



**ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2016**

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## **GENERAL INFORMATION**

### **MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2016**

D Kettleidas	Executive Mayor
P Kota	Infrastructure, Planning and Development
P Oliphant	Local Economic Development
VS Stuurman	Finance, Administration, Monitoring and Evaluation
T Maseti	Social Services
V Camelio-Benjamin	Tourism and Creative Industries

### **AUDITOR-GENERAL**

69 Frere Road, Vincent, East London, 5247  
Eastern Cape

### **BANKERS**

First National Bank  
Private Bag X5  
Jeffreys Bay, 6330

### **REGISTERED OFFICE**

33 Da Gama Road  
Jeffreys Bay

P O Box 21  
Jeffreys Bay  
6330

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

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

### **MUNICIPAL MANAGER**

Mr. S Fadi

### **CHIEF FINANCIAL OFFICER**

Mr. S Thys

## **GENERAL INFORMATION (continued)**

### **LEGAL FORM**

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

### **JURISDICTION**

Greater Kouga area which includes:

Humansdorp  
St Francis Bay, Cape St Francis, Oyster Bay  
Hankey, Jeffreys Bay, Lorie  
Patensie, Thornhill

## 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, in accordance with 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 Office Bearers Act and the Minister for Cooperative Governance and Traditional Affairs' determination in accordance with this Act.

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

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**Date**

**KOUGA MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

	Note	Actual	
		2016 R	2015 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>166 561 542</b>	<b>128 750 457</b>
Inventories	2	5 433 902	4 317 025
Receivables from Exchange Transactions	3	48 615 571	43 578 518
Receivables from Non-exchange Transactions	4	29 302 917	34 835 033
VAT Receivable	5	4 353 896	6 080 734
Cash and Cash Equivalents	6	78 573 452	39 682 179
Operating Lease Receivables	7	278 803	249 227
Current Portion of Long-term Receivables	8	3 000	7 742
<b>Non-Current Assets</b>		<b>2 617 923 121</b>	<b>2 598 131 073</b>
Property, Plant and Equipment	9	2 532 215 227	2 511 587 336
Intangible Assets	10	158 583	186 665
Investment Property	11	85 381 710	86 186 470
Long-term Receivables	12	167 601	170 602
<b>Total Assets</b>		<b>2 784 484 663</b>	<b>2 726 881 530</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>196 003 241</b>	<b>179 313 395</b>
Consumer Deposits	13	9 590 330	8 592 611
Provisions	14	31 715 636	29 881 682
Payables from Exchange Transactions	15	122 966 569	110 897 842
Payables from Non-exchange Transactions	16	16 153 347	13 241 216
Unspent Conditional Grants and Receipts	17	7 841 525	5 830 359
Current Portion of Long-term Liabilities	19	7 735 833	10 869 685
<b>Non-Current Liabilities</b>		<b>177 824 974</b>	<b>160 791 719</b>
Long-term Liabilities	19	37 504 424	49 636 662
Employee Benefit Liabilities	20	79 435 999	73 576 999
Non-current Provisions	21	60 884 551	37 578 058
<b>Total Liabilities</b>		<b>373 828 215</b>	<b>340 105 113</b>
<b>Total Assets and Liabilities</b>		<b>2 410 656 447</b>	<b>2 386 776 417</b>
<b>NET ASSETS</b>		<b>2 410 656 447</b>	<b>2 386 776 416</b>
Accumulated Surplus	22	2 410 656 447	2 386 776 416
<b>Total Net Assets</b>		<b>2 410 656 447</b>	<b>2 386 776 416</b>

# KOUGA MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual	
		2016 R	2015 Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	23	135 339 445	128 579 927
Fines	24	9 798 101	3 599 461
Licences and Permits	25	6 065 570	6 503 038
Government Grants and Subsidies Received	26	168 177 211	204 611 385
Public Contributions and Donations	27	118 424	-
<b>Revenue from Exchange Transactions</b>			
Service Charges	28	326 545 507	301 052 106
Rental of Facilities and Equipment	29	744 348	1 394 697
Interest Earned - External Investments	30	5 031 308	2 429 512
Interest Earned - Outstanding Debtors	30	3 306 788	3 925 942
Other Revenue	31	10 682 545	19 834 244
Gains on Disposal of Property, Plant and Equipment	40	26 553	136 661
<b>Total Revenue</b>		<b>665 835 801</b>	<b>672 066 974</b>
<b>EXPENDITURE</b>			
Employee Related Costs	32	228 678 963	212 826 380
Remuneration of Councillors	33	10 513 662	9 756 717
Depreciation and Amortisation	34	87 291 540	84 721 727
Impairment Losses	35	22 593 439	18 806 875
Repairs and Maintenance	36	29 582 769	26 609 621
Finance Costs	37	9 127 512	7 350 864
Bulk Purchases	38	204 008 229	183 153 338
General Expenses	39	50 159 656	52 990 861
<b>Total Expenditure</b>		<b>641 955 770</b>	<b>596 216 383</b>
<b>SURPLUS FOR THE YEAR</b>		<b>23 880 031</b>	<b>75 850 591</b>
<b>Refer to Budget Statement for explanation of budget variances</b>			

## KOUGA MUNICIPALITY

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
<b>2015</b>		
Restated Balance at 30 June 2014	2 179 914 250	2 179 914 250
Correction of Error Transactions posted to Surplus (Note 41)	131 011 575	131 011 575
<b>Restated Balance at 30 June 2014</b>	<b>2 310 925 825</b>	<b>2 310 925 825</b>
Surplus for the year	75 850 591	75 850 591
<b>Restated Balance at 2015</b>	<b>2 386 776 416</b>	<b>2 386 776 416</b>
Surplus for the year	23 880 031	23 880 031
<b>Balance at 30 June 2016</b>	<b>2 410 656 447</b>	<b>2 410 656 447</b>
	(0.00)	(0.00)



**KOUGA MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

	Note	Actual	
		2016 R	2015 Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	23	135 407 418	109 675 203
Government Grant and Subsidies	26	170 188 377	191 281 033
Public Contributions and Donations	27	118 424	-
Service Charges	28	315 174 978	292 644 144
Interest Received	30	8 338 096	6 355 454
Other Receipts	31	17 462 887	27 678 791
<b>Payments</b>			
Employee Related Costs	32	(216 654 844)	(201 912 820)
Remuneration of Councillors	33	(10 568 664)	(9 756 717)
Interest Paid	37	(864 109)	(2 504 192)
Suppliers Paid and Other Payments	39	(266 380 374)	(258 450 123)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>152 222 190</b>	<b>155 010 773</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(85 601 724)	(118 382 456)
Purchase of Intangible Assets	10	(57 982)	(94 546)
Proceeds on Disposal of Property, Plant and Equipment		76 539	136 661
Payments received on other loans		7 743	30 716
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(85 575 424)</b>	<b>(118 309 625)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Annuity loans repaid	19	(20 842 490)	(20 820 843)
Benefits paid on post retirement benefit obligation		(4 226 000)	(4 059 000)
Finance lease payments		(2 687 002)	(889 884)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(27 755 492)</b>	<b>(25 769 727)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>38 891 273</b>	<b>10 931 421</b>
Cash and Cash Equivalents at Beginning of Period		39 682 179	28 750 758
Cash and Cash Equivalents at End of Period	6	78 573 452	39 682 179

**KOUGA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

30 June 2016

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	4 570 751	-	4 570 751	4 570 751	5 433 902	863 152	118.88	118.88
Receivables from Exchange Transactions	59 005 975	(12 142 541)	46 863 434	46 863 434	48 615 571	1 752 137	103.74	82.39
Receivables from Non-exchange Transactions	12 657 587	28 538 468	41 196 055	41 196 055	29 302 917	(11 893 138)	71.13	231.50
VAT Receivable	-	-	-	-	4 353 896	4 353 896	0.00	0.00
Cash and Cash Equivalents	10 000 000	17 091 791	27 091 791	27 091 791	78 573 452	51 481 661	290.03	785.73
Current Portion of Long-term Receivables	-	7 742	7 742	7 742	3 000	(4 742)	38.75	0.00
<b>Non-Current Assets</b>								
Property, Plant and Equipment	2 585 217 040	(170 675 822)	2 414 541 218	2 414 541 218	2 532 215 227	117 674 009	104.87	97.95
Intangible Assets	175 040	19 682	194 722	194 722	158 583	(36 139)	81.44	90.60
Investment Property	64 174 759	(2 350 789)	61 823 970	61 823 970	85 381 710	23 557 740	138.10	133.05
Heritage Assets	-	-	-	-	-	-	0.00	0.00
Biological Assets	-	-	-	-	-	-	0.00	0.00
Long-term Receivables	191 821	(38 677)	153 144	153 144	167 601	14 457	109.44	87.37
<b>Total Assets</b>	<b>2 735 992 973</b>	<b>(139 550 147)</b>	<b>2 596 442 826</b>	<b>2 596 442 826</b>	<b>2 784 484 663</b>	<b>188 041 836</b>	<b>107.24</b>	<b>101.77</b>
<b>Current Liabilities</b>								
Consumer Deposits	8 551 359	250 178	8 801 537	8 801 537	9 590 330	788 793	108.96	112.15
Provisions	32 095 245	(3 797 807)	28 297 438	28 297 438	31 715 636	3 418 198	112.08	98.82
Payables from Exchange Transactions	100 230 719	(4 782 109)	95 448 610	95 448 610	122 966 569	27 517 959	128.83	122.68
Payables from Non-exchange Transactions	-	-	-	-	16 153 347	16 153 347	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	7 841 525	7 841 525	0.00	0.00
Current Portion of Long-term Liabilities	3 379 438	7 805 247	11 184 685	11 184 685	7 735 833	(3 448 852)	69.16	228.91
<b>Non-Current Liabilities</b>								
Long-term Liabilities	53 962 765	(4 326 104)	49 636 661	49 636 661	37 504 424	(12 132 237)	75.56	69.50
Retirement Benefit Liabilities	105 580 150	(6 892 293)	98 687 857	98 687 857	79 435 999	(19 251 858)	80.49	75.24
<b>Total Liabilities</b>	<b>303 799 675</b>	<b>(11 742 887)</b>	<b>292 056 788</b>	<b>292 056 788</b>	<b>373 828 215</b>	<b>81 771 427</b>	<b>128.00</b>	<b>123.05</b>
<b>Total Assets and Liabilities</b>	<b>2 432 193 297</b>	<b>(127 807 259)</b>	<b>2 304 386 038</b>	<b>2 304 386 038</b>	<b>2 410 656 447</b>	<b>106 270 409</b>	<b>104.61</b>	<b>99.11</b>
<b>Net Assets (Equity)</b>								
Accumulated Surplus / (Deficit)	2 432 193 297	(127 807 259)	2 304 386 038	2 304 386 038	2 410 656 447	106 270 409	104.61	99.11
<b>Total Net Assets</b>	<b>2 432 193 297</b>	<b>(127 807 259)</b>	<b>2 304 386 038</b>	<b>2 304 386 038</b>	<b>2 410 656 447</b>	<b>106 270 409</b>	<b>104.61</b>	<b>99.11</b>

**KOUGA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

***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:

**Inventories:**

Inventories were increased during the year due to accommodate the festive season influx.

**Receivables from Non-exchange Transactions:**

Budget not aligned to GRAP - included in actuals are debtors raised for outstanding fines.

**Cash and Cash Equivalents:**

A cost containment policy was approved in council which increased our excess cash and cash equivalents.

**Intangible Assets:**

Assets budgeted for, not procured during the year.

**Payables from Exchange Transactions:**

We received a Bulk water account from the Nelson Mandela Metro which was not budgeted for as it relates to prior periods.

**Payables from Non-exchange Transactions:**

Budget not aligned to GRAP - included in budget for Payables from Exchange Transactions.

**Unspent Conditional Grants and Receipts:**

It was not budgeted to have any Unspent Grants at year-end.

**Current Portion of Long-term Liabilities:**

Equipment leased is fewer than budgeted for.

**Long-term Liabilities:**

Fewer equipment leased than anticipated resulting in current leases almost ending with lesser long-term obligations.

**Retirement Benefit Liabilities:**

It was over budgeted due to no actuarial valuation available at the time of budgeting.

**KOUGA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

30 June 2016

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	148 124 818	(11 338 987)	136 785 831	136 785 831	135 339 445	(1 446 386)	98.94	91.37
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	0.00	0.00
Fines	1 656 234	740 218	2 396 451	2 396 451	9 798 101	7 401 649	408.86	591.59
Licences and Permits	8 993 920	(471 837)	8 522 084	8 522 084	6 065 570	(2 456 514)	71.17	67.44
Government Grants and Subsidies Received	90 611 087	81 272 218	171 883 305	171 883 305	168 177 211	(3 706 094)	97.84	185.60
Public Contributions and Donations	-	-	-	-	118 424	118 424	0.00	0.00
<b>Revenue from Exchange Transactions</b>								
Service Charges	365 286 036	(30 071 000)	335 215 036	335 215 036	326 545 507	(8 669 529)	97.41	89.39
Rental of Facilities and Equipment	2 067 411	(1 516 151)	551 260	551 260	744 348	193 089	135.03	36.00
Interest Earned - External Investments	2 077 768	906 692	2 984 460	2 984 460	5 031 308	2 046 848	168.58	242.15
Interest Earned - Outstanding Debtors	6 245 981	(2 531 002)	3 714 979	3 714 979	3 306 788	(408 191)	89.01	52.94
Other Income	14 796 884	(6 427 313)	8 369 571	8 369 571	10 682 545	2 312 974	127.64	72.19
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	26 553	26 553	0.00	0.00
<b>Total Revenue</b>	<b>639 860 139</b>	<b>30 562 838</b>	<b>670 422 977</b>	<b>670 422 977</b>	<b>665 835 801</b>	<b>(4 587 176)</b>	<b>99.32</b>	<b>104.06</b>
<b>Expenditure</b>								
Employee Related Costs	215 794 553	1 792 522	217 587 074	217 587 074	228 678 963	11 091 889	105.10	105.97
Remuneration of Councillors	9 759 750	523 405	10 283 155	10 283 155	10 513 662	230 507	102.24	107.72
Depreciation and Amortisation	80 713 788	-	80 713 788	80 713 788	87 291 540	6 577 752	108.15	108.15
Impairment Losses	52 020 543	(24 039 477)	27 981 066	27 981 066	22 593 439	(5 387 627)	80.75	43.43
Repairs and Maintenance	42 268 178	(7 162 911)	35 105 267	35 105 267	29 582 769	(5 522 498)	84.27	69.99
Finance Costs	21 793 617	(16 239 013)	5 554 604	5 554 604	9 127 512	3 572 907	164.32	41.88
Bulk Purchases	200 867 959	(11 233 520)	189 634 439	189 634 439	204 008 229	14 373 790	107.58	101.56
General Expenses	67 144 094	9 760 775	76 904 869	76 904 869	50 159 656	(26 745 213)	65.22	74.70
<b>Total Expenditure</b>	<b>690 364 232</b>	<b>(46 599 970)</b>	<b>643 764 262</b>	<b>643 764 262</b>	<b>641 955 770</b>	<b>(1 808 492)</b>	<b>99.72</b>	<b>92.99</b>
<b>Surplus/(Deficit)</b>	<b>(50 504 093)</b>	<b>77 162 808</b>	<b>26 658 715</b>	<b>26 658 715</b>	<b>23 880 031</b>	<b>(2 778 684)</b>	<b>89.58</b>	<b>0.00</b>
<b>Surplus/(Deficit for the Year)</b>	<b>(50 504 093)</b>	<b>77 162 808</b>	<b>26 658 715</b>	<b>26 658 715</b>	<b>23 880 031</b>	<b>(2 778 684)</b>	<b>89.58</b>	<b>-</b>

**KOUGA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

***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:**

The fines revenue largely relates to traffic fines collection, which has seen an improvement, as well as the recognition of fines in terms of GRAP 23.

**Licences and Permits:**

Licenses and permits revenue largely relates to motor vehicle registration and is influenced by the extent of vehicles registered.

**Rental of Facilities and Equipment:**

Rental of facilities and equipment relates to the rental of municipal caravan parks, municipal houses and community halls. The revenue is influenced by the extent of rental agreements.

**Interest Earned - External Investments:**

Interest earnings are influenced by the extent of the municipality's investment portfolio.

**Interest Earned - Outstanding Debtors:**

The interest is influenced by the extent of outstanding debtors.

**Other Income:**

The other revenue relates to services rendered which are billed to or paid for by the users as the services are required. It includes augmentation fees, building plan fees, caravan park fees and other sundry income.

**Impairment Losses:**

The impairment losses largely relate to the extent of outstanding debtors at the end of the financial year.

**Repairs and Maintenance:**

Less spent on repairs, compared to the adjustments budgeted amount and this was due to no approved maintenance plans.

**Finance Costs:**

The finance costs are below budget as adjustment budget include capital budgeted amount for finance leases

**General Expenses :**

The low spending on general expenses, compared to the adjustments budgeted amount, is due to cost containment measures and budget related internal controls.

**KOUGA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

30 June 2016

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 & Council	500 000	-	500 000	500 000	53 367	(446 633)	10.67%	11%
Financial Services	145 000	270 000	415 000	415 000	136 937	(278 063)	33.00%	94%
Administration, Monitoring & Evaluation	-	179 000	179 000	179 000	171 631	(7 369)	95.88%	0%
Led, Tourism & Creative Industries	1 563 000	(1 389 000)	174 000	174 000	429 228	255 228	246.68%	27%
Infrastructure, Planning & Development	42 608 000	50 286 000	92 894 000	92 894 000	78 786 274	(14 107 726)	84.81%	185%
Social Services	18 754 000	(8 409 700)	10 344 300	10 344 300	6 082 268	(4 262 032)	58.80%	32%
<b>Total Capital Expenditure</b>	<b>63 570 000</b>	<b>40 936 300</b>	<b>104 506 300</b>	<b>104 506 300</b>	<b>85 659 705</b>	<b>(18 846 595)</b>	<b>81.97%</b>	<b>135%</b>
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>								
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:								
Executive and Council:								
The low spending on Capital expenditure, compared to the adjustments budgeted amount, is due to planning delays.								
Financial Services								
The low spending on Capital expenditure, compared to the adjustments budgeted amount, is because the project will be rolled over to the 2016/17 financial year.								
Led, Tourism & Creative Industries								
The over-spending relate to the fencing of cultural centre, this was a rollover-project from 2014/15 financial year.								
Infrastructure, Planning & Development								
The low spending on Capital expenditure, compared to the adjustments budgeted amount, is because some of the projects will be rolled over to the 2016/17 financial year.								
Social Services								
The low spending on Capital expenditure, compared to the adjustments budgeted amount, is because some of the projects will be rolled over to the 2016/17 financial year due.								

