75 000	-
Contributions to provision	(35 000)	(2 143 000)
Expenditure incurred	-	1 837 000
<b>Balance at end of year</b>	<b>75 000</b>	<b>1 837 000</b>

	2015 R	2014 R
	<b>Ex-Gratia Pension</b>	<b>Long-term Service</b>
	<b>R</b>	<b>R</b>
<b>30 June 2014</b>		
Balance at beginning of year	74 000	1 721 000
Transfer from non-current	35 000	-
Contributions to provision	(74 000)	422 000
<b>Balance at end of year</b>	<b>35 000</b>	<b>2 143 000</b>

	2015 R	2014 R
	<b>Landfill Sites</b>	<b>Environmental Clean-up</b>
	<b>R</b>	<b>R</b>
<b>30 June 2015</b>		
Balance at beginning of year	12 131 065	2 135 512
Transfer from non-current	44 855	-
Contributions to provision	-	(1 339 660)
<b>Balance at end of year</b>	<b>12 175 921</b>	<b>795 852</b>

	2015 R	2014 R
	<b>Landfill Sites</b>	<b>Environmental Clean-up</b>
	<b>R</b>	<b>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>12 131 065</b>	<b>2 135 512</b>

**15 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Creditors	65 273 277	76 792 468
Retentions	150 833	194 006
Other Creditors	7 343 162	7 079 499
<b>Total Payables</b>	<b>72 767 272</b>	<b>84 065 973</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 2015**

	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>16 PAYABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Sundry Deposits	2 267 583	1 679 826
Other Payables	11 100 423	10 079 045
<b>Total Payables</b>	<b>13 368 006</b>	<b>11 758 871</b>

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

**17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**17.1 Conditional Grants from Government**

	<b>5 888 767</b>	<b>19 219 120</b>
National Government Grants	731 196	11 966 519
Provincial Government Grants	4 781 132	7 033 161
Local Government Grants	157 000	(0)
Other Spheres of Government	219 439	219 439
<b>Total Conditional Grants and Receipts</b>	<b>5 888 767</b>	<b>19 219 120</b>

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

See Note 27 for the reconciliation of Grants from Government and Note 28 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

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

**18 VAT PAYABLE**

Vat Payable	3 019 701
	<b>3 019 701</b>

Vat is payable on the receipts 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 2015**

	2015 R	2014 R
<b>19 OPERATING LEASE LIABILITIES</b>		
<b>19.1 Leasing Arrangements</b>		
<b>The Municipality as Lessee:</b>		
Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years.		
<b>19.2 Amounts payable under Operating Leases</b>		
At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:		
<b>Other Equipment:</b>	2 352 519	-
Up to 1 year	2 352 519	-
2 to 5 years	-	-
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	<b>2 352 519</b>	<b>-</b>

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

Minimum lease payments - Equipment	2 352 519	-
<b>Total Operating Lease Expenses</b>	<b>2 352 519</b>	<b>-</b>

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

- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

**20 LONG-TERM LIABILITIES**

The municipality did not have any liabilities to be classified as Long-term Liabilities in terms of its Accounting Policies and Cash Management Policy at year-end.

Annuity Loans	55 970 516	72 934 502
Finance Lease Liabilities	4 963 557	4 435 899
Sub-total	60 934 073	77 370 401
Less: Current Portion transferred to Current Liabilities:-	11 228 264	23 927 878
Annuity Loans	9 088 247	19 090 000
Finance Lease Liabilities	2 140 016	4 837 878
<b>Total Long-term Liabilities</b> (Neither past due, nor impaired)	<b>49 705 810</b>	<b>53 442 524</b>

**20.1 Summary of Arrangements**

The Annuity Loan is repaid over a period of 2 to 9 (2014: 2 to 10) years and at an interest rate of 11,18% to 11,88% (2014: 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	59 034.11	71 346.00
Inca	6 191 107.94	10 335 364.00
Cacadu District Municipality	118 263.02	925 681.00
Development Bank of South Africa	49 602 111.38	61 602 111.00
	<b>55 970 516.45</b>	<b>72 934 502.00</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**                      **2014**  
**R**                                      **R**

**The Municipality as Lessee:**  
Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2014: 4 years). The effective interest rate on Finance Leases is between 14% (2014: 14%).

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
- Wireless radio network

Included in these classes are the following significant leases:

(i) Various photocopier and fax machines	R 4 729 099.26	R 2 619 081.13
- Installments are payable monthly		
- Average period outstanding	12 months	12 months
- Average effective interest rate	14.00%	14.00%
- Average capital redemption per month over the period leased	R 394 092.00	R 43 651.35
(ii) Wireless radio network	R 234 458	R 1 816 819
- Installments are payable monthly in advance		
- Average period outstanding	2 months	12 months
- Average effective interest rate, based on prime	14.00%	14.00%
- Average capital redemption per month over the period leased	R 19 538.19	R 50 467.19

The obligations under Finance Leases are as follows:

	Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments	
	2015 R	2014 R	2015 R	2014 R
<b>Amounts payable under finance leases:</b>				
Within one year	2687000	4 494 899	2 140 016	4 201 441
In the second to fifth years, inclusive	3097520	238 569	2 823 541	234 458
Over five years	-	-	-	-
	5 784 520	4 733 468	4 963 557	4 435 899
Less: Future Finance Obligations	820962	297 568		
<b>Present Value of Minimum Lease Obligations</b>	<b>4 963 558</b>	<b>4 435 900</b>		

**21 EMPLOYEE BENEFIT LIABILITIES**

Post-retirement Health Care Benefits Liability	72 740 000	67 169 000
Ex-Gratia Pension	837 000	160 000
<b>Total Employee Benefit Liabilities</b>	<b>73 577 000</b>	<b>67 329 000</b>

**21.1 Post-retirement Health Care Benefits Liability**

Balance at beginning of Year	69 141 000	69 432 000
Contributions to Provision by employer	5 913 000	(291 000)
	75 054 000	69 141 000
Balance at end of Year	75 054 000	69 141 000
Transfer to Current Provisions	(2 314 000)	(1 972 000)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>72 740 000</b>	<b>67 169 000</b>

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.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by ZAQEN, 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.



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	433	438
In-service Non-members (Employees)		-
Continuation Members (Retirees, widowers and orphans)	61	58
<b>Total Members</b>	<b>494</b>	<b>496</b>

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

In-service Members	44 298 000	42 375 000
Continuation Members	30 756 000	26 766 000
<b>Total Liability</b>	<b>75 054 000</b>	<b>69 141 000</b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Fed Health
- Samwumed

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

Discount Rate	Yield Curve	8.94%
Health Care Cost Inflation Rate	CPI+1%	8.05%
Net Effective Discount Rate	Yield Curve based	0.82%
Expected Retirement Age - Females		63
Expected Retirement Age - Males		63

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

Balance at the beginning of the year	69 141 000	69 432 000
Current service costs	3 166 000	5 217 000
Interest cost	6 238 000	5 612 000
Benefits paid	(2 062 000)	(1 755 000)
Actuarial losses / (gains)	(1 429 000)	(9 365 000)
<b>Total Recognised Benefit Liability</b>	<b>75 054 000</b>	<b>69 141 000</b>

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

Present value of fund obligations	75 054 000	69 141 000
Unfunded Accrued Liability	75 054 000	69 141 000
<b>Total Benefit Liability</b>	<b>75 054 000</b>	<b>69 141 000</b>

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

Current service cost	3 166 000	5 217 000
Interest cost	6 238 000	5 612 000
Actuarial losses / (gains)	(1 429 000)	(9 365 000)
Adjustment for Short-term Portion from Previous Year	(2 062 000)	(1 755 000)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 33)</b>	<b>5 913 000</b>	<b>(291 000)</b>

**The history of experienced adjustments is as follows:**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Present Value of Defined Benefit Obligation	75 054 000	69 141 000	69 432 000	61 641 000
<b>Deficit</b>	<b>75 054 000</b>	<b>69 141 000</b>	<b>69 432 000</b>	<b>61 641 000</b>

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2015	2014
R	R

  

2015	2014
R	R

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

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	2 121 000	1 881 000
Effect on the defined benefit obligation	13 009 000	12 186 000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	(1 680 000)	(1 490 000)
Effect on the defined benefit obligation	(10 476 000)	(9 785 000)

Refer to Note N/A, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

**21.2 Ex-Gratia Pension**

Balance at beginning of year	195 000	510 000
Contributions to provision	771 000	(317 000)
Expenditure incurred	(54 000)	2 000
Balance at end of Year	912 000	195 000
Transfer to Current Provisions	(75 000)	(35 000)
<b>Total Ex-Gratia Pension Liability</b>	<b>837 000</b>	<b>160 000</b>

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 2015 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.

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

Discount Rate	Yield Curve	8.94%
Cost Inflation Rate	CPI+1%	7.05%
Net Effective Discount Rate	Yield Curve based	1.77%
Expected Retirement Age - Females	63	63
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	195 000	510 000
Interest cost	16 000	35 000
Benefits paid	(70 000)	(33 000)
Actuarial losses / (gains)	771 000	(317 000)
<b>Total Recognised Benefit Liability</b>	<b>912 000</b>	<b>195 000</b>

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

Present value of fund obligations	912 000	195 000
<b>Total Benefit Liability</b>	<b>912 000</b>	<b>195 000</b>

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

Current service cost	-	-
Interest cost	16 000	35 000
Actuarial losses / (gains)	771 000	(317 000)
Benefits Paid	(33 000)	(70 000)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note )</b>	<b>754 000</b>	<b>(352 000)</b>

**The history of experienced adjustments is as follows:**

	2015	2014	2013	2012
		R	R	R
Present Value of Defined Benefit Obligation	912 000	195 000	510 000	722 000
<b>Deficit</b>	<b>912 000</b>	<b>195 000</b>	<b>510 000</b>	<b>722 000</b>

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

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	7 000	2 000
Effect on the defined benefit obligation	112 000	30 000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	(10 000)	(27 000)
Effect on the defined benefit obligation	(89 000)	(2 000)

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>22 NON-CURRENT PROVISIONS</b>		
Provision for Rehabilitation of Land-fill Sites	25 947 857	26 471 601
Provision for Long Service Awards	11 578 000	10 682 000
Provision for Augmentation Fees	52 200	52 200
<b>Total Non-current Provisions</b>	<b>37 578 057</b>	<b>37 205 801</b>

*Non-current Provisions* have been restated to correctly disclose the amount for Long-Service Allowances in terms of GRAP 25, previously recognised as a non-current provision. Refer to Note 48.4 on "Correction of Error" for details of the restatement.

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

**22.1 Rehabilitation of Land-fill Sites**

Balance at beginning of year	26 471 601	33 446 400
Contributions to provision	-	-
	25 947 857	26 471 601
Transfer to current provisions	-	-
<b>Balance at end of year</b>	<b>25 947 857</b>	<b>26 471 601</b>

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs of R9 076 738 (2014: R9 076 738) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

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 events**

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

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

**22.2 Long Service Awards Liability**

Balance at beginning of year	10 682 000	10 820 000
Contributions to provision	2 733 000	2 005 000
Balance at end of Year	13 415 000	12 825 000
Transfer to Current Provisions	(1 837 000)	(2 143 000)
<b>Total Long Service Awards Liability</b>	<b>11 578 000</b>	<b>10 682 000</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 2015 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.

At year end, 680 (2014: 674) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 2015 is estimated to be R1 238 000, whereas the cost for the ensuing year is estimated to be R838 325 (: R1 129 000 and R1 238 000 respectively).

