



**ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2013**

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## **GENERAL INFORMATION**

### **MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2012**

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

### **AUDITORS**

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

### **BANKERS**

First National Bank  
Private Bag X5  
Jeffreys Bay, 6330

### **REGISTERED OFFICE**

33 Da Gama Drive  
Jeffreys Bay

P O Box 21  
Jeffreys Bay  
6330

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

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

### **MUNICIPAL MANAGER**

Mr. S Fadi

### **CHIEF FINANCIAL OFFICER**

Ms.C Burger

## **GENERAL INFORMATION (continued)**

### **LEGAL FORM**

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

### **GRADING**

Grade 8

### **JURISDICTION**

Greater Kouga area which includes:

Jeffreys Bay, Loerie, Thornhill

Humansdorp

St Francis Bay, Cape St Francis, Oyster Bay

Hankey

Patensie

## MEMBERS OF THE KOUGA LOCAL MUNICIPALITY

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

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 1 to 115 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

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**Date**

**KOUGA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2013

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

It gives me great pleasure to present the Annual Financial Statements of Kouga Municipality at 30 June 2013.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011/12 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2013 indicates a decrease in Net Assets, and an increase in Non-current Liabilities and decrease in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the deficit generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Creditors and Unspent Conditional Grants and the current portion of long-term liabilities.

**2. KEY FINANCIAL INDICATORS**

The following indicators are self-explanatory.

**2.1 Financial Statement Ratios:**

INDICATOR	2013	2012
Surplus / (Deficit) before Appropriations	(36 838 325)	(62 974 409)
Surplus / (Deficit) at the end of the Year	2 697 998 938	2 734 837 263
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	34.01%	30.08%
Remuneration of Councillors	1.53%	1.47%
Collection Costs	-0.01%	0.01%
Depreciation and Amortisation	13.57%	14.19%
Impairment Losses	2.10%	5.48%
Repairs and Maintenance	3.38%	2.83%
Interest Paid	3.44%	3.67%
Bulk Purchases	28.74%	28.14%
Contracted Services	0.00%	0.00%
Grants and Subsidies Paid	3.75%	3.35%
General Expenses	9.50%	10.76%
Current Ratio:		
Trade Creditors Days	159	169
Debtors from Exchange Transactions Days	25	29

The extremely good ratio for Debtors Days, calculated on net debtors, is because of a substantial increase in the Provision for Impairment, which renders a favourable ratio for the year.

## 2.2 Performance Indicators:

INDICATOR	2013	2012
<b>Borrowing Management:</b>		
Capital Charges to Operating Expenditure	4.38%	3.91%
Borrowing to Total Capital Assets	2.42%	2.39%
<b>Safety of Capital:</b>		
Gearing	2.63%	2.60%
<b>Liquidity:</b>		
Current Ratio	0.55	0.47
Liquidity Ratio	0.11	0.10
<b>Revenue Management:</b>		
Current Debtors Collection Rate	96.93%	92.18%
Outstanding Debtors to Revenue	12.63%	14.26%
<b>Creditors Management:</b>		
Creditors to Cash and Investments	555.01%	614.59%
<b>Financial Viability:</b>		
Debt Coverage	66.04	185.08
Outstanding Service Debtors to Revenue	15.13%	16.46%
Cost Coverage	0.04	0.04

## 3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E(1)"

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

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	2 734 837 263	2 799 214 242	(2.30)	-	100.00
Operating income for the year	531 613 442	479 610 900	10.84	550 044 672	(3.35)
Appropriations for the year	-	-	-	-	-
	3 266 450 705	3 278 825 142	(0.38)	550 044 672	493.85
<b>Expenditure:</b>					
Operating expenditure for the year	568 451 768	542 585 309	4.77	583 553 274	(2.59)
Correction of error	0	1 402 570	(100.00)	-	100.00
Closing surplus / (deficit)	2 697 998 938	2 734 837 263	(1.35)	(33 508 602)	(8 151.66)
	3 266 450 705	3 278 825 142	(0.38)	550 044 672	493.85

### 3.1 Rates and General Services:

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

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	219 830 490	186 656 804	17.77	221 362 316	(0.69)
Expenditure	291 794 753	270 263 473	7.97	279 393 164	4.44
Surplus / (Deficit)	(71 964 264)	(83 606 669)	(13.93)	(58 030 848)	24.01
Surplus / (Deficit) as % of total income	(32.74)%	(44.79)%		(26.22)%	

### 3.2 Waste Management Services:

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

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	87 189 963	77 832 585	12.02	83 296 441	4.67
Expenditure	60 856 014	61 025 158	(0.28)	65 074 388	(6.48)
Surplus / (Deficit)	26 333 949	16 807 427	56.68	18 222 053	44.52
Surplus / (Deficit) as % of total income	30.20%	21.59%		21.88%	



### 3.3 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R147 187 551 (2012: R129 914 987). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	183 641 252	176 490 950	4.05	200 001 439	(8.18)
Expenditure	169 780 024	160 882 480	5.53	180 865 222	(6.13)
Surplus / (Deficit)	13 861 228	15 608 470	(11.19)	19 136 217	(27.57)
Surplus / (Deficit) as % of total income	7.55%	8.84%		9.57%	

### 3.4 Water Services:

Water is bought in bulk from NMBM and "Gamtoos Irrigation Board" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality from NMBM was R16 161 171 (2012: R22 767 807 ). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	40 951 738	38 625 302	6.02	45 384 476	(9.77)
Expenditure	42 330 114	46 807 285	(9.57)	54 037 105	(21.66)
Surplus / (Deficit)	(1 378 376)	(8 181 983)	(83.15)	(8 652 629)	(84.07)
Surplus / (Deficit) as % of total income	(3.37)%	(21.18)%		(19.07)%	

## 4. RECONCILIATION OF BUDGET TO ACTUAL

### 4.1 Operating Budget:

DETAILS	2013	2012
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(33 508 602)	53 187 523
Revenue variances	(18 431 230)	(41 673 598)
Expenditure variances:		
Employee Related Costs	(12 067 803)	3 256 156
Remuneration of Councillors	(211 870)	1 184 348
Collection Costs	286 990	(37 559)
Depreciation and Amortisation	(6 013 885)	(77 007 101)
Impairment Losses	13 474 211	(4 364 483)
Repairs and Maintenance	19 719 763	18 087 435
Interest Paid	(2 069 876)	4 073 006
Bulk Purchases	(3 821 573)	(12 170 274)
Contracted Services	63 000	49 019
Grants and Subsidies Paid	(6 949 304)	(3 204 676)
General Expenses	12 691 852	(4 348 946)
Loss on disposal of Property, Plant and Equipment	-	(5 260)
Actual surplus before appropriations	(36 838 325)	(62 974 409)

DETAILS	2013	2012
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(33 508 602)	53 187 523
Executive and Council	2 272 091	779 899
Finance and Administration	(10 050 538)	(32 257 296)
Planning and Development	3 199 879	(328 862)
Health	-	-
Community and Social Services	11 430 129	5 419 922
Housing	492 533	92 978
Public Safety	(7 832 581)	(7 918 035)
Sport and Recreation	1 276 183	(43 408)
Environmental Protection	5 508 248	3 365 191
Waste Management	8 111 896	4 891 831
Roads and Transport	(9 836 662)	(50 365 896)
Water	7 274 253	(9 577 154)
Electricity	(5 274 989)	(11 404 025)
Other	(9 900 164)	7 055 497
Actual surplus before appropriations	(36 838 325)	(37 101 838)
		25 872 571

Details of the operating results per segmental classification of expenditure are included in Appendix "D"

## 5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R2 697 998 938 (30 June 2012: R2 734 837 263) and is made up as follows:

Accumulated Surplus	<u>2 697 998 938</u>
	<u><u>2 697 998 938</u></u>

Refer to Note 23 and the Statement of Change in Net Assets for more detail.

## 6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2013 was R70 903 735 (30 June 2012: R71 191 313).

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

## 7. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2013 was R67 990 000 (30 June 2012: R60 758 000).

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

Refer to Note 21 for more detail.

## 8. NON-CURRENT PROVISIONS

Non-current Provisions amounted R18 416 516 as at 30 June 2013 (30 June 2012: R16 188 316) and is made up as follows:

Provision for Long-term Service	9 099 000
Provision for Rehabilitation of Land-fill Sites	<u>9 265 316</u>
	<u><u>18 364 316</u></u>

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

Refer to Note 22 for more detail.

## 9. CURRENT LIABILITIES

Current Liabilities amounted R169 410 780 as at 30 June 2013 (30 June 2012: R180 532 341) and is made up as follows:

Consumer Deposits	Note 14	8 693 418
Provisions	Note 15	19 468 077
Payables from Exchange Transactions	Note 16	102 866 449
Payables from Non-exchange Transactions	Note 17	4 655 823
Unspent Conditional Grants and Receipts	Note 18	9 231 931
Bank Overdraft	Note 6	1 970 751
Current position of Long Term Liabilities	Note 20	<u>22 524 330</u>
		<u><u>169 410 780</u></u>

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

Refer to the indicated Notes for more detail.

## 10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R2 865 220 727 as at 30 June 2013 (30 June 2012: R2 912 560 518).

Refer to Note 9 and Appendices "B, C and E (2)" for more detail.

## 11. INTANGIBLE ASSETS

The net value of Intangible Assets were R121 587 as at 30 June 2013 (30 June 2012: R150 446).

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

Refer to Note 10 and Appendix "B" for more detail.

## 12. INVESTMENT PROPERTY

The net value of Investment Properties were R65 613 070 as at 30 June 2013 (30 June 2012: R66 167 010).

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

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

## 13. LONG-TERM RECEIVABLES

Long-term Receivables of R336 529 at 30 June 2013 (30 June 2012: R385 900)

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

Refer to Note 13 for more detail.

## 14. CURRENT ASSETS

Current Assets amounted R93 428 054 as at 30 June 2013 (30 June 2012: R84 243 358) and is made up as follows:

Inventories	Note 2	3 513 045
Receivables from Exchange Transactions	Note 3	27 593 890
Receivables from Non-exchange Transactions	Note 4	33 638 017
VAT Receivable	Note 5	10 013 778
Cash and Cash Equivalents	Note 6	18 534 066
Operating lease receivables	Note 7	126 258
Current portion of Long Term Receivable	Note 8	9 000
		<u>93 428 054</u>

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

The substantial increase in VAT receivable is due to an independent review done in June 2013 and a claim to be submitted to SARS as a result.

Refer to the indicated Notes for more detail.

## 15. INTER-GOVERNMENTAL GRANTS

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

Refer to Notes 18 and 25, and Appendix "F" for more detail.

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

Full details of all known events, if any, after the reporting date are disclosed in Note 52. Currently management is not aware of any such events.

## **17. EXPRESSION OF APPRECIATION**

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

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**CHIEF FINANCIAL OFFICER**

31 August 2013

**KOUGA MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013**

	Note	2013 R	Restated 2012 R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>93 428 054</b>	<b>84 243 358</b>
Inventories	2	3 513 045	3 214 092
Receivables from Exchange Transactions	3	27 593 890	30 110 948
Receivables from Non-exchange Transactions	4	33 638 017	33 395 853
VAT Receivable	5	10 013 778	-
Cash and Cash Equivalents	6	18 534 066	17 395 847
Operating Lease Receivables	7	126 258	87 753
Current Portion of Long-term Receivables	8	9 000	38 865
<b>Non-Current Assets</b>		<b>2 931 291 913</b>	<b>2 979 263 874</b>
Property, Plant and Equipment	9	2 865 220 727	2 912 560 518
Intangible Assets	10	121 587	150 446
Investment Property	11	65 613 070	66 167 010
Long-term Receivables	13	336 529	385 900
<b>Total Assets</b>		<b>3 024 719 967</b>	<b>3 063 507 232</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>169 410 780</b>	<b>180 532 341</b>
Consumer Deposits	14	8 693 418	7 606 800
Provisions	15	19 468 077	18 332 915
Payables from Exchange Transactions	16	102 866 449	106 913 509
Payables from Non-exchange Transactions	17	4 655 823	4 986 764
Unspent Conditional Grants and Receipts	18	9 231 931	13 104 861
VAT Payable	19	-	864 836
Bank Overdraft	6	1 970 751	1 116 719
Current Portion of Long-term Liabilities	20	22 524 330	27 605 937
<b>Non-Current Liabilities</b>		<b>157 310 251</b>	<b>148 137 629</b>
Long-term Liabilities	20	70 903 735	71 191 313
Retirement Benefit Liabilities	21	67 990 000	60 758 000
Non-current Provisions	22	18 416 516	16 188 316
<b>Total Liabilities</b>		<b>326 721 031</b>	<b>328 669 970</b>
<b>Total Assets and Liabilities</b>		<b>2 697 998 936</b>	<b>2 734 837 262</b>
<b>NET ASSETS</b>		<b>2 697 998 938</b>	<b>2 734 837 263</b>
Accumulated Surplus / (Deficit)	23	2 697 998 938	2 734 837 263
<b>Total Net Assets</b>		<b>2 697 998 938</b>	<b>2 734 837 263</b>

**KOUGA MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

	Note	Actual	
		2013 R	2012 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	24	113 542 635	103 602 651
Fines		1 035 182	2 879 888
Licences and Permits		7 268 669	7 304 080
Government Grants and Subsidies Received	25	95 384 836	70 762 710
<b>Revenue from Exchange Transactions</b>			
Service Charges	26	284 112 802	275 106 063
Rental of Facilities and Equipment	27	675 855	722 796
Interest Earned - External Investments	28	1 236 465	946 448
Interest Earned - Outstanding Debtors	28	6 458 023	6 646 186
Other Revenue	29	21 718 932	11 640 078
Gains on Disposal of Property, Plant and Equipment		180 045	-
<b>Total Revenue</b>		<b>531 613 442</b>	<b>479 610 900</b>
<b>EXPENDITURE</b>			
Employee Related Costs	30	193 309 600	163 211 233
Remuneration of Councillors	31	8 702 790	7 983 661
Collection Costs		(51 814)	37 559
Depreciation and Amortisation	32	77 156 014	77 007 101
Impairment Losses	33	11 937 477	29 743 773
Repairs and Maintenance		19 198 925	15 381 393
Finance Costs	35	19 528 171	19 939 491
Bulk Purchases	34	163 348 722	152 682 795
Contracted Services	36	-	7 799
General Expenses	38	54 021 875	58 398 721
Loss on Disposal of Property, Plant and Equipment		-	5 260
<b>Total Expenditure</b>		<b>568 451 768</b>	<b>542 585 309</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(36 838 325)</b>	<b>(62 974 409)</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 2013

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
<b>2012</b>		
Balance at 30 June 2011	2 799 214 242	2 799 214 242
Correction of Error (Note 41)	(1 402 570)	(1 402 570)
<b>Restated Balance</b>	<b>2 797 811 672</b>	<b>2 797 811 672</b>
Surplus / (Deficit) for the year	(62 974 409)	(62 974 409)
<b>Balance at 30 June 2012</b>	<b>2 734 837 263</b>	<b>2 734 837 263</b>
Surplus / (Deficit) for the year	(36 838 325)	(36 838 325)
<b>Balance at 30 June 2013</b>	<b>2 697 998 938</b>	<b>2 697 998 938</b>
	0.00	0.00

0

Details on the movement of the Funds and Reserves are set out in Note 23.