**KOUGA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

30 June 2016

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	142 595 339	(8 239 433)	134 355 906	134 355 906	135 407 418	1 051 512	105.34%	0.95
Grants	125 511 392	46 371 608	171 883 000	171 883 000	170 188 377	(1 694 623)	99.01%	1.36
Public Contributions and Donations	-	-	-	-	118 424	118 424		
Service Charges	320 439 225	56 817 807	377 257 032	308 977 398	315 174 978	6 197 581	103.82%	0.98
Interest Received	8 323 749	(8 323 749)	-	2 984 460	8 338 096	5 353 636	168.58%	1.00
Other Receipts	23 210 358	6 003 685	29 214 044	24 240 842	17 462 887	(6 777 955)	120.98%	0.75
Employee Related Costs	(212 437 084)	(5 149 991)	(217 587 074)	(217 587 074)	(216 654 844)	932 230	102.53%	1.02
Remuneration of Councillors	(11 678 390)	1 395 235	(10 283 155)	(10 283 155)	(10 568 664)	(285 509)	102.78%	0.90
Interest Paid	(16 111 720)	10 557 116	(5 554 604)	(5 554 604)	(864 109)	4 690 495	15.56%	0.05
Other Payments	(316 282 870)	(55 630 081)	(371 912 951)	(301 644 575)	(266 380 374)	35 264 201	88.31%	0.84
<b>Cash Flows from/(used in) Investing Activities</b>								
Purchase of Property, Plant and Equipment	(63 570 000)	(40 936 300)	(104 506 300)	(104 506 300)	(85 601 724)	18 904 576	81.91%	1.35
Purchase of Intangible Assets	-	-	-	-	(57 982)	(57 982)		
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	76 539	76 539		
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-		
<b>Cash Flows from/(used in) Financing Activities</b>								
New Loans raised	-	-	-	-	-	-		
Loans repaid	-	(15 456 286)	(15 456 286)	(15 456 286)	(20 842 490)	(5 386 204)	134.85%	
<b>Cash and Cash Equivalents at End of the Year</b>	<b>0</b>	<b>(12 590 388)</b>	<b>(12 590 388)</b>	<b>(12 590 389)</b>	<b>44 932 424</b>	<b>57 522 812</b>	<b>-</b>	

**KOUGA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

***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:

**Grants**

It was under-budgeted for Grants.

**Public Contributions and Donations**

The public contributions and donations were never anticipated.

**Service Charges**

The Service Charges revenue is influenced by the increase in outstanding debtors, the municipality will improve its credit control function.

**Interest Received**

Interest received is influenced by the extent of investment portfolio

**Other Receipts**

Other receipts include cash generated from caravan parks, rentals of community halls etc. it is cash generated from other service charges billed as requested.

**Interest Paid**

Interest paid budget only relate to loans whilst the cash outflow include interest paid for due to late payment to creditors and interest paid for operating lease assets.

**Purchase of Property, Plant and Equipment:**

The low spending on Capital expenditure, compared to the adjustments budgeted amount, is because some projects will be rolled over to the 2016/17 financial year.



# KOUGA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 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 are 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 2016

#### 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 2016

#### 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 16 Investment Property (Revised) -Effective 01 April 2016
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 108 Statutory Receivables
- IGRAP 17 Service Concession Arrangements where a Grantor controls a significant Residual Interest in an Asset
- GRAP 109 Accounting by Principals and Agents

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 2016

#### 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 2016

#### 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 2016

#### 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
	Landfill Sites	30 - 50		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. Land-fill sites are valued using the cost model.

#### 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 2016

#### 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 2016

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 2016

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.

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### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### **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.

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### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### **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 2016

#### **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 2016

#### 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 2016

#### 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 2016

#### 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 2016

#### 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 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 2016

#### 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 2016

#### 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 2016

#### 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 2016

#### 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 2016

#### 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 2016

#### 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 2016

#### 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 2015 to 30 June 2016.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>1. GENERAL INFORMATION</b>		
<p>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 Municipality. The address of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p>		
<b>2. INVENTORIES</b>		
Consumable Stores	5 071 063	3 993 354
Water - at cost	382 425	342 719
Less Provision for obsolete stock	(19 587)	(19 048)
<b>Total Inventories</b>	<b>5 433 902</b>	<b>4 317 025</b>

Inventories are held for own use and measured at the lower of Cost and net realisable value (net amount that the municipality expects to realise from the sale of Inventory in the ordinary course of business). No write downs of Inventory to Net Realisable Value were required.

**Water Inventory**

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.

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

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>Gross Balances</b>	<b>Provision for Impairment</b>	<b>Net Balances</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>As at 30 June 2016</b>			
Service Debtors:	97 962 876	63 942 439	34 020 437
Electricity	34 093 546	9 381 519	24 712 027
Refuse	16 386 447	15 362 768	1 023 679
Sewerage	14 712 310	12 171 368	2 540 942
Water	32 770 575	27 026 785	5 743 790
Other Receivables	23 581 396	8 986 262	14 595 134
<b>Total Receivables from Exchange Transactions</b>	<b>121 544 273</b>	<b>72 928 701</b>	<b>48 615 571</b>
	<b>Gross Balances</b>	<b>Provision for Impairment</b>	<b>Net Balances</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<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>

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.

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 2016**

2016  
R                      2015  
R

**3.1 Ageing of Receivables from Exchange Transactions**

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	9 773 102	15 555 013	1 062 680	7 702 752	34 093 546
Less: Provision for Impairment	-	-	-	-	9 381 519
<b>Net Balances</b>	<b>9 773 102</b>	<b>15 555 013</b>	<b>1 062 680</b>	<b>7 702 752</b>	<b>24 712 027</b>
<b>Refuse:</b>					
Gross Balances	1 420	2 622 266	480 374	12 947 140	16 386 446
Less: Provision for Impairment	-	-	-	-	15 362 768
<b>Net Balances</b>	<b>1 420</b>	<b>2 622 266</b>	<b>480 374</b>	<b>12 947 140</b>	<b>1 023 678</b>
<b>Sewerage:</b>					
Gross Balances	1 293	3 734 541	540 504	10 435 972	14 712 310
Less: Provision for Impairment	-	-	-	-	12 171 368
<b>Net Balances</b>	<b>1 293</b>	<b>3 734 541</b>	<b>540 504</b>	<b>10 435 972</b>	<b>2 540 942</b>
<b>Water:</b>					
Gross Balances	3 015 754	5 182 219	1 012 509	23 560 094	32 770 575
Less: Provision for Impairment	-	-	-	-	27 026 785
<b>Net Balances</b>	<b>3 015 754</b>	<b>5 182 219</b>	<b>1 012 509</b>	<b>23 560 094</b>	<b>5 743 790</b>
<b>Other Receivables:</b>					
Gross Balances	151 692	1 386 074	244 248	21 799 382	23 581 396
Less: Provision for Impairment	-	-	-	-	8 986 262
<b>Net Balances</b>	<b>151 692</b>	<b>1 386 074</b>	<b>244 248</b>	<b>21 799 382</b>	<b>14 595 134</b>

As at 30 June 2016 Receivables of R35 337 065 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	28 480 113	3 340 314	76 445 340	108 265 767
Less: Provision for Impairment	-	-	-	72 928 702
<b>Net Balances</b>	<b>28 480 113</b>	<b>3 340 314</b>	<b>76 445 340</b>	<b>35 337 065</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R			2015 R
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
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>23 408 062</b>
<b>Refuse:</b>				
Gross Balances	170 330	605 207	460 025	13 265 120
Less: Provision for Impairment				13 974 974
<b>Net Balances</b>	<b>170 330</b>	<b>605 207</b>	<b>460 025</b>	<b>525 708</b>
<b>Sewerage:</b>				
Gross Balances	2 693 457	777 362	521 899	8 556 202
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>2 012 973</b>
<b>Water:</b>				
Gross Balances	3 459 439	1 181 797	870 128	21 850 342
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>4 706 178</b>
<b>Other Receivables:</b>				
Gross Balances	1 036 952	351 535	262 538	19 588 417
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>12 925 597</b>

As at 30 June 2015 Receivables of R16 125 128 were past due but impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	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
Less: Provision for Impairment	-	-	-	65 597 507
<b>Net Balances</b>	<b>5 342 981</b>	<b>3 284 787</b>	<b>73 094 867</b>	<b>16 125 128</b>

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

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
<b>As at 30 June 2016</b>				
<u>Current:</u>				
0 - 30 days	23 176 243	4 984 627	932 463	6 525 638
<u>Past Due:</u>				
31 - 60 Days	885 821	306 377	147 205	2 723 366
61 - 90 Days	2 080 440	255 691	77 025	609 082
+ 90 Days	33 966 950	12 451 524	3 270 291	29 151 527
Sub-total	60 109 455	17 998 219	4 426 985	39 009 614
Less: Provision for Impairment	58 617 160	13 860 747		450 794
<b>Total Trade Receivables by Customer Classification</b>	<b>1 492 295</b>	<b>4 137 472</b>	<b>4 426 985</b>	<b>38 558 820</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R		
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2015</b>				
<i>Current:</i>				
0 - 30 days	513 227	6 498 369	283 122	17 208
<i>Past Due:</i>				
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>

	2016 R	2015 R
<b>3.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	65 597 507	47 617 347
Impairment Losses recognised	-	8 786 568
Amounts written off as uncollectable	4 911 566	9 193 592
Amounts recovered	2 419 629	-
<b>Balance at end of year</b>	<b>72 928 701</b>	<b>65 597 507</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.

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

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2016</b>			
Assessment Rates Debtors	35 572 295	18 527 749	17 044 546
Staff Debtors	30 830		30 830
Sundry Debtors	19 237 646	7 009 455	12 226 191
Other Control Accounts	104 328	-	1 350
<b>Total Receivables from Non-exchange Transactions</b>	<b>54 945 099</b>	<b>25 537 204</b>	<b>29 302 917</b>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2015</b>			
Assessment Rates Debtors	33 444 729	18 954 294	14 490 435
Staff Debtors	4 403	-	4 403
Sundry Debtors	18 602 510	(1 736 335)	20 338 845
Other Control Accounts	104 328	-	1 350
<b>Total Receivables from Non-exchange Transactions</b>	<b>52 155 970</b>	<b>17 217 959</b>	<b>34 835 033</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

2016  
R

2015  
R

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

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	5 422 743	1 693 521	622 226	27 833 805	35 572 295
Less: Provision for Impairment	-	-	-	-	18 527 749
<b>Net Balances</b>	<b>5 422 743</b>	<b>1 693 521</b>	<b>622 226</b>	<b>27 833 805</b>	<b>17 044 546</b>

**Staff Debtors**

Gross Balances	30 830	-	-	-	30 830
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>30 830</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30 830</b>

**Sundry Debtors:**

Gross Balances	19 237 646	-	-	-	19 237 646
Less: Provision for Impairment	7 009 455	-	-	-	7 009 455
<b>Net Balances</b>	<b>12 228 191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12 228 191</b>

**Suspense Accounts:**

Gross Balances	1 350	-	-	-	1 350
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>1 350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 350</b>

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

**All Receivables:**

Gross Balances	1 693 521	622 226	27 833 805	30 149 552
Less: Provision for Impairment	-	-	-	25 537 204
<b>Net Balances</b>	<b>1 693 521</b>	<b>622 226</b>	<b>27 833 805</b>	<b>4 612 348</b>

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	-	-	-	-	18 954 294
<b>Net Balances</b>	<b>5 935 483</b>	<b>1 132 446</b>	<b>658 602</b>	<b>25 718 198</b>	<b>14 490 435</b>

**Staff Debtors**

Gross Balances	4 403	-	-	-	4 403
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>4 403</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 403</b>

**Sundry Debtors:**

Gross Balances	18 602 510	-	-	-	18 602 510
Less: Provision for Impairment	(1 736 335)	-	-	-	(1 736 335)
<b>Net Balances</b>	<b>20 338 845</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 338 845</b>

**Suspense Accounts:**

Gross Balances	1 350	-	-	-	1 350
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>1 350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 350</b>

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

**All Receivables:**

Gross Balances	1 132 446	658 602	25 718 198	27 509 246
Less: Provision for Impairment	-	-	-	23 800 869
<b>Net Balances</b>	<b>1 132 446</b>	<b>658 602</b>	<b>25 718 198</b>	<b>3 708 377</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 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 2016</b>				
<i>Current:</i>				
0 - 30 days	4 977 739	478 083	334	2 374
<i>Past Due:</i>				
31 - 60 Days	5 698 776	145 269	667	304
61 - 90 Days	2 492 208	35 117	334	320
+ 90 Days	24 074 241	788 289	753 596	15 394 470
Sub-total	37 242 964	1 446 758	754 931	15 397 468
Less: Provision for Impairment	24 445 638	1 077 871	-	13 695
<b>Total Rates Debtors by Customer Classification</b>	<b>12 797 326</b>	<b>368 887</b>	<b>754 931</b>	<b>15 383 773</b>
<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	21 626 132	3 375 217	743 192	21 666
Sub-total	28 094 396	4 581 531	744 144	24 658
Less: Provision for Impairment	17 862 728	1 077 871	-	13 695
<b>Total Rates Debtors by Customer Classification</b>	<b>10 231 669</b>	<b>3 503 660</b>	<b>744 144</b>	<b>10 963</b>

	2016 R	2015 R
<b>4.3 Reconciliation of Provision for Impairment</b>		
Balance at beginning of year	17 217 959	27 784 032
Impairment Losses recognised	-	(1 736 336)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	8 770 731	(8 829 737)
Amounts recovered	(451 486)	-
<b>Balance at end of year</b>	<b>25 537 204</b>	<b>17 217 959</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 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	<b>4 353 896</b>	<b>6 080 734</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 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>6. CASH AND CASH EQUIVALENTS</b>		
Current Investments	75 798 167	36 786 383
Bank Accounts	2 783 364	2 903 276
Cash and Cash Equivalents	(8 079)	(7 480)
<b>Total Cash and Cash Equivalents</b>	<b><u>78 573 452</u></b>	<b><u>39 682 179</u></b>

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

**6.1 Current Investment Deposits**

Call Deposits	75 798 167	36 786 383
<b>Total Current Investment Deposits</b>	<b><u>75 798 167</u></b>	<b><u>36 786 383</u></b>

**Call Deposits** are investments with a maturity period of less than 3 months and earn interest at rates varying from 5,25 % to 6,20 % (2015: 5,25% to 6,00%) per annum.

Deposits attributable to Unspent Conditional Grants	7 030 512	5 830 359
Deposits attributable to General Investments	68 767 655	30 956 024
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b><u>75 798 167</u></b>	<b><u>36 786 383</u></b>

**6.2 Bank Accounts**

Cash in Bank	2 783 364	2 903 276
<b>Total Bank Accounts</b>	<b><u>2 783 364</u></b>	<b><u>2 903 276</u></b>

The Municipality has the following bank accounts:

**Primary Bank Account**

Cash book balance at beginning of year	2 903 276	1 255 936
Cash book balance at end of year	<u>2 783 364</u>	<u>2 903 276</u>

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

Bank statement balance at beginning of year	945 422	156 420
Bank statement balance at end of year	<u>2 037 926</u>	<u>945 422</u>

*First National Bank - Jeffreys bay Branch-Account Number: 52540033304*

Bank statement balance at beginning of year	1 544 947	1 059 464
Bank statement balance at end of year	<u>525 179</u>	<u>1 544 947</u>

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

**6.3 Cash and Cash Equivalents**

Cash Floats and Advances	(8 079)	(7 480)
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<b><u>(8 079)</u></b>	<b><u>(7 480)</u></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 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<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	249 227	196 039
Operating Lease Revenue recorded	29 576	53 187
<b>Total Operating Lease Receivables</b>	<b><u>278 803</u></b>	<b><u>249 227</u></b>
<b>7.1 Leasing Arrangements</b>		
<b>The Municipality as Lessor:</b>		
Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 99 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.		
<b>7.2 Amounts receivable under Operating Leases</b>		
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	459 174	466 126
2 to 5 years	1 656 288	1 748 481
More than 5 years	654 479	1 021 459
<b>Total Operating Lease Arrangements</b>	<b><u>2 769 940</u></b>	<b><u>3 236 066</u></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 R29 576 (2015: increase of R53 187) in current year income.		
<b>8. CURRENT PORTION OF LONG-TERM RECEIVABLES</b>		
Other Loans	3 000	7 742
<b>Total Current Portion of Long-term Receivables</b>	<b><u>3 000</u></b>	<b><u>7 742</u></b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**  
**PROPERTY PLANT AND EQUIPMENT**

<b>Note 9</b>	<b>2015</b>	<b>2016</b>
<b>Property Plant Equipment</b>		
Cost as 30 June	3 284 436 559	3 388 846 974
Accumulated Depreciation	(688 210 486)	(770 231 030)
Depreciation	(83 688 518)	(86 255 257)
<b>Carrying Value as 30 June</b>	<b>2 512 537 556</b>	<b>2 532 360 687</b>

**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 2015</b>	<b>365 512 427</b>	<b>62 123 687</b>	<b>427 636 114</b>	<b>1 990 366 419</b>	<b>64 927 000</b>	<b>24 413 872</b>	<b>4 243 929</b>	<b>2 511 587 336</b>
Cost	367 777 039	82 850 076	450 627 115	2 697 055 487	64 927 000	61 560 236	10 266 721	3 284 436 559
- Completed Assets	367 777 039	76 693 022	444 470 061	2 539 716 599	64 927 000	61 560 236	10 266 721	3 120 940 617
- Under Construction		6 157 054	6 157 054	157 338 889	-	-	-	163 495 942
Accumulated Depreciation:	(2 264 611)	(20 726 389)	(22 991 001)	(706 689 068)	-	(37 146 365)	(6 022 792)	(772 849 226)
- Cost	(2 264 611)	(20 726 389)	(22 991 001)	(706 689 068)	-	(37 146 365)	(6 022 792)	(772 849 226)
Acquisitions		5 464 670	5 464 670	77 994 327	-	2 142 728	-	85 601 724
Additions to PPE						2 142 728		2 142 728
Capital under Construction - Additions:		511 200	511 200	7 809 122				8 320 322
- Cost		4 953 470	4 953 470	70 185 205				75 138 675
Increase in Landfill Sites	21 622 335		21 622 335					21 622 335
Depreciation:								
- Based on Cost	(4 042 890)	(3 359 170)	(7 402 060)	(68 996 575)	-	(7 908 760)	(1 947 861)	(86 255 257)
Assets Derecognised during the year								
Cost				(67 658)		(481 375)	-	(549 033)
Accumulated Depreciation		(145 460)	(145 460)	62 071		291 512	-	208 122
<b>Carrying values at 30 June 2016</b>	<b>383 091 872</b>	<b>64 083 726</b>	<b>447 175 598</b>	<b>1 999 358 583</b>	<b>64 927 000</b>	<b>18 457 976</b>	<b>2 296 068</b>	<b>2 532 215 227</b>
Cost	387 134 762	88 314 746	475 449 508	2 774 982 156	64 927 000	63 221 589	10 266 721	3 388 846 974
- Completed Assets	387 134 762	77 204 222	464 338 985	2 547 458 062	64 927 000	63 221 589	10 266 721	3 150 212 357
- Under Construction		11 110 523	11 110 523	227 524 094				238 634 614
Accumulated Depreciation:	(4 042 890)	(24 231 020)	(28 273 910)	(775 623 572)		(44 763 613)	(7 970 653)	(856 631 749)
- Cost	(4 042 890)	(24 231 020)	(28 273 910)	(775 623 572)		(44 763 613)	(7 970 653)	(856 631 749)