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<b>2015</b>	<b>2014</b>
R	R
<b>2015</b>	<b>2014</b>
R	R

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

Discount Rate	Yield Curve	7.96%
Cost Inflation Rate	CPI+1%	6.33%
Net Effective Discount Rate	Yield Curve base	0.59%
Expected Retirement Age - Females	63	63
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	12 825 000	10 820 000
Current service costs	1 238 000	1 129 000
Interest cost	1 008 000	793 000
Benefits paid	(1 927 000)	(1 570 000)
Actuarial losses / (gains)	271 000	1 653 000
<b>Total Recognised Benefit Liability</b>	<b>13 415 000</b>	<b>12 825 000</b>

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

Present value of fund obligations	13 415 000	12 825 000
<b>Total Benefit Liability</b>	<b>13 415 000</b>	<b>12 825 000</b>

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

Current service cost	1 238 000	1 129 000
Interest cost	1 008 000	793 000
Actuarial losses / (gains)	271 000	2 000 000
<b>Total Post-retirement Benefit included in Employee Related Costs (Note )</b>	<b>2 517 000</b>	<b>3 922 000</b>

The history of experienced adjustments is as follows:

	2014	2013	2012
	R	R	R
Present Value of Defined Benefit Obligation	12 825 000	10 820 000	8 331 000
<b>Deficit</b>	<b>12 825 000</b>	<b>10 820 000</b>	<b>8 331 000</b>

<b>2015</b>	<b>2014</b>
R	R

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

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	159000	147 000
Effect on the defined benefit obligation	835000	657 407

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	-145000	(134 000)
Effect on the defined benefit obligation	-764000	(727 000)

### 22.3 Augmentation Fees

Balance at beginning of year	52 200	52 200
Contributions to provision	-	-
	<u>52 200</u>	<u>52 200</u>
Transfer to current provisions	-	-
<b>Balance at end of year</b>	<b><u>52 200</u></b>	<b><u>52 200</u></b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>23 ACCUMULATED SURPLUS</b>		
<b>The Accumulated Surplus consists of the following Internal Funds and Reserves:</b>		
Accumulated Surplus / (Deficit) due to the results of Operations	2 269 353 357	2 176 006 506
<b>Total Accumulated Surplus</b>	<b>2 269 353 357</b>	<b>2 176 006 506</b>

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

**24 PROPERTY RATES**

	Actual Levies	
Residential & Commercial	140 982 860	143 082 005
<i>Less: Revenue Foregone</i>	(12 402 932)	(14 519 234)
<b>Total Property Rates</b>	<b>128 579 927</b>	<b>128 562 770</b>

**24.1 Calculation of Cash Flow:**

Property Rates Income	128 579 927	128 562 770
Opening Balance of Debtors: Assessment Rates	35 890 303	36 119 067
Closing Balance of Debtors: Assessment Rates	(33 444 729)	(35 890 303)
Amounts written-off as uncollectable	(11 243 846)	(10 627 405)
<b>Total Receipts for Property Rates</b>	<b>119 781 655</b>	<b>118 164 129</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 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: 0.5782 c/R (30 June 2013/2014: 0.4787 c/R)  
 Business Properties: 0.5782 c/R (30 June 2013/2014: 0.4787 c/R)  
 Agricultural Properties: 0.1475 c/R (30 June 2013/2014: 0.1197 c/R)

A Rebate of R15,000 is received on all residential properties, private towns receives an additional 20% on property valuation and equitable share recipients receives an additional R85,000 rebate on property value.

All infrastructure owned properties receives a 30% rebate on property value.

**25 FINES**

Traffic Fines	1 686 747	259 736
Other Fines	178 734	99 525
Impairment	-128 662.00	-2 014.00
<b>Total Fines</b>	<b>1 736 819</b>	<b>357 247</b>

**26 LICENCES AND PERMITS**

Boat Licenses And Permits	1 485 553	942 213
Drivers Licenses	3 009 120	2 774 589
Other Licenses And Permits	451 588	173 823
Vehicle Licenses And Registration	1 553 091	3 957 085
<b>Total Licences and Permits</b>	<b>6 499 352</b>	<b>7 847 710</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>27 GOVERNMENT GRANTS AND SUBSIDIES</b>		
National Equitable Share	66 129 000	52 500 000
Other Subsidies	81 060 860	3 347 879
<b>Operational Grants</b>	<u>147 189 860</u>	<u>55 847 879</u>
<b>Conditional Grants</b>	57 317 403	30 067 747
National Government: EPWP	1 285 000	1 615 684
National Government: FMG	1 600 000	1 550 000
National Government: MIG	40 076 540	14 082 460
National Government: MSIG	934 000	1 303 313
National Government: DWAF	4 194 050	-
National Government: DME	3 990 783	5 949 217
Provincial Government: HOUSING	2 252 029	369 148
Provincial Treasury: DISASTER	2 985 000	5 197 926
<b>Total Government Grants and Subsidies</b>	<u><u>204 507 263</u></u>	<u><u>85 915 627</u></u>

**27.1 Calculation of Cash Flow:**

Government Grants and Subsidies Income	204 507 263	85 915 627
Opening Balance of Unspent Government Grants	(19 219 120)	(9 457 032)
Closing Balance of Unspent Government Grants	5 888 767	19 219 120
<b>Total Receipts for Government Grants and Subsidies</b>	<u><u>191 176 911</u></u>	<u><u>95 677 714</u></u>

**Operational Grants:**

<b>27.2 National: Equitable Share</b>	<u><u>66 129 000</u></u>	<u><u>52 500 000</u></u>
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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 R229 (2014: R 166), 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. No funds have been withheld.

**27.3 National: EPWP Grant**

Balance unspent at beginning of year	-	-
Current year receipts	1 285 000	1 615 684
Conditions met - transferred to Revenue: Operating Expenses	(1 285 000)	(1 615 684)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

The Expanded Public Works Programme Grant was allocated to the municipality for environmental and water infrastructure projects. No funds have been withheld.

**27.4 National: FMG Grant**

Balance unspent at beginning of year	-	-
Current year receipts	1 600 000	1 550 000
Conditions met - transferred to Revenue: Operating Expenses	(1 600 000)	(1 550 000)
Conditions still to be met - transferred to Liabilities (see Note 13)	<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.

**27.5 National: MIG Funds**

Balance unspent at beginning of year	10 244 540	0
Current year receipts	29 832 000	24 327 000
Conditions met - transferred to Revenue: Operating Expenses	(1 491 600)	(1 416 350)
Conditions met - transferred to Revenue: Capital Expenses	(38 584 940)	(12 666 110)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u><u>10 244 540</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. No funds have been withheld.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>27.6 National: MSIG Funds</b>		
Balance unspent at beginning of year	(0)	413 313
Current year receipts	934 000	890 000
Conditions met - transferred to Revenue: Operating Expenses	(934 000)	-
Conditions met - transferred to Revenue: Capital Expenses	-	(1 303 313)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>(0)</u>	<u>(0)</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.

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

Balance unspent at beginning of year	550 000	550 000
Current year receipts	4 194 050	-
Conditions met - transferred to Revenue: Operating Expenses	(4 194 050)	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<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.

**27.8 National: Department Energy**

Balance unspent at beginning of year	990 783	-
Current year receipts	3 000 000	6 940 000
Conditions met - transferred to Revenue: Operating Expenses	(3 990 783)	(5 949 217)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>990 783</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds has been withheld.

**27.9 National: Department of economic development**

Balance unspent at beginning of year	181 195	181 195
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>181 195</u>	<u>181 195</u>

No funds have been withheld.

**27.10 Provincial: Housing**

Balance unspent at beginning of year	7 033 161	7 372 159
Current year receipts	78 766 989	30 150
Conditions met - transferred to Revenue: Operating Expenses	-	(369 148)
Conditions met - transferred to Revenue: Capital Expenses	(81 019 018)	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>4 781 132</u>	<u>7 033 161</u>

No funds has been withheld.

**27.11 National: Treasury - Disaster**

Balance unspent at beginning of year	-	720 926
Current year receipts	2 985 000	4 477 000
Conditions met - transferred to Revenue: Capital Expenses	(2 985 000)	(5 197 926)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

**27.12 Local Government: SBDM**

Balance unspent at beginning of year	-	-
Current year receipts	157 000	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>157 000</u>	<u>-</u>

No funds have been withheld.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>27.13 Other Government: VUNA</b>		
Balance unspent at beginning of year	35 000	35 000
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>35 000</u>	<u>35 000</u>
No funds has been withheld.		
<b>27.14 Other Government: Other</b>		
Balance unspent at beginning of year	184 439	184 439
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>184 439</u>	<u>184 439</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.		
<b>28 PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Conditional Contributions:	-	-
Other Donations	-	57 030
<b>Total Public Contributions and Donations</b>	<u>-</u>	<u>57 030</u>
<b>28.1 Calculation of Cash Flow:</b>		
Public Contributions and Donations Income	-	57 030
<b>Total Receipts for Public Contributions and Donations</b>	<u>-</u>	<u>57 030</u>
<b>29 SERVICE CHARGES</b>		
Sale of Electricity	215 238 616	211 860 095
Sale of Water	32 912 277	28 983 070
Refuse Removal	45 874 578	41 458 330
Sewerage and Sanitation Charges	37 326 091	33 264 357
Other Service Charges	(30 268 679)	(24 347 164)
<b>Total Service Charges</b>	<u>301 082 882</u>	<u>291 218 688</u>
<b>29.1 Calculation of Cash Flow:</b>		
Service Charges Income	301 082 882	291 218 688
Opening Balance of Debtors: Service Charges	100 559 137	94 461 359
Closing Balance of Debtors: Service Charges	(109 176 025)	(100 559 137)
Amounts written-off as uncollectable	9 193 592	(12 023 976)
<b>Total Receipts for Service Charges</b>	<u>301 659 586</u>	<u>273 096 934</u>
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
<b>30 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental Revenue from Amenities	9 000	9 000
Rental Revenue from Buildings	152 700	161 570
Rental Revenue from Halls	152 020	161 121
Rental Revenue from Land	74 602	67 850
Rental Revenue from Other Facilities	1 006 375	(123 491)
<b>Total Rental of Facilities and Equipment</b>	<u>1 394 697</u>	<u>276 049</u>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		



**KOUGA MUNICIPALITY**  
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	2015 R	2014 R
<b>31 INTEREST EARNED</b>		
<b>External Investments:</b>		
Bank Account	374 139	-
Other Deposits	2 055 373	1 709 388
	<b>2 429 512</b>	<b>1 709 388</b>
<b>Outstanding Debtors:</b>		
Outstanding Billing Debtors	3 925 942	3 841 248
	<b>3 925 942</b>	<b>3 841 248</b>
<b>Total Interest Earned</b>	<b>6 355 455</b>	<b>5 550 636</b>
 <b>31.1 Calculation of Cash Flow:</b>		
External Interest Income	2 429 512	1 709 388
<b>Total Receipts for Interest Received</b>	<b>2 429 512</b>	<b>1 709 388</b>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	374 139	-
Held-to-Maturity Investments	2 055 373	1 709 388
Loans and Receivables	3 925 942	3 841 248
	<b>6 355 455</b>	<b>5 550 636</b>
 <b>32 OTHER REVENUE</b>		
Augmentation Fees	6 614 148	427 754
Building Plan Fees	1 258 055	1 297 399
Caravan Park Fees	2 139 202	1 934 471
Cemetery Fees	317 064	186 430
Conversion Fees	1 642 599	1 618 150
Prints	7 749	8 181
Sundry Income	5 886 112	11 633 236
Tender Documents	134 521	76 185
Town Planning Fees	408 853	310 034
<b>Total Other Revenue</b>	<b>18 408 304</b>	<b>17 491 840</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>32.1 Calculation of Cash Flow:</b>		
Income from Other Revenue	18 408 304	17 491 840
Income from Interest on Outstanding Debtors	3 925 942	3 841 248
Income from Rental of Facilities and Equipment	1 394 697	276 049
Income from Licences and Permits	6 499 352	7 847 710
Income from Fines	1 736 819	357 247
Opening Balance of Non-current Assets Held-for-Sale	-	-
Opening Balance of Debtors: Non-exchange Transactions	36 619 890	41 978 694
Opening Balance of Debtors: Assessment Rates	(35 890 303)	(36 119 067)
Closing Balance of Debtors: Non-exchange Transactions	(49 239 341)	(36 619 890)
Closing Balance of Debtors: Assessment Rates	33 444 729	35 890 303
Opening Balance of VAT Receivable	-	4 968 263
Closing Balance of VAT Receivable	(734 061)	-
Opening Balance of Operating Lease Receivables	196 039	126 258
Closing Balance of Operating Lease Receivables	(249 227)	(196 039)
Opening Balance of Current Portion of Long-term Receivables	21 000	9 000
Closing Balance of Current Portion of Long-term Receivables	(7 742)	(21 000)
Opening Balance of Consumer Deposits	(8 383 685)	(7 809 720)
Closing Balance of Consumer Deposits	8 592 611	8 383 685
<b>Total Receipts for Other Revenue</b>	<b>16 335 025</b>	<b>40 404 580</b>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 24 to 31, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**33 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	141 751 562	133 414 047
Basic Salaries and Wages	130 598 828	120 881 395
Long Service Bonuses	937 136	741 309
Leave Encashed	831 154	533 000
Contribution to Leave Fund	(150 683)	2 094 197
Service Bonuses	9 535 127	9 164 146
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	46 332 782	47 809 756
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	15 994 494	15 908 393
Housing Benefits and Allowances	471 744	450 438
Overtime Payments	8 490 555	9 737 463
Performance Bonuses	51 949	765 073
<b>Total Employee Related Costs</b>	<b>213 093 086</b>	<b>208 085 170</b>