**KOUGA MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

	Note	Actual	
		2013 R	2012 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	24	111 527 931	95 877 951
Government Grant and Subsidies	25	99 257 766	70 633 703
Service Charges	26	280 167 706	259 346 250
Interest Received	28	1 236 465	946 448
Other Receipts		19 931 876	28 816 027
<b>Payments</b>			
Employee Related Costs	30	(183 815 400)	(147 324 458)
Remuneration of Councillors	31	(8 702 790)	(7 983 661)
Interest Paid	35	(19 528 171)	(19 939 491)
Suppliers Paid		(181 759 087)	(109 474 983)
Other Payments		(87 765 337)	(96 298 862)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>30 550 959</b>	<b>74 598 924</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(25 069 805)	(37 774 577)
Purchase of Intangible Assets	10	(57 198)	(53 778)
Proceeds on Disposal of Property, Plant and Equipment		180 045	(5 260)
Decrease / (Increase) in Long-term Receivables	13	49 371	292 490
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(24 897 588)</b>	<b>(37 541 125)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings	20	(5 369 185)	(1 262 562)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(5 369 185)</b>	<b>(1 262 562)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	6	<b>284 187</b>	<b>35 795 237</b>
		0	0
Cash and Cash Equivalents at Beginning of Period		16 279 128	(19 516 109)
Cash and Cash Equivalents at End of Period		16 563 315	16 279 128

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**1. BASIS OF PRESENTATION**

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

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

*1.1 Changes in Accounting Policy and Comparability*

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

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

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

*1.2 Critical Judgements, Estimations and Assumptions*

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

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

*1.2 Critical Judgements, Estimations and Assumptions (continued)*

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 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

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

**1.2.3 Impairment of Financial Assets**

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by 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.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

1.2 *Critical Judgements, Estimations and Assumptions (continued)*

**1.2.3 Impairment of Financial Assets (continued)**

◆ 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.

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

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

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

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

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

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

**1.2.5 Impairment: Write-down of Property, Plant and Equipment, 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 PPE, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

*1.2 Critical Judgements, Estimations and Assumptions (continued)*

**1.2.5 Impairment: Write-down of Property, Plant and Equipment and Inventories (continued)**

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 Cash Generating Assets*) and GRAP 26 (*Impairment of Non-cash Generating Assets*). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the NRV 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, paragraph 9.2.2.

**1.2.7 Defined Benefit Plan Liabilities**

As described in Accounting Policy 13.2, *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 IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

**1.2.8 Provisions and Contingent Liabilities**

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

**1.2.9 Budget Information**

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

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

*1.3 Presentation Currency*

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

*1.4 Going Concern Assumption*

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

*1.5 Offsetting*

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

*1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective*

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

- ◆ GRAP 18 Segment Reporting - issued March 2005
- ◆ GRAP 20 Related Party Disclosures (Revised)
- ◆ GRAP 25 Employee Benefits - issued December 2009
- ◆ GRAP 105 Transfers between Entities under common control - issued November 2010
- ◆ GRAP 106 Transfers between Entities not under common control - issued November 2010
- ◆ GRAP 107 Mergers - issued November 2010

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.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

1.7 *Materiality*

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

**2. PROPERTY, PLANT AND EQUIPMENT**

2.1 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.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

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.

**2. PROPERTY, PLANT AND EQUIPMENT (continued)**

**2.2 Subsequent Measurement**

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

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

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

**2.3 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.



**KOUGA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**2. PROPERTY, PLANT AND EQUIPMENT (continued)**

*2.4 Depreciation (continued)*

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

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

*2.5 Land*

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

*2.6 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.

*2.7 Incomplete Construction Work*

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

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**2. PROPERTY, PLANT AND EQUIPMENT (continued)**

*2.8 Derecognition of Property, Plant and Equipment*

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.

**3. INTANGIBLE ASSETS**

*3.1 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 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:

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

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**3. INTANGIBLE ASSETS (continued)**

*3.1 Initial Recognition (continued)*

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 ready for use on a *Straight-line Basis* over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / 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. Intangible Assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

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, it's deemed cost is the carrying amount of the asset(s) given up.

*3.2 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 102, 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 2013 (continued)**

**3. INTANGIBLE ASSETS (continued)**

*3.2 Subsequent Measurement, Amortisation and Impairment (continued)*

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

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

Intangible Assets are annually tested for impairment, 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.

*3.3 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.

**4. INVESTMENT PROPERTY**

*4.1 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.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**4. INVESTMENT PROPERTY (continued)**

*4.1 Initial Recognition (continued)*

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:

- ◆ Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- ◆ 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);
- ◆ 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);
- ◆ A property owned by the municipality and leased out at a below market rental; and
- ◆ Property that is being constructed or developed for future use as investment property.

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

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

- ◆ Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- ◆ Property being constructed or developed on behalf of third parties;
- ◆ 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;
- ◆ Property that is leased to another entity under a finance lease;
- ◆ Property held to provide goods and services and also generates cash inflows; and
- ◆ Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**4. INVESTMENT PROPERTY (continued)**

*4.2 Subsequent Measurement*

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

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

*4.3 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.

*4.4 Application of deemed cost (Directive 7)*

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

**5. 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.

*5.1 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

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

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.

**5. HERITAGE ASSETS (continued)**

*5.1 Initial Recognition (continued)*

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 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.

*5.2 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.

*5.3 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.

*5.4 Transitional Provisions*

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**6. 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*.

*6.1 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.

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 surplus or deficit.

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 as follows:

- ◆ To 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 surplus or deficit.



**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**6. IMPAIRMENT OF ASSETS (continued)**

*6.2 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.

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 surplus or deficit.

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 as follows:

- ◆ To 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 surplus or deficit.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**7. 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.

**Fair Value Methods and Assumptions**

The fair values of Financial Instruments are determined as follows:

- ◆ The fair values of quoted investments are based on current bid prices.
- ◆ If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

**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.

**KOUGA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**7. FINANCIAL INSTRUMENTS (continued)**

*7.1 Financial Assets – Classification*

A Financial Asset is any asset that is a cash or contractual right to receive cash.

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 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 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 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 may have the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

<b>Type of Financial Asset</b>	<b>Classification in terms of GRAP 104</b>
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 Fair Value
Bank, Cash and Cash Equivalents	Financial Assets at Fair Value

**KOUGA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**7. FINANCIAL INSTRUMENTS (continued)**

*7.1 Financial Assets – Classification (continued)*

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 Fair Value.

*7.2 Financial Liabilities – Classification*

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

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

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

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

Type of Financial Asset	Classification in terms of GRAP 104
Creditors	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).

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

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**7. FINANCIAL INSTRUMENTS (continued)**

*7.3 Initial and Subsequent Measurement*

**7.3.1 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 plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

**7.3.2 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.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**7. FINANCIAL INSTRUMENTS (continued)**

*7.4 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.

**7.4.1 Financial Assets at Amortised Cost**

Accounts Receivables 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 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.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**7. FINANCIAL INSTRUMENTS (continued)**

*7.4 Impairment of Financial Assets (continued)*

**7.4.2 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.

*7.5 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.

*7.6 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 2013 (continued)**

**8. INVENTORIES**

*8.1 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.

*8.2 Subsequent Measurement*

**8.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods:**

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

**8.2.2 Water Inventory:**

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

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

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



**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**8. INVENTORIES (continued)**

**8.2.3 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.

**8.2.4 Other Inventories:**

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.

**9. NON-CURRENT ASSETS HELD-FOR-SALE**

*9.1 Initial Recognition*

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

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**9. NON-CURRENT ASSETS HELD-FOR-SALE (continued)**

*9.2 Subsequent Measurement*

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

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

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

**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.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**10. REVENUE RECOGNITION (continued)**

*10.1 General (continued)*

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

*10.2 Revenue from Exchange Transactions*

**10.2.1 Service Charges**

Service Charges are levied in terms of approved tariffs.

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

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

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

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

**10.2.2 Prepaid Electricity**

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

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**10. REVENUE RECOGNITION (continued)**

*10.2 Revenue from Exchange Transactions (continued)*

**10.2.3 Rentals Received**

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

**10.2.4 Finance Income**

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

**10.2.5 Tariff Charges**

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

**10.2.6 Revenue from Agency Services**

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

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

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

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

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**10. REVENUE RECOGNITION (continued)**

*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.

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 spot fines and summonses is recognised when payment is received, together with the management's best estimate of the probable inflows from spot fines and summonses that will be received based on past experience of amounts collected.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**10. REVENUE RECOGNITION (continued)**

*10.3 Revenue from Non-exchange Transactions (continued)*

**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.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**10. REVENUE RECOGNITION (continued)**

*10.3 Revenue from Non-exchange Transactions (continued)*

**10.3.4 Government Grants and Receipts (continued)**

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. Such revenue is based on legislated procedures.

**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.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**11. PROVISIONS (continued)**

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.

**Environmental rehabilitation provisions**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipalities policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises in accordance with the requirements of GRAP 19 as stated in the preceding paragraphs. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

**12. EMPLOYEE BENEFITS**

*12.1 Short-term Employee Benefits*

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

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

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



**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**12. EMPLOYEE BENEFITS (continued)**

*12.2 Post-employment Benefits*

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

**12.2.1 Defined Contribution Plans**

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

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

**12.2.2 Defined Benefit Plans**

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

**Post-retirement Health Care Benefits:**

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

The defined benefit liability is the aggregate of the present value of the defined benefit obligation 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 every year by independent qualified actuaries.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**12. EMPLOYEE BENEFITS (continued)**

*12.2 Post-employment Benefits (continued)*

**12.2.2 Defined Benefit Plans (continued)**

Actuarial gains or losses are accounted for using the *Straight-line Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

**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.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**12. EMPLOYEE BENEFITS (continued)**

*12.2 Post-employment Benefits (continued)*

**12.2.2 Defined Benefit Plans (continued)**

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 accounted for using the *Straight-line Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

**13. GRANTS-IN-AID**

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

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

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

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**14. LEASES**

*14.1 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.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

*14.2 The Municipality as Lessee*

**14.2.1 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.

*14.3 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.

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

**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).

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**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. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

**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. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

**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. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**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 2013 (continued)**

**22. COMMITMENTS**

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

Commitments are disclosed for:

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

**23. RELATED PARTIES**

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

**24. EVENTS AFTER THE REPORTING DATE**

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

**KOUGA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**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 2011 to 30 June 2012.



**KOUGA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013**

**Notes to the user:**

- (1) Approved Budget: The Final Budget approved by council and submitted to National Treasury.  
(2) Final Budget: The Final Amended Budget used by the municipality, for which council approval was not obtained (i.e. adjustments/virements allowed without council approval).  
(3) If the Approved Budget (normally the Adjustment Budget) is the same as the Final Budget, only column need to be used.