**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>368 998 230</b>	<b>58 824 676</b>	<b>427 822 905</b>	<b>1 953 680 941</b>	<b>64 927 000</b>	<b>27 714 450</b>	<b>5 673 714</b>	<b>2 479 819 011</b>
Cost	370 702 654	76 693 022	447 395 676	2 592 653 682	64 927 000	58 876 847	38 153 432	3 202 006 638
- Completed Assets	370 702 654	76 693 022	447 395 676	2 536 090 080	64 927 000	58 876 847	38 153 432	3 145 443 035
- Under Construction				56 563 602				56 563 602
Accumulated Depreciation:	(1 704 424)	(17 868 347)	(19 572 771)	(638 972 741)		(31 162 397)	(32 479 718)	(722 187 627)
- Cost	(1 704 424)	(17 868 347)	(19 572 771)	(638 972 741)		(31 162 397)	(32 479 718)	(722 187 627)
Acquisitions						2 683 389	5 140 208	7 823 597
Capital under Construction - Additions:		6 157 054	6 157 054	100 775 286				106 932 340
- Cost								
Capital under Construction - Completed				3 626 519				3 626 519
- Cost								
Decrease in Landfill Sites	(2 925 615)		(2 925 615)					(2 925 615)
Depreciation:								
- Based on Cost	(560 187)	(2 858 043)	(3 418 230)	(67 716 327)		(5 983 968)	(6 569 993)	(83 688 518)
Assets Derecognised during the year								
Cost						-	(33 026 919)	(33 026 919)
Accumulated Depreciation						-	33 026 919	33 026 919
								-
<b>Carrying values at 30 June 2015</b>	<b>365 512 427</b>	<b>62 123 687</b>	<b>427 636 114</b>	<b>1 990 366 420</b>	<b>64 927 000</b>	<b>24 413 872</b>	<b>4 243 929</b>	<b>2 511 587 336</b>
Cost	367 777 039	82 850 076	450 627 115	2 697 055 487	64 927 000	61 560 236	10 266 721	3 284 436 559
- Completed Assets	367 777 039	76 693 022	444 470 061	2 539 716 599	64 927 000	61 560 236	10 266 721	3 120 940 617
- Under Construction		6 157 054	6 157 054	157 338 889				163 495 942
Accumulated Depreciation:	(2 264 611)	(20 726 389)	(22 991 001)	(706 689 068)	-	(37 146 365)	(6 022 792)	(772 849 226)
- Cost	(2 264 611)	(20 726 389)	(22 991 001)	(706 689 068)		(37 146 365)	(6 022 792)	(772 849 226)
Assets derecognised during year								

Note- Erf 13 (Value -R166 000.000) of Kouga Municipality in Patensie is being held as surety by ABSA Bank (Pty) Ltd.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>10 INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>158 583</b>	<b>186 665</b>
The movement in Intangible Assets is reconciled as follows:		
		<b>Total</b>
<b>Carrying values at 01 July 2015</b>		<b>186 665</b>
Cost		534 917
Accumulated Amortisation		(348 252)
Acquisitions:		<b>57 982</b>
Purchased		57 982
Amortisation:		<b>(86 063)</b>
Purchased		(86 063)
<b>Carrying values at 30 June 2016</b>		<b>158 584</b>
Cost		592 899
Accumulated Amortisation		(434 315)
<b>Carrying values at 01 July 2014</b>		<b>175 109</b>
Cost		440 371
Accumulated Amortisation		(265 263)
Acquisitions:		<b>94 546</b>
Purchased		94 546
Amortisation:		<b>(82 989)</b>
Purchased		(82 989)
<b>Carrying values at 30 June 2015</b>		<b>186 665</b>
Cost		534 917
Accumulated Amortisation		(348 252)

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

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets have 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 2016**

2016  
R

2015  
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 none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remained 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.

**10.4 Work-in-Progress**

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

**11 INVESTMENT PROPERTY**

At Cost less Accumulated Depreciation	<b>85 381 710</b>	<b>86 186 470</b>
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The movement in Investment Property is reconciled as follows:

<b>Carrying values at 1 July</b>	<b>86 186 470</b>	<b>86 991 230</b>
Cost	87 804 000	87 804 000
Accumulated Depreciation	(1 617 530)	(812 770)
Depreciation during the Year	(804 760)	(804 760)
<b>Carrying values at 30 June</b>	<b>85 381 710</b>	<b>86 186 470</b>
Cost	87 804 000	87 804 000
Accumulated Depreciation	(2 422 290)	(1 617 530)
<b>Estimated Fair Value of Investment Property at 30 June</b>	<b>85 381 710</b>	<b>86 186 470</b>

All of the municipality's Investment Property is held under freehold interests and no Investment Property have 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 Impairment of Investment Property**

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

**11.2 Work-in-Progress**

The municipality had no capital projects for Investment Property which were not completed at year-end.

**11.3 Delayed Projects**

No projects that are currently in progress are experiencing significant delays.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 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 2016</b>		
Other Loans	304 574	126 231
	<u>304 574</u>	<u>126 231</u>
Less:		178 343
Recovered		10 742
Current Portion transferred to Current Receivables		7 742
		3 000
<b>Total Long-term Receivables</b>		<b>167 601</b>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>
		<b>Net Balances R</b>
<b>As at 30 June 2015</b>		
Other Loans	335 291	126 231
	<u>335 291</u>	<u>126 231</u>
Less:		209 060
Recovered		38 458
Current Portion transferred to Current Receivables		30 716
		7 742
<b>Total Long-term Receivables</b>		<b>170 602</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.		
<b>12.1 Ageing of Long-term Receivables</b>		
<u>Current:</u>		
0 - 30 days	-	-
+ 120 Days	296 832	304 575
<b>Total</b>	<u>296 832</u>	<u>304 575</u>
As at 30 June Long-term Receivables of R296 832 (2015: R304 575) were past due.		
<b>12.2 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	126 231	126 231
Contribution to provision	126 231	126 231
Impairment Losses reversed	(126 231)	(126 231)
<b>Balance at end of year</b>	<b>126 231</b>	<b>126 231</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>13 CONSUMER DEPOSITS</b>		
Water and Electricity	9 590 330	8 592 611
<b>Total Consumer Deposits</b>	<b>9 590 330</b>	<b>8 592 611</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 or accrued on Consumer Deposits held.

**14 PROVISIONS**

Performance Bonuses	678 671	550 316
Leave Provision	14 293 355	12 133 593
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20)	2 312 000	2 314 000
Current Portion of Long Service Awards Liability (See Note 20)	1 438 000	1 837 000
Current Portion of Ex-Gratia Pension (See Note 21)	95 000	75 000
Current Portion of Non-Current Provisions (See Note 21):	12 898 610	12 971 773
Clearing of Environmental Cleanup	597 604	795 852
Rehabilitation of Land-fill Sites	12 301 006	12 175 921
<b>Total Provisions</b>	<b>31 715 636</b>	<b>29 881 682</b>

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

**Provision for environmental clean - up**

Illegal dumping of builders' and other rubble is taking place through out the KOUGA area on the municipality's property. Contrary to S19A of Environmental Conservation Act, (No 73 of 1989), the municipality has not cleared the illegal dumping and other rubble. The municipality has accounted for a provision for the cost of clearing builders'and other rubble as required by GRAP 19.20 - Provisions, contingent liabilities and contingent assets. The net present value of the clean - up costs have been determined as at 30 June 2016. The provision is the best estimate of the net present value of future clean - up costs. The payment dates of the costs to clean up the builders'and other rubble are uncertain, but are currently expected to be in the following years.

**Provision for leave**

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

The movement in provisions are reconciled as follows:

**Current Provisions:**

**Performance Bonuses:**

Balance at beginning of year	550 316	765 073
Contributions to provision	-	-
Expenditure incurred	128 355	(214 757)
<b>Balance at end of year</b>	<b>678 671</b>	<b>550 316</b>

**Leave Provisions:**

Balance at beginning of year	12 133 593	12 284 276
Contributions to provision	2 159 762	(150 683)
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>14 293 355</b>	<b>12 133 593</b>

**Current Portion of Non-Current Provisions:**

	Ex-Gratia Pension R	Long Service Awards R	Post-retirement R
<b>30 June 2016</b>			
Balance at beginning of year	75 000	1 837 000	2 314 000
Transfer from non-current	95 000	-	(2 000)
Contributions to provision	(75 000)	(1 837 000)	-
Expenditure incurred	-	1 438 000	-
<b>Balance at end of year</b>	<b>95 000</b>	<b>1 438 000</b>	<b>2 312 000</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R	
	Ex-Gratia Pension R	Long Service Awards R	Post-retirement R
<b>30 June 2015</b>			
Balance at beginning of year	35 000	2 143 000	1 972 000
Transfer from non-current	75 000	-	342 000
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>	<b>2 314 000</b>
		<b>Environmental Cleanup R</b>	<b>Rehabilitation of Landfill Sites R</b>
<b>30 June 2016</b>			
Balance at beginning of year		795 852	12 175 921
Transfer from non-current		-	125 085
Contributions to provision		(198 248)	-
<b>Balance at end of year</b>		<b>597 604</b>	<b>12 301 006</b>
		<b>Environmental Cleanup R</b>	<b>Rehabilitation of Landfill Sites R</b>
<b>30 June 2015</b>			
Balance at beginning of year		2 135 512	12 131 065
Transfer from non-current		-	44 855
Contributions to provision		(1 339 660)	-
<b>Balance at end of year</b>		<b>795 852</b>	<b>12 175 921</b>

**15 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Creditors	114 353 842	103 374 535
Retentions	181 895	32 566
Other Creditors	8 430 832	7 490 741
<b>Total Payables</b>	<b>122 966 569</b>	<b>110 897 842</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.

**16 PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Sundry Deposits	2 732 288	2 243 771
Other Creditors	13 421 059	10 997 445
<b>Total Payables</b>	<b>16 153 347</b>	<b>13 241 216</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.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

2016  
R

2015  
R

**17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**17.1 Conditional Grants from Government**

National Government Grants  
 Provincial Government Grants  
 Local Government Grants  
 Other Spheres of Government

	7 841 525	5 830 359
National Government Grants	2 320 536	615 501
Provincial Government Grants	5 228 989	4 922 858
Local Government Grants	157 000	157 000
Other Spheres of Government	135 000	135 000
<b>Total Conditional Grants and Receipts</b>	<b>7 841 525</b>	<b>5 830 359</b>

**Total Conditional Grants and Receipts**

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

See Note 26 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. 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 OPERATING LEASE LIABILITIES**

**18.1 Leasing Arrangements**

**The Municipality as Lessee:**

**Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years.**

**18.2 Amounts payable under Operating Leases**

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

**Other Equipment:**

Up to 1 year  
 2 to 5 years  
 More than 5 years

	4 776 203	2 352 519
Up to 1 year	4 776 203	2 352 519
2 to 5 years	-	-
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	<b>4 776 203</b>	<b>2 352 519</b>

**Total Operating Lease Arrangements**

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

Minimum lease payments

Minimum lease payments	4 776 203	2 352 519
<b>Total Operating Lease Expenses</b>	<b>4 776 203</b>	<b>2 352 519</b>

**Total Operating Lease Expenses**

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.



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>19 LONG-TERM LIABILITIES</b>		
Annuity Loans	42 485 867	55 970 516
Finance Lease Liabilities	2 754 390	4 535 830
Sub-total	45 240 257	60 506 347
Less: Current Portion transferred to Current Liabilities:-	7 735 833	10 869 685
Annuity Loans	5 756 980	9 088 247
Finance Lease Liabilities	1 978 854	1 781 438
<b>Total Long-term Liabilities</b> (Neither past due, nor impaired)	<b>37 504 424</b>	<b>49 636 661</b>

**19.1 Summary of Arrangements**

Annuity Loans are repaid over periods varying from 1 to 6 (2015: 2 to 7) years and at interest rates varying from 11,18% to 11,88% (2015: 9,25% to 10,50%) per annum. The Absa loan is secured, with ERF 13 in Patensie. No security is held on INCA and DBSA loans

Finance Lease Liabilities relates to Office Equipment with lease terms of 1 (2015: 2) years. The effective interest rate on Finance Leases is between 25,00% and 28,11% (2015: 16,77% and 28,11%). Capitalised Lease Liabilities are secured over the items of equipment leased.

The total Annuity Loans is made up of the following loans:

Absa	46 419	59 034
Inca	-	6 191 108
Sarah Baartman District Municipality		118 263
Development Bank of South Africa	42 439 448	49 602 111
	<b>42 485 867</b>	<b>55 970 516</b>

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

**19.2 Obligations under Finance Lease Liabilities**

**The Municipality as Lessee:**

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 1 years (2015: 2 years). The effective interest rate on Finance Leases is 24,88% (2015: between 14,00% and 24,88%).

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 2 754 393	R 4 301 373
- Installments are payable monthly		
- Average period outstanding	12 months	12 months
- Average effective interest rate	24.88%	24.88%
- Average capital redemption per month over the period leased	R 229 533	R 358 448
(ii) Wireless radio network		R 234 458
- Installments are payable monthly in advance		
- Average period outstanding		2 months
- Average effective interest rate, based on prime		14.00%
- Average capital redemption per month over the period leased		R 117 229.00

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016		2015	
	R		R	
The obligations under Finance Leases are as follows:				
	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2016	2015	2016	2015
	R	R	R	R
<b>Amounts payable under finance leases:</b>				
Within one year	2 448 431	1 225 437	1 978 854	1 781 438
In the second to fifth years, inclusive	816 143	4 901 749	775 540	2 754 393
Over five years	-	-	-	-
	3 264 574	6 127 186	2 754 393	4 535 831
Less: Future Finance Obligations	510 181	2 687 000	1 978 854	1 781 438
<b>Present Value of Minimum Lease Obligations</b>	<b>2 754 393</b>	<b>3 440 186</b>	<b>775 540</b>	<b>2 754 393</b>

**20 EMPLOYEE BENEFIT LIABILITIES**

Post-retirement Health Care Benefits Liability	78 607 000	72 740 000
Long Service Awards Liability	-	-
Ex-Gratia Pension	829 000	837 000
<b>Total Employee Benefit Liabilities</b>	<b>79 436 000</b>	<b>73 577 000</b>

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

Balance at beginning of Year	75 054 000	69 141 000
Contributions to Provision	5 865 000	5 913 000
Balance at end of Year	80 919 000	75 054 000
Transfer to Current Provisions	(2 312 000)	(2 314 000)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>78 607 000</b>	<b>72 740 000</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 2016 by One Pangaea Financial, 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 members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	429	433
Continuation Members (Retirees, widowers and orphans)	63	61
<b>Total Members</b>	<b>492</b>	<b>494</b>

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

In-service Members	45 905 000	44 298 000
Continuation Members	35 014 000	30 756 000
<b>Total Liability</b>	<b>80 919 000</b>	<b>75 054 000</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>			
	<b>R</b>	<b>R</b>			
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:					
- Bonitas					
- Hosmed					
- Keyhealth					
- LA Health					
- Samwumed					
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>					
Discount Rate	9.77%	Yield Curve			
Health Care Cost Inflation Rate	8.89%	CPI+1			
Net Effective Discount Rate	0.81%	Yield Curve based			
Expected Retirement Age - Females	63	63			
Expected Retirement Age - Males	63	63			
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>					
Balance at the beginning of the year	75 054 000	69 141 000			
Current service costs	3 598 000	3 166 000			
Interest cost	6 933 000	6 238 000			
Benefits paid	(2 314 000)	(2 062 000)			
Actuarial losses / (gains)	(2 352 000)	(1 429 000)			
<b>Total Recognised Benefit Liability</b>	<b>80 919 000</b>	<b>75 054 000</b>			
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>					
Present value of fund obligations	80 919 000	75 054 000			
Unfunded Accrued Liability	80 919 000	75 054 000			
<b>Total Benefit Liability</b>	<b>80 919 000</b>	<b>75 054 000</b>			
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>					
Current service cost	3 598 000	3 166 000			
Interest cost	6 933 000	6 238 000			
Actuarial losses / (gains)	(2 352 000)	(1 429 000)			
Adjustment for Short-term Portion from Previous Year	(2 314 000)	(2 062 000)			
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 32)</b>	<b>5 865 000</b>	<b>5 913 000</b>			
<b>The history of experienced adjustments is as follows:</b>					
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Present Value of Defined Benefit Obligation	80 919 000	75 054 000	69 141 000	69 432 000	61 641 000
<b>Deficit</b>	<b>80 919 000</b>	<b>75 054 000</b>	<b>69 141 000</b>	<b>69 432 000</b>	<b>61 641 000</b>
				<b>2016</b>	<b>2015</b>
				<b>R</b>	<b>R</b>
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:					
<b>Increase:</b>					
Effect on the aggregate of the current service cost and the interest cost		2 580 000		2 121 000	
Effect on the defined benefit obligation		14 829 000		13 009 000	
<b>Decrease:</b>					
Effect on the aggregate of the current service cost and the interest cost		(1 263 000)		(1 680 000)	
Effect on the defined benefit obligation		(11 838 000)		(10 476 000)	

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>20.2 Ex-Gratia Pension</b>		
Balance at beginning of year	837 000	160 000
Contributions to provision	85 000	806 000
Expenditure incurred	2 000	(54 000)
Balance at end of Year	924 000	912 000
Transfer to Current Provisions	(95 000)	(75 000)
<b>Total Ex-Gratia Pension Liability</b>	<b>829 000</b>	<b>837 000</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 2016 by One Panaea Financial, 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	9.36%	Yield Curve
Cost Inflation Rate	7.50%	CPI+1%
Net Effective Discount Rate	1.73%	Yield Curve based
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	912 000	195 000
Interest cost	77 000	16 000
Benefits paid	(75 000)	(70 000)
Actuarial losses / (gains)	10 000	771 000
<b>Total Recognised Benefit Liability</b>	<b>924 000</b>	<b>912 000</b>

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

Present value of fund obligations	924 000	912 000
<b>Total Benefit Liability</b>	<b>924 000</b>	<b>912 000</b>

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

Current service cost	-	-
Interest cost	77 000	16 000
Actuarial losses / (gains)	10 000	771 000
Benefits Paid	(33 000)	(70 000)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 32)</b>	<b>54 000</b>	<b>717 000</b>

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Present Value of Defined Benefit Obligation	924 000	912 000	195 000	510 000	722 000
<b>Deficit</b>	<b>924 000</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	9 000	7 000
Effect on the defined benefit obligation	101 000	112 000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	(8 000)	(10 000)
Effect on the defined benefit obligation	(86 000)	(89 000)

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>21 NON-CURRENT PROVISIONS</b>		
Provision for Long Service Awards	11 610 000	11 578 000
Augmentation Fees	52 200	52 200
Provision for Rehabilitation of Land-fill Sites	49 222 350	25 947 857
<b>Total Non-current Provisions</b>	<b>60 884 551</b>	<b>37 578 058</b>

**21.1 Rehabilitation of Landfill Sites**

The municipality has an obligation to rehabilitate its land-fill sites in terms of its licence stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2016 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 2016 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 (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

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

**21.2 Long Service Awards Liability**

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 2016 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 2016 by a Fellow Member of the Actuarial Society of South Africa in the employment of One Pangaea Financial (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, 876 (2015: 827) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 2016 is estimated to be R1 185 000, whereas the cost for the prior year was estimated to be R1 238 000 ).