**33.1 Calculation of Cash Flow:**

Employee Related Costs Expenditure	213 093 086	208 085 170
Opening Balance of Employee Benefit Liabilities	67 329 000	69 084 000
Closing Balance of Employee Benefit Liabilities	(73 577 000)	(67 329 000)
Opening Balance of Provision for Performance Bonuses	765 073	0
Closing Balance of Provision for Performance Bonuses	(817 022)	(765 073)
Opening Balance of Provision for Long-term Service	2 143 000	1 721 000
Closing Balance of Provision for Long-term Service	(1 837 000)	(2 143 000)
Opening Balance of Post-retirement Benefits	1 972 000	1 878 000
Closing Balance of Post-retirement Benefits	(2 314 000)	(1 972 000)
<b>Total Payments for Employee Related Costs</b>	<b>206 757 137</b>	<b>208 559 096</b>

No advances were made to employees. Loans to employees are set out in Note 12.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>Remuneration of Section 57 Employees:</b>		
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	929 264	861 021
Car and Other Allowances	167 008	160 826
Company Contributions to UIF, Medical and Pension Funds	18 160	9 888
<b>Total</b>	<b>1 114 432</b>	<b>1 031 736</b>
<b>Remuneration of the Chief Financial Officer</b>		
Annual Remuneration	952 521	891 958
Car and Other Allowances	104 467	-
Company Contributions to UIF, Medical and Pension Funds	10 122	11 708
<b>Total</b>	<b>1 067 110</b>	<b>903 665</b>
<b>Remuneration of the Manager: Social Services</b>		
Annual Remuneration	952 521	891 958
Car and Other Allowances	103 596	-
Company Contributions to UIF, Medical and Pension Funds	17 376	11 708
<b>Total</b>	<b>1 073 493</b>	<b>903 665</b>
<b>Remuneration of the Manager: Administration, Monitoring and Evaluation</b>		
Annual Remuneration	856 521	795 957
Car and Other Allowances	107 197	101 629
Company Contributions to UIF, Medical and Pension Funds	19 985	13 580
<b>Total</b>	<b>983 704</b>	<b>911 166</b>
<b>Remuneration of the Manager: Infrastructure, Planning and Development</b>		
Annual Remuneration	856 521	795 957
Car and Other Allowances	96 000	132 587
Company Contributions to UIF, Medical and Pension Funds	19 985	13 580
<b>Total</b>	<b>972 506</b>	<b>942 124</b>
<b>Remuneration of the Director: Tourism and Creative Industries</b>		
Annual Remuneration	856 521	795 957
Car and Other Allowances	108 216	96 000
Company Contributions to UIF, Medical and Pension Funds	16 967	10 562
<b>Total</b>	<b>981 704</b>	<b>902 519</b>

**34 REMUNERATION OF COUNCILLORS**

Mayor	519 009	508 370
Speaker	431 096	406 696
Executive Committee Members	2 020 772	1 906 390
Councillors	3 609 373	3 287 291
Company Contributions to UIF, Medical and Pension Funds	185 501	126 850
Group Life Insurance	84 122	31 773
Skills Development Levy	101 379	95 077
Other Allowances (Cellular Phones, Housing, Transport, etc)	2 990 966	2 789 480
Telephone Allowance	704 683	696 401
Travelling Allowance	2 286 283	2 093 079
<b>Total Councillors' Remuneration</b>	<b>9 756 717</b>	<b>9 025 077</b>

**Remuneration of Councillors:**

***In-kind Benefits***

The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four 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.

**35 COLLECTION COSTS**

Legal Costs	-	31 679
<b>Total Collection Costs</b>	<b>-</b>	<b>31 679</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>36 DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	81 391 195	79 481 173
Amortisation: Intangible Assets	82 989	48 922
Depreciation: Investment Property	470 220	470 220
<b>Total Depreciation and Amortisation</b>	<b>81 944 404</b>	<b>80 000 315</b>
<b>37 IMPAIRMENT LOSSES</b>		
<i>37.1 Impairment Losses on Financial Assets</i>		
<b>Impairment Losses Recognised:</b>	13 718 198	10 672 085
Long-term Receivables	126 231	126 231
Receivables from Exchange and Non Exchange Transactions	13 591 967	10 545 854
<b>Impairment Losses Reversed:</b>	(126 231)	(166 107)
Long-term Receivables	(126 231)	(166 107)
	<b>13 591 967</b>	<b>10 505 978</b>
<b>Total Impairment Losses</b>	<b>13 591 967</b>	<b>10 505 978</b>
<b>38 REPAIRS AND MAINTENANCE</b>		
Land and Buildings	925 793	654 009
Infrastructure - Electricity	8 750 036	5 758 088
Infrastructure - Road Transport	4 144 716	3 529 450
Infrastructure - Sanitation	1 341 998	1 393 799
Infrastructure - Water	388 197	650 266
Infrastructure - Other	1 939 005	1 533 027
Other Assets	7 863 842	7 942 589
Intangible Assets	1 127 708	969 825
<b>Total Repairs and Maintenance</b>	<b>26 481 295</b>	<b>22 431 053</b>
<b>39 FINANCE COSTS</b>		
Creditors Overdue	2 284 268	2 305 973
Loans and Payables at amortised cost	3 856 857	8 802 001
Operating Leases	1 585 319	2 248 426
<b>Total Interest Paid on External Borrowings</b>	<b>7 726 443</b>	<b>13 356 400</b>
<b>39.1 Calculation of Cash Flow:</b>		
Finance Cost Expenditure	7 726 443	13 356 400
<b>Total Payments for Finance Costs</b>	<b>7 726 443</b>	<b>13 356 400</b>
<b>40 BULK PURCHASES</b>		
Electricity	154 641 312	154 344 846
Water	15 886 751	14 501 714
<b>Total Bulk Purchases</b>	<b>170 528 063</b>	<b>168 846 561</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>41 GENERAL EXPENSES</b>		
Included in General Expenses are the following:		
Advertising	580 594	408 256
Bank Charges	612 126	855 327
Chemicals & Poison	2 619 712	2 044 276
Clean Up Operation	(1 339 660)	1 224 312
Cleaning Material	499 817	535 780
Congress & Delegates Expenses	712 239	514 761
Connection Fees	647 916	346 991
Disaster Expenditure	2 474 946	4 568 869
Entertainment	270 487	242 112
Expenditure Incurred From Finance Management Grant	177 683	1 475 053
Expenditure Recharged	57 347	-
External Audit Fees	3 384 400	2 518 621
Fuel (Small Plant)	617 857	407 267
Other Expenses	13 308 563	7 802 923
Hire Of Facilities & Equipment	1 536 497	1 595 531
Idp Review	96	-
Insurance	1 854 544	1 880 557
Inventory Items	136 508	340 889
Laboratorium Tests/Analysis	155 938	186 864
Lease Charges	2 492 884	131 223
Legal Cost	1 567 897	2 775 127
Licences	535 220	584 450
Life Saving Services	1 950	828
Mayoral Special Programmes	49 984	247 918
Network Connection	426 589	376 892
Planning Fees	457 615	396 436
Postage & Telegrams	1 126 742	1 088 778
Printing And Stationery	635 860	773 142
Refuse Bins/Bags	310 244	243 837
Security	416 174	485 065
St Francis Beach Rehabilitation	-	600 000
Statuary Obligations	2 167 250	3 348 222
Stock Shortages/Surpluses	(60 588)	808
Telephone Cost	3 479 761	3 420 801
Tourism Strategy	330 000	285 000
Training	264 401	55 300
Transport Cost	7 405 326	8 062 665
Uniforms & Protective Clothing	1 266 879	836 500
Valuation Costs	958 468	3 584 338
Ward Committee Management	82 070	-
Waste Management	3 000	-
Website Hosting	7 200	7 200
<b>Total General Expenses</b>	<b>52 232 534</b>	<b>54 252 919</b>

**41.1 Calculation of Cash Flow:**

Expenditure for General Expenses	52 232 534	54 252 919
Expenditure for Grants and Subsidies Paid	-	-
Expenditure for Collection Costs	-	31 679
Opening Balance of Provision: Rehabilitation of Landfill Sites	35 000	74 000
Closing Balance of Provision: Rehabilitation of Landfill Sites	-	(35 000)
Opening Balance of Payables: Non-exchange Transactions	11 758 871	2 216 923
Closing Balance of Payables: Non-exchange Transactions	(13 368 006)	(11 758 871)
Opening Balance of Non-current Provisions	37 205 801	33 446 400
Closing Balance of Non-current Provisions	(37 578 057)	(37 205 801)
Correction of Prior Year Errors	-	130 831
<b>Total for Other Payments</b>	<b>50 286 144</b>	<b>41 153 080</b>

No other extra-ordinary expenses were incurred.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>42 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS</b>		
Proceeds on Sale of Assets	136 661	1 086 999
<b>Total Gains / Losses on Disposal of Capital Assets</b>	<b>136 661</b>	<b>1 086 999</b>

**43 CORRECTION OF ERROR**

Corrections were made during the previous financial years. Details of the corrections are described below:

**Statement of Financial Position:**

**43.1 Accumulated Surplus**

Balance previously reported as at 30 June 2014	2 175 924 453.00	
Restated Amount in Receivables from Exchange Transactions	-216 745.43	43.1.1
Restated Amount in Receivables from Non-Exchange Transactions	-3 377 501.45	43.1.2
Restated Amount in Non-current Assets Held-for-Sale	-160 035.57	43.1.3
Restated Amount in Property Plant and Equipment	930 170.00	43.1.4
Restated Amount in Investment Property	-622 240.00	43.1.5
Restated Amount in Payables from Exchange Transactions	2 488 664.57	43.1.6
Restated Amount in Payables from Non-Exchange Transactions	-48 098.34	43.1.7
Restated Amount in Unspent Conditional Grants	-166 944.95	43.1.8
Restated Amount in VAT Payable	1 106.66	43.1.9
Restated Amount in Long-term Liabilities	1 253 675.00	43.1.10
<b>Restated Balance at 30 June 2014</b>	<b>2 176 006 503.49</b>	

**43.1.1 Receivables from Exchange Transactions**

Balance previously reported	53 158 535.83
	-216 745.43
Consumer debtors written off	-210 824.75
Prior years Property Rates Clearance Certificate fees written off.	-5 920.68
<b>Restated balance at 30 June 2014</b>	<b>52 941 790.40</b>

**43.1.2 Receivables from Non-Exchange Transactions**

Balance previously reported	12 213 359.62
	-3 377 501.45
Unallocated receipts written-off	-320 361.99
Prior year correction on Councilors Cellphone allowance, amount duplicated.	-1 459 369.89
Environmental Health subsidy unpaid, amount duplicated.	-930 197.37
Prior year corrections on Other Receivables from Non-Exchange Transactions	-667 572.20
<b>Restated balance at 30 June 2014</b>	<b>8 835 858.17</b>