30 June 2013

Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	-	-	-	-	-	-	3 513 045	-	3 513 045	0.00	0.00
Non-current Assets Held-for-Sale	-	-	-	-	-	-	-	-	-	0.00	0.00
Receivables from Exchange Transactions	-	-	-	-	-	-	27 593 890	-	27 593 890	0.00	0.00
Receivables from Non-exchange Transactions	-	-	-	-	-	-	33 638 017	-	33 638 017	0.00	0.00
VAT Receivable	-	-	-	-	-	-	10 013 778	-	10 013 778	0.00	0.00
Cash and Cash Equivalents	-	-	-	-	-	-	18 534 066	-	18 534 066	0.00	0.00
Operating Lease Receivables	-	-	-	-	-	-	126 258	-	126 258	0.00	0.00
Current Portion of Finance Lease Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Receivables	-	-	-	-	-	-	9 000	-	9 000	0.00	0.00
<b>Non-Current Assets</b>											
Property, Plant and Equipment	35 006 900	2 071 000	37 077 900	-	-	37 077 900	2 865 220 727	-	2 828 142 827	7 727.57	8 184.73
Intangible Assets	-	-	-	-	-	-	121 587	-	121 587	0.00	0.00
Investment Property	-	-	-	-	-	-	65 613 070	-	65 613 070	0.00	0.00
Heritage Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Biological Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Non-current Investments	-	-	-	-	-	-	-	-	-	0.00	0.00
Investments in Associates	-	-	-	-	-	-	-	-	-	0.00	0.00
Finance Lease Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
Long-term Receivables	-	-	-	-	-	-	336 529	-	336 529	0.00	0.00
<b>Total Assets</b>	<b>35 006 900</b>	<b>2 071 000</b>	<b>37 077 900</b>	<b>-</b>	<b>-</b>	<b>37 077 900</b>	<b>3 024 719 967</b>	<b>-</b>	<b>2 987 642 067</b>	<b>8 157.74</b>	<b>8 640.35</b>
<b>Current Liabilities</b>											
Consumer Deposits	-	-	-	-	-	-	8 693 418	-	8 693 418	0.00	0.00
Provisions	-	-	-	-	-	-	19 468 077	-	19 468 077	0.00	0.00
Payables from Exchange Transactions	35 006 900	2 071 000	37 077 900	-	-	37 077 900	102 866 449	-	65 788 549	277.43	293.85
Payables from Non-exchange Transactions	-	-	-	-	-	-	4 655 823	-	4 655 823	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	9 231 931	-	9 231 931	0.00	0.00
VAT Payable	-	-	-	-	-	-	-	-	-	0.00	0.00
Short-term Loans	-	-	-	-	-	-	-	-	-	0.00	0.00
Operating Lease Liabilities	-	-	-	-	-	-	-	-	-	0.00	0.00
Liabilities associated with Assets Held-for-Sale	-	-	-	-	-	-	-	-	-	0.00	0.00
Bank Overdraft	-	-	-	-	-	-	1 970 751	-	1 970 751	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	-	22 524 330	-	22 524 330	0.00	0.00
<b>Non-Current Liabilities</b>											
Long-term Liabilities	-	-	-	-	-	-	70 903 735	-	70 903 735	0.00	0.00
Retirement Benefit Liabilities	-	-	-	-	-	-	67 990 000	-	67 990 000	0.00	0.00
Non-current Provisions	-	-	-	-	-	-	18 416 516	-	18 416 516	0.00	0.00
<b>Total Liabilities</b>	<b>35 006 900</b>	<b>2 071 000</b>	<b>37 077 900</b>	<b>-</b>	<b>-</b>	<b>37 077 900</b>	<b>326 721 031</b>	<b>-</b>	<b>289 643 131</b>	<b>881.17</b>	<b>933.30</b>
<b>Total Assets and Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 697 998 936</b>	<b>-</b>	<b>2 697 998 936</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Assets (Equity)</b>											
Statutory Funds	-	-	-	-	-	-	-	-	-	0.00	0.00
Reserves	-	-	-	-	-	-	-	-	-	0.00	0.00
Accumulated Surplus / (Deficit)	-	-	-	-	-	-	2 697 998 938	-	2 697 998 938	0.00	0.00
<b>Total Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 697 998 938</b>	<b>-</b>	<b>2 697 998 938</b>	<b>0.00</b>	<b>0.00</b>
							(1)		(1)		

Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>Financial Position: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:											
Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.											
Inventories: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Non-current Assets Held-for-Sale: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Receivables from Exchange Transactions: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Receivables from Non-exchange Transactions: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
VAT Receivable: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Cash and Cash Equivalents: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Operating Lease Receivables: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Current Portion of Finance Lease Receivables: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Current Portion of Long-term Receivables: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Property, Plant and Equipment: Council approved a budget of R 37m for the PPE addition in 2012/2013 financial year, the PPE actual include R 2.9billion opening balance											
Intangible Assets: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Investment Property: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Heritage Assets: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Biological Assets: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Non-current Investments: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Investments in Associates: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Finance Lease Receivables: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Long-term Receivables: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Consumer Deposits: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Provisions: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Payables from Exchange Transactions: The budget amount of R 37m is grant funding to the Capital expenditure budget and No other budget amount was allocated for the other payables from exchange transactions											
Payables from Non-exchange Transactions: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Unspent Conditional Grants and Receipts: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
VAT Payable: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Short-term Loans: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Operating Lease Liabilities: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Liabilities associated with Assets Held-for-Sale: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Bank Overdraft: No budget amount was approved by Council on the related item for the 2012/2013 financial year											

Description	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
	R	R	R	R	R	R	R	R	R	R	R
Current Portion of Long-term Liabilities: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Long-term Liabilities: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Retirement Benefit Liabilities: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Non-current Provisions: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Statutory Funds: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Reserves: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Accumulated Surplus / (Deficit): No budget amount was approved by Council on the related item for the 2012/2013 financial year											

Description	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
	R	R	R	R	R	R	R	R	R	R	R

30 June 2013

Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	114 879 968	(854 036)	114 025 932	-	-	114 025 932	113 542 635	-	(483 297)	99.58	98.84
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	-	-	-	0.00	0.00
Fines	3 032 737	-	3 032 737	-	-	3 032 737	1 035 182	-	(1 997 555)	34.13	34.13
Licences and Permits	17 229 019	-	17 229 019	-	-	17 229 019	7 268 669	-	(9 960 350)	42.19	42.19
Income for Agency Services	-	-	-	-	-	-	-	-	-	0.00	0.00
Government Grants and Subsidies Received	90 043 900	6 649 421	96 693 321	-	-	96 693 321	10 779 767	-	(85 913 554)	11.15	11.97
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Revenue from Exchange Transactions</b>											
Service Charges	301 787 388	-	301 787 388	-	-	301 787 388	284 112 802	-	(17 674 586)	94.14	94.14
Rental of Facilities and Equipment	481 099	81 560	562 659	-	-	562 659	675 855	-	113 196	120.12	140.48
Interest Earned - External Investments	604 093	-	604 093	-	-	604 093	1 236 465	-	632 372	204.68	204.68
Interest Earned - Outstanding Debtors	5 294 285	-	5 294 285	-	-	5 294 285	6 458 023	-	1 163 738	121.98	121.98
Dividends Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Royalties Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Other Income	10 632 894	2 299	10 635 193	-	-	10 635 193	21 718 932	-	11 083 739	204.22	204.26
Other Gains on Continued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Gains on Disposal of Property, Plant and Equipment	4 301	175 744	180 045	-	-	180 045	180 045	-	(0)	100.00	4 186.11
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Revenue</b>	<b>543 989 684</b>	<b>6 054 988</b>	<b>550 044 672</b>	<b>-</b>	<b>-</b>	<b>550 044 672</b>	<b>447 008 374</b>	<b>-</b>	<b>(103 036 298)</b>	<b>81.27</b>	<b>82.17</b>
<b>Expenditure</b>											
Employee Related Costs	174 559 797	6 682 000	181 241 797	-	-	181 241 797	193 309 600	12 067 803	12 067 803	106.66	110.74
Remuneration of Councillors	8 403 920	87 000	8 490 920	-	-	8 490 920	8 702 790	211 870	211 870	102.50	103.56
Collection Costs	235 176	-	235 176	-	-	235 176	(51 814)	-	(286 990)	0.00	0.00
Depreciation and Amortisation	-	71 142 129	71 142 129	-	-	71 142 129	77 156 014	6 013 885	6 013 885	108.45	0.00
Impairment Losses	18 689 850	6 721 838	25 411 688	-	-	25 411 688	11 937 477	-	(13 474 211)	46.98	63.87
Repairs and Maintenance	41 104 276	(2 185 588)	38 918 688	-	-	38 918 688	19 198 925	-	(19 719 763)	49.33	46.71
Finance Costs	28 088 295	(10 630 000)	17 458 295	-	-	17 458 295	19 528 171	2 069 876	2 069 876	111.86	69.52
Bulk Purchases	159 527 149	-	159 527 149	-	-	159 527 149	163 348 722	3 821 573	3 821 573	102.40	102.40
Contracted Services	63 000	-	63 000	-	-	63 000	-	-	(63 000)	0.00	0.00
Grants and Subsidies Paid	15 024 417	(673 712)	14 350 705	-	-	14 350 705	21 300 009	6 949 304	6 949 304	148.42	141.77
Research and Development Costs	-	-	-	-	-	-	-	-	-	0.00	0.00
General Expenses	61 829 043	4 884 684	66 713 727	-	-	66 713 727	54 021 875	-	(12 691 852)	80.98	87.37
Other Losses on Continued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Expenditure</b>	<b>507 524 923</b>	<b>76 028 351</b>	<b>583 553 274</b>	<b>-</b>	<b>-</b>	<b>583 553 274</b>	<b>568 451 768</b>	<b>31 134 310</b>	<b>(15 101 506)</b>	<b>97.41</b>	<b>112.00</b>
<b>Surplus/(Deficit)</b>	<b>36 464 761</b>	<b>(69 973 363)</b>	<b>(33 508 602)</b>	<b>-</b>	<b>-</b>	<b>(33 508 602)</b>	<b>(121 443 394)</b>	<b>(31 134 310)</b>	<b>(87 934 792)</b>	<b>0.00</b>	<b>0.00</b>
Transfers Recognised - Capital	-	-	-	-	-	-	84 605 069	84 605 069	84 605 069	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Surplus/(Deficit) after Capital Transfers and</b>	<b>36 464 761</b>	<b>(69 973 363)</b>	<b>(33 508 602)</b>	<b>-</b>	<b>-</b>	<b>(33 508 602)</b>	<b>(36 838 325)</b>	<b>53 470 759</b>	<b>(3 329 723)</b>	<b>0.00</b>	<b>0.00</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>36 464 761</b>	<b>(69 973 363)</b>	<b>(33 508 602)</b>	<b>-</b>	<b>-</b>	<b>(33 508 602)</b>	<b>(36 838 325)</b>	<b>53 470 759</b>	<b>(3 329 723)</b>	<b>-</b>	<b>-</b>

Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>Financial Performance: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:											
Property Rates: Budget outcome achieved											
Fines: Item was over-budgeted											
Licences and Permits: Item was over-budgeted											
Government Grants and Subsidies Received: Budget outcome achieved											
Service Charges: Budget outcome achieved											
Rental of Facilities and Equipment: Item was under-estimated											
Interest Earned - External Investments: Item was under-estimated											
Interest Earned - Outstanding Debtors: Item was under-estimated											
Other Income: Item was under-estimated											
Gains on Disposal of Property, Plant and Equipment: No budget amount was approved by Council on the related item for the 2012/2013 financial year											
Employee Related Costs: Budget outcome achieved											
Remuneration of Councillors: Budget outcome achieved											
Collection Costs: Budget outcome achieved											
Depreciation and Amortisation: Budget outcome achieved											
Impairment Losses: Item was over-budgeted											
Repairs and Maintenance: Item was over-budgeted											
Finance Costs: Budget outcome achieved											
Bulk Purchases: Budget outcome achieved											
Contracted Services: Item was over-budgeted											
Grants and Subsidies Paid: Item was under-estimated											
General Expenses : Item was under-estimated											
Transfers Recognised - Capital: No budget amount was approved by Council on the related item for the 2012/2013 financial year											

Description	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
	R	R	R	R	R	R	R	R	R	R	R

30 June 2013

Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council		-		-	-			-	-	0.00	0.00
Finance and Administration		468 028	468 028	-	-	468 028		-	(468 028)	0.00	0.00
Planning and Development		-		-	-			-	-	0.00	0.00
Health		-		-	-			-	-	0.00	0.00
Community and Social Services		-		-	-			-	-	0.00	0.00
Housing		-		-	-			-	-	0.00	0.00
Public Safety		133 955	133 955	-	-	133 955		-	(133 955)	0.00	0.00
Sport and Recreation		-		-	-			-	-	0.00	0.00
Environmental Protection		-		-	-			-	-	0.00	0.00
Waste Management	21 506 900	(645 402)	20 861 498	-	-	20 861 498		-	(20 861 498)	0.00	0.00
Roads and Transport		-		-	-			-	-	0.00	0.00
Water	5 000 000	(2 625 673)	2 374 327	-	-	2 374 327		-	(2 374 327)	0.00	0.00
Electricity	8 500 000	(3 104 383)	5 395 617	-	-	5 395 617		-	(5 395 617)	0.00	0.00
Other		-		-	-			-	-	0.00	0.00
<b>Total Capital Expenditure</b>	<b>35 006 900</b>	<b>(5 773 475)</b>	<b>29 233 425</b>	<b>-</b>	<b>-</b>	<b>29 233 425</b>	<b>-</b>	<b>-</b>	<b>(29 233 425)</b>	<b>0.00</b>	<b>0.00</b>
						29 233 425					

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

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

- Finance and Administration:
  - Budget outcome achieved
- Public Safety:
  - Budget outcome achieved
- Waste Management:
  - Budget outcome achieved
- Water:
  - Budget outcome achieved
- Electricity:
  - Budget outcome achieved



Description	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
	R	R	R	R	R	R	R	R	R	R	R

30 June 2013

Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	-	-	-	-	-	-	111 527 931	111 527 931	111 527 931	0.00	0.00
Grants	-	-	-	-	-	-	99 257 766	99 257 766	99 257 766	0.00	0.00
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	0.00	0.00
Service Charges	-	-	-	-	-	-	280 167 706	280 167 706	280 167 706	0.00	0.00
Dividends Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Royalties Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Interest Received	-	-	-	-	-	-	1 236 465	1 236 465	1 236 465	0.00	0.00
Other Receipts	-	-	-	-	-	-	19 931 876	19 931 876	19 931 876	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(183 815 400)	-	(183 815 400)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(8 702 790)	-	(8 702 790)	0.00	0.00
Interest Paid	-	-	-	-	-	-	(19 528 171)	-	(19 528 171)	0.00	0.00
Suppliers Paid	-	-	-	-	-	-	(181 759 087)	-	(181 759 087)	0.00	0.00
Other Payments	-	-	-	-	-	-	(87 765 337)	-	(87 765 337)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	-	-	-	-	-	-	(25 069 805)	-	(25 069 805)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	(57 198)	-	(57 198)	0.00	0.00
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	0.00	0.00
Purchase of Heritage Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	180 045	180 045	180 045	0.00	0.00
Proceeds on Disposal of Intangible Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Heritage Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Investments in Associates	-	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	49 371	49 371	49 371	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	(5 369 185)	-	(5 369 185)	0.00	0.00
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>							<b>284 187</b>	<b>512 351 159</b>	<b>284 187</b>	<b>0.00</b>	<b>0.00</b>
							(0)				

**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:

Description	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
	R	R	R	R	R	R	R	R	R	R	R