	<b>Long Service Awards</b>	<b>Augmentation Fees</b>	<b>Land-fill Sites</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>30 June 2016</b>			
Balance at beginning of year	11 578 000	52 200	25 947 857
Contributions to provision	1 470 000	-	-
Increase due to discounting	-	-	(125 085)
Expenditure incurred	-	-	23 399 578
	13 048 000	52 200	49 222 350
Transfer to current provisions	(1 438 000)	-	-
<b>Balance at end of year</b>	<b>11 610 000</b>	<b>52 200</b>	<b>49 222 350</b>
	<b>Long Service Awards</b>	<b>Augmentation Fees</b>	<b>Land-fill Sites</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>30 June 2015</b>			
Balance at beginning of year	10 682 000	52 200	26 471 601
Contributions to provision	2 733 000	-	-
Increase due to discounting	-	-	(44 855)
Expenditure incurred	-	-	(478 889)
	13 415 000	52 200	25 947 857
Transfer to current provisions	(1 837 000)	-	-
<b>Balance at end of year</b>	<b>11 578 000</b>	<b>52 200</b>	<b>25 947 857</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	R	R
	<b>2016</b>	<b>2015</b>
	R	R
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	8.65%	Yield Curve
Cost Inflation Rate	7.83%	CPI +1%
Net Effective Discount Rate	0.76%	Yield Curve Base
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>		
Balance at the beginning of the year	13 415 000	12 825 000
Current service costs	1 185 000	1 238 000
Interest cost	1 194 000	1 008 000
Benefits paid	(1 837 000)	(1 927 000)
<b>Total Recognised Benefit Liability</b>	<b>13 048 000</b>	<b>13 415 000</b>
Present value of fund obligations	13 048 000	13 415 000
<b>Total Benefit Liability</b>	<b>13 048 000</b>	<b>13 415 000</b>
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>		
Current service cost	1 185 000	1 238 000
Interest cost	1 194 000	1 008 000
Actuarial losses / (gains)	(909 000)	271 000
<b>Total Post-retirement Benefit included in Employee Related Costs (Note )</b>	<b>1 470 000</b>	<b>2 517 000</b>

<b>The history of experienced adjustments is as follows:</b>					
	2016	2015	2014	2013	2012
	R	R	R	R	R
Present Value of Defined Benefit Obligation	13 048 000	13 415 000	12 825 000	10 820 000	8 331 000
<b>Deficit</b>	<b>13 048 000</b>	<b>13 415 000</b>	<b>12 825 000</b>	<b>10 820 000</b>	<b>8 331 000</b>

	2016	2015
	R	R
<b>The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:</b>		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	11 000	159 000
Effect on the defined benefit obligation	719 000	835 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	(13 000)	145 000
Effect on the defined benefit obligation	(801 000)	764 000

**22 ACCUMULATED SURPLUS**

<b>The Accumulated Surplus consists of the following Internal Funds and Reserves:</b>		
Accumulated Surplus / (Deficit) due to the results of Operations	2 410 656 447	2 386 776 416
<b>Total Accumulated Surplus</b>	<b>2 410 656 447</b>	<b>2 386 776 416</b>

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

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>23 PROPERTY RATES</b>		
	<b>Actual Levies</b>	
Residential and Commercial	148 234 661	140 982 860
Less: Revenue Foregone	(12 895 216)	(12 402 932)
<b>Total Property Rates</b>	<b><u>135 339 445</u></b>	<b><u>128 579 927</u></b>
<b>23.1 Calculation of Cash Flow:</b>		
Property rates	135 339 445	128 579 927
Fines	9 798 101	3 599 461
Trade and other receivables from non-exchange transactions (Opening Balance)	52 155 970	40 941 595
Trade and other receivables from non-exchange transactions (Closing Balance)	(54 945 099)	(52 155 970)
Debts written off against doubtful debts provision	(6 940 999)	(11 289 810)
<b>Total Receipts for Property Rates</b>	<b><u>135 407 418</u></b>	<b><u>109 675 203</u></b>
<p>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.</p> <p>Interim valuations are processed annually to take into account changes in individual property values due to alterations and subdivisions.</p> <p>A general rate is applied as follows to property valuations to determine property rates:</p> <p style="padding-left: 20px;">Residential Properties: 0,00612892 c/R (2014/15: 0,005782 c/R)</p> <p style="padding-left: 20px;">Business Properties: 0,006254 c/R (2014/15: 0,0059 c/R)</p> <p style="padding-left: 20px;">Agricultural Properties: 0,0015635 c/R (2014/15: 0,001475 c/R)</p> <p>A rebate of 40,00% (2014/15: 40,00%) was allowed on residential properties whilst a discount of 30,00% (2014/15: 30,00%) was granted on properties owned by the State.</p> <p>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</p> <p>All infrastructure owned properties receives a 30% rebate on property value.</p>		
<b>24 FINES</b>		
Traffic Fines	1 850 266	3 420 727
Other Fines	7 947 835	178 734
<b>Total Fines</b>	<b><u>9 798 101</u></b>	<b><u>3 599 461</u></b>
<b>25 LICENCES AND PERMITS</b>		
Vehicle Licenses And Registration	2 190 591	1 556 777
Boat Licenses And Permits	1 418 627	1 485 553
Drivers Licenses	2 082 943	3 009 120
Other Licenses	373 408	451 588
<b>Total Licences and Permits</b>	<b><u>6 065 570</u></b>	<b><u>6 503 038</u></b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>26 GOVERNMENT GRANTS AND SUBSIDIES</b>		
National Equitable Share	82 099 000	66 129 000
Other Subsidies	7 073 552	4 650 022
<b>Operational Grants</b>	<u>89 172 552</u>	<u>70 779 022</u>
<b>Conditional Grants</b>	79 004 659	133 832 363
National: EPWP	1 000 000	1 285 000
National: FMG	470 449	1 600 000
National: MIG	30 800 000	40 076 540
National: MSIG	16 530	934 000
National: Treasury - Disaster	-	2 985 000
National: Department Minerals and Energy	3 887 985	3 990 783
National: Department Water Affairs (DWA)	9 313 484	4 194 050
Provincial: Department Human Settlements	33 516 211	78 766 989
<b>Total Government Grants and Subsidies</b>	<u><u>168 177 211</u></u>	<u><u>204 611 385</u></u>
<b>26.1 Calculation of Cash Flow:</b>		
Government Grants and Subsidies Income	168 177 211	204 611 385
Opening Balance of Unspent Government Grants	(5 830 359)	(19 160 711)
Closing Balance of Unspent Government Grants	7 841 525	5 830 359
<b>Total Receipts for Government Grants and Subsidies</b>	<u><u>170 188 377</u></u>	<u><u>191 281 033</u></u>
<b>Operational Grants:</b>		
<b>26.2 National: Equitable Share</b>	<u><u>82 099 000</u></u>	<u><u>66 129 000</u></u>
<p>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R692 (2015: R 669), 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.</p>		
<b>Conditional Grants:</b>		
<b>26.3 National: EPWP Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 285 000
Conditions met - transferred to Revenue: Operating Expenses	(1 000 000)	(1 285 000)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>-</u>	<u>-</u>
<p>The Expanded Public Works Programme Grant was allocated to the municipality for environmental and water infrastructure projects. No funds have been withheld.</p>		
<b>26.4 National: FMG Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 600 000	1 600 000
Conditions met - transferred to Revenue: Operating Expenses	(470 449)	(1 600 000)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>1 129 551</u>	<u>-</u>
<p>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 have been withheld.</p>		
<b>26.5 National: MIG Funds</b>		
Balance unspent at beginning of year	-	10 244 540
Current year receipts	30 800 000	29 832 000
Conditions met - transferred to Revenue: Operating Expenses	(1 540 000)	(1 491 600)
Conditions met - transferred to Revenue: Capital Expenses	(29 260 000)	(38 584 940)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>-</u>	<u>-</u>
<p>The Municipal Infrastructure Grant (MIG) was allocated for the construction of water and sanitation infrastructure where previously there was no infrastructure in order to provide for water as basic need. No funds have been withheld.</p>		



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>26.6 National: MSIG Funds</b>		
Balance unspent at beginning of year	1	1
Current year receipts	930 000	934 000
Conditions met - transferred to Revenue: Operating Expenses	(16 530)	(934 000)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>913 471</u>	<u>1</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. No funds have been withheld.

**26.7 National: Department of economic development**

Balance unspent at beginning of year	65 500	65 500
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>65 500</u>	<u>65 500</u>

No funds have been withheld.

**26.8 National: Treasury - Disaster**

Balance unspent at beginning of year	-	-
Current year receipts	-	2 985 000
Conditions met - transferred to Revenue: Capital Expenses	-	(2 985 000)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>-</u>	<u>-</u>

No funds has been withheld.

**26.9 National: Department of Energy**

Balance unspent at beginning of year	-	990 783
Current year receipts	4 100 000	3 000 000
Conditions met - transferred to Revenue: Operating Expenses	(3 887 985)	(3 990 783)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>212 015</u>	<u>-</u>

Expenses were incurred for the electrification of households in the community. No funds have been withheld.

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

Balance unspent at beginning of year	550 000	550 000
Current year receipts	8 763 484	4 194 050
Conditions met - transferred to Revenue: Operating Expenses	-	(4 194 050)
Conditions met - transferred to Revenue: Capital Expenses	(9 313 484)	0
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>0</u>	<u>550 000</u>

The grant was received for the maintenance of water schemes within the district. No funds were

**26.11 Provincial: Department Human Settlements**

Balance unspent at beginning of year	-	-
Current year receipts	33 516 211	78 766 989
Conditions met - transferred to Revenue: Operating Expenses	(33 347 961)	(78 766 989)
Other Adjustments/Refunds	(168 250)	-
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>-</u>	<u>-</u>

This grant is for building of low cost housing. The municipality is only the agent of the department of human settlements for the construction of low cost houses. No funds have been withheld.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>26.12 Local Government: SBDM</b>		
Balance unspent at beginning of year	157 000	(0)
Current year receipts	-	157 000
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>157 000</u>	<u>157 000</u>

No funds have been withheld.

<b>26.13 Provincial: Housing</b>		
Balance unspent at beginning of year	4 460 928	7 033 161
Current year receipts	710 136	1 265 171
Conditions met - transferred to Revenue: Capital Expenses	<u>(157 425)</u>	<u>(3 837 404)</u>
	<u>5 013 639</u>	<u>4 460 928</u>

This grant is for building of low cost housing. The municipality is only the agent of the department of human settlements for the construction of low cost houses. No funds have been withheld.

<b>26.14 Provincial: Housing</b>		
Balance unspent at beginning of year		
Current year receipts	874 983	-
Conditions met - transferred to Revenue: Operating Expenses	<u>(874 983)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

This grant was received for the payment of Interns.

**26.15 Changes in levels of Government Grants**

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2016), government grant funding is expected to increase over the forthcoming three financial years.

**27 PUBLIC CONTRIBUTIONS AND DONATIONS**

Other Donations	118 424	-
<b>Total Public Contributions and Donations</b>	<u>118 424</u>	<u>-</u>

**27.1 Calculation of Cash Flow:**

Public Contributions and Donations Income	118 424	-
<b>Total Receipts for Public Contributions and Donations</b>	<u>118 424</u>	<u>-</u>

**28 SERVICE CHARGES**

Sale of Electricity	234 162 285	215 207 840
Sale of Water	37 380 339	32 912 277
Refuse Removal	48 735 384	45 874 578
Sewerage and Sanitation Charges	40 540 705	37 326 091
Equitable Share on service charges	<u>(34 273 206)</u>	<u>(30 268 679)</u>
<b>Total Service Charges</b>	<u>326 545 507</u>	<u>301 052 106</u>

**28.1 Calculation of Cash Flow:**

Service Charges Income	326 545 507	301 052 106
Trade and other receivables from exchange transactions (Opening balance)	109 176 025	100 559 137
Trade and other receivables from exchange transactions (Closing balance)	<u>(121 544 273)</u>	<u>(109 176 025)</u>
Consumer deposits (Opening balance)	<u>(8 592 611)</u>	<u>(8 383 685)</u>
Consumer deposits (Closing balance)	9 590 330	8 592 611
<b>Total Receipts for Service Charges</b>	<u>315 174 978</u>	<u>292 644 144</u>

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

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>29 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental Revenue from Amenities	9 000	9 000
Rental Revenue from Buildings	180 011	152 700
Rental Revenue from Halls	176 831	152 020
Rental Revenue from Land	82 177	74 602
Rental Revenue from Other Facilities	296 330	1 006 375
<b>Total Rental of Facilities and Equipment</b>	<b>744 348</b>	<b>1 394 697</b>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
<b>30 INTEREST EARNED</b>		
<b>External Investments:</b>		
Bank Account	488 743	374 139
Other Deposits	4 542 565	2 055 373
	<b>5 031 308</b>	<b>2 429 512</b>
<b>Outstanding Debtors:</b>		
Outstanding Billing Debtors	3 306 788	3 925 942
	<b>3 306 788</b>	<b>3 925 942</b>
<b>Total Interest Earned</b>	<b>8 338 097</b>	<b>6 355 455</b>
<b>30.1 Calculation of Cash Flow:</b>		
Interest Earned Income	5 031 308	2 429 512
Interest revenue - Outstanding debtors	3 306 788	3 925 942
<b>Total Receipts for Interest Received</b>	<b>8 338 096</b>	<b>6 355 454</b>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	488 743	374 139
Held-to-Maturity Investments	4 542 565	2 055 373
Loans and Receivables	3 306 788	3 925 942
	<b>8 338 097</b>	<b>6 355 455</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>31 OTHER REVENUE</b>		
Augmentation Fees	2 168 743	6 614 148
Building Plan Fees	1 335 572	1 258 055
Caravan Park Fees	2 017 752	2 139 202
Cemetery Fees	388 775	317 064
Conversion Fees	1 613 508	1 642 599
Prints	11 121	7 749
Sundry Income	2 740 671	7 312 052
Tender Documents	78 309	134 521
Town Planning Fees	328 094	408 853
<b>Total Other Revenue</b>	<b>10 682 545</b>	<b>19 834 244</b>

**31.1 Calculation of Cash Flow:**

Income from Other Revenue	Note 31	10 682 545	19 834 244
Income from Rental of Facilities and Equipment	Note 29	744 348	1 394 697
Income from Licences and Permits	Note 25	6 065 570	6 503 038
Opening Balance of Operating Lease Receivables	Note 7	249 227	196 039
Closing Balance of Operating Lease Receivables	Note 7	(278 803)	(249 227)
<b>Total Receipts for Other Revenue</b>		<b>17 462 887</b>	<b>27 678 791</b>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 24 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**32 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	150 714 416	141 751 562
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	47 932 593	46 332 782
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	15 547 632	15 994 494
Housing Benefits and Allowances	2 310 598	471 744
Overtime Payments	11 488 603	8 490 555
Performance Bonuses	685 121	(214 757)
<b>Total Employee Related Costs</b>	<b>228 678 963</b>	<b>212 826 380</b>

**32.1 Calculation of Cash Flow:**

Employee related costs	(228 678 961)	(212 826 380)
Leave pay provision (Opening balance)	(12 133 593)	(12 284 276)
Leave pay provision (Closing balance)	14 293 355	12 133 593
Performance bonus provision (Opening balance)	(550 316)	(765 073)
Performance bonus provision (Closing balance)	678 671	550 316
Current service cost (Additional liability)	4 783 000	4 404 000
Actuarial gains and losses	(3 251 000)	(387 000)
Interest cost	8 204 000	7 262 000
<b>Total Payments for Employee Related Costs</b>	<b>(216 654 844)</b>	<b>(201 912 820)</b>

No advances were made to employees.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>Remuneration of Section 57 Employees:</b>		
<i><b>Remuneration of the Municipal Manager</b></i>		
Annual Remuneration	1 004 392	929 264
Car and Other Allowances	181 523	167 008
Company Contributions to UIF, Medical and Pension Funds	12 608	18 160
<b>Total</b>	<b>1 198 523</b>	<b>1 114 432</b>
<i><b>Remuneration of the Chief Financial Officer</b></i>		
Annual Remuneration	583 333	952 521
Car and Other Allowances	58 333	104 467
Company Contributions to UIF, Medical and Pension Funds	13 176	10 122
<b>Total</b>	<b>654 842</b>	<b>1 067 110</b>
<i><b>Remuneration of the Acting Chief Financial Officer</b></i>		
Acting Allowance	46 825	
	<b>46 825</b>	
<i><b>Remuneration of the Director: Social Services</b></i>		
Annual Remuneration	920 023	952 521
Car and Other Allowances	144 000	103 596
Company Contributions to UIF, Medical and Pension Funds	17 391	17 376
<b>Total</b>	<b>1 081 414</b>	<b>1 073 493</b>
<i><b>Remuneration of the Director: Administration, Monitoring and Evaluation</b></i>		
Annual Remuneration	923 198	856 521
Car and Other Allowances	110 408	107 197
Company Contributions to UIF, Medical and Pension Funds	13 580	19 985
<b>Total</b>	<b>1 047 186</b>	<b>983 704</b>
<i><b>Remuneration of the Director: Infrastructure, Planning and Development</b></i>		
Annual Remuneration	923 198	856 521
Car and Other Allowances	96 000	96 000
Company Contributions to UIF, Medical and Pension Funds	18 325	19 985
<b>Total</b>	<b>1 037 523</b>	<b>972 506</b>
<i><b>Remuneration of the Acting Director: Infrastructure, Planning and Development</b></i>		
Acting Allowance	168 985	
	<b>168 985</b>	
<i><b>Remuneration of the Director: Local Economic Development, Tourism and Creative Industries</b></i>		
Annual Remuneration	923 198	856 521
Car and Other Allowances	96 000	108 216
Company Contributions to UIF, Medical and Pension Funds	14 877	16 967
<b>Total</b>	<b>1 034 075</b>	<b>981 704</b>