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

Balance previously reported	160 035.57
Non-Current Assets Held-for-Sale written back to PPE in terms of GRAP 100	-160 035.57
<b>Restated balance at 30 June 2014</b>	<b>-</b>

**43.1.4 Property Plant & Equipment**

Balance previously reported	2 357 174 419.00
Prior year correction of Assets written off incorrectly	930 170.00
<b>Restated balance at 30 June 2014</b>	<b>2 358 104 589.00</b>

**43.1.5 Investment Property**

Balance previously reported	62 916 430.00
Prior year correction on Land Market value	-622 240.00
<b>Restated balance at 30 June 2014</b>	<b>62 294 190.00</b>

**43.1.6 Payables from Exchange Transactions**

Balance previously reported	86 554 638.03
	-2 488 664.57
Unallocated deposits written off	-2 840 817.60
Accruals - correction of VAT	7 409.53
Prior year correction of Department of Water & Forest Account	344 743.50
<b>Restated balance at 30 June 2014</b>	<b>84 065 973.46</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>43.1.7 Payables from Non-Exchange Transactions</b>		
Balance previously reported	11 710 773.07	
	48 098.34	
Building deposits: Written off	774 749.71	
Interest written off - SARS Account	-726 651.37	
<b>Restated balance at 30 June 2014</b>	<b>11 758 871.41</b>	
<b>43.1.8 Unspent Conditional Grants</b>		
Balance previously reported	19 052 174.70	
Prior year correction on Unspent Conditional Grant from the Department of Human Settlement	166 944.95	
<b>Restated balance at 30 June 2014</b>	<b>19 219 119.65</b>	
<b>43.1.9 Vat Payable</b>		
Balance previously reported	3 020 808.14	
Prior years Property Rates Clearance Certificate fees written off.	-1 106.66	
<b>Restated balance at 30 June 2014</b>	<b>3 019 701.48</b>	
<b>43.1.10 Long-Term Liabilities</b>		
Balance previously reported	54 696 198.75	
Prior year correction on Finance Lease Liability recognized.	-1 253 675.00	
<b>Restated balance at 30 June 2014</b>	<b>53 442 523.75</b>	
<b>Statement of Financial Performance</b>		
43.2 (Surplus)/or Deficit for the year ended 30 June 2014		
Balance previously reported	(51 072 430.00)	
Restated Amount in Interest Earned - Outstanding Debtors	(1 509.50)	43.2.1
Restated Amount in Depreciation and Amortisation	214 392.86	43.2.2
Restated Amount in Finance Costs	(2 248 425.66)	43.2.3
General Expenses	2 248 425.66	43.2.4
<b>Restated Balance at 30 June 2014</b>	<b>(50 859 546.64)</b>	
<b>43.2.1 Interest Earned - Outstanding Debtors</b>		
Balance previously reported	3 842 757.09	
Prior year correction on interest written off for Property Rates Clearance Certificates.	(1 509.50)	
<b>Restated balance at 30 June 2014</b>	<b>3 841 247.59</b>	
<b>43.2.2 Depreciation and Amortisation</b>		
Balance previously reported	80 214 707.69	
Prior year correction on Depreciation and Amortisation calculation for Movable Assets.	(214 392.86)	
<b>Restated balance at 30 June 2014</b>	<b>80 000 314.83</b>	
<b>43.2.3 Finance Costs</b>		
Balance previously reported	11 107 974.46	
Reclassify operating lease interest charges from General Expenses	2 248 425.66	
<b>Restated balance at 30 June 2014</b>	<b>13 356 400.12</b>	
<b>43.2.4 General Expenses</b>		
Balance previously reported	56 501 344.66	
Reclassify operating lease interest charges to Finance Costs	(2 248 425.66)	
<b>Restated balance at 30 June 2014</b>	<b>54 252 919.00</b>	

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>44 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	93 346 851	(50 859 546)
Adjustment for:		
Correction of Prior Year Errors	-	(130 831)
Depreciation and Amortisation	81 944 404	80 000 315
Losses / (Gains) on Disposal of Property, Plant and Equipment	(136 661)	(1 086 999)
Contribution to Post-retirement Health Care Benefits	7 975 000	1 464 000
Expenditure incurred from Long Service Awards Liability	1 837 000	-
Contribution to Provisions - Current	(2 178 000)	348 000
Expenditure incurred from Provisions - Current	51 949	765 073
Contribution to Impairment Provision	8 786 568	33 194 968
Bad Debts Written-off	(2 050 254)	(22 651 381)
<b>Operating surplus before working capital changes</b>	<b>189 576 857</b>	<b>41 043 599</b>
Decrease/(Increase) in Inventories	4 068	(716 819)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	-	160 036
Decrease/(Increase) in Receivables from Exchange Transactions	(8 616 888)	(6 097 778)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(12 619 451)	5 358 805
Decrease/(Increase) in VAT Receivable	(734 061)	4 968 263
Decrease/(Increase) in Operating Lease Assets	(53 187)	(69 782)
Decrease/(Increase) in Current Portion of Long-term Receivables	13 258	(12 000)
Increase/(Decrease) in Consumer Deposits	208 926	573 965
Increase/(Decrease) in Payables from Exchange Transactions	(11 298 701)	(26 222 060)
Increase/(Decrease) in Payables from Non-exchange Transactions	1 609 135	9 541 948
Increase/(Decrease) in Conditional Grants and Receipts	(13 330 352)	9 762 088
Increase/(Decrease) in VAT Payable	(2 364 533)	3 019 701
<b>Cash generated by / (utilised in) Operations</b>	<b>142 395 069</b>	<b>41 309 965</b>

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

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2014/15 financial year.

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

Long-term Liabilities (See Note 20)	60 934 073	77 370 401
Used to finance Property, Plant and Equipment - at cost	(60 934 073)	(77 370 401)
Sub-total	-	-



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

2015                      2014  
R                                      R

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

**47.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	362 407 862	341 456 321
Unauthorised Expenditure current year	-	20 951 541
Unauthorised Expenditure awaiting authorisation	<b>362 407 862</b>	<b>362 407 862</b>

Incident	Disciplinary Steps/Criminal Proceedings
<b>2014/2015 (2013/2014)</b>	
Employee Related Costs R Nil (2014: R 11,959,041)	Currently None - subject to possible future investigation
Collection Costs R Nil (2014: R 31,679)	Currently None - subject to possible future investigation
Depreciation and Amortisation R Nil (2014: R 8,858,180)	Currently None - subject to possible future investigation
Finance Costs R Nil (2014: R 102,641)	Currently None - subject to possible future investigation
<b>2012/2013 (2011/2012)</b>	
Employee Related Costs R 12,057,533 (2012: R 9,978,531)	Currently None - subject to possible future investigation
Remuneration of Councillors R 211,970 (2012: R Nil )	Currently None - subject to possible future investigation
Collection Costs R Nil (2012: R 622,156)	Currently None - subject to possible future investigation
Depreciation and Amortisation R 10,324,178 (2012: R 77,007,101)	Currently None - subject to possible future investigation
Impairment Losses R Nil (2012: R 4,364,483)	Currently None - subject to possible future investigation
Finance Costs R 4,631,808 (2012: R 5,067,792 )	Currently None - subject to possible future investigation
Bulk Purchases R 2,762,710 (2012: R 13,102,55)	Currently None - subject to possible future investigation
Grants & Subsidies Paid R Nil (2012: R 2,421,895)	Currently None - subject to possible future investigation
Losses on disposal of PPE R Nil (2012: R 5,260)	Currently None - subject to possible future investigation
<b>2011</b>	
Employee Related Costs R 16,824,065)	Currently None - subject to possible future investigation
Contracted services R 120,102)	Currently None - subject to possible future investigation
Depreciation and Amortisation R 78,868,030)	Currently None - subject to possible future investigation
Finance Costs R 7,554,424)	Currently None - subject to possible future investigation
Bulk Purchases R 15,036,241)	Currently None - subject to possible future investigation
Grants and Subsidies Paid R 2,513,116)	Currently None - subject to possible future investigation
Losses on disposal of PPE R 2,281,603)	Currently None - subject to possible future investigation
<b>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	31 437 254	29 131 281
Fruitless and Wasteful Expenditure current year	2 284 268	2 305 973
Fruitless and Wasteful Expenditure awaiting condonement	<b>33 721 522</b>	<b>31 437 254</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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
<b>2014/2015:</b>		
Interest and penalties on late payment of trade creditors (Including SARS accounts)	2 284 268	Currently None - subject to possible future investigation

**47.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:

Opening balance	81 608 223	79 038 929
Irregular Expenditure current year	-	2 569 294
Irregular Expenditure awaiting condonement	<u>81 608 223</u>	<u>81 608 223</u>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

2015  
R

2014  
R

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 Regulations.	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	1 425 255	Currently None - subject to possible future investigation
Supply chain compliance not followed	634 586	Currently None - subject to possible future investigation
Supply chain compliance not followed	261 338	Currently None - subject to possible future investigation
Supply chain compliance not followed	110 445	Currently None - subject to possible future investigation
Supply chain compliance not followed	137 670	Currently None - subject to possible future investigation
	<b>2 569 294</b>	

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 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	2 027 942	1 869 798
Council Subscriptions	2 167 250	2 027 942
Amount Paid - current year	(2 027 942)	(1 869 798)
<b>Balance Unpaid (included in Creditors)</b>	<b>2 167 250</b>	<b>2 027 942</b>
<b>48.2 Audit Fees</b>		
Opening Balance	5 245 540	7 163 324
Current year Audit Fee	3 384 400	3 928 218
Amount Paid - current year	(4 293 294)	(5 846 002)
<b>Balance Unpaid (included in Creditors)</b>	<b>4 336 647</b>	<b>5 245 540</b>
<b>48.3 VAT</b>		
The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.		
<b>48.4 PAYE, Skills Development Levy and UIF</b>		
Opening Balance	5 809 106	7 221 084
Current year Payroll Deductions	27 357 222	22 451 288
Amount Paid - current year	(33 166 328)	(23 863 266)
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>5 809 106</b>
<b>48.5 Pension and Medical Aid Deductions</b>		
Opening Balance	3 790 415	3 592 604
Current year Payroll Deductions and Council Contributions	47 426 117	45 158 922
Amount Paid - current year	(50 970 766)	(44 961 111)
<b>Balance Unpaid (included in Creditors)</b>	<b>245 766</b>	<b>3 790 415</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 2015</b>		<b>Outstanding more than 90 days</b>
Councillor Persent		6 538
Councillor Kettleidas		1 935
Councillor Campher		32 730
Councillor Baxter		2 217
<b>Total Councillor Arrear Consumer Accounts</b>		<b>43 420</b>
<b>30 June 2014</b>		<b>Outstanding more than 90 days</b>
Councillor Baxter		1 037
<b>Total Councillor Arrear Consumer Accounts</b>		<b>1 037</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

2015  
R                      2014  
R

**48.7 Non-Compliance with the Municipal Finance Management Act**

No known matters existed at reporting date.

**48.8 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	Various Occasions (94)	Various reason like impracticality/ urgency/ Preferred supplier	12 685 052.55
94 Occasion during the financial year procuring various services amounting to R 12 685 052,55			
Infrastructure, Development & Planning	Various Occasions (56)	Various reason like impracticality/ urgency/ Preferred supplier	7 959 378.25
56 Occasion during the financial year procuring various services amounting to R 7 989 378,25			
Administration, Monitoring & Evaluation ( Corporate Services)	Various Occasions (75)	Various reason like	3 462 626.36
75 Occasion during the financial year procuring various services amounting to R 3 462 626,36			
Social Services	Various Occasions (25)	Various reason like Sole Supplier authorised by govt departments/ impracticality/ urgency/ Preferred supplier	1 629 061.41
25 Occasion during the financial year procuring various services amounting to R 1 629 061,41			
Tourism and Creative Industries	Various Occasions (3)	Various reason like impracticality/ urgency/ Preferred supplier	106 682.50
3 Occasion during the financial year procuring various services amounting to R 106 682,50			
<b>Total</b>			<b>25 842 801.07</b>

**48.9 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 2015</b>	Unaccounted Electricity Losses	9 531 664	0.8542	8 141 689
<b>30 June 2014</b>	Unaccounted Electricity Losses	11 383 379	0.8200	9 334 371

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.