30 June 2012

Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	-	-	-	-	-	-	3 214 092	-	3 214 092	0.00	0.00
Non-current Assets Held-for-Sale	-	-	-	-	-	-	-	-	-	0.00	0.00
Receivables from Exchange Transactions	-	-	-	-	-	-	30 110 948	-	30 110 948	0.00	0.00
Receivables from Non-exchange Transactions	-	-	-	-	-	-	33 395 853	-	33 395 853	0.00	0.00
VAT Receivable	-	-	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents	-	-	-	-	-	-	17 395 847	-	17 395 847	0.00	0.00
Operating Lease Receivables	-	-	-	-	-	-	87 753	-	87 753	0.00	0.00
Current Portion of Finance Lease Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Receivables	-	-	-	-	-	-	38 865	-	38 865	0.00	0.00
<b>Non-Current Assets</b>											
Property, Plant and Equipment	38 151 900	(9 600 000)	28 551 900	-	-	28 551 900	2 912 560 518	-	2 884 008 618	10 200.93	7 634.12
Intangible Assets	-	-	-	-	-	-	150 446	-	150 446	0.00	0.00
Investment Property	-	-	-	-	-	-	66 167 010	-	66 167 010	0.00	0.00
Heritage Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Biological Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Non-current Investments	-	-	-	-	-	-	-	-	-	0.00	0.00
Investments in Associates	-	-	-	-	-	-	-	-	-	0.00	0.00
Finance Lease Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
Long-term Receivables	-	-	-	-	-	-	385 900	-	385 900	0.00	0.00
<b>Total Assets</b>	<b>38 151 900</b>	<b>(9 600 000)</b>	<b>28 551 900</b>	<b>-</b>	<b>-</b>	<b>28 551 900</b>	<b>3 063 507 232</b>	<b>-</b>	<b>3 034 955 332</b>	<b>10 729.61</b>	<b>8 029.76</b>
<b>Current Liabilities</b>											
Consumer Deposits	-	-	-	-	-	-	7 606 800	-	7 606 800	0.00	0.00
Provisions	-	-	-	-	-	-	18 332 915	-	18 332 915	0.00	0.00
Payables from Exchange Transactions	38 151 900	(9 600 000)	28 551 900	-	-	28 551 900	106 913 509	-	78 361 609	374.45	280.23
Payables from Non-exchange Transactions	-	-	-	-	-	-	4 986 764	-	4 986 764	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	13 104 861	-	13 104 861	0.00	0.00
VAT Payable	-	-	-	-	-	-	864 836	-	864 836	0.00	0.00
Short-term Loans	-	-	-	-	-	-	-	-	-	0.00	0.00
Operating Lease Liabilities/Payables	-	-	-	-	-	-	-	-	-	0.00	0.00
Liabilities associated with Assets Held-for-Sale	-	-	-	-	-	-	-	-	-	0.00	0.00
Bank Overdraft	-	-	-	-	-	-	1 116 719	-	1 116 719	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	-	27 605 937	-	27 605 937	0.00	0.00
<b>Non-Current Liabilities</b>											
Long-term Liabilities	-	-	-	-	-	-	71 191 313	-	71 191 313	0.00	0.00
Retirement Benefit Liabilities	-	-	-	-	-	-	60 758 000	-	60 758 000	0.00	0.00
Non-current Provisions	-	-	-	-	-	-	16 188 316	-	16 188 316	0.00	0.00
<b>Total Liabilities</b>	<b>38 151 900</b>	<b>(9 600 000)</b>	<b>28 551 900</b>	<b>-</b>	<b>-</b>	<b>28 551 900</b>	<b>328 669 970</b>	<b>-</b>	<b>300 118 070</b>	<b>1 151.13</b>	<b>861.48</b>
<b>Total Assets and Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 734 837 262</b>	<b>-</b>	<b>2 734 837 262</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Assets (Equity)</b>											
Statutory Funds	-	-	-	-	-	-	-	-	-	0.00	0.00
Reserves	-	-	-	-	-	-	-	-	-	0.00	0.00
Accumulated Surplus / (Deficit)	-	-	-	-	-	-	2 734 837 263	-	2 734 837 263	0.00	0.00
<b>Total Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 734 837 263</b>	<b>-</b>	<b>2 734 837 263</b>	<b>0.00</b>	<b>0.00</b>
							(1)		(1)		



Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>Financial Position: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:											
Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.											
Inventory:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Receivables from Exchange Transactions:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Receivables from Non-exchange Transactions:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Cash and Cash Equivalents:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Operating Lease Receivables:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Current Portion of Long-term Receivables:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Property, Plant and Equipment:											
Council approved a budget of R 28m for the PPE addition in 2011/2012 financial year, the PPE actual include the opening balance											
Intangible Assets:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Investment Property:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Long-term Receivables:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Consumer Deposits:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Provisions:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Payables from Exchange Transactions:											
The budget amount of R 28m is grant funding to the Capital expenditure budget and No other budget amount was allocated for the other payables from exchange transactions											
Payables from Non-exchange Transactions:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Unspent Conditional Grants and Receipts:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
VAT Payable:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Bank Overdraft:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Current Portion of Long-term Liabilities:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Long-term Liabilities:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Retirement Benefit Liabilities:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Non-current Provisions:											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Accumulated Surplus / (Deficit):											
No budget amount was approved by Council on the related item for the 2011/2012 financial year											

Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>30 June 2012</b>											
Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	109 414 524	(4 132 736)	105 281 788	-	-	105 281 788	103 602 651	-	(1 679 137)	98.41	94.69
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	-	-	-	0.00	0.00
Fines	2 378 253	493 655	2 871 908	-	-	2 871 908	2 879 888	-	7 980	100.28	121.09
Licences and Permits	13 584 594	2 730 755	16 315 349	-	-	16 315 349	7 304 080	-	(9 011 269)	44.77	53.77
Income for Agency Services	-	-	-	-	-	-	-	-	-	0.00	0.00
Government Grants and Subsidies Received	70 156 000	4 794 591	74 950 591	-	(1 150 100)	73 800 491	7 093 690	-	(66 706 801)	9.61	10.11
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Revenue from Exchange Transactions</b>											
Service Charges	262 612 283	7 391 843	270 004 126	-	-	270 004 126	275 106 063	-	5 101 937	101.89	104.76
Rental of Facilities and Equipment	540 093	(84 951)	455 142	-	-	455 142	722 796	-	267 654	158.81	133.83
Interest Earned - External Investments	554 668	17 388	572 056	-	-	572 056	946 448	-	374 392	165.45	170.63
Interest Earned - Outstanding Debtors	7 688 639	(2 675 112)	5 013 527	-	-	5 013 527	6 646 186	-	1 632 659	132.57	86.44
Dividends Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Royalties Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Other Income	28 355 444	(20 216 736)	8 138 708	-	1 150 100	9 288 808	11 640 078	-	2 351 270	125.31	41.05
Other Gains on Continued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	4 072	4 072	-	-	(4 072)	0.00	0.00
Profit on Sale of Land	26 000 000	(25 995 928)	4 072	-	(4 072)	-	-	-	-	0.00	0.00
<b>Total Revenue</b>	<b>521 284 498</b>	<b>(37 677 231)</b>	<b>483 607 267</b>	<b>-</b>	<b>-</b>	<b>483 607 267</b>	<b>415 941 881</b>	<b>-</b>	<b>(67 665 386)</b>	<b>86.01</b>	<b>79.79</b>
<b>Expenditure</b>											
Employee Related Costs	166 467 389	5 735 898	172 203 287	-	640 415	172 843 702	163 211 233	-	(9 632 469)	94.43	98.04
Remuneration of Councillors	9 168 009	(1 216 210)	7 951 799	-	380 000	8 331 799	7 983 661	-	(348 138)	95.82	87.08
Collection Costs	-	-	-	-	-	-	37 559	37 559	37 559	0.00	0.00
Depreciation and Amortisation	-	-	-	-	-	-	77 007 101	77 007 101	77 007 101	0.00	0.00
Impairment Losses	25 379 290	-	25 379 290	-	-	25 379 290	29 743 773	4 364 483	4 364 483	117.20	117.20
Repairs and Maintenance	33 468 828	(14 286 828)	19 182 000	-	(5 000)	19 177 000	15 381 393	-	(3 795 607)	80.21	45.96
Finance Costs	24 012 497	(8 226 887)	15 785 610	-	5 696	15 791 306	19 939 491	4 148 185	4 148 185	126.27	83.04
Bulk Purchases	140 512 521	(931 881)	139 580 640	-	-	139 580 640	152 682 795	13 102 155	13 102 155	109.39	108.66
Contracted Services	56 818	(49 019)	7 799	-	-	7 799	7 799	-	(0)	100.00	13.73
Grants and Subsidies Paid	14 981 848	782 781	15 764 629	-	-	15 764 629	18 186 524	2 421 895	2 421 895	115.36	121.39
Research and Development Costs	-	-	-	-	-	-	-	-	-	0.00	0.00
General Expenses	54 049 775	6 389 007	60 438 782	-	(1 022 632)	59 416 150	58 398 721	-	(1 017 429)	98.29	108.05
Other Losses on Continued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	5 260	5 260	5 260	0.00	0.00
<b>Total Expenditure</b>	<b>468 096 975</b>	<b>(11 803 139)</b>	<b>456 293 836</b>	<b>-</b>	<b>(1 521)</b>	<b>456 292 315</b>	<b>542 585 309</b>	<b>101 086 638</b>	<b>86 292 994</b>	<b>118.91</b>	<b>115.91</b>
<b>Surplus/(Deficit)</b>											
Transfers Recognised - Capital	-	-	-	-	-	-	63 669 020	63 669 020	63 669 020	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Surplus/(Deficit) after Capital Transfers and</b>	<b>53 187 523</b>	<b>(25 874 092)</b>	<b>27 313 431</b>	<b>-</b>	<b>1 521</b>	<b>27 314 952</b>	<b>(62 974 409)</b>	<b>(37 417 618)</b>	<b>(90 289 361)</b>	<b>0.00</b>	<b>0.00</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>53 187 523</b>	<b>(25 874 092)</b>	<b>27 313 431</b>	<b>-</b>	<b>1 521</b>	<b>27 314 952</b>	<b>(62 974 409)</b>	<b>(37 417 618)</b>	<b>(90 289 361)</b>	<b>-</b>	<b>-</b>

Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>Financial Performance: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:											
Property Rates: budget outcome achieved											
Fines: budget outcome achieved											
Licences and Permits: Item over estimated											
Government Grants and Subsidies Received: budget outcome achieved											
Service Charges: budget outcome achieved											
Rental of Facilities and Equipment: Item under-estimated											
Interest Earned - External Investments: Item under-estimated											
Interest Earned - Outstanding Debtors: Item under-estimated											
Other Income: Item under-estimated											
Employee Related Costs: budget outcome achieved											
Remuneration of Councillors: budget outcome achieved											
Collection Costs: No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Depreciation and Amortisation: No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Impairment Losses: Item under-estimated											
Repairs and Maintenance: Item over-estimated											
Finance Costs: Item over-estimated											
Bulk Purchases: budget outcome achieved											
Contracted Services: budget outcome achieved											
Grants and Subsidies Paid: Item under-estimated											
General Expenses : budget outcome achieved											
Loss on Disposal of Property, Plant and Equipment: No budget amount was approved by Council on the related item for the 2011/2012 financial year											
Transfers Recognised - Capital: No budget amount was approved by Council on the related item for the 2011/2012 financial year											

Description	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
	R	R	R	R	R	R	R	R	R	R	R

30 June 2012

Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council		-		-	-			-	-	0.00	0.00
Finance and Administration		203 821	203 821	-	-	203 821	203 821	-	-	100.00	0.00
Planning and Development		270 986	270 986	-	-	270 986	270 986	-	-	100.00	0.00
Health		-		-	-			-	-	0.00	0.00
Community and Social Services	3 000 000	(3 000 000)		-	-			-	-	0.00	0.00
Housing		-		-	-			-	-	0.00	0.00
Public Safety		-		-	-			-	-	0.00	0.00
Sport and Recreation	500 000	(500 000)		-	-			-	-	0.00	0.00
Environmental Protection		-		-	-			-	-	0.00	0.00
Waste Management		13 942 200	13 942 200	-	-	13 942 200	13 942 200	-	-	100.00	0.00
Roads and Transport	3 500 000	(3 500 000)		-	-			-	-	0.00	0.00
Water	11 244 200	(6 965 448)	4 278 752	-	-	4 278 752	4 278 752	-	-	100.00	38.05
Electricity	2 300 000	1 046 397	3 346 397	-	-	3 346 397	3 346 397	-	-	100.00	145.50
Other	17 607 700	(17 607 700)		-	-			-	-	0.00	0.00
<b>Total Capital Expenditure</b>	<b>38 151 900</b>	<b>(16 109 744)</b>	<b>22 042 156</b>	<b>-</b>	<b>-</b>	<b>22 042 156</b>	<b>22 042 156</b>	<b>-</b>	<b>-</b>	<b>100.00</b>	<b>57.77</b>

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

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

Finance and Administration:  
Budget outcome achieved

Planning and Development:  
Budget outcome achieved

Community and Social Services:  
Budget outcome achieved

Sport and Recreation:  
Budget outcome achieved

Waste Management:  
Budget outcome achieved

Roads and Transport:  
Budget outcome achieved

Water:  
Budget outcome achieved

Electricity:  
Budget outcome achieved

Other:  
No budget amount was approved by Council on the related item for the 2011/2012 financial year

Description	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
	R	R	R	R	R	R	R	R	R	R	R

30 June 2012

Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	-	-	-	-	-	-	95 877 951	95 877 951	95 877 951	0.00	0.00
Grants	-	-	-	-	-	-	70 633 703	70 633 703	70 633 703	0.00	0.00
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	0.00	0.00
Service Charges	-	-	-	-	-	-	259 346 250	259 346 250	259 346 250	0.00	0.00
Dividends Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Royalties Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Interest Received	-	-	-	-	-	-	946 448	946 448	946 448	0.00	0.00
Other Receipts	-	-	-	-	-	-	28 816 027	28 816 027	28 816 027	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(147 324 458)	-	(147 324 458)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(7 983 661)	-	(7 983 661)	0.00	0.00
Interest Paid	-	-	-	-	-	-	(19 939 491)	-	(19 939 491)	0.00	0.00
Suppliers Paid	-	-	-	-	-	-	(109 474 983)	-	(109 474 983)	0.00	0.00
Other Payments	-	-	-	-	-	-	(96 298 862)	-	(96 298 862)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	-	-	-	-	-	-	(37 774 577)	-	(37 774 577)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	(53 778)	-	(53 778)	0.00	0.00
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	0.00	0.00
Purchase of Heritage Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	(5 260)	-	(5 260)	0.00	0.00
Proceeds on Disposal of Intangible Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Heritage Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Investments in Associates	-	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	292 490	292 490	292 490	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	(1 262 562)	-	(1 262 562)	0.00	0.00
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	-	-	-	-	-	-	<b>35 795 237</b>	<b>455 912 869</b>	<b>35 795 237</b>	<b>0.00</b>	<b>0.00</b>
							0				

Description	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
	R	R	R	R	R	R	R	R	R	R	R
<b>Cash Flow: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.											

**RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:**

Description	2012/13	2011/12
	R	R
<b>Net surplus/(deficit) per the statement of financial performance</b>	<b>(36 838 325)</b>	<b>(62 974 409)</b>
<b>Revenue from Non-exchange Transactions</b>		
Property Rates	483 297	5 811 873
Property Rates - Penalties imposed and collection charges	-	-
Fines	1 997 555	(501 635)
Licences and Permits	9 960 350	6 280 514
Revenue for Agency Services	-	-
Government Grants and Subsidies Received	1 308 485	(606 710)
Public Contributions and Donations	-	-
<b>Revenue from Exchange Transactions</b>		
Service Charges	17 674 586	(12 493 780)
Rental of Facilities and Equipment	(113 196)	(182 703)
Interest Earned - External Investments	(632 372)	(391 780)
Interest Earned - Outstanding Debtors	(1 163 738)	1 042 453
Dividends Received	-	-
Royalties Received	-	-
Other Revenue	(11 083 739)	16 715 366
Other Gains on Continued Operations	-	-
Gains on Disposal of Property, Plant and Equipment	0	-
Profit on Sale of Land	-	26 000 000
<b>Expenditure</b>		
Employee Related Costs	12 067 803	(3 256 156)
Remuneration of Councillors	211 870	(1 184 348)
Collection Costs	(286 990)	37 559
Depreciation and Amortisation	6 013 885	77 007 101
Impairment Losses	(13 474 211)	4 364 483
Repairs and Maintenance	(19 719 763)	(18 087 435)
Finance Costs	2 069 876	(4 073 006)
Bulk Purchases	3 821 573	12 170 274
Contracted Services	(63 000)	(49 019)
Grants and Subsidies Paid	6 949 304	3 204 676
Research and Development Costs	-	-
General Expenses	(12 691 852)	4 348 946
Other Losses on Continued Operations	-	-
Loss on Disposal of Property, Plant and Equipment	-	5 260
<b>Net surplus/deficit per approved budget</b>	<b>(33 508 602)</b>	<b>53 187 523</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>	<b>2012</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 four local municipalities under the jurisdiction of the Cacadu District. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p>		
<b>2. INVENTORIES</b>		
Consumable Stores - at cost	3 297 997	3 457 649
Water - at cost	225 803	225 803
<b>Total Inventories</b>	<b>3 523 800</b>	<b>3 683 452</b>
Less: Provision for obsolete stock	<b>(10 755)</b>	<b>(469 360)</b>
<b>Total Inventory</b>	<b>3 513 045</b>	<b>3 214 092</b>

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

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

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>Net Balances</b>
	<b>R</b>
<b>As at 30 June 2013</b>	
Service Debtors:	81 296 178
Electricity	32 219 907
Refuse	12 123 425
Sewerage	12 355 390
Water	24 597 456
Other Receivables	(475 199)
EMF	-
Loan Instalments	-
Other Debtors	(475 199)
<b>Total Receivables from Exchange Transactions</b>	<b>80 820 979</b>
<b>Provision for impairment</b>	<b>(53 227 089)</b>
<b>Net balance</b>	<b>27 593 890</b>
	<b>Net Balances</b>
	<b>R</b>
<b>As at 30 June 2012</b>	
Service Debtors:	75 382 599
Electricity	32 924 864
Refuse	9 956 896
Sewerage	11 046 394
Water	21 454 445
Other Receivables	1 493 284
EMF	-
Loan Instalments	-
Other Debtors	1 493 284
<b>Total Receivables from Exchange Transactions</b>	<b>76 875 883</b>
<b>Provision for impairment</b>	<b>(46 764 935)</b>
<b>Net balance</b>	<b>30 110 948</b>



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

2013  
R                      2012  
R

**3.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2013**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Electricity:</b>					
Gross Balances	22 943	11 911 269	2 736 514	12 895 477	27 566 204
	<b>22 943</b>	<b>11 911 269</b>	<b>2 736 514</b>	<b>12 895 477</b>	<b>27 566 204</b>
<b>Refuse:</b>					
Gross Balances	325	1 479 850	608 492	11 485 699	13 574 365
	<b>325</b>	<b>1 479 850</b>	<b>608 492</b>	<b>11 485 699</b>	<b>13 574 365</b>
<b>Sewerage:</b>					
Gross Balances	681	1 870 560	698 734	11 328 399	13 898 374
	<b>681</b>	<b>1 870 560</b>	<b>698 734</b>	<b>11 328 399</b>	<b>13 898 374</b>
<b>Water:</b>					
Gross Balances	1 186	2 436 143	1 071 024	21 965 518	25 473 870
	<b>1 186</b>	<b>2 436 143</b>	<b>1 071 024</b>	<b>21 965 518</b>	<b>25 473 870</b>
<b>Other Receivables:</b>					
EMF				308 166	-
Other				-	308 166
	-	-	-	<b>308 166</b>	<b>308 166</b>
Total gross receivables from exchange	25 134	17 697 822	5 114 763	57 983 259	80 820 979
<b>Provision for impairment</b>					<b>(53 227 089)</b>
Total net receivables from exchange					<b>27 593 890</b>

As at 30 June Receivables of R80 795 845 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	17 697 822	5 114 763	57 983 259	80 795 845
Less: Provision for Impairment				
<b>Net Balances</b>	<b>17 697 822</b>	<b>5 114 763</b>	<b>57 983 259</b>	<b>80 795 845</b>

**As at 30 June 2012**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Electricity:</b>					
Gross Balances	7 335 089	(1 323 637)	(2 232 723)	20 094 224	23 872 953
<b>Net Balances</b>	<b>7 335 089</b>	<b>(1 323 637)</b>	<b>(2 232 723)</b>	<b>20 094 224</b>	<b>23 872 953</b>
<b>Refuse:</b>					
Gross Balances	1 562 283	749 907	630 097	8 234 311	11 176 598
<b>Net Balances</b>	<b>1 562 283</b>	<b>749 907</b>	<b>630 097</b>	<b>8 234 311</b>	<b>11 176 598</b>
<b>Sewerage:</b>					
Gross Balances	3 569 569	2 598 657	2 492 533	3 794 607	12 455 366
<b>Net Balances</b>	<b>3 569 569</b>	<b>2 598 657</b>	<b>2 492 533</b>	<b>3 794 607</b>	<b>12 455 366</b>
<b>Water:</b>					
Gross Balances	3 726 032	2 560 777	2 422 086	13 028 407	21 737 302
<b>Net Balances</b>	<b>3 726 032</b>	<b>2 560 777</b>	<b>2 422 086</b>	<b>13 028 407</b>	<b>21 737 302</b>



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

				2013 R	2012 R
<b>Other Receivables:</b>					
EMF					-
Other				7 633 665	7 633 665
					-
<b>Net Balances</b>	-	-	-	<b>7 633 665</b>	<b>7 633 665</b>
Total gross receivables from exchange	16 192 972	4 585 704	3 311 994	52 785 213	76 875 883
<b>Provision for impairment</b>					<b>(46 764 935)</b>
Total net receivables from exchange					<b><u>30 110 948</u></b>

As at 30 June Receivables of R60 682 911 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	4 585 704	3 311 994	52 785 213	60 682 911
Less: Provision for Impairment				
<b>Net Balances</b>	<b>4 585 704</b>	<b>3 311 994</b>	<b>52 785 213</b>	<b>60 682 911</b>

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

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2013</b>				
<u>Current:</u>				
0 - 30 days	13 973 046	7 812 997	324 113	587 288
<u>Past Due:</u>				
31 - 60 Days	810 973	944 055	213 264	245 525
61 - 90 Days	1 971 097	334 674	98 799	275 957
+ 90 Days	46 020 863	3 666 299	1 479 262	11 652 502
Sub-total	62 775 979	12 758 025	2 115 438	12 761 272
Less: Provision for Impairment	(39 845 567)	(2 633 830)	(273 562)	(10 474 129)
<b>Total Trade Receivables by Customer Classification</b>	<b><u>22 930 412</u></b>	<b><u>10 124 195</u></b>	<b><u>1 841 876</u></b>	<b><u>2 287 143</u></b>
<b>As at 30 June 2012</b>				
<u>Current:</u>				
0 - 30 days	13 035 685	3 406 593	281 518	450 190
<u>Past Due:</u>				
31 - 60 Days	3 739 693	612 048	151 829	304 254
61 - 90 Days	2 626 234	470 817	146 752	261 611
+ 90 Days	38 221 414	3 012 465	1 415 017	10 530 967
Sub-total	57 623 026	7 501 923	1 995 115	11 547 022
Less: Provision for Impairment	(33 802 222)	(2 895 882)	(282 561)	(9 784 270)
<b>Total Trade Receivables by Customer Classification</b>	<b><u>23 820 804</u></b>	<b><u>4 606 040</u></b>	<b><u>1 712 554</u></b>	<b><u>1 762 752</u></b>
			<b>2013 R</b>	<b>2012 R</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, now included in Trade Receivables from Non-exchange Transactions, in terms of GRAP 104. Refer to Note 38.2 on "Change in Accounting Policy" for details of the restatement.

Change in Accounting Estimate in relation to Provision for Impairment - Housing Loans has been affected (Refer to Note 40.1).

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

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

Included in the Provision for Impairment are individually impaired Receivables with a balance of R63 000 (2007: R52 000) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these Receivables and the present value of the expected liquidation proceeds. The municipality holds collateral over these balances in the form of Consumer Deposits to the amount of R1 000 (2007: R750).

Included in the municipality's Receivables balance are debtors with a carrying amount of R1,562 million (2007: R1,033 million) which are past due at the reporting date for which the municipality has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits (see Note 13), which are not covering the total outstanding debt. The average age of these receivables is 84 days (2007: 85 days).

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

**3.4 Derecognition of Financial Assets**

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

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

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R	
<b>4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>			
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2013</b>			
Assessment Rates Debtors	36 461 452	(18 127 487)	18 333 965
Other Receivables	15 304 052		15 304 052
<b>Total Receivables from Non-exchange Transactions</b>	<b>51 765 504</b>	<b>(18 127 487)</b>	<b>33 638 017</b>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2012</b>			
Assessment Rates Debtors	34 446 748	(16 748 261)	17 698 487
Other Receivables	15 697 366		15 697 366
<b>Total Receivables from Non-exchange Transactions</b>	<b>50 144 114</b>	<b>(16 748 261)</b>	<b>33 395 853</b>

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

**As at 30 June 2013**

	Current <i>0 - 30 days</i>	Past Due			Total
		<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Assessment Rates:</b>					
Gross Balances	29 401	4 075 012	911 414	31 844 105	36 859 933
Less: Provision for Impairment					(18 127 487)
<b>Net Balances</b>	<b>29 401</b>	<b>4 075 012</b>	<b>911 414</b>	<b>31 844 105</b>	<b>18 732 446</b>
<b>Other Receivables</b>					
Gross Balances	-	-	-	-	15 304 052
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 304 052</b>

As at 30 June Receivables of R36 830 532 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Assessment Rates	4 075 012	911 414	31 844 105	36 830 532
Other Receivables				
Less: Provision for Impairment				
<b>Gross balances</b>	<b>4 075 012</b>	<b>911 414</b>	<b>31 844 105</b>	<b>36 830 532</b>

**As at 30 June 2012**

	Current <i>0 - 30 days</i>	Past Due			Total
		<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Assessment Rates:</b>					
Gross Balances	3 680 907	935 349	598 734	29 222 726	34 437 716
Less: Provision for Impairment					(16 748 261)
<b>Net Balances</b>	<b>3 680 907</b>	<b>935 349</b>	<b>598 734</b>	<b>29 222 726</b>	<b>17 689 455</b>
<b>Other receivables</b>					
Gross Balances	-	-	-	-	15 697 366
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 697 366</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
R                      **2012**  
R

As at 30 June Receivables of R44 800 713 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	935 349	598 734	29 222 726	44 800 713
Less: Provision for Impairment				
<b>Gross balances</b>	<b>935 349</b>	<b>598 734</b>	<b>29 222 726</b>	<b>44 800 713</b>

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

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2013</b>				
<u>Current:</u>				
0 - 30 days	29 145	-	-	256
<u>Past Due:</u>				
31 - 60 Days	3 316 877	614 190	8 917	135 028
61 - 90 Days	754 487	102 439	1 143	53 345
+ 90 Days	18 346 047	1 911 159	1 315 633	10 271 266
Sub-total	22 446 555	2 627 789	1 325 693	10 459 896
Less: Provision for Impairment	(11 962 595)	(1 655 507)	(2 785)	(4 664 966)
<b>Total Rates Debtors by Customer Classification</b>	<b>10 483 960</b>	<b>972 282</b>	<b>1 322 908</b>	<b>5 794 930</b>
<b>As at 30 June 2012</b>				
<u>Current:</u>				
0 - 30 days	3 440 698	132 684	2 022	105 502
<u>Past Due:</u>				
31 - 60 Days	811 946	50 919	1 883	70 602
61 - 90 Days	502 151	32 163	1 822	62 598
+ 90 Days	15 978 081	183 177	3 652 805	9 408 662
Sub-total	20 732 876	398 944	3 658 533	9 647 364
Less: Provision for Impairment	(10 978 512)	(189 331)	(3 059)	(5 735 725)
<b>Total Rates Debtors by Customer Classification</b>	<b>9 754 364</b>	<b>209 612</b>	<b>3 655 474</b>	<b>3 911 639</b>

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, previously included in Receivables from Exchange Transactions, in terms of GRAP 104. Refer to Note 38.2 on "Change in Accounting Policy" for details of the restatement.