**33 REMUNERATION OF COUNCILLORS**

Mayor	568 509	559 735
Speaker	454 808	447 788
Executive Committee Members	2 558 295	3 645 481
Councillors	3 627 081	1 927 247
Company Contributions to UIF, Medical and Pension Funds	178 228	185 501
Other Allowances (Cellular Phones, Transport, etc.)	3 126 741	2 990 966
<b>Total Councillors' Remuneration</b>	<b>10 513 662</b>	<b>9 756 717</b>

**Remuneration of Councillors:**

***In-kind Benefits***

The Councillors occupying the positions of Mayor, Speaker, six 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.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>34 DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	86 255 257	83 688 518
Amortisation: Intangible Assets	86 063	82 989
Depreciation: Investment Property	950 220	950 220
<b>Total Depreciation and Amortisation</b>	<b><u>87 291 540</u></b>	<b><u>84 721 727</u></b>
<b>35 IMPAIRMENT LOSSES</b>		
<b>Impairment Losses Reversed:</b>	-	2 925 615
Property, Plant and Equipment	-	2 925 615
Intangible Assets	-	-
Investment Property	-	-
Heritage Assets	-	-
	<b><u>-</u></b>	<b><u>2 925 615</u></b>
<b>35.1 Impairment Losses on Financial Assets</b>		
<b>Impairment Losses Recognised:</b>	1 435 291	3 578 543
Long-term Receivables	126 231	126 231
Receivables from Exchange Transactions	3 045 396	5 188 648
Receivables from Non-exchange Transactions	(1 736 336)	(1 736 336)
Investments		
Loans carried at Amortised Cost		
<b>Impairment Losses Reversed:</b>	21 158 148	12 302 717
Long-term Receivables	(126 231)	(126 231)
Receivables from Exchange Transactions	-	-
Receivables from Non-exchange Transactions	21 284 379	12 428 948
Investments		
Loans carried at Amortised Cost		
	<b><u>22 593 439</u></b>	<b><u>15 881 260</u></b>
<b>Total Impairment Losses</b>	<b><u>22 593 439</u></b>	<b><u>18 806 876</u></b>
<b>36 REPAIRS AND MAINTENANCE</b>		
Land and Buildings	643 951	925 793
Infrastructure - Electricity	10 814 284	8 880 923
Infrastructure - Road Transport	4 788 158	4 144 716
Infrastructure - Sanitation	1 049 990	1 341 998
Infrastructure - Water	230 175	388 197
Infrastructure - Other	3 285 847	1 939 005
Other Assets	7 646 582	7 863 842
Intangible Assets	1 123 782	1 125 147
<b>Total Repairs and Maintenance</b>	<b><u>29 582 769</u></b>	<b><u>26 609 621</u></b>
<b>37 FINANCE COSTS</b>		
Creditors Overdue	864 109	2 504 192
Loans and Payables at amortised cost	7 357 841	3 856 857
Finance Leases	905 562	989 815
<b>Total Interest Paid on External Borrowings</b>	<b><u>9 127 512</u></b>	<b><u>7 350 864</u></b>
<b>37.1 Calculation of Cash Flow:</b>		
Finance costs	(9 127 512)	(7 350 864)
Finance costs - Finance leases & Annuity Loans	6 456 259	4 846 672
<b>Total Payments for Finance Costs</b>	<b><u>(2 671 253)</u></b>	<b><u>(2 504 192)</u></b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>38 BULK PURCHASES</b>		
Electricity	171 710 822	154 641 312
Water	32 297 408	28 512 026
<b>Total Bulk Purchases</b>	<b>204 008 229</b>	<b>183 153 338</b>
<b>39 GENERAL EXPENSES</b>		
Included in General Expenses are the following:		
Advertising	369 112	584 092
Bank Charges	638 540	612 126
Chemicals & Poison	2 114 296	2 619 712
Cleaning Material	472 343	501 467
Congress & Delegates Expenses	605 741	737 480
Connection Fees	565 070	647 916
Disaster Expenditure	126 592	2 474 946
Entertainment	137 491	271 847
Expenditure Incurred From Finance Management Grant	169 684	177 683
Expenditure Recharged	-	57 347
External Audit Fees	3 407 665	3 384 400
Fuel (Small Plant)	577 887	619 877
Other Expenses	17 532 833	12 043 708
Hire Of Facilities & Equipment	1 332 943	1 536 497
Idp Review	-	96
Insurance	1 993 605	1 854 544
Inventory Items	42 392	136 508
Laboratorium Tests/Analysis	254 435	155 938
Lease Charges	47 844	3 104 963
Legal Cost	2 054 910	1 602 245
Licences	690 874	535 220
Life Saving Services	-	1 950
Mayoral Special Programmes	170 559	49 984
Network Connection	570 480	426 589
Planning Fees	721 494	457 615
Postage & Telegrams	1 364 791	1 126 742
Printing And Stationery	621 395	635 860
Refuse Bins/Bags	612 934	310 244
Security	485 292	416 174
St Francis Beach Rehabilitation	1 213 453	-
Statutory Obligations	-	2 167 250
Stock Shortages/Surpluses	(1 562)	(60 588)
Telephone Cost	3 418 249	3 483 087
Tourism Strategy	265 000	330 000
Training	135 102	264 401
Transport Cost	5 932 625	7 405 326
Uniforms & Protective Clothing	912 325	1 266 879
Valuation Costs	498 852	958 468
Ward Committee Management	104 409	82 070
Waste Management	-	3 000
Website Hosting	-	7 200
<b>Total General Expenses</b>	<b>50 159 656</b>	<b>52 990 861</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>39.1 Calculation of Cash Flow:</b>		
Repairs and maintenance	(29 582 769)	(26 609 621)
Bulk purchases	(204 008 229)	(183 153 338)
General expenses	(50 104 654)	(52 990 861)
Payables from exchange transactions (Opening balance)	(110 897 842)	(104 956 709)
Payables from exchange transactions (Closing balance)	122 966 569	110 897 842
Payables from non-exchange transactions (Opening balance)	(13 241 216)	(11 632 080)
Payables from non-exchange transactions (Closing balance)	16 153 347	13 241 216
VAT Receivable (Opening balance)	6 080 734	1 723 028
VAT Receivable (Closing balance)	(4 353 896)	(6 080 734)
Inventories (Opening balance)	4 317 025	4 321 092
Inventories (Closing balance)	(5 433 902)	(4 317 025)
Increase in landfill site asset	(21 476 875)	2 925 615
Provision for landfill site (Opening balance)	(38 919 630)	(40 738 178)
Provision for landfill site (Closing balance)	62 120 960	38 919 630
<b>Total for Other Payments</b>	<b><u>(266 380 378)</u></b>	<b><u>(258 450 123)</u></b>

No other extra-ordinary expenses were incurred.

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

Proceeds on Sale of Assets	284 074	233 575
Assets Disposed at Carrying Value	(257 521)	(96 914)
<b>Total Gains / Losses on Disposal of Capital Assets</b>	<b><u>26 553</u></b>	<b><u>136 661</u></b>

**41 CORRECTION OF ERROR**

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

**41.1 Reclassification of Accumulated Surplus**

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		<b>Accumulated Surplus</b>
<b>Statement of Financial Position:</b>		
<b>Balances published as at 30 June 2015</b>		<b>2 271 139 150</b>
Correction of Error:-		
Accruals which were previously not recognised (Note 15)	-35 660 607	
Retention monies adjusted (Note 15)	118 267	
Unidentified deposits adjusted (Note 15)	63 053	
Adjustment to Sundry Creditors (Note 15)	-966	
Write-off of sundry debtors older than three years as per Council resolution 16/07/F9 (Note 4)	490 963	
Receivable from Non-exchange transactions with credit balances (Note 4)	(102 978)	
Recognition of VAT on accruals previously not recognised (Note 5)	5 106 352	
Investment Property which was not previously recognised (Note 11)	24 362 500	
Intangible Assets which was not previously recognised (Note 10)	3 500	
Property Plant and Equipment which was not previously recognised (Note 9)	121 272 117	
Housing Conditional Grant adjusted (Note 17)	(141 726)	
Payables from Non-Exchange Transactions with debit balances (Note 16)	102 978	
Building deposits adjusted (Note 16)	(17 342)	
Write-off of Community Dall Deposits older than three years (Note 16)	41 154	
	<u>115 637 266</u>	
<b>Restated Balances as at 30 June 2015</b>		<b><u>2 386 776 416</u></b>
<b>Statement of Financial Performance:</b>		
Transactions incurred for the Year		91 224 900
Correction of Error:-		
Adjustment of Retention monies previously not recognized (Note 32)	124 160	
Adjustment on fines previously not recognised (Note 25)	1 862 642	
Adjustment on Depreciation and Amortisation not previously recognized (Note 35)	(2 777 324)	
Adjustment on Accruals not previously recognized which relate to the Repairs & Maintenance expenses (Note 37)	(102 586)	
Adjustment on interest relating to late payment of creditors (Note 38)	(219 925)	
Adjustment on impairment losses (Note 36)	(1 499 020)	
Adjustment on Nelson Mandela Bay Municipality bulk water purchases (The amount was previously not recognized due to incorrect billing from NMBM) (Note 39)	(12 625 275)	
Adjustment on Accruals not previously recognized which relate to the General Expenses (Note 40)	(136 982)	
	<u>(15 374 309)</u>	
<b>Restated Balances as at 30 June 2015</b>		<b><u>75 850 591</u></b>



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**41.2 Reclassification of Revenue and Expenditure**

The prior year figures of Revenue and Expenditure Classes have been restated to correctly classify the nature of Revenue and Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Notes	Prior Year Balance	Current Year Balance	Restated Amount
<b>Revenue</b>				
Other Revenue	31	19 710 084	19 834 244	124 160
Fines	24	1 736 819	3 599 461	1 862 642
		<b>21 446 903</b>	<b>23 433 705</b>	<b>1 986 802</b>
<b>Expenditure</b>				
Depreciation and Amortisation	34	81 944 404	84 721 727	2 777 324
Impairment Losses	35	17 307 856	18 806 875	1 499 020
Repairs and Maintenance	36	26 507 035	26 609 621	102 586
Finance Costs	37	7 130 939	7 350 864	219 925
Bulk Purchases	38	170 528 063	183 153 338	12 625 275
General Expenses	39	52 853 879	52 990 861	136 982
		<b>356 272 176</b>	<b>373 633 286</b>	<b>17 361 111</b>

Prior year amounts of items in **Revenue** and Expenditure included in the Statement of Financial Performance have been explained as follow:

**Other Revenue:**

The other revenue has been adjusted to correctly reflect retention monies received in respect of INEP Grant electrification projects.

**Fines:**

The fines have been adjusted to correctly reflect traffic fines received, but not recognised previously.

**Depreciation and Amortisation:**

The depreciation and amortisation has been adjusted to take into account Property Plant and Equipment previously not recognised.

**Impairment Losses:**

The impairment losses adjustment relate to outstanding traffic fines recognised to the Receivables from non-exchange transactions in respect of prior year.

**Repairs and Maintenance:**

The repairs and maintenance expenditure have been adjusted to correctly reflect expenditure which was not previously accrued for.

**Finance Costs:**

The finance cost adjustment relates to interest charges in respect of outstanding creditors.

**Bulk Purchases:**

The bulk purchases relate to bulk water purchases, the amount was previously not accounted for, due to incorrect billing received from the Nelson Mandela Bay Municipality.

**General Expenses:**

The general expenditure have been adjusted to correctly reflect accruals which were previously not accounted for.

**41.3 Reclassification of Statement of Financial Position**

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Notes	Prior Year Balance	Current Year Balance	Restated Amount
<b>Current Assets</b>				
Receivables from Non-exchange Transactions	4	34 447 047	34 835 033	387 985
VAT Receivable	5	974 382	6 080 734	5 106 352
		<b>35 421 429</b>	<b>40 915 766</b>	<b>5 494 337</b>
<b>Non-Current Assets</b>				
Property, Plant and Equipment	9	2 390 315 219	2 511 587 336	121 272 117
Investment Property	11	61 823 970	86 186 470	24 362 500
Intangible Assets	10	183 165	186 665	3 500
		<b>2 452 322 353</b>	<b>2 597 960 471</b>	<b>145 638 118</b>
<b>Current Liabilities</b>				
Payables from Exchange Transactions	15	75 417 589	110 897 842	35 480 253
Payables from Non-exchange Transactions	16	13 368 006	13 241 216	(126 790)
Unspent Conditional Grants and Receipts	17	5 688 633	5 830 359	141 726
		<b>94 474 229</b>	<b>129 969 417</b>	<b>35 495 189</b>
<b>Net Assets</b>				
Accumulated Surplus / (Deficit)	22	2 271 139 150	2 386 776 416	115 637 266
		<b>2 271 139 150</b>	<b>2 386 776 416</b>	<b>115 637 266</b>

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Opening balances and prior year amounts of items in the **Statement of Financial Position** have been explained as follow:

**Receivables from Non-exchange Transactions:**

The receivables from non-exchange transactions were adjusted due to write-off of sundry debtors older than three years as per Council resolution 16/07/F9

**VAT Receivable:**

The VAT receivable was adjusted by amount of VAT receivable as a result of prior year accruals raised.

**Property, Plant and Equipment:**

The Plant, Plant and Equipment was adjusted by assets which were not in the municipal asset register.

**Investment Property:**

Correction of book value previously reported.

**Intangible Assets:**

Correction of book value previously reported.

**Payables from Exchange Transactions:**

Payables from exchange transactions were adjusted by prior year accruals which were not recognised.

**Payables from Non-exchange Transactions:**

Payables from Non-exchange Transactions were adjusted by building deposits which relate to prior year and deposits for community halls written off which are older than three years.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>42 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	23 880 031	75 850 591
Adjustment for:		
Correction of Prior Year Errors	-	
Depreciation and Amortisation	87 291 540	84 721 727
Gain on disposal of assets	(26 553)	(136 661)
Finance costs - Finance leases & Annuity loans	8 263 403	4 846 672
Impairment - Debtors	22 593 439	18 806 875
Debts written off against doubtful debts provision	(6 940 999)	(11 289 810)
Interest cost on retirement benefits, long service rewards and ex-gratia pension	8 204 000	7 262 000
Actuarial gains on retirement benefits, long service rewards and ex-gratia pension	(3 251 000)	(387 000)
Current service cost on retirement benefits, long service rewards and ex-gratia pension	4 783 000	4 404 000
Increase in bonus and leave pay provisions	2 288 117	(365 440)
Increase in landfill site asset	(21 476 875)	2 925 615
Increase in provision for landfill sites	23 201 330	(1 818 548)
<b>Operating surplus before working capital changes</b>	<b>148 809 433</b>	<b>184 820 021</b>
Decrease/(Increase) in Inventories	(1 116 877)	4 068
Decrease/(Increase) in Receivables from Exchange Transactions	(12 368 248)	(8 616 888)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(2 789 129)	(11 214 375)
Decrease/(Increase) in VAT Receivable	1 726 838	(4 357 706)
Decrease/(Increase) in Operating Lease Assets	(29 576)	(53 187)
Increase/(Decrease) in Consumer Deposits	997 719	208 926
Increase/(Decrease) in Payables from Exchange Transactions	12 068 728	5 941 133
Increase/(Decrease) in Payables from Non-exchange Transactions	2 912 131	1 609 136
Increase/(Decrease) in Conditional Grants and Receipts	2 011 166	(13 330 352)
<b>Cash generated by / (utilised in) Operations</b>	<b>152 222 184</b>	<b>155 010 776</b>

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

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2015/16 financial year.

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

Long-term Liabilities (See Note 19)	45 240 257	60 506 347
Used to finance Property, Plant and Equipment - at cost	(45 240 257)	(60 506 347)
Sub-total	-	-

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

**45.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	366 051 750	366 051 750
Unauthorised Expenditure current year	-	-
Unauthorised Expenditure awaiting authorisation	<b>366 051 750</b>	<b>366 051 750</b>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	
- Executive & Council - R0 (2015: R0)	None
- Financial Services - R0 (2015: R0)	None
- Administration, Monitoring & Evaluation - R0 (2015: R0)	None
- Led, Tourism & Creative Industries - R0 (2015: R0)	None
- Infrastructure, Planning & Development - R0 (2015: R0)	None
- Social Services - R0 (2015: R0)	None
<b>2013/2014</b>	
Employee Related Costs R 11,954,012	Currently None - subject to possible future investigation
Collection Costs R 31,679	Currently None - subject to possible future investigation
Depreciation and Amortisation R 8,858,180	Currently None - subject to possible future investigation
Finance Costs R 1,432,640	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

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**45.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	33 941 446	31 437 254
Fruitless and Wasteful Expenditure current year	864 109	2 504 192
Fruitless and Wasteful Expenditure awaiting condonement	<b>34 805 555</b>	<b>33 941 446</b>

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)	2 502 234	Currently None - subject to possible future investigation
Salary erroneously paid to former employee after his services were terminated.	1 958	Currently None - subject to possible future investigation
	<b>2 504 192</b>	
<b>2015/2016:</b>		
Interest and penalties on late payment of trade creditors	<b>864 109</b>	Currently None - subject to possible future investigation

**45.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:

Opening balance	81 632 904	81 608 223
Irregular Expenditure current year	780 015	24 681
Irregular Expenditure awaiting condonement	<b>82 412 919</b>	<b>81 632 904</b>

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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 in
	<b>760 036</b>	
<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 in
	<b>26 332 873</b>	
<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 in
	<b>4 862 690</b>	
<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>15 967 181</b>	
<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>	
<b>2014/2015:</b>		
Supply chain compliance not followed	24 681	Currently None - subject to possible future investigation
	<b>24 681</b>	
<b>2015/2016:</b>		
Supply chain compliance not followed	260 306	Currently None - subject to possible future investigation
HR recruitment processes not followed	244 596	Currently None - subject to possible future investigation
Acting directors acted for more than 3 months	215 810	Currently None - subject to possible future investigation
Supply chain compliance not followed	59 303	Currently None - subject to possible future investigation
	<b>780 015</b>	

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	2016 R	2015 R
<b>46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>46.1 Contributions to organised local government - SALGA</b>		
Opening Balance	2 167 250	2 027 942
Council Subscriptions	-	2 167 250
Amount Paid - current year	(2 167 250)	(2 027 942)
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>2 167 250</b>
<b>46.2 Audit Fees</b>		
Opening Balance	4 336 647	5 245 540
Current year Audit Fee	2 307 621	3 384 400
Amount Paid - current year	(4 336 647)	(4 293 294)
<b>Balance Unpaid (included in Creditors)</b>	<b>2 307 621</b>	<b>4 336 647</b>
The balance unpaid represents the audit fee for an interim audit conducted during May and June 2016 and is payable by 31 July 2016 .		
<b>46.3 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>46.4 PAYE, Skills Development Levy and UIF</b>		
Opening Balance	-	5 809 106
Current year Payroll Deductions	28 417 853	27 357 222
Amount Paid - current year	(25 899 644)	(33 166 328)
<b>Balance Unpaid (included in Creditors)</b>	<b>2 518 209</b>	<b>-</b>
The balance represents PAYE, SDL and UIF deducted from the June 2016 payroll. These amounts were paid during July 2016.		
<b>46.5 Pension and Medical Aid Deductions</b>		
Opening Balance	2 457 688	3 790 415
Current year Payroll Deductions and Council Contributions	52 192 038	47 426 117
Amount Paid - current year	(54 649 726)	(50 970 766)
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>245 766</b>
<b>46.6 Councillor's arrear Consumer Accounts</b>		
<b>30 June 2016</b>		<b>Outstanding more than 90 days</b>
Councillor Campher		30 602
Councillor Kettledas		3 647
Councillor Baxter		15
<b>Total Councillor Arrear Consumer Accounts</b>		<b>34 264</b>
<b>30 June 2015</b>		<b>Outstanding more than 90 days</b>
Councillor Persent		5 359
Councillor Kettledas		1 292
Councillor Campher		31 311
Councillor Baxter		1 423
<b>Total Councillor Arrear Consumer Accounts</b>		<b>39 385</b>

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

No known matters existed at reporting date.