	2015 R	2014 R
<b>Volumes in kWh/year:</b>		
System Input Volume	206 141 488	224 418 821
Billed Consumption	(196 609 824)	(195 081 936)
Distribution Loss	9 531 664	11 383 379
Percentage Distribution Loss	4.62%	5.07%

**Water:**

	Lost Units	Tariff	Value
<b>30 June 2015</b>	Unaccounted Water Losses	2 276 212	4.5000
<b>30 June 2014</b>	Unaccounted Water Losses	2 844 819	4.1700

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.

	2015 R	2014 R
<b>Volumes in KI/year:</b>		
System Input Volume	6 769 757	7 801 977
Billed Consumption	4 493 545	5 773 280
Distribution Loss	2 276 212	2 028 697
Percentage Distribution Loss	33.62%	26.00%

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>49 COMMITMENTS FOR EXPENDITURE</b>		
<b>49.1 Capital Commitments</b>		
Commitments in respect of Capital Expenditure:		
- <b>Approved and Contracted for:-</b>	<b>99 439 094</b>	<b>82 564 813</b>
<i>Infrastructure</i>	95 981 435	73 212 973
<i>Community</i>	3 457 659	9 351 840
<b>Total Capital Commitments</b>	<b>99 439 094</b>	<b>82 564 813</b>
This expenditure will be financed from:		
Capital Replacement Reserve		
Government Grants	99 439 094	82 564 813
	<b>99 439 094</b>	<b>82 564 813</b>

**49.2 Lease Commitments**

Non-cancellable Operating Lease Commitments are disclosed in Note 19.

**49.3 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.

**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	170 601	188 060
<b>Current Assets</b>			
Receivables from Exchange Transactions	Amortized Cost	43 578 518	52 941 790
Receivables from Non-exchange Transactions	Amortized Cost	32 699 155	8 835 858
Current Investments	Amortized Cost	37 409 220	28 750 758
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Long-term Receivables	Amortized Cost	170 601	188 060
Receivables from Exchange Transactions	Amortized Cost	43 578 518	52 941 790
Receivables from Non-exchange Transactions	Amortized Cost	32 699 155	8 835 858
Cash and Cash Equivalents	Amortized Cost	37 409 220	28 750 758
		<b>113 857 494</b>	<b>90 716 466</b>
<b>Total Financial Assets</b>		<b>113 857 494</b>	<b>90 716 466</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>FINANCIAL LIABILITIES:</b>		
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	49 705 810
Non-current Provisions	Amortized Cost	37 578 057
<b>Current Liabilities</b>		
Consumer Deposits	Amortized Cost	8 592 611
Payables from Exchange Transactions	Amortized Cost	72 767 272
Payables from Non-exchange Transactions	Amortized Cost	13 368 006
Unspent Conditional Grants and Receipts	Amortized Cost	5 888 767

**SUMMARY OF FINANCIAL LIABILITIES**

**Financial Liabilities at Amortised Cost:**

Long-term Liabilities	49 705 810	53 442 524
Non-current Provisions	37 578 057	37 205 801
Consumer Deposits	8 592 611	8 383 685
Payables from Exchange Transactions	72 767 272	84 065 973
Payables from Non-exchange Transactions	13 368 006	11 758 871
Unspent Conditional Grants and Receipts	5 888 767	19 219 120
	<b>187 900 523</b>	<b>214 075 975</b>
<b>Total Financial Liabilities</b>	<b>187 900 523</b>	<b>214 075 975</b>

**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**

	2015 R	2014 R
The gearing ratio at the year-end was as follows:		
Debt	302 854 174	339 818 480
Cash and Cash Equivalents	37 409 220	28 750 758
Net Debt	<b>265 444 954</b>	<b>311 067 722</b>
Equity	<b>2 269 353 357</b>	<b>2 176 006 506</b>
<b>Net debt to equity ratio</b>	<b>11.70%</b>	<b>14.30%</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.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

2015                      2014  
R                                      R

**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.

**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 rates
- 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	2015 - effect of change in 50 basis points R	2014 - effect of change in 50 basis points R
Current Investments	187 046	143 754

**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.



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>

**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.

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>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
Consumer Deposits		
< 3 months	-	-
> 3 months	8 592 611	8 383 685
Payables from Exchange Transactions		
< 3 months	72 767 272	84 065 973
> 3 months	-	-
Payables from Non-exchange Transactions		
< 3 months	-	-
> 3 months	13 368 006	11 758 871
Unspent Conditional Grants and Receipts		
< 3 months	-	-
> 3 months	5 888 767	19 219 120
	<b>100 616 656</b>	<b>123 427 649</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

2015  
R                      2014  
R

**51 RELATED PARTY TRANSACTIONS**

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

**50.1 Compensation of Related Parties**

Name of Related Person	Designation	Amount	Description of Related Party Relationship
F. Muller	Official	216 816.00	Daughter of the councillor
C. Kettledas	Official	239 520.00	Daughter of the councillor
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

**51.2 Purchases from Related Parties**

Listed below are the transactions with related parties during the financial year 2014/2015:

Company Name	Related Person	Municipal Capacity	Purchases for the year
Faulkner Bouers	Bradley Faulkner	Official	184 390.00
Ixelexwa Catering & B&B	Magdelene	Councillor	47 099.00
IT Intaba Trading	Solomzi Dayimani	Official	17 875.00
Reed SG	Joezay Reed	PA: Municipal Manager	30 750.00
Press EX Carpenters	Khalipa Nelani	Official	5 669.28
Algoatime (Pty) Ltd	Thembinkosi	Official	51 370.00
Jeggels Media (Pty) Ltd	Leonie Jeggels	PA: Speaker	3 118.05
Kwa Nandipha	Mlungisi	Official	46 875.00
<b>Total Purchases</b>			<b>387 146.33</b>

**52 CONTINGENT LIABILITIES**

**52.1 Court Proceedings:**

**39 655 585                      40 492 586**

(i) Council is involved in a dispute with different individuals as at 30 June 2015:

Claims against the municipality	18 443 924.00	19 483 661
Possible legal fees	1 211 661.00	1 008 925

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

20 000 000                      20 000 000

**53 CONTINGENT ASSETS**

**53.1 Insurance Claims:**

**994 573                      1 239 519**

(i) Lost / Damaged Assets:

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 R994 573 (2014: R1 239 519) will be recovered.

994 573                      1 239 519

**54 IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any In-kind Donations and Assistance during the year under review.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<b>2015</b>	<b>2014</b>
<b>R</b>	<b>R</b>

**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 2015.

**57 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note N/A) and Prior Period Errors (Note 43).

**58 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

(i) On 29 May 2015 the Council adopted the 2015/16 to 2018/19 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 2015**  
**KOUGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015**

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance previously reported as at 30/06/2013	Corrections	Restated balances at 30/06/2013	Corrections / Recognised during the year	Redemption during the year	Balance at 30/06/2014	Received / Recognised during the year	Redemption during the year	Balance at 2015/06/30	Current portion Redemption 2015	Non-current liability 30/06/2016
	R	%			R		R	R	R	R	R	R	R		
<b>ANNUITY LOANS:</b>															
ABSA	166 000	14.50%	528	30/11/2018	83 940		83 940		(12 594)	71 346		(12 312)	59 034	(13 396)	45 638
<b>Total ABSA</b>	<b>166 000</b>				<b>83 940</b>	<b>-</b>	<b>83 940</b>	<b>-</b>	<b>(12 594)</b>	<b>71 346</b>	<b>-</b>	<b>(12 312)</b>	<b>59 034</b>	<b>(13 396)</b>	<b>45 638</b>
ASDR & Cacadu	938 870	14.25%	513	30/12/2011	925 681		925 681			925 681		(807 418)	118 263	(118 263)	(0)
<b>Total ASDR &amp; Cacadu</b>	<b>938 870</b>				<b>925 681</b>	<b>-</b>	<b>925 681</b>	<b>-</b>	<b>-</b>	<b>925 681</b>	<b>-</b>	<b>(807 418)</b>	<b>118 263</b>	<b>(118 263)</b>	<b>(0)</b>
DBSA	67 602 200	11.180%	61007231	31/12/2024	67 800 223		67 800 223	1 156 757	(7 354 868)	61 602 111		-12 000 000	49 602 111	(2 765 480)	46 836 631
<b>Total DBSA</b>	<b>67 602 200</b>				<b>67 800 223</b>	<b>0</b>	<b>67 800 223</b>	<b>1 156 757</b>	<b>(7 354 868)</b>	<b>61 602 111</b>	<b>0</b>	<b>(12 000 000)</b>	<b>49 602 111</b>	<b>(2 765 480)</b>	<b>46 836 631</b>
INCA	71 157 199	11.88%		30/06/2016	12 957 701		12 957 701		(2 622 336)	10 335 364		(4 144 256)	6 191 108	(6 191 108)	(0)
<b>Total INCA</b>	<b>71 157 199</b>				<b>12 957 701</b>	<b>-</b>	<b>12 957 701</b>	<b>-</b>	<b>(2 622 336)</b>	<b>10 335 364</b>	<b>-</b>	<b>(4 144 256)</b>	<b>6 191 108</b>	<b>(6 191 108)</b>	<b>(0)</b>
<b>Total Annuity Loans</b>	<b>139 864 268</b>				<b>81 767 544</b>	<b>-</b>	<b>81 767 544</b>	<b>1 156 757</b>	<b>-9 989 798</b>	<b>72 934 502</b>	<b>-</b>	<b>-16 963 986</b>	<b>55 970 516</b>	<b>-9 088 247</b>	<b>46 882 269</b>
Operating leases reclassified as finance leases					12 884 458	-1 033 153	11 851 305		(7 415 407)	4 435 898	5 859 837	(5 332 179)	4 963 556	(2 140 017)	2 823 540
<b>Total capitalised leases</b>	<b>1 822 463</b>				<b>12 884 458</b>	<b>(1 033 153)</b>	<b>11 851 305</b>	<b>-</b>	<b>(7 415 407)</b>	<b>4 435 898</b>	<b>5 859 837</b>	<b>(5 332 179)</b>	<b>4 963 556</b>	<b>(2 140 017)</b>	<b>2 823 540</b>
<b>TOTAL EXTERNAL LOANS</b>					<b>94 652 002</b>		<b>93 618 849</b>	<b>1 156 757</b>	<b>-17 405 205</b>	<b>77 370 401</b>	<b>5 859 837</b>	<b>-22 296 165</b>	<b>60 934 072</b>	<b>(11 228 264)</b>	<b>49 705 809</b>
						<b>-</b>									