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

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

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

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

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
R                      **2012**  
R

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.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

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

**5. VAT RECEIVABLE**

Vat Receivable	<b>10 013 778</b>	-
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

**6. CASH AND CASH EQUIVALENTS**

Current Investments	18 540 246	17 401 277
Bank Overdraft	(1 970 751)	(1 116 719)
Cash and Cash Equivalents	(6 180)	(5 430)
<b>Total Bank, Cash and Cash Equivalents</b>	<b>16 563 315</b>	<b>16 279 128</b>

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

**6.1 Current Investment Deposits**

Call Deposits	18 540 246	17 401 277
<b>Total Current Investment Deposits</b>	<b>18 540 246</b>	<b>17 401 277</b>

**Call Deposits** are investments with a maturity period of less than 3 months and earn interest rates varying from 3,00 % to 5,00 % (2011: 4,90% to 5,50%) per annum.

**Notice Deposits** are investments with a maturity period of less than 12 months and earn interest rates varying from 5,54 % to 5,68 % (2011: 5,40 % to 6,53 %)per annum.

Deposits attributable to Unspent Conditional Grants	16 433 718	15 385 751
Deposits attributable to General Investments	2 106 528	2 015 526
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b>18 540 246</b>	<b>17 401 277</b>

Deposits of R16 433 718 (2012: R15 385 751) are ring-fenced and attributable to Unspent Conditional Grants.

**Summary of Deposits per Institution**

ABSA	748 214	723 431
FNB	4 863 662	4 706 287
Nedbank	202 707	193 327
RMB	12 725 663	11 778 232
	<b>18 540 246</b>	<b>17 401 277</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>6.2 Bank Accounts</b>		
Bank Overdraft	(1 970 751)	(1 116 719)
<b>Total Bank Accounts</b>	<b>(1 970 751)</b>	<b>(1 116 719)</b>
<b>First National Bank - Jeffreys Bay</b>		
Cash book balance at beginning of year	1 116 719	(33 728 108)
Cash book balance at end of year	(1 970 751)	(1 116 719)
<i>Account Number 525 400 207 91 (Primary Bank Account):</i>		
Bank statement balance at beginning of year	(3 082 829)	(2 772 829)
Bank statement balance at end of year	(1 257 280)	(3 082 828)
<i>Account Number 525 400 335 04:</i>		
Bank statement balance at beginning of year	3 388 408	841 345
Bank statement balance at end of year	1 082 428	3 388 408
Cash Floats and Advances		8 960
Total Bank and Cash		314 540
Total Overdraft	(1 970 751)	(1 116 719)
<b>Total Bank and Cash</b>	<b>(1 970 751)</b>	<b>(1 116 719)</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.

**7. OPERATING LEASE RECEIVABLES**

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

Balance at beginning of year	87 753	62 640
Operating Lease Revenue recorded	38 504	25 113
<b>Total Operating Lease Receivables</b>	<b>126 258</b>	<b>87 753</b>

**7.1 Leasing Arrangements**

**The Municipality as Lessor:**

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

**7.2 Amounts receivable under Operating Leases**

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

Up to 1 year	350 049	370 519
2 to 5 years	1 208 910	1 282 623
More than 5 years	1 077 469	1 353 805
<b>Total Operating Lease Arrangements</b>	<b>2 636 428</b>	<b>3 006 947</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 R38 504 (2012: increase of R25 113) in current year income.

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

Other Loans	9 000	38 865
<b>Total Current Portion of Long-term Receivables</b>	<b>9 000</b>	<b>38 865</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**9 PROPERTY, PLANT AND EQUIPMENT**

30 June 2013

**Reconciliation of Carrying Value**

Description	Land	Buildings	Land and Buildings	Infra-structure	Community	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2012</b>	<b>112 617 786</b>	<b>14 135 578</b>	<b>126 753 365</b>	<b>2 271 563 103</b>	<b>307 978 791</b>	<b>12 380 030</b>	<b>179 315 920</b>	<b>14 569 310</b>	<b>2 912 560 518</b>
Cost	139 656 717	21 245 152	160 901 869	2 650 220 402	713 814 140	58 520 262	179 315 920	38 153 432	3 800 926 024
- Completed Assets	139 694 532	21 207 337	160 901 869	2 621 718 976	713 814 140	58 520 262	179 315 920	38 153 432	3 772 424 598
- Under Construction	(37 815)	37 815	-	28 501 426	-	-	-	-	28 501 426
Correction of error (Note 41)	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(27 038 931)	(7 109 573)	(34 148 504)	(378 657 299)	(405 835 349)	(46 140 232)	-	(23 584 122)	(888 365 507)
- Cost	(27 038 931)	(7 109 573)	(34 148 504)	(378 657 299)	(405 835 349)	(46 140 232)	-	(23 584 122)	(888 365 507)
- Revaluation	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	28 631 441	-	544 785	-	-	29 176 226
Borrowing Costs Capitalised	-	-	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-	-
Depreciation:	(4 107 234)	-	(4 107 234)	(20 753 169)	(40 336 547)	(5 764 563)	-	(5 554 504)	(76 516 016)
- Based on Cost	(4 107 234)	-	(4 107 234)	(20 753 169)	(40 336 547)	(5 764 563)	-	(5 554 504)	(76 516 016)
- Based on Revaluation	-	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2013</b>	<b>108 510 552</b>	<b>14 135 578</b>	<b>160 901 869</b>	<b>2 678 851 843</b>	<b>713 814 140</b>	<b>7 160 252</b>	<b>179 315 920</b>	<b>9 014 806</b>	<b>2 865 220 727</b>
Cost	139 656 717	21 245 152	160 901 869	2 678 851 843	713 814 140	59 065 047	179 315 920	38 153 432	3 830 102 250
- Completed Assets	139 694 532	21 207 337	160 901 869	2 617 762 127	713 814 140	59 065 047	179 315 920	38 153 432	3 769 012 534
- Under Construction	(37 815)	37 815	-	61 089 716	-	-	-	-	61 089 716
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(31 146 165)	(7 109 573)	-	-	-	(51 904 795)	-	(29 138 626)	(964 881 523)
- Cost	(31 146 165)	(7 109 573)	-	-	-	(51 904 795)	-	(29 138 626)	(964 881 523)
- Revaluation	-	-	-	-	-	-	-	-	-

**KOUGA MUNICIPALITY**  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2012

Reconciliation of Carrying Value

Description	Land	Buildings	Land and Buildings	Infra-structure	Community	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2011</b>	<b>(454 209 522)</b>	<b>14 806 605</b>	<b>(439 402 917)</b>	<b>(256 218 017)</b>	<b>(18 816 694)</b>	<b>40 333 166</b>	<b>60 421 296</b>	<b>38 153 432</b>	<b>(575 529 733)</b>
Cost	(419 746 730)	21 174 764	(398 571 967)	231 456 507	404 494 334	91 385 886	60 440 250	38 153 432	427 358 442
- Completed Assets	(419 746 730)	21 174 764	(398 571 967)	231 456 507	404 494 334	91 385 886	60 440 250	38 153 432	427 358 442
- Under Construction	-	-	-	-	-	-	-	-	-
Correction of error (Note 41)	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(34 462 792)	(6 368 158)	(40 830 950)	(487 674 525)	(423 311 028)	(51 052 720)	(18 954)	-	(1 002 888 176)
- Cost	(34 462 792)	(6 368 158)	(40 830 950)	(487 674 525)	(423 311 028)	(51 052 720)	(18 954)	-	(1 002 888 176)
- Revaluation	-	-	-	-	-	-	-	-	-
Acquisitions	559 441 263	32 573	559 473 836	722 734 672	309 319 806	(32 865 624)	118 875 670	0	1 677 538 359
Borrowing Costs Capitalised	-	-	-	-	-	-	-	-	-
Capital under Construction - Additions:	(37 815)	37 815	-	1 696 029 223	-	-	-	-	1 696 029 223
- Cost	(37 815)	37 815	-	1 696 029 223	-	-	-	-	1 696 029 223
- Borrowing Costs Capitalised	-	-	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-	-
Depreciation:	7 423 861	(741 415)	6 682 446	109 017 225	17 475 678	4 912 488	18 954	(23 584 122)	114 522 669
- Based on Cost	7 423 861	(741 415)	6 682 446	109 017 225	17 475 678	4 912 488	18 954	(23 584 122)	114 522 669
- Based on Revaluation	-	-	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2012</b>	<b>112 617 786</b>	<b>14 135 578</b>	<b>126 753 365</b>	<b>2 271 563 103</b>	<b>307 978 791</b>	<b>12 380 030</b>	<b>179 315 920</b>	<b>14 569 310</b>	<b>2 912 560 518</b>
Cost	139 656 717	21 245 152	160 901 869	2 650 220 402	713 814 140	58 520 262	179 315 920	38 153 432	3 800 926 024
- Completed Assets	139 694 532	21 207 337	160 901 869	2 621 718 976	713 814 140	58 520 262	179 315 920	38 153 432	3 772 424 598
- Under Construction	(37 815)	37 815	-	28 501 426	-	-	-	-	28 501 426
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(27 038 931)	(7 109 573)	(34 148 504)	(378 657 299)	(405 835 349)	(46 140 232)	-	(23 584 122)	(888 365 507)
- Cost	(27 038 931)	(7 109 573)	(34 148 504)	(378 657 299)	(405 835 349)	(46 140 232)	-	(23 584 122)	(888 365 507)
- Revaluation	-	-	-	-	-	-	-	-	-

Total Property, Plant and Equipment held by the municipality at 30 June 2013 amounted to R2,865,292,960 billion (2012: R 2,912,560,518 billion), consisting only of plant and Equipment less Intangible Assets and Investment Property. Refer to note 10 and 11 for Intangible Assets and Investment Property

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



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
<b>10 INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>121 587</b>	<b>150 446</b>
The movement in Intangible Assets is reconciled as follows:		
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2012</b>	<b>150 446</b>	<b>150 446</b>
Cost	603 458	603 458
Accumulated Amortisation	(453 012)	(453 012)
Acquisitions:	57 198	57 198
Purchased	57 198	57 198
Work-in-Progress	-	-
<b>Carrying values at 30 June 2013</b>	<b>121 587</b>	<b>121 587</b>
Cost	660 656	660 656
Accumulated Amortisation	(539 069)	(539 069)
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2011</b>	<b>114 083</b>	<b>114 083</b>
Cost	549 680	549 680
Accumulated Amortisation	(435 597)	(435 597)
Acquisitions:	53 778	53 778
<b>Carrying values at 30 June 2012</b>	<b>150 446</b>	<b>150 446</b>
Cost	603 458	603 458
Accumulated Amortisation	(453 012)	(453 012)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 32).

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

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

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

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

	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
<b>11 INVESTMENT PROPERTY</b>		
At Cost less Accumulated Depreciation	<b>65 613 070</b>	<b>66 167 010</b>
The movement in Investment Property is reconciled as follows:		
<b>Carrying values at 1 July 2012</b>	<b>66 167 010</b>	<b>66 167 010</b>
Cost	70 875 500	70 875 500
Accumulated Depreciation	(4 708 490)	(4 708 490)
Depreciation during the Year	(553 940)	-
<b>Carrying values at 30 June 2013</b>	<b>65 613 070</b>	<b>66 167 010</b>
Cost	70 875 500	70 875 500
Accumulated Depreciation	(5 262 430)	(4 708 490)
<b>Estimated Fair Value of Investment Property at 30 June</b>	<b>5 189 000</b>	<b>4 860 000</b>

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

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

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
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**12 HERITAGE ASSETS**

The municipality has taken advantage of the transitional provisions in Directive 4 from the Accounting Standards Board with the implementation of GRAP 103. The municipality is currently in a process of identifying all Heritage Assets and have it valued in terms of GRAP 103 and it is expected that this process will be completed for inclusion in the 2014/15 Annual Financial Statements. It is possible that certain Heritage Assets are currently being recognised as Property, Plant and Equipment.

**13 LONG-TERM RECEIVABLES**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2013</b>			
Other Loans	502 636	(166 107)	336 529
	<u>502 636</u>	<u>(166 107)</u>	<u>336 529</u>
Less: Current Portion transferred to Current Receivables:- Other Loans			-
<b>Total Long-term Receivables</b>			<b>336 529</b>
<b>As at 30 June 2012</b>			
Other Loans	544 266	(158 366)	385 900
	<u>544 266</u>	<u>(158 366)</u>	<u>385 900</u>
Less: Current Portion transferred to Current Receivables:-			-
<b>Total Long-term Receivables</b>			<b>385 900</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.

	2013 R	2012 R
<b>13.1 Ageing of Long-term Receivables</b>		
<i>Current:</i>		
0 - 30 days	-	-
<i>Past Due:</i>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	502 636	544 266
<b>Total</b>	<b>502 636</b>	<b>544 266</b>

As at 30 June Long-term Receivables of R502 636 (2012: R544 266) were past due but not impaired. No terms for payment have been re-negotiated. The age analysis of these Long-term Receivables is as follows:

**13.2 Reconciliation of the Provision for Impairment**

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

**14 CONSUMER DEPOSITS**

Electricity and Water	8 693 418	7 606 800
<b>Total Consumer Deposits</b>	<b>8 693 418</b>	<b>7 606 800</b>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>15 PROVISIONS</b>		
Performance Bonuses	0	0
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 21)		
Current Portion of Non-Current Provisions (See Note 22):	19 468 077	18 332 915
Environmental clean-up	911 200	846 930
Long-term Service	1 721 000	1 408 000
Rehabilitation of Land-fill Sites	4 693 798	4 693 798
Post Retirement Benefits	1 952 000	1 605 000
Staff leave	10 190 079	9 779 187
<b>Total Provisions</b>	<b>19 468 077</b>	<b>18 332 915</b>

The movement in provisions are reconciled as follows:

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

	Long-term Service R	Post-retirement R
<b>30 June 2013</b>		
Balance at beginning of year	1 408 000	1 605 000
Transfer from non-current	1 721 000	1 952 000
Expenditure incurred	(1 408 000)	(1 605 000)
<b>Balance at end of year</b>	<b>1 721 000</b>	<b>1 952 000</b>

	Long-term Service R	Post-retirement R
<b>30 June 2012</b>		
Balance at beginning of year	503 363	1 593 716
Transfer from non-current	1 408 000	1 605 000
Expenditure incurred	(503 363)	(1 593 716)
<b>Balance at end of year</b>	<b>1 408 000</b>	<b>1 605 000</b>

	Lanfill Sites R	Other Provisions R
<b>30 June 2013</b>		
Balance at beginning of year	4 693 798	846 930
Contributions to provision		64 370
<b>Balance at end of year</b>	<b>4 693 798</b>	<b>911 300</b>

	Lanfill Sites R	Other Provisions R
<b>30 June 2012</b>		
Balance at beginning of year	4 693 798	
Contributions to provision		846 930
<b>Balance at end of year</b>	<b>4 693 798</b>	<b>846 930</b>

	2013 R	2012 R
<b>16 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Creditors	102 818 491	104 932 770
Retentions	289 538	(5 034)
Other Creditors	(241 580)	1 985 772
<b>Total Payables</b>	<b>102 866 449</b>	<b>106 913 509</b>

*Payables from Exchange transactions* have been restated to correctly classify amounts due for Creditors not accrued for previously.