**46.8 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 (97)	Various reason like impracticality/ urgency/ Preferred supplier	9 227 259.79
97 Occasion during the financial year procuring various services amounting to R 9 227 259.79			
Infrastructure, Development & Planning	Various Occasions (30)	Various reason like impracticality/ urgency/ Preferred supplier	3 417 518.34
30 Occasion during the financial year procuring various services amounting to R 3 417 518.34			
Administration, Monitoring & Evaluation ( Corporate Services)	Various Occasions (78)	Various reason like impracticality/ urgency/ Preferred supplier	1 743 479.14
78 Occasion during the financial year procuring various services amounting to R 1 743 479.14			
Social Services	Various Occasions (7)	Various reason like Sole Supplier authorised by govt departments/ impracticality/ urgency/ Preferred supplier	212 799.20
7 Occasion during the financial year procuring various services amounting to R 212 799.20			
Tourism and Creative Industries	Various Occasions (2)	Various reason like impracticality/ urgency/ Preferred supplier	273 250.00
2 Occasion during the financial year procuring various services amounting to R 273 250.00			
<b>Total</b>			<b>14 874 306.47</b>

**46.9 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 2016</b>	Unaccounted Electricity Losses	10 681 244	0.9700	10 323 210
<b>30 June 2015</b>	Unaccounted Electricity Losses	9 531 664	0.8542	8 141 689

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.

	2016 R	2015 R
<b>Volumes in kWh/year:</b>		
System Input Volume	198 692 285	206 141 488
Billed Consumption	(172 115 658)	(196 609 824)
Distribution Loss	15 895 383	9 531 664
Percentage Distribution Loss	5.38%	4.62%

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	2016 R	2015 R
<b>46.10 Bulk Water Losses in terms of Section 125 (2)(d)(i) of the MFMA</b>		
Material Water Losses were as follows and are not recoverable:		

**Water:**

		Lost Units	Tariff	Value
<b>30 June 2016</b>	Unaccounted Water Losses	3 785 682	5,2700	19 950 544
<b>30 June 2015</b>	Unaccounted Water Losses	2 276 212	4,5000	10 242 954

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.

The Kouga Municipality suffered water losses of 3,785 megalitres (38.61%) amounting to R19,950 million (2015: 2,276 megalitres (33.62%) amounting to R10,242 million) during the year. The value of the water losses have been based on cost for both years. Various water demand management interventions are being implemented during the 2015/16 financial year to curb water losses.

It must be further noted that the prescribed norms for water losses is +/- 30%, therefore the amount above the norm is R844 111.

	2016 R	2015 R
<b>Volumes in Kl/year:</b>		
System Input Volume	9 803 846	6 769 757
Billed Consumption	6 018 164	4 493 545
Distribution Loss	3 785 682	2 276 212
Percentage Distribution Loss	38.61%	33.62%

**47 COMMITMENTS FOR EXPENDITURE**

**47.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

**- Approved and Contracted for:-**

<i>Infrastructure</i>	51 178 661	75 292 059
<i>Community</i>	50 118 070	74 468 404
	1 060 591	823 655

**Total Capital Commitments**

	51 178 661	75 292 059
--	------------	------------

This expenditure will be financed from:

Government Grants	51 178 661	75 292 059
	51 178 661	75 292 059

**47.2 Lease Commitments**

Finance Lease Liabilities are disclosed in Note 19.

**47.3 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.



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>48 FINANCIAL INSTRUMENTS</b>		
<b>48.1 Classification</b>		
<b>FINANCIAL ASSETS:</b>		
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:		
<u>Financial Assets</u>	<u>Classification</u>	
<b>Long-term Receivables</b>		
Staff Loans	Amortised cost	(7 742) (30 716)
Other Loans	Amortised cost	167 601 170 602
<b>Receivables from Exchange Transactions</b>		
Electricity	Amortised cost	24 712 027 23 408 061
Refuse	Amortised cost	1 023 679 525 709
Sewerage	Amortised cost	2 540 942 2 012 973
Water	Amortised cost	5 743 790 4 706 179
Other Receivables	Amortised cost	14 595 134 12 925 597
<b>Receivables from Non-exchange Transactions</b>		
Assessment Rates Debtors	Amortised cost	17 044 546 14 490 435
Staff Debtors	Amortised cost	30 830 4 403
Sundry Debtors	Amortised cost	12 226 191 20 338 845
Other Control Accounts	Amortised cost	1 350 1 350
<b>Cash and Cash Equivalents</b>		
Call Deposits	Amortised cost	75 798 167 36 786 383
Cash and Cash Equivalents	Amortised cost	(8 079) (7 480)
Bank Balances	Amortised cost	2 783 364 2 903 276
<b>Current Portion of Long-term Receivables</b>		
Other Loans	Amortised cost	3 000 7 742
<b>SUMMARY OF FINANCIAL ASSETS</b>		
<b>Financial Assets at Amortised Cost:</b>		
Long-term Receivables	Staff Loans	(7 742) (30 716)
Long-term Receivables	Other Loans	167 601 170 602
Receivables from Exchange Transactions	Electricity	24 712 027 23 408 061
Receivables from Exchange Transactions	Refuse	1 023 679 525 709
Receivables from Exchange Transactions	Sewerage	2 540 942 2 012 973
Receivables from Exchange Transactions	Water	5 743 790 4 706 179
Receivables from Exchange Transactions	Other Debtors	14 595 134 12 925 597
Receivables from Non-exchange Transactions	Short-term Loans	30 830 4 403
Receivables from Non-exchange Transactions	Sundry Debtors	12 226 191 20 338 845
Receivables from Non-exchange Transactions	Other Control Accounts	1 350 1 350
Current Portion of Long-term Receivables	Other Loans	3 000 7 742
Cash and Cash Equivalents	Call Deposits	75 798 167 36 786 383
Cash and Cash Equivalents	Bank Balances	2 783 364 2 903 276
	<u>156 662 542</u>	<u>118 304 789</u>
<b>Total Financial Assets</b>	<u><b>156 654 463</b></u>	<u><b>118 297 309</b></u>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 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>Long-term Liabilities</b>			
Finance Lease Liabilities	Amortised cost	775 537	2 754 393
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	114 353 842	103 374 535
Retentions	Amortised cost	181 895	32 566
Other Creditors	Amortised cost	8 430 832	7 490 741
<b>Payables from Non-exchange Transactions</b>			
Salary Control Accounts	Amortised cost	13 421 059	10 997 445
<b>Current Portion of Long-term Liabilities</b>			
Finance Lease Liabilities	Amortised cost	1 978 854	1 781 438
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial Liabilities at Amortised Cost:</b>			
Long-term Liabilities	Finance Lease Liabilities	775 537	2 754 393
Payables from Exchange Transactions	Trade Creditors	114 353 842	103 374 535
Payables from Exchange Transactions	Retentions	181 895	32 566
Payables from Exchange Transactions	Other Creditors	8 430 832	7 490 741
Payables from Non-exchange Transactions	Salary Control Accounts	13 421 059	10 997 445
Current Portion of Long-term Liabilities	Finance Lease Liabilities	1 978 854	1 781 438
		184 360 173	184 645 404
<b>Total Financial Liabilities</b>		<b>184 360 173</b>	<b>184 645 404</b>

**48.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Long-term Investments**

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>2016</b>	<b>2015</b>
<b>R</b>	<b>R</b>

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2016, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

**48.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22 and the Statement of Changes in Net Assets.

**Gearing Ratio**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
The gearing ratio at the year-end was as follows:		
Debt	373 828 215	340 105 113
Cash and Cash Equivalents	(78 573 452)	(39 682 179)
Net Debt	295 254 763	300 422 934
Equity	2 410 656 447	2 386 776 416
<b>Net debt to equity ratio</b>	<b>12.25%</b>	<b>12.59%</b>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

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.

**48.4 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 Finance Directorate 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 2016**

2016  
R

2015  
R

**48.5 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.

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

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 48.1 to the Annual Financial Statements.

**48.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.7 below). No formal policy exists to hedge volatilities in the interest rate market.

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

**48.6.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**48.6.2 Interest Rate Risk Management**

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

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

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.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

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. Consumer Deposits are increased accordingly.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>2016</b>	<b>2015</b>
<b>R</b>	<b>R</b>

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

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

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 by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

The short and long-term financial instruments at year-end are set out in Note 48.1 below.

**Cash and Cash Equivalents:**

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2016 would have increased / decreased by R591 356 (30 June 2015: R342 233). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

**48.7 Credit Risk Management**

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

**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 sewerage and water services rendered to them.

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 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 has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

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.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	R	R

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.

**Credit quality of Financial Assets:**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default

**Receivables from Exchange Transactions**

Counterparties without external credit rating:-

Group 1	12 943 260	27 453 389
	<u>12 943 260</u>	<u>27 453 389</u>
<b>Total Receivables from Exchange Transactions</b>	<b>12 943 260</b>	<b>27 453 389</b>

**Receivables from Non-exchange Transactions**

Group 1

Group 1	17 683 114	26 280 081
<b>Total Receivables from Non-exchange Transactions</b>	<b>17 683 114</b>	<b>26 280 081</b>

**Credit quality Groupings:**

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

None of the financial assets that are fully performing have been renegotiated in the last year.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

2016  
R

2015  
R

**49 RELATED PARTY TRANSACTIONS**

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

**49.1 Compensation of Related Parties**

Name of Related Person	Designation	Amount	Description of Related Party Relationship
F. Muller	Official	352 613	Daughter of councillor Koerat
C. Kettleidas	Official	371 272	Daughter of councillor Koerat
M. Hill	Official	241 473	Wife of councillor Hill
D. Oliphant	Official	294 160	Wife of councillor Oliphant
S. Meleni	Official	231 201	Wife of councillor Meleni
C. Witbooi	Official	235 005	Cousin of the councillor Kettleidas
M. Jenneker	Official	228 280	Daughter of the Manager Expenditure
N. Baartman	Official	242 852	Daughter of the Manager Asset & Fleet
B. Marais	Official	329 413	Son of the Manager Technical Services

**49.2 Purchases from Related Parties**

Listed below are the transactions with related parties during the financial year 2015/2016:

Company Name	Related Person	Municipal Capacity	Description of Related Party Relationship	Purchases for the year
IT Intaba Trading	S Dayimani	Official	Related to both Directors	1 500.00
Ixelexwa Catering & B&B	Magdelene	Councillor	Sister	17 240.00
Faulkner Bouers	B Faulkner	Official	Uncle of this employee	73 550.00
	M Gysman	Official	Uncle of this employee	-
	I Gysman	Official	Uncle of this employee	-
Reed SG	Joezay Reed	PA: Municipal	Husband	13 650.00
Press EX Carpenters	Khalipa Nelani	Official	Father	7 115.00
Algoatime (Pty) Ltd	Thembinkosi	Official	Husband	68 801.00
Jeggels Media (Pty) Ltd	Leonie Jeggels	PA: CFO	Related to both Directors	5 650.00
	S Harmse	Caretaker caravan	Related to both Directors	-
	G Harmse	Traffic Warden	Related to both Directors	-
Kwa Nandipha	Mlungisi	Official	Husband	33 129.00
Amahle Waste Recycling	NI Dela	Official	Director/owner of the company	59 100.00
<b>Total Purchases</b>				<b>279 735.00</b>

Refer to note 32 and 33 for remuneration of management and note 46.6 for councillors outstanding municipal accounts.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**  
R

**2015**  
R

**50 CONTINGENT LIABILITIES**

**50.1 Court Proceedings:**

**109 495 066**

**47 674 275**

(i) Council is involved in a dispute with different individuals as at 30 June 2016:

Claims against the municipality

108 243 375

46 259 275

Possible legal fees

1 251 691

1 415 000

Detailed Description					
Eviction of Unlawful occupiers from Erf 3060, Erf 3523, Erf 3769 & Erf 1104					32 000.00
Impelelo Construction High court action					2 800 000.00
Plaatjies High court claim					12 100 000.00
FL Becker/ Sf Francis Links High court application					150 000.00
Armand Bester High court claim					197 000.00
Cape Retirement Fund claim for payment of contributions					166 500.00
Port St Francis Harbour High court applications					100 000.00
Landman & co transfer into the name of New Gospel Church					8 600.00
Savage unfair dismissal					250 000.00
Snyders unfair dismissal					210 000.00
Jansen outstanding leave monies					191 275.28
Rabela promotion dispute					230 000.00
Rabela & 11 others promotion dispute					30 000.00
Luthuli & others promotion dispute					345 000.00
GCG consulting Engineers breach of contract					20 900 000.00
Tauris garden breach of contract					56 000 000.00
Atkinson damage to property					15 000 000.00
Blouw & others recoup overpayment					400 000.00
Gysman claim for ex-gratia payment					100 000.00
Roodt unfair dismissal					90 000.00
Vumazonke unfair dismissal					40 000.00
Myaneko & 11 others enforce a settlement agreement					100 000.00
Ziboti applied for condonation					25 000.00
L Syce legal opinion					29 681.20
<b>TOTAL</b>					<b>109 495 056</b>



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>51 CONTINGENT ASSETS</b>		
<b>51.1 Insurance Claims:</b>	<b>10 639 057</b>	<b>1 239 519</b>
(i) Lost / Damaged Assets:	10 639 057	1 239 519

**52 IN-KIND DONATIONS AND ASSISTANCE**

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

**53 PRIVATE PUBLIC PARTNERSHIPS**

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

**54 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2016.

**55 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 41).

**56 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

(i) On 30 May 2016 the Council adopted the 2016/17 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 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 on-going inflow of revenue to support the on-going 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 2016**  
**KOUGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016**

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance previously reported as at 30/06/2014	Corrections	Restated balances at 30/06/2014	Corrections / Recognised during the year	Redemption during the year	Balance at 30/06/2015	Received / Recognised during the year	Redemption during the year	Balance at 30/06/2016	Current portion Redemption 2016	Non-current liability 30/06/2017
	R	%			R		R	R	R	R	R	R	R		
<b>ANNUITY LOANS:</b>															
ABSA	166 000	14.50%	528	30/11/2018	71 346		71 346		(12 312)	59 034		(12 615)	46 419	(14 221)	32 198
<b>Total ABSA</b>	<b>166 000</b>				<b>71 346</b>	<b>-</b>	<b>71 346</b>	<b>-</b>	<b>(12 312)</b>	<b>59 034</b>	<b>-</b>	<b>(12 615)</b>	<b>46 419</b>	<b>(14 221)</b>	<b>32 198</b>
ASDR & Cacadu	938 870	14.25%	513	30/12/2011	925 681		925 681		(807 418)	118 263		(118 263)	0		0
<b>Total ASDR &amp; Cacadu</b>	<b>938 870</b>				<b>925 681</b>	<b>-</b>	<b>925 681</b>	<b>-</b>	<b>(807 418)</b>	<b>118 263</b>	<b>-</b>	<b>(118 263)</b>	<b>0</b>	<b>-</b>	<b>0</b>
DBSA	67 602 200	11.180%	61007231	31/12/2024	61 602 111		61 602 111		(12 000 000)	49 602 111		-7 162 663.03	42 439 448	(5 742 759)	36 696 689
<b>Total DBSA</b>	<b>67 602 200</b>				<b>61 602 111</b>	<b>0</b>	<b>61 602 111</b>	<b>0</b>	<b>(12 000 000)</b>	<b>49 602 111</b>	<b>0</b>	<b>(7 162 663)</b>	<b>42 439 448</b>	<b>(5 742 759)</b>	<b>36 696 689</b>
INCA	71 157 199	11.88%		30/06/2016	10 335 364		10 335 364		(4 144 256)	6 191 108		(6 191 108)	(0)		(0)
<b>Total INCA</b>	<b>71 157 199</b>				<b>10 335 364</b>	<b>-</b>	<b>10 335 364</b>	<b>-</b>	<b>(4 144 256)</b>	<b>6 191 108</b>	<b>-</b>	<b>(6 191 108)</b>	<b>(0)</b>	<b>-</b>	<b>(0)</b>
<b>Total Annuity Loans</b>	<b>139 864 268</b>				<b>72 934 502</b>	<b>-</b>	<b>72 934 502</b>	<b>-</b>	<b>-16 963 986</b>	<b>55 970 516</b>	<b>-</b>	<b>-13 484 649</b>	<b>42 485 867</b>	<b>-5 756 980</b>	<b>36 728 888</b>
Operating leases reclassified as finance leases					4 435 898		4 435 898	5 140 208	(5 040 276)	4 535 830		(1 781 440)	2 754 390	(1 978 854)	775 536
<b>Total capitalised lease</b>	<b>1 822 463</b>				<b>4 435 898</b>	<b>-</b>	<b>4 435 898</b>	<b>5 140 208</b>	<b>(5 040 276)</b>	<b>4 535 830</b>	<b>-</b>	<b>(1 781 440)</b>	<b>2 754 390</b>	<b>(1 978 854)</b>	<b>775 536</b>
<b>TOTAL EXTERNAL LOANS</b>					<b>77 370 401</b>	<b>-</b>	<b>77 370 401</b>	<b>5 140 208</b>	<b>-22 004 262</b>	<b>60 506 347</b>	<b>-</b>	<b>-15 266 090</b>	<b>45 240 257</b>	<b>(7 735 833)</b>	<b>37 504 424</b>