**APPENDIX B  
KOUGA MUNICIPALITY  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 June 2015**

Description					Cost / Revaluation						Accumulated Depreciation				Carrying Value
	Adjusted Opening Balance	Additions 14/15	ADJUSTMENTS	Closing Balance	Opening Balance	Under Construction			Under Construction	Closing Balance	Opening Balance	Adjustment	Additions 14/15	Closing Balance	
						O/balance	Additions	Completed							
<b>INFRASTRUCTURE</b>															
Roads, Pavements, Bridges and Storm Water	1 692 365 467	218 300.00		1 692 583 767	1 691 881 547	483 920	218 300		702 220	1 692 583 767	508 933 841		39 770 794	548 704 635	1 143 879 132
Water Reservoirs and Reticulation	300 736 152	30 001 647		330 737 800	288 427 448	12 308 704	30 001 647		42 310 351	330 737 800	43 012 122		8 614 476	51 626 598	279 111 202
Electricity Reticulation	192 856 996	146 783		193 003 779	177 700 891	15 156 105	146 783		15 302 888	193 003 779	30 191 211		6 177 421	36 368 632	156 635 147
Sewerage Purification and Reticulation	371 865 788	73 926 163		445 791 951	347 007 448	28 484 858	73 926 163	(3 626 519)	98 784 503	445 791 951	48 732 119		10 803 927	59 536 047	386 255 905
Street Lighting	4 277 678	-		4 277 678	4 147 663	130 015	-		130 015	4 277 678	685 376		165 907	851 282	3 426 396
	<b>2 562 102 081</b>	<b>104 292 893</b>		<b>2 666 394 974</b>	<b>2 509 164 998</b>	<b>56 563 602</b>	<b>104 292 893</b>		<b>157 229 977</b>	<b>2 666 394 974</b>	<b>631 554 669</b>		<b>65 532 524</b>	<b>697 087 193</b>	<b>1 969 307 781</b>
<b>OTHER ASSETS</b>															
Motor Vehicles	33 978 279	246 800.00	-143 804	34 081 275	34 081 275					34 081 275	15 111 911	(65 387)	2 750 693	17 797 217	16 284 059
Furniture & Fittings	7 678 409	<b>88 395.94</b>		7 766 805	7 766 805					7 766 805	5 377 416		1 001 058	6 378 474	1 388 331
Specialised vehicles	1 471 489	-		1 471 489	1 471 489					1 471 489	606 657		101 455	708 112	763 377
Plant and Equipment	8 259 393	<b>268 504.31</b>	-13 600	8 514 297	8 514 297					8 514 297	5 630 829	(1 970)	579 267	6 208 126	2 306 171
Office Equipment	8 151 042	<b>380 150.44</b>	-1 052 564	7 478 628	7 478 628					7 478 628	6 600 201	(1 045 697)	738 886	6 293 390	1 185 239
Security Measures	303 771	-		303 771	303 771					303 771	100 069		11 368	111 438	192 334
Emergency Equipment	498 755	<b>66 217.37</b>		564 972	564 972					564 972	186 044		76 321	262 365	302 607
	<b>60 341 139</b>	<b>1 050 068.06</b>	<b>-1 209 968</b>	<b>60 181 238</b>	<b>60 181 238</b>					<b>60 181 238</b>	<b>33 613 128</b>		<b>5 259 047</b>	<b>37 759 122</b>	<b>22 422 117</b>
<b>LAND &amp; BUILDINGS</b>															
Sportsfields - Land	6 800 000			6 800 000	6 800 000					6 800 000					6 800 000
Investment property - Buildings	11 755 500			11 755 500	11 755 500					11 755 500	4 937 310		470 220	5 407 530	6 347 970
Investment property - Land	55 476 000			55 476 000	55 476 000					55 476 000					55 476 000
Community Halls - Land	23 769 000			23 769 000	23 769 000					23 769 000					23 769 000
Libraries - Land	445 000			445 000	445 000					445 000					445 000
Clinics - Land	441 000			441 000	441 000					441 000					441 000
Land	279 635 663			279 635 663	279 635 663					279 635 663	11 540 753		560 187	12 100 940	279 075 476
Parks - Land	33 472 000			33 472 000	33 472 000					33 472 000					33 472 000
Buildings	79 710 522	6 157 054		85 867 576	79 710 522	-	6 157 054		6 157 054	85 867 576	32 059 219		3 469 443	35 528 661	50 338 915
	<b>491 504 685</b>	<b>6 157 054</b>		<b>497 661 739</b>	<b>491 504 685</b>		<b>6 157 054</b>		<b>6 157 054</b>	<b>497 661 739</b>	<b>48 537 282</b>		<b>4 499 850</b>	<b>53 037 131</b>	<b>456 165 361</b>
Finance leased assets	38 153 432	5 859 837	-33 026 919	10 986 350	10 986 350					10 986 350	32 463 856.78	-33 026 919.00	6 585 854.06	6 022 792	4 963 558
<b>Total</b>	<b>38 153 432</b>	<b>5 859 837</b>	<b>-33 026 919</b>	<b>10 986 350</b>	<b>10 986 350</b>					<b>10 986 350</b>	<b>32 463 857</b>	<b>(33 026 919)</b>	<b>6 585 854</b>	<b>6 022 792</b>	<b>4 963 558</b>

**APPENDIX B  
KOUGA LOCAL MUNICIPALITY  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 June 2015**

Description					Cost / Revaluation						Accumulated Depreciation				Carrying Value
	Opening Balance	Additions 14/15		Closing Balance	Opening Balance	Under Construction			Under Construction	Closing Balance	Opening Balance	Additions 14/15	Closing Balance		
						Balance b/f	Added	Completed							
<b>Intangible Assets</b>				R	R	R	R	R	R	R	R		R	R	
Computer Software	440 371	94 546		534 917	534 917					534 917	268 763		82 989	351 752	183 165
	<b>440 371</b>	<b>94 546</b>		<b>440 371</b>	<b>440 371</b>					<b>534 917</b>	<b>268 763</b>		<b>82 989</b>	<b>351 752</b>	<b>183 165</b>
<b>Total Fixed Asset Register</b>	<b>3 152 541 708</b>	<b>117 454 398</b>	<b>-34 236 887</b>	<b>3 235 664 673</b>	<b>3 072 277 642</b>	<b>56 563 602</b>	<b>104 292 893</b>	<b>-</b>	<b>157 229 977</b>	<b>3 235 759 218</b>	<b>746 437 698</b>	<b>(33 026 919)</b>	<b>81 960 265</b>	<b>794 257 990</b>	<b>2 453 041 983</b>

**APPENDIX C**  
**KOUGA LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 June 2015**

Description	Opening Balance	Additions	Closing Balance	Opening Balance	Under Construction			Under Construction	Closing Balance	Opening Balance	Closing Balance	Carrying Value
					Balance b/f	Added	Completed					
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Executive and Council</b>												
Finance and Administration	414 555 550	12 732 237	427 287 787	427 287 787		6 157 054		427 287 787	58 641 444	73 288 833	353 998 324	
Planning and Development	8 549 564	268 504	8 818 069	8 818 069				8 818 069	5 728 929	6 319 564	2 498 505	
Community and Social Services	25 153 755	66 217	25 219 972	25 219 972				25 219 972	185 414	261 735	24 958 237	
Sport and Recreation	40 272 000		40 272 000	40 272 000				40 272 000		-	40 272 000	
Waste Management	371 865 788	73 926 163.21	445 791 951	343 380 929	28 484 858	73 926 163		102 411 022	445 791 951	48 732 119	59 536 047	386 255 905
Roads and Transport	1 692 365 467	218 300	1 692 583 767	1 691 881 547	483 920	218 300		702 220	1 692 583 767	508 933 841	548 704 635	1 143 879 132
Water	300 736 152	30 001 647.33	330 737 800	288 427 448	12 308 704	30 001 647		42 310 351	330 737 800	43 012 122	51 626 598	279 111 202
Electricity	197 134 674	146 782.95	197 281 457	181 848 554	15 286 120	146 783		15 432 903	197 281 457	30 876 587	37 219 914	160 061 543
<b>Total PPE</b>	<b>3 050 632 951</b>	<b>117 359 852</b>	<b>3 167 992 803</b>	<b>3 007 136 307</b>	<b>56 563 602</b>	<b>110 449 947</b>		<b>160 856 496</b>	<b>3 167 992 803</b>	<b>696 110 456</b>	<b>776 957 325</b>	<b>2 391 034 847</b>
Investment assets	67 231 500		67 231 500	67 231 500					67 231 500	4 937 310	5 407 530	61 823 970
Intangible assets	440 371	94 546	534 917	534 917					534 917	268 763	351 752	183 165
<b>Total Assets Register</b>	<b>3 118 304 822</b>	<b>117 454 398</b>	<b>3 235 759 219</b>	<b>3 074 902 724</b>	<b>56 563 602</b>	<b>110 449 947</b>	-	<b>160 856 496</b>	<b>67 766 417</b>	<b>701 316 529</b>	<b>782 716 606</b>	<b>2 453 041 982</b>

**APPENDIX D  
KOUGA MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

2014 Actual Income	2014 Budgeted Income	2014 Actual Expenditure	2014 Budgeted Expenditure	2014 Surplus/ (Deficit)	Description	Vote Number	2015 Actual Income	2015 Budgeted Income	2015 Actual Expenditure	2015 Budgeted Expenditure	2015 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
					<b>Municipal Governance and Administration</b>						
4 238	4 238	25 828 237	26 300 767	(25 824 000)	Executive and Council		468 414	32 574	24 517 090	41 836 771	(24 048 676)
4 238	4 238	17 503 586	15 565 217	(17 499 348)	Council	130	468 414	32 574	16 306 272	16 507 815	(15 837 858)
-	-	941 801	1 156 275	(941 801)	Executive Mayor	530	-	-	903 759	2 007 819	(903 759)
-	-	-	-	-	Executive Mayor: Secretariate	531	-	-	-	-	-
-	-	536 606	610 484	(536 606)	MM: Media	572	-	-	567 707	580 086	(567 707)
-	-	700 912	667 697	(700 912)	MM: PMS	571	-	-	713 976	712 240	(713 976)
-	-	393 137	1 029 530	(393 137)	MM: Risk Management	229	-	-	-	14 416 182	-
-	-	-	-	-	MM: Secretariate	573	-	-	-	-	-
-	-	5 752 196	7 271 565	(5 752 196)	Municipal Manager	570	-	-	6 025 377	7 612 628	(6 025 377)
<b>DRAFT ANNUAL FINANCIAL STATEMENTS</b>					<b>#VALUE!</b>						
202 162 869	244 569 225	104 120 000	99 240 892	98 042 869	Budget and Treasury Office		207 879 931	216 778 524	90 513 381	100 149 689	117 366 550
129 742 752	130 948 676	4 870 976	5 455 865	124 871 776	Finance: Assessment Rates	030	129 420 173	142 137 598	2 014 876	31 855 737	127 405 297
-	-	9 830 224	7 387 727	(9 830 224)	Finance: Asset & Fleet Management	226	-	-	15 477 643	8 910 329	(15 477 643)
1 709 388	837 889	4 192 930	4 457 486	(2 483 542)	Finance: Budget & Financial Reporting	221	2 429 512	1 590 608	6 209 268	9 741 640	(3 779 756)
56 350 812	57 602 500	2 684 778	3 399 903	53 666 034	Finance: CFO	220	68 732 332	68 663 000	1 834 206	3 618 366	66 898 126
10 122 094	320 544	5 742 556	3 533 559	4 379 538	Finance: Expenditure	222	1 983 063	460 168	5 972 519	3 770 549	(3 989 456)
4 109 387	4 752 785	49 630 663	48 908 742	(45 521 276)	Finance: Revenue	223	5 159 122	3 852 770	28 957 393	14 360 898	(23 798 272)
76 185	38 684	1 382 728	1 500 579	(1 306 543)	Finance: SCM	228	134 521	49 036	1 216 361	1 168 355	(1 081 840)
-	-	-	-	-	Finance: Secretariate	225	-	-	-	-	-
1	3 100	1 352 732	1 476 326	(1 352 731)	Finance: Stores	227	1 976	-	1 386 804	1 517 222	(1 384 828)
-	-	1 277 831	1 447 663	(1 277 831)	Mechanical Workshop	550	-	-	1 385 712	1 559 831	(1 385 712)
-	-	3 503 071	4 026 864	(3 503 071)	Human Resources	333	-	-	4 344 336	3 918 773	(4 344 336)
183	2 974	16 916 804	15 690 193	(16 916 620)	Corporate Services	121	(1 755)	77	18 990 595	17 320 099	(18 992 350)
52 067	50 062 073	2 734 707	1 955 985	(2 682 640)	Corporate Services: Director	120	20 987	25 266	2 723 668	2 407 890	(2 702 681)
-	-	-	-	-	Corporate Services		-	-	-	-	-
-	-	-	-	-			-	-	-	-	-
					<b>Community and Public Safety</b>						
4 294 218	4 611 800	12 689 287	14 453 642	(8 395 069)	Community and Social Services		4 615 161	10 394 020	13 793 148	18 336 796	(9 177 987)
186 430	193 900	453 089	1 116 706	(266 659)	Cemeteries	110	317 155	298 495	451 543	1 466 728	(134 389)
836	8 712	3 544	307 409	(2 708)	Kouga Cultural Centre	400	-	-	142 453	652 246	(142 453)
2 031 515	2 034 975	4 014 673	4 447 220	(1 983 158)	Libraries	500	2 038 678	7 501 671	4 249 801	5 348 667	(2 211 123)
-	92 023	155 671	158 224	(155 671)	Museum	580	-	-	131 906	133 970	(131 906)
-	-	3 028 346	2 740 985	(3 028 346)	Beach	040	-	-	3 146 397	4 083 462	(3 146 397)
-	-	188 821	446 183	(188 821)	Blue Flag	041	-	-	169 625	406 651	(169 625)
2 075 077	2 281 759	3 462 163	3 871 269	(1 387 086)	Caravan Parks	100	2 258 915	2 593 854	3 401 953	3 760 030	(1 143 038)
-	-	1 086 551	913 381	(1 086 551)	Community & Social Services: Director	791	-	-	1 841 081	2 283 005	(1 841 081)
360	431	296 430	452 266	(296 070)	Community Services	115	414	-	258 390	202 036	(257 977)
8 474 953	11 131 721	27 534 655	30 095 286	(19 059 702)	Public Safety		9 146 402	18 056 240	29 074 332	31 020 781	(19 927 931)
(332 255)	2 064	11 966 936	12 421 729	(12 299 191)	Fire Services	230	530 085	350 705	11 535 124	12 582 842	(11 005 038)
-	-	344 051	816 338	(344 051)	Disaster Management	140	-	-	470 973	819 551	(470 973)
8 527 439	9 109 803	4 260 552	4 647 597	4 266 887	National Traffic	590	7 052 631	9 705 535	4 426 355	4 477 188	2 626 277
279 769	2 019 854	10 963 115	12 209 623	(10 683 346)	Protection Services	710	1 563 685	8 000 000	12 641 881	13 141 199	(11 078 196)
24 804	689	22 642 715	23 777 494	(22 617 911)	Sport and Recreation		94 217	7 509 360	24 067 023	24 340 561	(23 972 807)
22 708	-	22 115 330	22 697 063	(22 092 622)	Parks & Open Space	680	90 480	85 430	23 544 883	23 709 319	(23 454 402)
2 095	689	527 385	1 080 432	(525 289)	Sport & Recreation	800	3 737	7 423 930	522 141	631 242	(518 404)
-	-	3 562 336	4 646 298	(3 562 336)	<b>Housing</b>		-	-	3 655 622	3 703 761	(3 655 622)
-	-	3 562 336	4 646 298	(3 562 336)	Housing Services	325	-	-	3 655 622	3 703 761	(3 655 622)