Furthermore, *Payables from Exchange Transactions* have been restated to correctly classify amounts held for Retentions erroneously written-off in the previous financial year.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
<b>17 PAYABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Payments Received In Advance	35 300	-
Sundry Deposits	4 618 646	4 985 512
Other Accounts Payable	1 877	1 253
<b>Total Payables</b>	<b><u>4 655 823</u></b>	<b><u>4 986 764</u></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.

**18 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**18.1 Conditional Grants from Government**

	<b>9 231 931</b>	<b>13 104 861</b>
National Government Grants	1 640 333	4 987 502
Provincial Government Grants	7 372 159	7 351 459
Other Spheres of Government	219 439	765 900
<b>Total Conditional Grants and Receipts</b>	<b><u>9 231 931</u></b>	<b><u>13 104 861</u></b>

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

See Note 25 for the reconciliation of Grants from Government. 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.

**19 VAT PAYABLE**

Vat Payable	<u>-</u>	<u>864 836</u>
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
<b>20 LONG-TERM LIABILITIES</b>		
The municipality did not have any liabilities to be classified as Long-term Liabilities in terms of its Accounting Policies and Cash Management Policy at year-end.		
Annuity Loans	81 630 713	76 340 211
Finance Lease Liabilities	11 797 353	22 457 039
Sub-total	93 428 065	98 797 250
Less: Current Portion transferred to Current Liabilities:-	22 524 330	27 605 937
Annuity Loans	16 767 919	21 642 583
Finance Lease Liabilities	5 756 411	5 963 354
<b>Total Long-term Liabilities</b> (Neither past due, nor impaired)	<b>70 903 735</b>	<b>71 191 313</b>

Annuity Loans are repaid over periods varying from 2 to 11 (2012: 3 to 12) years and at interest rates varying from 9,25% to 16,50% (2012: 9,25% to 16,50%) per annum. Annuity Loans are not secured.

The Annuity Loan is repaid over a period of 7 (2012: 8) years and at an interest rate of 5,00% (2012: 5,00%) per annum. The Annuity Loan is not secured.

Finance Lease Liabilities relates to Vehicles and IT Equipment with lease terms of 5 (2012: 5) years. The effective interest rate on Finance Leases is between 13,21% and 48,13% (2012: 13,21 to 48,13%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

Other Loans are repaid over a period of 3 (2012: 4) years and at interest rates varying from 15,25% to 16,50% (2012: 15,25% to 16,50%) per annum. Other Loans are secured over fixed deposits held by the municipality.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

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

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

**20.1 Obligations under Finance Lease Liabilities**

**The Municipality as Lessee:**

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2012: 5 years). The effective interest rate on Finance Leases is between 14.73% and 21.53% (2012: 13.21% and 48.13%).

The municipality has options to purchase the Property, Plant and Equipment for a nominal amount at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013 R	2012 R	2013 R	2012 R
<b>Amounts payable under finance leases:</b>				
Within one year	2 304 748	4 387 239	2 304 748	4 387 239
In the second to fifth years, inclusive	9 492 605	18 069 800	9 492 605	18 069 800
Over five years	-	-	-	-
	11 797 353	22 457 039	11 797 353	22 457 039
Less: Future Finance Obligations	5 756 411	5 963 354	5 756 411	5 963 354
<b>Present Value of Minimum Lease Obligations</b>	<b>6 040 942</b>	<b>16 493 685</b>	<b>6 040 942</b>	<b>16 493 685</b>
Less: Amounts due for settlement within 12 months (Current Portion)			5 756 411	5 963 354
<b>Finance Lease Obligations due for settlement after 12 months (Non-current Portion)</b>			<b>11 797 353</b>	<b>22 457 039</b>

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

- Office Equipment
- Vehicles

Included in these classes are the following significant leases:

(i) Konica Minolta 1050 Digital Copier		
- Installments are payable monthly in advance	R 651 712	R 773 778
- Average period outstanding	12 months	24 months
- Average effective interest rate	11.36%	11.36%
- Average capital redemption per month over the period leased	R 54 309.33	R 32 240.75
(ii) Various photocopier and fax machines		
- Installments are payable monthly in advance	R 417 651.00	R 495 877.08
- Average period outstanding	24 months	36 months
- Average effective interest rate	10.87%	10.87%
- Average capital redemption per month over the period leased	R 17 402.13	R 13 774.36
(iii) Vehicles		
- Installments are payable monthly in arrears	R 92 887	R 110 285
- Average period outstanding	18 months	30 months
- Average effective interest rate, based on prime	13.50%	13.50%
- Average capital redemption per month over the period leased	R 5 160.39	R 3 676.17

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>	<b>2012</b>																																																																																							
	<b>R</b>	<b>R</b>																																																																																							
	<b>2013</b>	<b>2012</b>																																																																																							
	<b>R</b>	<b>R</b>																																																																																							
<b>21 RETIREMENT BENEFIT LIABILITIES</b>																																																																																									
<b>21.1 Post-retirement Health Care Benefits Liability</b>																																																																																									
Balance at beginning of Year	62 363 000	82 600 000																																																																																							
Contributions to Provision	7 579 000	-																																																																																							
Reduction due to Re-measurement	-	(20 237 000)																																																																																							
Balance at end of Year	69 942 000	62 363 000																																																																																							
Transfer to Current Provisions	(1 952 000)	(1 605 000)																																																																																							
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>67 990 000</b>	<b>60 758 000</b>																																																																																							
<p>The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.</p> <p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p> <p>The members of the Post-employment Health Care Benefit Plan are made up as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; width: 20%;"></th> <th style="text-align: right; width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>In-service Members (Employees)</td> <td style="text-align: right;">396</td> <td style="text-align: right;">436</td> </tr> <tr> <td>In-service Non-members (Employees)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Continuation Members (Retirees, widowers and orphans)</td> <td style="text-align: right;">54</td> <td style="text-align: right;">56</td> </tr> <tr> <td><b>Total Members</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"><b>450</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"><b>492</b></td> </tr> </tbody> </table> <p>The liability in respect of past service has been estimated as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; width: 20%;"></th> <th style="text-align: right; width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>In-service Members</td> <td style="text-align: right;">44 351 000</td> <td style="text-align: right;">36 040 000</td> </tr> <tr> <td>Continuation Members</td> <td style="text-align: right;">25 081 000</td> <td style="text-align: right;">25 601 000</td> </tr> <tr> <td><b>Total Liability</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"><b>69 432 000</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"><b>61 641 000</b></td> </tr> </tbody> </table> <p>The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:</p> <ul style="list-style-type: none"> <li>- Bonitas</li> <li>- Hosmed</li> <li>- Keyhealth</li> <li>- LA Health</li> <li>- Samwumed</li> </ul> <p><b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b></p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>Discount Rate</td> <td style="text-align: right;">7.89%</td> <td style="text-align: right;">7.92%</td> </tr> <tr> <td>Health Care Cost Inflation Rate</td> <td style="text-align: right;">7.14%</td> <td style="text-align: right;">7.24%</td> </tr> <tr> <td>Net Effective Discount Rate</td> <td style="text-align: right;">0.70%</td> <td style="text-align: right;">0.63%</td> </tr> <tr> <td>Expected Retirement Age - Females</td> <td style="text-align: right;">58</td> <td style="text-align: right;">60</td> </tr> <tr> <td>Expected Retirement Age - Males</td> <td style="text-align: right;">63</td> <td style="text-align: right;">65</td> </tr> </tbody> </table> <p><b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b></p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>Discount Rate</td> <td style="text-align: right;">7.40%</td> <td style="text-align: right;">7.92%</td> </tr> <tr> <td>Health Care Cost Inflation Rate</td> <td style="text-align: right;">5.66%</td> <td style="text-align: right;">5.74%</td> </tr> <tr> <td>Net Effective Discount Rate</td> <td style="text-align: right;">1.65%</td> <td style="text-align: right;">2.06%</td> </tr> </tbody> </table> <p><b>Movements in the present value of the Defined Benefit Obligation were as follows:</b></p> <table style="width: 100%; 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**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	1 929 000	1 960 000
Effect on the defined benefit obligation	11 878 000	11 644 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	(1 545 000)	(1 527 000)
Effect on the defined benefit obligation	(9 559 000)	(9 236 000)
<b>22 NON-CURRENT PROVISIONS</b>		
Provision for Long Service Awards	9 099 000	6 923 000
Provision for Rehabilitation of Land-fill Sites	9 265 316	9 265 316
Provision for Augmentation fees	52 200	-
<b>Total Non-current Provisions</b>	<b>18 416 516</b>	<b>16 188 316</b>
<b>The movement in Non-current Provisions are reconciled as follows:</b>		
	<b>Long-service Awards</b>	<b>Land-fill Sites</b>
	<b>R</b>	<b>R</b>
<b>30 June 2013</b>		
Balance at beginning of year	8 331 000	13 959 114
Contributions to provision	2 489 000	-
	<u>10 820 000</u>	<u>13 959 114</u>
Transfer to current provisions	(1 721 000)	(4 693 798)
<b>Balance at end of year</b>	<b>9 099 000</b>	<b>9 265 316</b>
	<b>Long-service Awards</b>	<b>Land-fill Sites</b>
	<b>R</b>	<b>R</b>
<b>30 June 2012</b>		
Balance at beginning of year	5 581 637	13 959 114
Contributions to provision	2 227 363	-
Increase due to discounting	522 000	-
	<u>8 331 000</u>	<u>13 959 114</u>
Transfer to current provisions	(1 408 000)	(4 693 798)
<b>Balance at end of year</b>	<b>6 923 000</b>	<b>9 265 316</b>
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	7.40%	7.92%
Cost Inflation Rate	5.66%	5.74%
Net Effective Discount Rate	0.69%	1.58%
Expected Return on Plan Assets	0.00%	0.00%
Expected Rate of Salary Increase	6.66%	6.24%
Expected Return on Reimbursement Rights	0.00%	1.41%
Expected Retirement Age - Females	58	60
Expected Retirement Age - Males	63	65
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>		
Balance at the beginning of the year	8 331 000	6 085 000
Current service costs	985 000	859 000
Interest cost	654 000	522 000
Benefits paid	(617 033)	(1 135 000)
Losses / (gains) on curtailments	1 467 033	2 000 000
<b>Total Recognised Benefit Liability</b>	<b>10 820 000</b>	<b>8 331 000</b>
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	10 820 000	8 331 000
<b>Total Benefit Liability</b>	<b>10 820 000</b>	<b>8 331 000</b>
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>		
Current service cost	985 000	859 000
Interest cost	654 000	522 000
Actuarial losses / (gains)	2 000 000	2 000 000
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 31)</b>	<b>3 639 000</b>	<b>3 381 000</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**                      **2012**  
**R**                                      **R**

**22.1 Rehabilitation of Land-fill Sites**

The municipality has an obligation to rehabilitate its land-fill sites in terms of its licence stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2011 by a technical specialist, Mr C Liebenberg, (Pr Eng, PrCPM) the divisional director of the Environmental & Waste Management Division of Kwezi V3 Engineers. The provision is the best estimate of the net present value of future rehabilitation costs of the land-fill sites to restore the sites at the end of their useful lives. The payment dates of the total closure and rehabilitation are uncertain, but are currently expected to be between 2012 and 2028.

**Major assumptions concerning future events**

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

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

**Long service bonus**

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 2013 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2013 by a Fellow Member of the Actuarial Society of South Africa in the employment of ZAQEN Actuaries (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

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

**23 ACCUMULATED SURPLUS**

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

Accumulated Surplus / (Deficit) due to the results of Operations	2 697 998 938	2 734 837 263
<b>Total Accumulated Surplus</b>	<b><u>2 697 998 938</u></b>	<b><u>2 734 837 263</u></b>

*Accumulated Surplus* has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 43.1 "Change in Accounting Policy" for details of the restatements.