**APPENDIX B**  
**KOUGA LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 June 2016**

Description				Cost / Revaluation						Accumulated Depreciation			Carrying Value
	Adjusted Opening Balance	Additions 15/16	Closing Balance	Opening Balance	Under Construction			Under Construction	Closing Balance	Opening Balance	Additions 15/16	Closing Balance	
					O/balance	Additions	Completed						
<b>INFRASTRUCTURE</b>													
Roads, Pavements, Bridges and Storm Water	1 723 636 281	286 343.51	1 723 922 625	1 722 934 061	702 220	286 344		988 564	1 723 922 625	558 401 782	42 011 540	600 413 321	1 123 509 303
Water Reservoirs and Reticulation	330 737 800	30 572 139.70	361 309 939	288 466 120	42 310 351	30 572 140	(38 672)	72 843 819	361 309 939	51 626 598	9 021 787	60 648 385	300 661 555
Electricity Reticulation	192 435 209	5 353 788.29	197 788 997	177 506 721	15 302 888	5 353 788	(374 400)	20 282 276	197 788 997	36 211 289	6 265 658	42 476 948	155 312 049
Sewerage Purification and Reticulation	445 900 863	39 925 534.96	485 826 398	352 546 979	98 893 415	39 925 535	(5 539 531)	133 279 419	485 826 398	59 536 047	11 490 789	71 026 836	414 799 562
Street Lighting	4 277 678	1 856 519.00	6 134 197	6 004 182	130 015	1 856 519	(1 856 519)	130 015	6 134 197	851 282	206 801	1 058 083	5 076 114
	<b>2 696 987 830</b>	<b>77 994 325.46</b>	<b>2 774 982 156</b>	<b>2 547 458 064</b>	<b>157 338 889</b>	<b>77 994 325</b>	<b>(7 809 122)</b>	<b>227 524 092</b>	<b>2 774 982 156</b>	<b>706 626 997</b>	<b>68 996 575</b>	<b>775 623 572</b>	<b>1 999 358 583</b>
<b>OTHER ASSETS</b>													
Motor Vehicles	33 681 441	162 745.32	33 844 187	33 844 187					33 844 187	17 112 763	6 116 959	23 229 722	10 614 464
Furniture & Fittings	8 709 008	59 492.21	8 768 500	8 768 500					8 768 500	6 564 403	497 493	7 061 896	1 706 604
Specialised vehicles	1 471 489	-	1 471 489	1 471 489					1 471 489	708 112	101 455	809 567	661 922
Plant and Equipment	8 687 779	1 270 120.83	9 957 900	9 957 900					9 957 900	5 922 063	609 677	6 531 740	3 426 160
Office Equipment	7 644 111	445 042.96	8 089 154	8 089 154					8 089 154	6 188 367	483 169	6 671 536	1 417 618
Security Measures	303 771	-	303 771	303 771					303 771	103 515	20 251	123 766	180 006
Emergency Equipment	581 261	205 326.76	786 588	786 588					786 588	255 630	79 757	335 387	451 201
	<b>61 078 861</b>	<b>2 142 728.08</b>	<b>63 221 589</b>	<b>63 221 589</b>	-	-	-	-	<b>63 221 589</b>	<b>36 854 853</b>	<b>7 908 760</b>	<b>44 763 614</b>	<b>18 457 976</b>
<b>LAND &amp; BUILDINGS</b>			0										
Sportsfields - Land	6 800 000		6 800 000	6 800 000					6 800 000				6 800 000
Investment property - Buildings	32 328 000		32 328 000	32 328 000					32 328 000	1 472 070	950 220	2 422 290	29 905 710
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	387 134 763		387 134 763	387 134 763					387 134 763		4 042 890	4 042 890	383 091 873
Parks - Land	33 472 000		33 472 000	33 472 000					33 472 000			-	33 472 000
Buildings	82 850 076	5 464 670	88 314 746	77 204 222	6 157 054	5 464 670	(511 200)	11 110 523	88 314 746	20 871 849	3 359 170	24 231 020	64 083 726
	<b>622 715 839</b>	<b>5 464 670</b>	<b>628 180 509</b>	<b>617 069 985</b>	<b>6 157 054</b>	<b>5 464 670</b>	<b>(511 200)</b>	<b>11 110 523</b>	<b>628 180 509</b>	<b>22 343 919</b>	<b>8 352 280</b>	<b>30 696 200</b>	<b>597 484 309</b>
Finance leased assets	10 266 721	-	10 266 721	10 266 721					10 266 721	6 022 792	1 947 861	7 970 653	2 296 068
<b>Total</b>	<b>10 266 721</b>		<b>10 266 721</b>	<b>10 266 721</b>	<b>163 495 942</b>	<b>83 458 995</b>	<b>(8 320 322)</b>	<b>-</b>	<b>10 266 721</b>	<b>6 022 792</b>	<b>1 947 861</b>	<b>7 970 653</b>	<b>2 296 068</b>

**APPENDIX B**  
**KOUGA LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 June 2016**

Description				Cost / Revaluation					Accumulated Depreciation			Carrying Value	
	Opening Balance	Additions 15/16	Closing Balance	Opening Balance	Under Construction			Under Construction	Closing Balance	Opening Balance	Additions 15/16		Closing Balance
					Balance b/f	Added	Completed						
<b>Intangible Assets</b>			R	R	R	R	R	R	R	R		R	R
Computer Software	534 917	57 982	592 899	592 899					592 899	348 252	86 063	434 315	158 584
	<b>534 917</b>	<b>57 982</b>	<b>592 899</b>	<b>592 899</b>					<b>592 899</b>	<b>348 252</b>	<b>86 063</b>	<b>434 315</b>	<b>158 584</b>

Total Fixed Asset Register	3 391 584 168	85 659 705	3 477 243 873	3 238 609 257	163 495 942	83 458 995	(8 320 322)	238 634 616	3 477 243 873	772 196 814	87 291 540	859 488 354	2 617 755 520
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**APPENDIX C**  
**KOUGA LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 June 2016**

Description	Opening Balance Cost	Additions	Closing Balance Cost	Opening Balance Cost	Under Construction			Under Construction	Closing Balance Cost	Opening Balance Accumulated Depreciation	Closing Balance Accumulated Depreciation	Carrying Value
					Balance b/f	Added	Completed					
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council												
Finance and Administration	531 757 609	6 131 950	537 889 560	526 779 036	6 157 054	5 464 670	(511 200)	11 110 523	537 889 560	57 468 287	74 017 284	463 872 275
Planning and Development	8 991 550	1 270 121	10 261 671	10 261 671					10 261 671	6 025 578	6 655 506	3 606 166
Community and Social Services	58 708 261	205 327	58 913 588	58 913 588					58 913 588	255 630	335 387	58 578 201
Sport and Recreation	6 800 000		6 800 000	6 800 000					6 800 000			6 800 000
Waste Management	445 900 863	39 925 535	485 826 398	352 546 979	98 893 415	39 925 535	(5 539 531)	133 279 419	485 826 398	59 536 047	71 026 836	414 799 562
Roads and Transport	1 723 636 281	286 344	1 723 922 625	1 722 934 061	702 220	286 344		988 564	1 723 922 625	558 401 782	600 413 321	1 123 509 303
Water	330 737 800	30 572 140	361 309 939	288 466 120	42 310 351	30 572 140	(38 672)	72 843 819	361 309 939	51 626 598	60 648 385	300 661 555
Electricity	196 712 887	7 210 307	203 923 194	183 510 903	15 432 903	7 210 307	(2 230 919)	20 412 291	203 923 194	37 062 572	43 535 031	160 388 164
Transfer to Non Current Assets held for Sale								-				
<b>Total PPE</b>	<b>3 303 245 251</b>	<b>85 601 723</b>	<b>3 388 846 975</b>	<b>3 150 212 359</b>	<b>163 495 942</b>	<b>83 458 995</b>	<b>(8 320 322)</b>	<b>238 634 616</b>	<b>3 388 846 975</b>	<b>770 376 492</b>	<b>856 631 749</b>	<b>2 532 215 226</b>
Investment assets	87 804 000	-	87 804 000	87 804 000	-	-	-	-	87 804 000	1 472 070	2 422 290	85 381 710
Intangible assets	534 917	57 982	592 899	592 899					592 899	348 252	434 315	158 584
<b>Total Assets Register</b>	<b>3 391 584 168</b>	<b>85 659 705</b>	<b>3 477 243 873</b>	<b>3 238 609 258</b>	<b>163 495 942</b>	<b>83 458 995</b>	<b>(8 320 322)</b>	<b>238 634 616</b>	<b>3 477 243 873</b>	<b>772 196 814</b>	<b>859 488 354</b>	<b>2 617 755 520</b>

**APPENDIX D  
KOUGA MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

2015 Actual Income	2015 Budgeted Income	2015 Actual Expenditure	2015 Budgeted Expenditure	2015 Surplus/ (Deficit)	Description	Vote Number	2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
					<b>Municipal Governance and Administration</b>						
468 414	32 574	24 552 798	41 836 771	(24 084 384)	Executive and Council		34 110	100 000	24 924 581	30 458 544	(24 890 472)
468 414	32 574	16 341 980	16 507 815	(15 873 566)	Council	130	34 110	100 000	16 295 298	19 009 020	(16 261 188)
-	-	903 759	2 007 819	(903 759)	Executive Mayor	530	-	-	1 039 864	1 182 189	(1 039 864)
-	-	-	-	-	Executive Mayor: Secretariate	531	-	-	-	-	-
-	-	567 707	580 086	(567 707)	MM: Media	572	-	-	610 846	606 045	(610 846)
-	-	713 976	712 240	(713 976)	MM: PMS	571	-	-	753 947	729 462	(753 947)
-	-	-	14 416 182	-	MM: Risk Management	229	-	-	-	-	-
-	-	6 025 377	7 612 628	(6 025 377)	Municipal Manager	570	-	-	6 224 626	8 931 828	(6 224 626)
-	-	-	-	-							
209 305 871	216 778 524	96 390 340	100 149 689	112 915 531	Budget and Treasury Office		227 499 507	226 621 716	83 363 498	82 960 432	144 136 008
129 420 173	142 137 598	2 014 876	31 855 737	127 405 297	Finance: Assessment Rates	030	136 064 932	137 362 151	6 079 601	6 531 168	129 985 332
-	-	15 732 344	8 910 329	(15 732 344)	Finance: Asset & Fleet Management	226	15 000	-	13 238 083	9 063 173	(13 223 083)
2 429 512	1 590 608	6 209 268	9 741 640	(3 779 756)	Finance: Budget & Financial Reporting	221	5 031 308	2 984 460	5 669 757	9 948 427	(638 449)
68 732 332	68 663 000	1 700 853	3 618 366	67 031 479	Finance: CFO	220	82 585 979	81 995 228	1 010 953	3 379 168	81 575 026
1 983 063	460 168	6 191 821	3 770 549	(4 208 758)	Finance: Expenditure	222	453 581	488 083	4 685 698	3 977 418	(4 232 116)
6 585 062	3 852 770	34 172 302	14 360 898	(27 587 240)	Finance: Revenue	223	3 243 507	3 630 470	16 812 349	14 860 510	(13 568 841)
134 521	49 036	1 216 361	1 168 355	(1 081 840)	Finance: SCM	228	78 309	134 521	1 613 895	1 976 798	(1 535 586)
1 976	-	1 386 804	1 517 222	(1 384 828)	Finance: Stores	227	1	-	1 634 124	1 660 449	(1 634 123)
-	-	1 385 712	1 559 831	(1 385 712)	Mechanical Workshop	550	-	-	2 408 869	2 100 590	(2 408 869)
-	-	4 344 336	3 918 773	(4 344 336)	Human Resources	333	-	-	4 830 750	5 389 453	(4 830 750)
(1 755)	77	19 311 995	17 320 099	(19 313 751)	Corporate Services	121	12	20	22 598 486	21 302 345	(22 598 473)
20 987	25 266	2 723 668	2 407 890	(2 702 681)	Corporate Services: Director	120	26 876	26 782	2 780 936	2 770 933	(2 754 060)
-	-	-	-	-	Corporate Services		-	-	-	-	-
-	-	-	-	-			-	-	-	-	-
					<b>Community and Public Safety</b>						
4 615 161	10 394 020	13 793 148	18 336 796	(9 177 987)	Community and Social Services		5 263 616	4 722 223	14 254 374	15 942 837	(8 990 758)
317 155	298 495	451 543	1 466 728	(134 389)	Cemeteries	110	1 100 500	363 824	372 855	684 561	727 645
-	-	142 453	652 246	(142 453)	Kouga Cultural Centre	400	-	-	131 950	603 848	(131 950)
2 038 678	7 501 671	4 249 801	5 348 667	(2 211 123)	Libraries	500	2 034 686	2 041 275	4 567 734	5 364 395	(2 533 048)
-	-	131 906	133 970	(131 906)	Museum	580	-	-	145 785	132 560	(145 785)
-	-	3 146 397	4 083 462	(3 146 397)	Beach	040	-	-	3 846 997	3 342 098	(3 846 997)
-	-	169 625	406 651	(169 625)	Blue Flag	041	-	-	188 855	437 172	(188 855)
2 258 915	2 593 854	3 401 953	3 760 030	(1 143 038)	Caravan Parks	100	2 127 820	2 316 514	3 492 467	3 573 115	(1 364 647)
-	-	1 841 081	2 283 005	(1 841 081)	Community & Social Services: Director	791	-	-	1 331 905	1 218 279	(1 331 905)
414	-	258 390	202 036	(257 977)	Community Services	115	-	-	175 825	586 810	(175 825)
-	-	-	-	-	Pound	705	610	610	-	-	610
-	-	-	-	-			-	-	-	-	-
11 012 730	18 056 240	29 074 332	31 020 781	(18 061 602)	Public Safety		16 885 337	10 069 118	33 228 166	34 609 397	(16 342 829)
530 085	350 705	11 535 124	12 582 842	(11 005 038)	Fire Services	230	596 581	2 086	14 244 191	14 410 780	(13 647 609)
-	-	470 973	819 551	(470 973)	Disaster Management	140	-	-	542 861	776 478	(542 861)
7 056 318	9 705 535	4 426 355	4 477 188	2 629 963	National Traffic	590	6 624 011	7 783 727	4 121 790	4 240 416	2 502 221
3 426 327	8 000 000	12 641 881	13 141 199	(9 215 553)	Protection Services	710	9 664 745	2 283 305	14 319 325	15 181 723	(4 654 580)
-	-	-	-	-			-	-	-	-	-
94 217	7 509 360	24 067 023	24 340 561	(23 972 807)	Sport and Recreation		16 732	40 589	26 533 756	26 039 008	(26 517 024)
90 480	85 430	23 544 883	23 709 319	(23 454 402)	Parks & Open Space	680	13 773	27 547	25 972 047	25 408 932	(25 958 273)
3 737	7 423 930	522 141	631 242	(518 404)	Sport & Recreation	800	2 958	13 042	561 709	630 076	(558 751)
-	-	3 655 622	3 703 761	(3 655 622)	<b>Housing</b>		-	-	2 911 986	3 379 748	(2 911 986)
-	-	3 655 622	3 703 761	(3 655 622)	Housing Services	325	-	-	2 911 986	3 379 748	(2 911 986)
-	-	-	-	-			-	-	-	-	-

**APPENDIX D  
KOUGA MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

2015 Actual Income	2015 Budgeted Income	2015 Actual Expenditure	2015 Budgeted Expenditure	2015 Surplus/ (Deficit)	Description	Vote Number	2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
-	-	-	-	-	<b>Health</b>		-	-	2 045	360 000	(2 045)
-	-	-	-	-	Occupational Health and Safety	650	-	-	2 045	360 000	(2 045)
					<b>Economic and Environmental Services</b>						
14 166 400	18 300 060	6 300 915	9 392 334	7 865 484	Environmental Protection		15 363 347	15 600 410	10 461 272	10 604 936	4 902 075
2 216 736	4 754 373	2 868 296	3 579 811	(651 560)	Environmental Health	210	2 908 521	1 768 310	3 495 381	3 839 054	(586 860)
759 052	929 599	8 697	1 167 456	750 355	Nature Reserves	600	678 929	1 142 685	7 231	32 007	671 697
11 190 612	12 616 088	3 423 922	4 645 068	7 766 690	Environmental Management Fee	731	11 775 897	12 689 415	6 958 660	6 733 875	4 817 238
1 895 256	1 839 618	12 522 255	14 101 733	(10 627 000)	Planning and Development		3 412 359	1 812 235	15 232 070	17 020 463	(11 819 712)
-	-	535 093	810 900	(535 093)	Economic Development: Agriculture	171	-	-	729 470	802 173	(729 470)
-	18 000	722 902	1 231 110	(722 902)	Economic Development: Business	172	-	-	736 307	1 069 872	(736 307)
-	50 000	1 162 334	1 167 049	(1 162 334)	Economic Development: General	170	-	-	1 593 832	1 614 961	(1 593 832)
-	-	1 767 478	1 903 480	(1 767 478)	Economic Development: Tourism	173	1 522 946	100 000	2 177 514	1 855 430	(654 588)
-	-	1 096 629	1 077 898	(1 096 629)	IDP/LED	340	-	-	1 663 578	1 712 369	(1 663 578)
-	-	932 382	965 358	(932 382)	Social Development	790	-	-	1 381 997	1 490 085	(1 381 997)
-	-	-	-	-	Director Planning and Development	701	-	-	-	-	-
1 895 256	1 771 618	6 305 437	6 945 938	(4 410 181)	Planning & Development	700	1 889 413	1 712 235	6 949 373	8 475 573	(5 059 960)
3 456 602	6 596 302	75 436 883	70 589 522	(71 980 282)	Roads and Transport		4 792 775	3 250 602	75 113 083	63 725 948	(70 320 308)
1 907 985	1 975 467	10 498 536	5 388 656	(8 590 551)	Water Ways	990	2 209 542	2 249 354	11 114 980	2 111 267	(8 905 437)
1 548 617	4 620 836	64 938 347	65 200 866	(63 389 730)	Public Works	720	2 583 233	1 001 248	63 998 103	61 614 681	(61 414 871)
					<b>Trading Services</b>						
193 800 515	218 718 890	179 114 485	219 479 322	14 686 030	Electricity		209 248 019	217 874 726	201 447 868	209 495 757	7 800 151
193 800 515	218 718 890	179 114 485	219 479 322	14 686 030	Electricity	190	209 248 019	217 874 726	201 447 868	209 495 757	7 800 151
103 689 398	90 717 128	55 034 876	62 670 414	48 654 521	Waste Management		89 753 406	89 680 438	70 254 819	71 019 723	19 498 588
44 837	188 735	4 070 099	4 581 044	(4 025 261)	Sanitation	750	41 196	50 462	4 559 130	4 552 012	(4 517 934)
81 909 056	61 876 517	26 976 446	31 541 090	54 932 609	Sewerage	780	67 082 060	66 699 480	35 684 960	33 717 909	31 397 099
21 735 504	28 651 876	23 988 332	26 548 280	(2 252 827)	Refuse Removal	730	22 630 151	22 930 496	30 010 728	32 749 802	(7 380 578)
-	-	-	-	-	Waste Water Management		-	-	-	-	-
127 761 167	51 732 184	48 083 310	57 089 889	79 677 857	Water		92 724 352	98 404 229	61 936 487	55 793 021	30 787 865
127 761 167	51 732 184	48 083 310	57 089 889	79 677 857	Water	980	92 724 352	98 404 229	61 936 487	55 793 021	30 787 865
1 801 245	3 985 246	28 190 394	25 109 879	(26 389 149)	Other		842 242	2 323 011	22 291 765	22 430 768	(21 449 523)
492 163	1 350 087	2 565 343	2 845 077	(2 073 179)	Skills Development	820	277 710	202 632	897 849	2 061 233	(620 139)
(84 553)	-	4 285 861	6 218 830	(4 370 414)	Finance: IT	224	(173 902)	31 921	4 822 554	6 784 066	(4 996 457)
920 314	626 685	3 148 622	3 066 576	(2 228 307)	Engineering	200	235 922	9 397	1 893 897	2 070 135	(1 657 974)
-	1 491 600	1 207 824	1 273 168	(1 207 824)	Mig Administration Unit	560	-	1 540 000	1 371 013	1 327 172	(1 371 013)
-	-	847 683	1 037 100	(847 683)	Technical Services: Director	551	-	-	1 055 964	1 056 731	(1 055 964)
-	-	-	-	-	Technical Services: Secretariate	552	-	-	-	-	-
-	-	8 762 140	1 080 303	(8 762 140)	Strategic Services: Director	330	-	-	1 240 467	1 105 071	(1 240 467)
-	-	-	-	-	Strategic Services: Secretariate	331	-	-	-	-	-
473 321	516 874	7 372 922	9 588 825	(6 899 601)	Building & Property	070	502 512	539 062	11 010 020	8 026 362	(10 507 508)
<b>672 066 974</b>	<b>644 660 145</b>	<b>596 216 383</b>	<b>677 821 451</b>	<b>75 850 591</b>	Sub-Total		<b>665 835 801</b>	<b>670 499 297</b>	<b>641 955 770</b>	<b>643 840 582</b>	<b>23 880 031</b>
					Revenue Foregone						
<b>672 066 974</b>	<b>644 660 145</b>	<b>596 216 383</b>	<b>677 821 451</b>	<b>75 850 591</b>	<b>Total</b>		<b>665 835 801</b>	<b>670 499 297</b>	<b>641 955 770</b>	<b>643 840 582</b>	<b>23 880 031</b>