**APPENDIX D  
KOUGA MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

2014 Actual Income	2014 Budgeted Income	2014 Actual Expenditure	2014 Budgeted Expenditure	2014 Surplus/ (Deficit)	Description	Vote Number	2015 Actual Income	2015 Budgeted Income	2015 Actual Expenditure	2015 Budgeted Expenditure	2015 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
-	-	-	-	-	<b>Health</b>		-	-	-	-	-
-	-	-	-	-	Clinic AndriesKraal	323	-	-	-	-	-
-	-	-	-	-	Clinic Kwanomzamo	321	-	-	-	-	-
-	-	-	-	-	Clinic Pellsrus	322	-	-	-	-	-
-	-	-	-	-	Health (Primary)	320	-	-	-	-	-
-	-	-	-	-	Occupational Health and Safety	650	-	-	-	-	-
					<b>Economic and Environmental Services</b>						
12 190 582	12 131 546	7 150 841	11 290 420	5 039 740	Environmental Protection		14 062 278	18 300 060	6 300 915	9 392 334	7 761 363
1 722 577	1 829 201	2 950 099	3 200 330	(1 227 522)	Environmental Health	210	2 112 614	4 754 373	2 868 296	3 579 811	(755 682)
432 101	759 026	12 387	181 384	419 713	Nature Reserves	600	759 052	929 599	8 697	1 167 456	750 355
10 035 904	9 543 318	4 188 355	7 908 706	5 847 549	Environmental Management Fee	731	11 190 612	12 616 088	3 423 922	4 645 068	7 766 690
1 730 666	1 455 167	11 519 899	12 406 495	(9 789 232)	Planning and Development		1 895 256	1 839 618	12 786 304	14 101 733	(10 891 048)
-	-	411 853	424 990	(411 853)	Economic Development: Agriculture	171	-	-	535 093	810 900	(535 093)
18 000	-	446 942	529 922	(428 942)	Economic Development: Business	172	-	18 000	722 902	1 231 110	(722 902)
-	50 000	901 144	851 376	(901 144)	Economic Development: General	170	-	50 000	1 162 334	1 167 049	(1 162 334)
-	-	897 317	1 117 461	(897 317)	Economic Development: Tourism	173	-	-	1 765 828	1 903 480	(1 765 828)
-	50 000	1 615 615	2 000 838	(1 615 615)	IDP/LED	340	-	-	1 096 629	1 077 898	(1 096 629)
-	-	870 544	851 468	(870 544)	Social Development	790	-	-	932 382	965 358	(932 382)
-	-	-	-	-	Director Planning and Development	701	-	-	-	-	-
1 712 666	1 355 167	6 376 483	6 630 440	(4 663 816)	Planning & Development	700	1 895 256	1 771 618	6 571 135	6 945 938	(4 675 880)
7 378 116	8 326 001	73 303 942	66 118 272	(65 925 826)	Roads and Transport		3 456 602	6 596 302	73 253 080	70 589 522	(69 796 479)
1 563 748	1 796 596	10 135 794	919 347	(8 572 046)	Water Ways	990	1 907 985	1 975 467	10 498 536	5 388 656	(8 590 551)
5 814 368	6 529 405	63 168 148	65 198 925	(57 353 779)	Public Works	720	1 548 617	4 620 836	62 754 544	65 200 866	(61 205 928)
					<b>Trading Services</b>						
193 764 697	211 395 545	175 907 433	200 403 247	17 857 264	Electricity		193 831 290	218 718 890	179 016 903	219 479 322	14 814 387
193 764 697	211 395 545	175 907 433	200 403 247	17 857 264	Electricity	190	193 831 290	218 718 890	179 016 903	219 479 322	14 814 387
66 011 958	73 533 453	59 597 764	55 183 304	6 414 194	Waste Management		103 689 398	90 717 128	55 032 856	62 670 414	48 656 541
42 768	209 587	4 355 601	5 049 702	(4 312 833)	Sanitation	750	44 837	188 735	4 070 099	4 581 044	(4 025 261)
45 512 957	46 838 740	29 228 348	25 596 357	16 284 609	Sewerage	780	81 909 056	61 876 517	26 974 426	31 541 090	54 934 629
20 456 233	26 485 126	26 013 815	24 537 245	(5 557 582)	Refuse Removal	730	21 735 504	28 651 876	23 988 332	26 548 280	(2 252 827)
-	-	-	-	-	Waste Water Management		-	-	-	-	-
41 720 027	61 237 536	33 992 644	52 984 694	7 727 383	Water		127 761 167	51 732 184	35 450 470	57 089 889	92 310 697
41 720 027	61 237 536	33 992 644	52 984 694	7 727 383	Water	980	127 761 167	51 732 184	35 450 470	57 089 889	92 310 697
607 467	2 553 376	31 374 387	19 789 675	(30 766 920)	<b>Other</b>		1 801 245	3 985 246	27 893 382	25 109 879	(26 092 137)
408 560	848 000	1 937 240	2 304 045	(1 528 679)	Skills Development	820	492 263	1 350 087	2 496 478	2 845 077	(2 004 315)
(58 367)	-	3 722 783	4 496 351	(3 781 150)	Finance: IT	224	(84 553)	-	4 263 181	6 218 830	(4 347 734)
(223 220)	11 215	2 231 502	2 432 838	(2 454 722)	Engineering	200	920 314	626 685	3 148 622	3 066 576	(2 228 307)
-	1 416 350	1 186 306	1 215 688	(1 186 306)	Mig Administration Unit	560	-	1 491 600	1 207 824	1 273 168	(1 207 824)
-	-	1 089 663	1 002 068	(1 089 663)	Technical Services: Director	551	-	-	981 036	1 037 100	(981 036)
-	-	-	-	-	Technical Services: Secretariate	552	-	-	-	-	-
-	(186 776)	14 435 109	1 054 659	(14 435 109)	Strategic Services: Director	330	-	-	8 762 140	1 080 303	(8 762 140)
-	-	-	-	-	Strategic Services: Secretariate	331	-	-	-	-	-
480 494	464 587	6 771 786	7 284 026	(6 291 292)	Building & Property	070	473 321	516 874	7 034 102	9 588 825	(6 560 781)
<b>538 364 595</b>	<b>630 950 298</b>	<b>589 224 141</b>	<b>616 690 487</b>	<b>(50 859 546)</b>	Sub-Total		<b>668 701 359</b>	<b>644 660 145</b>	<b>575 354 508</b>	<b>677 821 451</b>	<b>93 346 851</b>
					Revenue Foregone						
<b>538 364 595</b>	<b>630 950 298</b>	<b>589 224 141</b>	<b>616 690 487</b>	<b>(50 859 546)</b>	<b>Total</b>		<b>668 701 359</b>	<b>644 660 145</b>	<b>575 354 508</b>	<b>677 821 451</b>	<b>93 346 851</b>



**APPENDIX E(1)  
KOGA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15							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	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>REVENUE - STANDARD</b>									
<b>Governance and Administration:</b>									
Executive and Council	4 483	28 090	32 574	32 574	468 414	435 840	1 438.01	10 447.64	4 238
Budget and Treasury Office	216 951 891	(198 710)	216 753 181	216 753 181	207 860 699	(8 892 482)	95.90	95.81	202 110 619
Corporate Services	3 704 387	306 202	4 010 589	4 010 589	1 820 478	(2 190 111)	45.39	49.14	659 717
<b>Community and Public Safety:</b>									
Community and Social Services	11 498 935	(1 104 915)	10 394 020	10 394 020	4 615 161	(5 778 859)	44.40	40.14	4 294 218
Sport and Recreation	4 251 789	3 257 570	7 509 360	7 509 360	94 217	(7 415 143)	1.25	2.22	24 804
Public Safety	17 708 478	347 762	18 056 240	18 056 240	9 146 402	(8 909 839)	50.66	51.65	8 474 953
DRAFT ANNUAL FINANCIAL STATEMENTS	-	-	-	-	-	-	0.00	0.00	-
Health	-	-	-	-	-	-	0.00	0.00	-
<b>Economic and Environmental Services:</b>									
Planning and Development	3 248 702	(1 409 084)	1 839 618	1 839 618	1 895 256	55 637	103.02	58.34	1 730 666
Road Transport	6 070 459	525 843	6 596 302	6 596 302	3 456 602	(3 139 701)	52.40	56.94	7 378 116
Environmental Protection	17 053 906	1 246 154	18 300 060	18 300 060	14 062 278	(4 237 782)	76.84	82.46	12 190 582
<b>Trading Services:</b>									
Electricity	219 728 106	(1 009 216)	218 718 890	218 718 890	193 831 290	(24 887 600)	88.62	88.21	193 764 697
Water	57 883 047	(6 150 863)	51 732 184	51 732 184	127 761 167	76 028 983	246.97	220.72	41 720 027
Waste Water Management	45 327 404	16 737 848	62 065 252	62 065 252	81 953 893	19 888 641	132.04	180.80	45 555 725
Waste Management	28 495 051	156 825	28 651 876	28 651 876	21 735 504	(6 916 371)	75.86	76.28	20 456 233
<b>Total Revenue - Standard</b>	<b>631 926 640</b>	<b>12 733 505</b>	<b>644 660 145</b>	<b>644 660 145</b>	<b>668 701 359</b>	<b>24 041 214</b>	<b>103.73</b>	<b>105.82</b>	<b>538 364 595</b>
<b>EXPENDITURE - STANDARD</b>									
<b>Governance and Administration:</b>									
Executive and Council	29 849 024	2 576 064	32 425 089	41 836 771	24 517 090	(17 319 681)	58.60	82.14	25 828 237
Budget and Treasury Office	78 374 761	5 049 007	83 423 768	76 502 927	64 454 782	(12 048 145)	84.25	82.24	80 965 418
Corporate Services	47 133 690	1 622 952	48 756 641	48 756 641	53 951 982	5 195 340	110.66	114.47	54 528 968
<b>Community and Public Safety:</b>									
Community and Social Services	18 455 337	541 460	18 996 796	18 336 796	13 793 148	(4 543 648)	75.22	74.74	12 689 287
Sport and Recreation	24 077 361	263 199	24 340 561	24 340 561	24 067 023	(273 537)	98.88	99.96	22 642 715
Public Safety	32 274 878	(1 254 098)	31 020 781	31 020 781	29 074 332	(1 946 448)	93.73	90.08	27 534 655
Housing	4 617 013	(913 252)	3 703 761	3 703 761	3 655 622	(48 139)	98.70	79.18	3 562 336
Health	-	-	-	-	-	-	0.00	0.00	-
<b>Economic and Environmental Services:</b>									
Planning and Development	17 718 360	(1 722 286)	15 996 074	14 101 733	12 786 304	(1 315 429)	90.67	72.16	11 519 899
Road Transport	67 692 854	896 668	68 589 522	70 589 522	73 253 080	2 663 559	103.77	108.21	73 303 942
Environmental Protection	10 683 780	(291 445)	10 392 334	9 392 334	6 300 915	(3 091 419)	67.09	58.98	7 150 841
<b>Trading Services:</b>									
Electricity	221 785 970	(1 370 149)	220 415 822	219 479 322	179 016 903	(40 462 418)	81.56	80.72	175 907 433
Water	57 331 979	(242 090)	57 089 889	57 089 889	35 450 470	(21 639 419)	62.10	61.83	33 992 644
Waste Water Management	37 998 368	(1 876 235)	36 122 134	36 122 134	31 044 525	(5 077 609)	85.94	81.70	33 583 949
Waste Management	28 064 171	(1 515 891)	26 548 280	26 548 280	23 988 332	(2 559 948)	90.36	85.48	26 013 815
<b>Other:</b>									
Tourism	-	-	-	-	-	-	0.00	0.00	-
<b>Total Expenditure - Standard</b>	<b>676 057 547</b>	<b>1 763 904</b>	<b>677 821 451</b>	<b>677 821 451</b>	<b>575 354 508</b>	<b>(102 466 943)</b>	<b>84.88</b>	<b>85.10</b>	<b>589 224 141</b>
<b>Surplus/(Deficit) for the year</b>	<b>(44 130 906)</b>	<b>10 969 601</b>	<b>(33 161 306)</b>	<b>(33 161 306)</b>	<b>93 346 851</b>	<b>126 508 157</b>	<b>0.00</b>	<b>0.00</b>	<b>(50 859 546)</b>

**APPENDIX E (2)  
KOUGA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15								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	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>REVENUE BY VOTE</b>									
Vote 1 - EXECUTIVE & COUNCIL	4 483	28 090	32 574	32 574	468 414	435 840	1 438.01	10 447.64	4 238
Vote 2 - FINANCIAL SERVICES	216 954 202	(201 021)	216 753 181	216 753 181	207 776 145	(8 977 035)	95.86	95.77	202 052 252
Vote 3 - ADMINISTRATION, MONITORING AND EVALUA	94 944	(69 601)	25 343	25 343	19 232	(6 111)	75.89	20.26	52 250
Vote 4 - SOCIAL SERVICES	80 793 873	4 093 150	84 887 023	84 887 023	51 561 546	(33 325 476)	60.74	63.82	47 003 701
Vote 5 - INFRACTRUCTURE, PLANNING & DEVELOPME	331 196 213	10 347 725	341 543 938	341 543 938	408 383 858	66 839 920	119.57	123.31	288 824 758
Vote 6 - LED, TOURISM AND CREATIVE INDUSTRIES	2 882 925	(1 464 838)	1 418 087	1 418 087	492 163	(925 924)	34.71	17.07	427 396
<b>Total Revenue by Vote</b>	631 926 640	12 733 505	644 660 145	644 660 145	668 701 359	24 041 214	103.73	105.82	538 364 595
<b>DRAFT ANNUAL FINANCIAL STATEMENTS</b>									
Vote 1 - EXECUTIVE & COUNCIL	4 483	28 090	32 574	32 574	468 414	435 840	1 438.01	10 447.64	4 238
Vote 2 - FINANCIAL SERVICES	216 954 202	(201 021)	216 753 181	216 753 181	207 776 145	(8 977 035)	95.86	95.77	202 052 252
Vote 3 - ADMINISTRATION, MONITORING AND EVALUA	94 944	(69 601)	25 343	25 343	19 232	(6 111)	75.89	20.26	52 250
Vote 4 - SOCIAL SERVICES	80 793 873	4 093 150	84 887 023	84 887 023	51 561 546	(33 325 476)	60.74	63.82	47 003 701
Vote 5 - INFRACTRUCTURE, PLANNING & DEVELOPME	331 196 213	10 347 725	341 543 938	341 543 938	408 383 858	66 839 920	119.57	123.31	288 824 758
Vote 6 - LED, TOURISM AND CREATIVE INDUSTRIES	2 882 925	(1 464 838)	1 418 087	1 418 087	492 163	(925 924)	34.71	17.07	427 396
<b>Total Expenditure by Vote</b>	631 926 640	12 733 505	644 660 145	644 660 145	668 701 359	24 041 214	103.73	105.82	538 364 595
<b>Surplus/(Deficit) for the year</b>	<b>(44 130 906)</b>		<b>(33 161 306)</b>	<b>(33 161 306)</b>	<b>93 346 851</b>				<b>(50 859 546)</b>

**APPENDIX E (3)**  
**KOUGA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15							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	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>Revenue by Source</b>									
Property Rates	138 420 009	1 320 385	139 740 394	139 740 394	128 579 927	(11 160 467)	92.01	92.89	128 562 770
Service Charges - Electricity	247 439 134	3 393 174	250 832 308	250 832 308	215 238 616	(35 593 692)	85.81	86.99	211 860 095
Service Charges - Water	36 714 283	(4 093 185)	32 621 098	32 621 098	32 912 277	291 179	100.89	89.64	28 983 070
Service Charges - Sanitation	29 603 900	1 366 991	30 970 890	30 970 890	37 326 091	6 355 201	120.52	126.09	33 264 357
Service Charges - Refuse	45 903 423	1 531 602	47 435 024	47 435 024	45 874 578	(1 560 446)	96.71	99.94	41 458 330
Service Charges - Other	(29 194 928)	2 157 854	(27 037 074)	(27 037 074)	(30 268 679)	(3 231 605)	0.00	0.00	(24 347 164)
Rental of Facilities and Equipment	879 086	263 183	1 142 270	1 142 270	1 394 697	252 428	122.10	158.65	276 049
Interest Earned - External Investments	886 487	704 122	1 590 608	1 590 608	2 429 512	838 904	152.74	274.06	1 709 388
DRAFT ANNUAL FINANCIAL STATEMENTS	7 254 327	(1 361 892)	5 892 435	5 892 435	3 925 942	(1 966 492)	66.63	54.12	3 841 248
Fines	8 094 550	87 772	8 182 323	8 182 323	1 736 819	(6 445 504)	21.23	21.46	357 247
Licences and Permits	9 116 150	106 174	9 222 323	9 222 323	6 499 352	(2 722 972)	70.47	71.29	7 847 710
Agency Services	-	-	-	-	-	-	0.00	0.00	-
Transfers Recognised - Operational	(121 521 632)	(189 151 637)	(310 673 269)	(310 673 269)	81 918 304	392 591 573	0.00	0.00	85 972 657
Other Revenue	22 836 702	(297 612)	22 539 090	22 539 090	18 408 304	(4 130 786)	81.67	80.61	17 491 840
Gains on Disposal of PPE	-	-	-	-	136 661	136 661	0.00	0.00	1 086 999
<b>Total Revenue (excluding Capital Transfers &amp; Contrib</b>	<b>396 431 489</b>	<b>(183 973 069)</b>	<b>212 458 420</b>	<b>212 458 420</b>	<b>546 112 401</b>	<b>333 653 980</b>	<b>257.04</b>	<b>137.76</b>	<b>538 364 595</b>
<b>Expenditure</b>									
Employee Related Costs	206 451 718	(7 071 637)	199 380 081	213 796 264	213 093 086	(703 178)	99.67	103.22	208 085 170
Remuneration of Councillors	9 045 580	123 810	9 169 390	9 829 390	9 756 717	(72 673)	99.26	107.86	9 025 077
Debt Impairment	49 683 181	(0)	49 683 181	49 683 181	13 591 967	(36 091 214)	27.36	27.36	33 194 968
Depreciation and Asset Impairment	80 357 832	2	80 357 834	82 357 834	81 944 404	(413 430)	99.50	101.97	80 000 315
Finance Charges	23 494 001	(437 585)	23 056 417	23 056 417	7 726 443	(15 329 974)	33.51	32.89	13 356 400
Bulk Purchases	190 710 580	-	190 710 580	190 710 580	170 528 063	(20 182 517)	89.42	89.42	168 846 561
Other Materials	44 597 991	1 926 867	46 524 857	46 524 857	26 481 295	(20 043 563)	56.92	59.38	22 431 053
Contracted Services	-	-	-	-	-	-	0.00	0.00	-
Transfers and Grants	40 000	(38 250)	1 750	-	-	-	0.00	0.00	-
Other Expenditure	71 676 663	7 260 698	78 937 360	61 862 928	52 232 534	(9 630 394)	84.43	72.87	54 284 598
Loss on Disposal of PPE	-	-	-	-	-	-	0.00	0.00	-
<b>Total Expenditure</b>	<b>676 057 547</b>	<b>1 763 904</b>	<b>677 821 451</b>	<b>677 821 451</b>	<b>575 354 508</b>	<b>(102 466 943)</b>	<b>84.88</b>	<b>85.10</b>	<b>589 224 141</b>
<b>Surplus/(Deficit)</b>	<b>(279 626 057)</b>	<b>(185 736 973)</b>	<b>(465 363 031)</b>	<b>(465 363 031)</b>	<b>(29 242 108)</b>	<b>436 120 923</b>	<b>0.00</b>	<b>0.00</b>	<b>(50 859 546)</b>
Transfers Recognised - Capital	235 495 151	196 706 574	432 201 725	432 201 725	122 588 959	(309 612 766)	28.36	52.06	-
<b>Surplus/(Deficit) for the Year</b>	<b>(44 130 906)</b>	<b>10 969 601</b>	<b>(33 161 306)</b>	<b>(33 161 306)</b>	<b>93 346 851</b>	<b>126 508 157</b>	<b>-</b>	<b>-</b>	<b>(50 859 546)</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	26 176 000	22 043 000	17 910 000	0	26 176 000	22 043 000	17 910 000	0	0	0	0	0	N/A	Yes	N/A
FMG	Nat Treasury	1 600 000	0	0	0	316 180	314 735	266 916	702 170	0	0	0	0	N/A	Yes	N/A
Municipal Disaster Recovery	Nat Treasury	2 985 000	0	0	0	0	0	2 403 515	581 485	0	0	0	0	N/A	Yes	N/A
MIG Projects	MIG	3 450 000	5 773 000	20 609 000	0	2 439 695	6 506 574	9 217 225	11 668 506	0	0	0	0	N/A	Yes	N/A
DME Projects	DME	0	3 000 000	0	0	442 313	821 114	1 349 686	386 886	0	0	0	0	N/A	Yes	N/A
MSIG	DPLG	934 000	0	0	0	127 897	138 494	72 537	595 072	0	0	0	0	N/A	Yes	N/A
EPWP Incentive Grant	Province	514 000	386 000	385 000	0	514 000	386 000	385 000	0	0	0	0	0	N/A	Yes	N/A
					0				0				0			
<b>Total Grants and Subsidies Received</b>		<b>35 659 000</b>	<b>31 202 000</b>	<b>38 904 000</b>	<b>0</b>	<b>30 016 084</b>	<b>30 209 918</b>	<b>31 604 879</b>	<b>13 934 118</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																