**APPENDIX E(1)  
KOUGA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/16									2014/15						
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
<b>REVENUE - STANDARD</b>																
<b>Government and Administration:</b>																
Executive and Council	-	100 000	100 000	-	-	100 000	34 110	-	(65 890)	34.11	0.00					468 414
Budget and Treasury Office	239 362 543	(12 767 630)	226 594 914	-	-	226 594 914	227 472 618	-	877 704	100.39	95.03					209 286 639
Corporate Services	4 320 342	(1 970 528)	2 349 813	-	-	2 349 813	869 131	-	(1 480 683)	36.99	20.12					1 820 478
<b>Community and Public Safety:</b>																
Community and Social Services	5 334 584	(612 361)	4 722 223	-	-	4 722 223	5 263 616	-	541 393	111.46	98.67					4 615 161
Sport and Recreation	785 487	(744 897)	40 589	-	-	40 589	16 732	-	(23 857)	41.22	2.13					94 217
Public Safety	10 914 241	(845 123)	10 069 118	-	-	10 069 118	16 885 337	-	6 816 219	167.69	154.71					11 012 730
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00					-
Health	-	-	-	-	-	-	-	-	-	0.00	0.00					-
<b>Economic and Environmental Services:</b>																
Planning and Development	1 895 915	(83 680)	1 812 235	-	-	1 812 235	3 412 359	-	1 600 123	188.30	179.98					1 895 256
Road Transport	3 423 798	(173 196)	3 250 602	-	-	3 250 602	4 792 775	-	1 542 174	147.44	139.98					3 456 602
Environmental Protection	15 783 612	(183 202)	15 600 410	-	-	15 600 410	15 363 347	-	(237 063)	98.48	97.34					14 166 400
<b>Trading Services:</b>																
Electricity	235 062 480	(17 187 754)	217 874 726	-	-	217 874 726	209 248 019	-	(8 626 707)	96.04	89.02					193 800 515
Water	54 836 115	43 568 114	98 404 229	-	-	98 404 229	92 724 352	-	(5 679 878)	94.23	169.09					127 761 167
Waste Water Management	40 235 662	26 514 280	66 749 942	-	-	66 749 942	67 123 256	-	373 314	100.56	166.83					81 953 893
Waste Management	27 905 361	(4 974 865)	22 930 496	-	-	22 930 496	22 630 151	-	(300 345)	98.69	81.10					21 735 504
<b>Other:</b>																
Tourism	-	-	-	-	-	-	-	-	-	0.00	0.00					-
<b>Total Revenue - Standard</b>	<b>639 860 139</b>	<b>30 639 158</b>	<b>670 499 297</b>	<b>-</b>	<b>-</b>	<b>670 499 297</b>	<b>665 835 801</b>	<b>-</b>	<b>(4 663 496)</b>	<b>99.30</b>	<b>104.06</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>672 066 974</b>
<b>EXPENDITURE - STANDARD</b>																
<b>Government and Administration:</b>																
Executive and Council	31 294 502	(835 959)	30 458 544	-	-	30 458 544	24 924 581	-	(5 533 962)	81.83	79.65					24 552 798
Budget and Treasury Office	56 505 093	(3 007 393)	53 497 700	-	-	53 497 700	53 153 327	-	(344 373)	99.36	94.07					70 010 340
Corporate Services	50 223 735	1 669 765	51 893 500	-	-	51 893 500	52 501 936	-	608 436	101.17	104.54					54 570 394
<b>Community and Public Safety:</b>																
Community and Social Services	18 188 654	(2 245 817)	15 942 837	-	-	15 942 837	14 254 374	-	(1 688 463)	89.41	78.37					13 793 148
Sport and Recreation	25 161 149	877 859	26 039 008	-	-	26 039 008	26 533 756	-	494 748	101.90	105.46					24 067 023
Public Safety	33 897 347	712 049	34 609 397	-	-	34 609 397	33 228 166	-	(1 381 230)	96.01	98.03					29 074 332
Housing	4 156 261	(776 513)	3 379 748	-	-	3 379 748	2 911 986	-	(467 762)	86.16	70.06					3 655 622
Health	240 000	120 000	360 000	-	-	360 000	2 045	-	(357 955)	0.57	0.85					-
<b>Economic and Environmental Services:</b>																
Planning and Development	16 141 930	878 534	17 020 463	-	-	17 020 463	15 232 070	-	(1 788 393)	89.49	94.36					12 522 255
Road Transport	64 995 225	(1 269 277)	63 725 948	-	-	63 725 948	75 113 083	-	11 387 135	117.87	115.57					75 436 883
Environmental Protection	13 969 977	(3 365 041)	10 604 936	-	-	10 604 936	10 461 272	-	(143 664)	98.65	74.88					6 300 915
<b>Trading Services:</b>																
Electricity	234 328 574	(24 832 816)	209 495 757	-	-	209 495 757	201 447 868	-	(8 047 890)	96.16	85.97					179 114 485
Water	61 681 485	(5 888 464)	55 793 021	-	-	55 793 021	61 936 487	-	6 143 466	111.01	100.41					48 083 310
Waste Water Management	42 709 254	(4 439 333)	38 269 921	-	-	38 269 921	40 244 090	-	1 974 170	105.16	94.23					31 046 545
Waste Management	36 871 045	(4 121 243)	32 749 802	-	-	32 749 802	30 010 728	-	(2 739 074)	91.64	81.39					23 988 332
<b>Other:</b>																
Tourism	-	-	-	-	-	-	-	-	-	0.00	0.00					-
<b>Total Expenditure - Standard</b>	<b>690 364 232</b>	<b>(46 523 649)</b>	<b>643 840 582</b>	<b>-</b>	<b>-</b>	<b>643 840 582</b>	<b>641 955 770</b>	<b>-</b>	<b>(1 884 812)</b>	<b>99.71</b>	<b>92.99</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>596 216 383</b>
<b>Surplus/(Deficit) for the year</b>	<b>(50 504 093)</b>	<b>77 162 808</b>	<b>26 658 715</b>	<b>-</b>	<b>-</b>	<b>26 658 715</b>	<b>23 880 031</b>	<b>-</b>	<b>(2 778 684)</b>	<b>89.58</b>	<b>0.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75 850 591</b>



**APPENDIX E (2)  
KOUGA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/16										2014/15				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>REVENUE BY VOTE</b>															
Vote 1 - EXECUTIVE & COUNCIL	-	100 000	100 000	-	-	100 000	34 110	-	(65 890)	34.11	0.00				468 414
Vote 2 - FINANCIAL SERVICES	239 362 543	(12 735 708)	226 626 835	-	-	226 626 835	227 298 715	-	671 881	100.30	94.96				209 202 085
Vote 3 - ADMINISTRATION, MONITORING AND EVALUATION	26 864	(62)	26 802	-	-	26 802	26 889	-	87	100.32	100.09				19 232
Vote 4 - SOCIAL SERVICES	62 775 196	(7 163 006)	55 612 190	-	-	55 612 190	62 368 725	-	6 756 535	112.15	99.35				53 531 997
Vote 5 - INFRASTRUCTURE, PLANNING & DEVELOPMENT	336 327 449	51 503 390	387 830 839	-	-	387 830 839	374 306 706	-	(13 524 133)	96.51	111.29				408 353 083
Vote 6 - LED, TOURISM AND CREATIVE INDUSTRIES	1 368 087	(1 065 455)	302 632	-	-	302 632	1 800 656	-	1 498 025	595.00	131.62				492 163
<b>Total Revenue by Vote</b>	<b>639 860 139</b>	<b>30 639 158</b>	<b>670 499 297</b>	<b>-</b>	<b>-</b>	<b>670 499 297</b>	<b>665 835 801</b>	<b>-</b>	<b>(4 663 496)</b>	<b>99.30</b>	<b>104.06</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>672 066 974</b>
<b>EXPENDITURE BY VOTE</b>															
Vote 1 - EXECUTIVE & COUNCIL	31 294 502	(835 959)	30 458 544	-	-	30 458 544	24 924 581	-	(5 533 962)	81.83	79.65				24 552 798
Vote 2 - FINANCIAL SERVICES	60 835 929	(2 654 752)	58 181 176	-	-	58 181 176	55 567 012	-	(2 614 164)	95.51	91.34				72 910 489
Vote 3 - ADMINISTRATION, MONITORING AND EVALUATION	25 840 352	3 622 379	29 462 732	-	-	29 462 732	30 210 171	-	747 440	102.54	116.91				26 390 000
Vote 4 - SOCIAL SERVICES	132 088 843	(8 785 359)	123 303 483	-	-	123 303 483	126 855 367	-	3 551 883	102.88	96.04				108 512 216
Vote 5 - INFRASTRUCTURE, PLANNING & DEVELOPMENT	429 132 245	(37 522 555)	391 609 690	-	-	391 609 690	395 227 670	-	3 617 980	100.92	92.10				347 106 509
Vote 6 - LED, TOURISM AND CREATIVE INDUSTRIES	11 172 361	(347 404)	10 824 957	-	-	10 824 957	9 170 968	-	(1 653 989)	84.72	82.09				16 754 371
<b>Total Expenditure by Vote</b>	<b>690 364 232</b>	<b>(46 523 649)</b>	<b>643 840 582</b>	<b>-</b>	<b>-</b>	<b>643 840 582</b>	<b>641 955 770</b>	<b>-</b>	<b>(1 884 812)</b>	<b>99.71</b>	<b>92.99</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>596 216 383</b>
<b>Surplus/(Deficit) for the year</b>	<b>(50 504 093)</b>	<b>77 162 808</b>	<b>26 658 715</b>	<b>-</b>	<b>-</b>	<b>26 658 715</b>	<b>23 880 031</b>	<b>-</b>	<b>(2 778 684)</b>	<b>89.58</b>	<b>0.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75 850 591</b>

**APPENDIX E (3)  
KOUGA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/16									2014/15					
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Revenue by Source</b>															
Property Rates	148 124 818	(11 212 774)	136 912 044	-	-	136 912 044	135 339 445	-	(1 572 599)	98.85	91.37	-	-	-	128 579 927
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Service Charges - Electricity	271 266 417	(19 270 926)	251 995 491	-	-	251 995 491	234 162 285	-	(17 833 206)	92.92	86.32	-	-	-	215 207 840
Service Charges - Water	34 578 364	0	34 578 364	-	-	34 578 364	37 380 339	-	2 801 975	108.10	108.10	-	-	-	32 912 277
Service Charges - Sanitation	39 624 941	1 563 632	41 188 573	-	-	41 188 573	40 540 705	-	(647 868)	98.43	102.31	-	-	-	37 326 091
Service Charges - Refuse	50 281 126	(6 537)	50 274 588	-	-	50 274 588	48 735 384	-	(1 539 204)	96.94	96.93	-	-	-	45 874 578
Service Charges - Other	(30 464 811)	(11 928 248)	(42 393 059)	-	-	(42 393 059)	(34 273 206)	-	8 119 853	0.00	0.00	-	-	-	(30 268 679)
Rental of Facilities and Equipment	2 067 411	(1 503 108)	564 302	-	-	564 302	744 348	-	180 046	131.91	36.00	-	-	-	1 394 697
Interest Earned - External Investments	2 077 768	906 692	2 984 460	-	-	2 984 460	5 031 308	-	2 046 848	168.58	242.15	-	-	-	2 429 512
Interest Earned - Outstanding Debtors	6 245 981	(2 531 002)	3 714 979	-	-	3 714 979	3 306 788	-	(408 191)	89.01	52.94	-	-	-	3 925 942
Dividends Received	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Fines	1 656 234	741 710	2 397 943	-	-	2 397 943	9 798 101	-	7 400 157	408.60	591.59	-	-	-	3 599 461
Licences and Permits	8 993 920	(1 671 985)	7 321 936	-	-	7 321 936	6 065 570	-	(1 256 366)	82.84	67.44	-	-	-	6 503 038
Agency Services	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Transfers Recognised - Operational	(144 884 064)	(116 974 661)	(261 858 725)	-	-	(261 858 725)	129 564 726	-	391 423 451	0.00	0.00	-	-	-	204 611 385
Other Revenue	14 796 884	(4 180 208)	10 616 676	-	-	10 616 676	10 682 545	-	65 869	100.62	72.19	-	-	-	19 834 244
Gains on Disposal of PPE	-	-	-	-	-	-	26 553	-	26 553	0.00	0.00	-	-	-	136 661
<b>Total Revenue (excluding Capital Transfers &amp; Contrib)</b>	<b>404 364 988</b>	<b>(166 067 416)</b>	<b>238 297 572</b>	<b>-</b>	<b>-</b>	<b>238 297 572</b>	<b>627 104 892</b>	<b>-</b>	<b>388 807 319</b>	<b>263.16</b>	<b>155.08</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>672 066 974</b>
<b>Expenditure</b>															
Employee Related Costs	215 794 553	3 227 255	219 021 807	-	-	219 021 807	228 678 963	9 657 156	9 657 156	104.41	105.97	-	-	-	212 826 380
Remuneration of Councillors	9 759 750	600 005	10 359 755	-	-	10 359 755	10 513 662	153 907	153 907	101.49	107.72	-	-	-	9 756 717
Debt Impairment	52 020 543	(24 039 477)	27 981 066	-	-	27 981 066	22 593 439	-	(5 387 627)	80.75	43.43	-	-	-	18 806 875
Depreciation and Asset Impairment	80 713 788	0	80 713 788	-	-	80 713 788	87 291 540	6 577 752	6 577 752	108.15	108.15	-	-	-	84 721 727
Finance Charges	21 793 617	(11 467 116)	10 326 501	-	-	10 326 501	9 127 512	-	(1 198 990)	88.39	41.88	-	-	-	7 350 864
Bulk Purchases	200 867 959	(11 233 520)	189 634 439	-	-	189 634 439	204 008 229	14 373 790	14 373 790	107.58	101.56	-	-	-	183 153 338
Other Materials	42 268 178	(5 089 586)	37 178 592	-	-	37 178 592	29 582 769	-	(7 595 823)	79.57	69.99	-	-	-	26 609 621
Contracted Services	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Transfers and Grants	1 750	-	1 750	-	-	1 750	-	-	(1 750)	0.00	0.00	-	-	-	-
Other Expenditure	67 144 094	1 478 790	68 622 884	-	-	68 622 884	50 159 656	-	(18 463 228)	73.09	74.70	-	-	-	52 990 861
Loss on Disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Total Expenditure</b>	<b>690 364 232</b>	<b>(46 523 649)</b>	<b>643 840 582</b>	<b>-</b>	<b>-</b>	<b>643 840 582</b>	<b>641 955 770</b>	<b>30 762 605</b>	<b>(1 884 812)</b>	<b>99.71</b>	<b>92.99</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>596 216 383</b>
<b>Surplus/(Deficit)</b>	<b>(285 999 244)</b>	<b>(119 543 766)</b>	<b>(405 543 010)</b>	<b>-</b>	<b>-</b>	<b>(405 543 010)</b>	<b>(14 850 878)</b>	<b>(30 762 605)</b>	<b>390 692 132</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75 850 591</b>
Transfers Recognised - Capital	235 495 151	196 706 574	432 201 725	-	-	432 201 725	38 730 909	-	(393 470 816)	8.96	16.45	-	-	-	-
Contributions Recognised - Capital	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Contributed Assets	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Surplus/(Deficit) after Capital Transfers and</b>	<b>(50 504 093)</b>	<b>77 162 808</b>	<b>26 658 715</b>	<b>-</b>	<b>-</b>	<b>26 658 715</b>	<b>23 880 031</b>	<b>(30 762 605)</b>	<b>(2 778 684)</b>	<b>89.58</b>	<b>0.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75 850 591</b>
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Surplus/(Deficit) for the Year</b>	<b>(50 504 093)</b>	<b>77 162 808</b>	<b>26 658 715</b>	<b>-</b>	<b>-</b>	<b>26 658 715</b>	<b>23 880 031</b>	<b>(30 762 605)</b>	<b>(2 778 684)</b>	<b>89.58</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75 850 591</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	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
Equitable Share	Nat Treasury	34 208 000	27 366 000	20 525 000	-	34 208 000	29 366 000	20 525 000	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	1 600 000			-	87 440	515 515	56 264	545 749.87	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	8 929 000	10 530 000	11 341 000	-	1 553 368	12 045 941	11 000 625	6 171 596.35	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DME Projects	DME	2 500 000	1600000		-	0	0	585 303	3 302 682.07	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	930 000			-	-	-	16 530	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
EPWP Incentive Grant	Province	400 000	300 000	300 000	-	400 000	300 000	300 000		N/A	N/A	N/A	N/A	N/A	Yes	N/A
<b>Total Grants and Subsidies Received</b>		<b>48 567 000</b>	<b>39 796 000</b>	<b>32 166 000</b>	<b>0</b>	<b>36 248 808</b>	<b>42 227 456</b>	<b>32 483 723</b>	<b>10 020 028</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			