- Recognition of VAT Receivable - Note 43.2
- Recognition of Property, Plant and Equipment - Note 43.3
- Recognition of Creditors for Accruals - Note 43.4
- Recognition of Creditors for Retention Moneys - Note 43.4

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

**24 PROPERTY RATES**

	<b>Property Valuations</b>		<b>Actual Levies</b>	
	<b>July 2013</b>	<b>July 2012</b>		
	<b>R000's</b>	<b>R000's</b>		
Commercial and Residential	33 758 070 110	33 659 149 980	20 320 910	17 274 067
			<u>93 221 726</u>	<u>86 328 585</u>
<b>Total Property Rates</b>	<b><u>33 758 070 110</u></b>	<b><u>33 659 149 980</u></b>	<b><u>113 542 635</u></b>	<b><u>103 602 651</u></b>

Property rates are levied on the value of land and improvement, which valuation is performed every four years. The last valuation came into effect 01 July 2009 and a one year extension was approved with the new valuation roll coming into effect 01 July 2014. Interim valuation are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions. Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
<b>25 GOVERNMENT GRANTS AND SUBSIDIES</b>		
National Equitable Share	47 299 297	38 073 000
Other Subsidies	4 144 229	1 559 008
<b>Operational Grants</b>	<u>51 443 526</u>	<u>39 632 008</u>
<b>Conditional Grants</b>	43 941 310	31 130 702
National Government: EPWP	1 615 684	1 322 000
National Government: FMG	1 500 000	1 450 000
National Government: MIG	27 902 000	23 002 000
National Government: MSIG	386 688	287 721
National Government: DWAF	-	540 236
National Government: DME	6 709 884	3 737 666
National Government: SPORT	2 083 141	227 603
National Government: DEDEA	-	300 000
Provincial: Treasury	3 014 300	-
Local Government: CDM	-	-
Other Government: SKILLS	729 613	263 476
<b>Total Government Grants and Subsidies</b>	<u><b>95 384 836</b></u>	<u><b>70 762 710</b></u>
<b>Operational Grants:</b>		
<b>25.1 National: Equitable Share</b>	<u><b>47 299 297</b></u>	<u><b>38 073 000</b></u>
<b>Conditional Grants:</b>		
<b>25.2 National: Equitable Share</b>		
Balance unspent at beginning of year	-	-
Current year receipts	47 299 297	38 073 000
Conditions met - transferred to Revenue: Operating Expenses	(812 000)	-
Conditions met - transferred to Revenue: Capital Expenses	(46 487 297)	(38 073 000)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilised to enable the municipality to execute its functions as the local authority. R812,000.00 equitable share funds have been withheld.		
<b>25.3 National Government: EPWP</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 615 684	1 322 000
Conditions met - transferred to Revenue: Operating Expenses	(1 615 684)	(1 322 000)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><b>0</b></u>	<u>-</u>
The Expanded Public Works Programme Grant was allocated to the municipality for environmental projects. No funds have been withheld.		
<b>25.4 National: FMG Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 500 000	1 450 000
Conditions met - transferred to Revenue: Operating Expenses	(1 500 000)	(1 450 000)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.		
<b>25.5 National: MIG Funds</b>		
Balance unspent at beginning of year	814 297	814 297
Current year receipts	27 902 000	23 002 000
Conditions met - transferred to Revenue: Operating Expenses	(1 395 100)	(1 150 100)
Conditions met - transferred to Revenue: Capital Expenses	(26 506 900)	(21 851 900)
Other Adjustments/Refunds	(814 297)	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u><b>814 297</b></u>
The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.		

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>25.6 National: MSIG Funds</b>		
Balance unspent at beginning of year	497 790	-
Current year receipts	2 300 000	502 279
Conditions met - transferred to Revenue: Capital Expenses	(1 886 688)	(6 454)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>911 102</u>	<u>495 825</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.

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

Balance unspent at beginning of year	550 000	695 461
Current year receipts	-	540 236
Conditions met - transferred to Revenue: Operating Expenses	-	(540 236)
Other Adjustments/Refunds	-	(145 461)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>550 000</u>	<u>550 000</u>

**25.8 National: Department Energy**

Balance unspent at beginning of year	2 946 184	260 171
Current year receipts	4 049 300	6 500 000
Conditions met - transferred to Revenue: Capital Expenses	(6 709 884)	(3 737 666)
Other Adjustments/Refunds	(285 600)	(76 321)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>0</u>	<u>2 946 184</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure.

**25.9 Library subsidy**

Balance unspent at beginning of year	-	-
Current year receipts	2 083 141	227 603
Conditions met - transferred to Revenue: Operating Expenses	(2 083 141)	(227 603)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>

This grant was received for the operating expenditure of libraries in the KOUGA Local Municipality. No funds have been withheld.

**25.10 Department of economic development**

Balance unspent at beginning of year	181 195	631 500
Current year receipts	-	(131 500)
Conditions met - transferred to Revenue: Operating Expenses	-	(300 000)
Other Adjustments/Refunds	-	(18 805)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>181 195</u>	<u>181 195</u>

No funds have been withheld.

**25.11 Provincial: Housing**

Balance unspent at beginning of year	7 351 449	7 351 449
Current year receipts	20 700	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>7 372 149</u>	<u>7 351 449</u>

No funds have been withheld.

**25.12 National: Treasury - Disaster**

Current year receipts	3 014 300	-
Conditions met - transferred to Revenue: Capital Expenses	(3 014 300)	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>

**25.13 Provincial: Department Provincial Local Government (DPLG)**

Balance unspent at beginning of year	-	2 510 268
Other Adjustments/Refunds	-	(2 510 268)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>

This grant was allocated for the funding of various projects e.g. LED Strategy, IDP, PMS, PMS, etc to assist in the improvement of the performance of the municipality. No funds have been withheld.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
<b>25.14 Local Government: CDM</b>		
Balance unspent at beginning of year	-	295 384
Current year receipts	1 630 524	1 682 555
Conditions met - transferred to Revenue: Operating Expenses	(1 630 524)	(1 602 555)
Other Adjustments/Refunds	-	(375 384)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>
No funds have been withheld.		
<b>25.15 Other Government: DBSA</b>		
Balance unspent at beginning of year	(0)	350 576
Other Adjustments/Refunds	-	(350 576)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>(0)</u>	<u>(0)</u>
No funds have been withheld.		
<b>25.16 Other Government: Skills Development</b>		
Balance unspent at beginning of year	546 461	-
Current year receipts	729 613	809 937
Conditions met - transferred to Revenue: Operating Expenses	(729 613)	(263 476)
Other Adjustments/Refunds	(546 461)	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>546 461</u>
No funds have been withheld.		
<b>25.17 Other Government: VUNA</b>		
Balance unspent at beginning of year	35 000	-
Current year receipts	-	35 000
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>35 000</u>	<u>35 000</u>
No funds have been withheld.		
<b>25.18 Other Government: Other</b>		
Balance unspent at beginning of year	240 236	1 701 107
Other Adjustments/Refunds	-	(1 460 871)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>240 236</u>	<u>240 236</u>
The municipality receives grants from other spheres of government for urban greening in the municipal area. The grant was utilised for this purpose. No funds have been withheld.		
<b>25.19 Changes in levels of Government Grants</b>		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2011/12), government grant funding is expected to increase over the forthcoming three financial years.		
<b>26 SERVICE CHARGES</b>		
Sale of Electricity	193 884 369	189 084 226
Sale of Water	23 546 272	22 467 038
Refuse Removal	36 453 576	34 726 296
Sewerage and Sanitation Charges	28 860 710	27 873 153
Other Service Charges	1 367 875	955 351
<b>Total Service Charges</b>	<u>284 112 802</u>	<u>275 106 063</u>
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
<b>27 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental Revenue from Amenities	(72 436)	9 000
Rental Revenue from Buildings	166 353	171 172
Rental Revenue from Halls	116 604	158 296
Rental Revenue from Land	61 626	56 366
Rental Revenue from Other Facilities	403 707	327 961
<b>Total Rental of Facilities and Equipment</b>	<u>675 855</u>	<u>722 796</u>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>28 INTEREST EARNED</b>		
<b>External Investments:</b>		
Bank Account	-	96
Other Deposits	1 236 465	946 352
	<u><b>1 236 465</b></u>	<u><b>946 448</b></u>
<b>Outstanding Debtors:</b>		
Long-term Debtors	-	107
Outstanding Billing Debtors	6 458 023	6 646 079
	<u><b>6 458 023</b></u>	<u><b>6 646 186</b></u>
<b>Total Interest Earned</b>	<u><b>7 694 487</b></u>	<u><b>7 592 634</b></u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	(1 236 465)	(946 352)
Held-to-Maturity Investments	2 472 930	1 892 800
Loans and Receivables	6 458 023	6 646 186
	<u><b>7 694 487</b></u>	<u><b>7 592 634</b></u>
<b>29 OTHER REVENUE</b>		
Building Plan Fees	856 060	1 218 588
Caravan Park Fees	1 738 850	1 460 845
Cemetery Fees	141 821	136 264
Conversion Fees	1 739 793	1 388 757
Prints	7 105	6 124
Tender Documents	42 064	17 911
Town Planning Fees	498 260	160 177
Sundry Income	16 694 979	7 251 413
<b>Total Other Revenue</b>	<u><b>21 718 932</b></u>	<u><b>11 640 078</b></u>

*Other Revenue* have been restated to correctly classify revenue previously erroneously classified.

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 24 to 28, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>30 EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	126 013 804	121 743 475
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	44 747 365	19 063 758
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	14 140 490	14 419 426
Housing Benefits and Allowances	464 992	495 805
Overtime Payments	7 942 949	7 828 000
Performance Bonuses	-	(339 231)
<b>Total Employee Related Costs</b>	<b>193 309 600</b>	<b>163 211 233</b>
No advances were made to employees. Loans to employees are set out in Note 13.		
<b>Remuneration of Section 57 Employees:</b>		
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	792 780	354 069
Performance Bonus	-	-
Travel Allowance	144 000	48 345
Subsistence Allowance	5 670	9 798
Company Contributions to UIF, Skills Levy & Labour Relations Levy	11 620	5 330
Settlement	-	859 401
Group Life insurance	-	3 081
<b>Total</b>	<b>954 070</b>	<b>1 280 025</b>
<b>Remuneration of the Chief Financial Officer</b>		
Annual Remuneration	763 552	437 484
Performance Bonus	-	-
Travel Allowance	-	36 000
Cell phone allowance	-	13 254
Subsistence Allowance	3 894	308
Company Contributions to UIF, Skills Levy & Labour Relations Levy	11 021	749
Settlement	-	708 766
Group Life insurance	-	27 866
<b>Total</b>	<b>778 467</b>	<b>1 224 427</b>
<b>Remuneration of the Director: Social Services</b>		
Annual Remuneration	763 552	-
Performance Bonus	-	-
Travel Allowance	-	-
Subsistence Allowance	465	-
Company Contributions to UIF, Skills Levy & Labour Relations Levy	11 021	-
Settlement	-	-
<b>Total</b>	<b>775 038</b>	<b>-</b>
<b>Remuneration of the Director: Admin, Monitoring &amp; Evaluation</b>		
Annual Remuneration	683 552	249 718
Performance Bonus	-	-
Travel Allowance	80 000	-
Subsistence Allowance	18 092	39 019
Acting allowance	-	157 130
Company Contributions to UIF, Skills Levy & Labour Relations Levy	11 481	6 508
<b>Total</b>	<b>793 125</b>	<b>452 375</b>
<b>Remuneration of the Director: Tourism and Creative Industries</b>		
Annual Remuneration	681 552	415 704
Performance Bonus	-	-
Travel Allowance	82 000	57 780
Subsistence Allowance	2 900	8 663
Company Contributions to UIF, Skills Levy & Labour Relations Levy	10 789	749
Acting allowance	-	37 449
Settlement	-	105 525
Group life, Bargain council	-	4 995
<b>Total</b>	<b>777 241</b>	<b>630 864</b>
<b>Remuneration of the Director: Infrastructure, Planning &amp; Development</b>		
Annual Remuneration	675 552	295 656
Performance Bonus	-	-
Travel Allowance	88 000	20 000
Subsistence Allowance	47 499	-
Company Contributions to UIF, Skills Levy & Labour Relations Levy	11 635	499
Backpay	-	616 698
Settlement	-	122 812
Group life	-	5 028
<b>Total</b>	<b>822 686</b>	<b>1 060 693</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>31 REMUNERATION OF COUNCILLORS</b>		
Mayor	484 162	655 928
Speaker	387 329	538 921
Chief Whip	-	-
Executive Committee Members	1 815 609	2 447 664
Councillors	3 195 477	4 306 904
	<b>5 882 577</b>	<b>7 949 417</b>
Company Contributions to UIF, Medical and Pension Funds	92 496	-
Group Life Insurance	-	-
Medical Aid	-	-
Pension Fund	-	-
WCA	1 565	-
Labour Relations Levy	1 448	-
UIF	-	-
Skills Development Levy	89 484	-
Other Allowances (Cellular Phones, Housing, Transport, etc)	2 614 945	-
Housing Subsidy	-	-
Telephone Allowance	-	-
Travelling Allowance	2 614 945	-
	<b>8 590 018</b>	<b>7 949 417</b>

**Total Councillors' Remuneration**

**Remuneration of Councillors:**

***In-kind Benefits***

The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor has use of a Council owned vehicle for official duties.

**32 DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	76 516 016	76 376 186
Amortisation: Intangible Assets	86 057	76 975
Depreciation: Investment Property	553 940	553 940
	<b>77 156 014</b>	<b>77 007 101</b>
<b>Depreciation and Amortisation:</b>		
Amortisation: Intangible Assets	-	-
Depreciation: Property, Plant and Equipment	77 156 014	77 007 101
	<b>77 156 014</b>	<b>77 007 101</b>

**Total Depreciation and Amortisation**

**33 IMPAIRMENT LOSSES**

**33.1 Impairment Losses on Fixed Assets**

**33.2 Impairment Losses on Financial Assets**

<b>Impairment Losses Recognised:</b>	11 937 477	29 743 773
Long-term Receivables	166 107	158 366
Receivables from Exchange Transactions	8 422 269	21 167 989
Receivables from Non-exchange Transactions	3 349 102	8 417 418
Investments	-	-
Loans carried at Amortised Cost	-	-
	<b>11 937 477</b>	<b>29 743 773</b>
<b>Total Impairment Losses</b>	<b>11 937 477</b>	<b>29 743 773</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
<b>34 BULK PURCHASES</b>		
Electricity	147 187 551	129 914 987
Water	16 161 171	22 767 807
<b>Total Bulk Purchases</b>	<b><u>163 348 722</u></b>	<b><u>152 682 795</u></b>
<i>Bulk Purchases</i> have been restated to correctly classify expenditure incurred in terms of a VAT Audit performed.		
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Lepelle Northern Water and "Uitloop Water Beleggings".		
<b>35 FINANCE COSTS</b>		
Creditors Overdue	9 038 284	8 991 628
Loans and Payables at amortised cost	10 489 887	10 947 863
Total Interest Expense	<u>19 528 171</u>	<u>19 939 491</u>
<b>Total Interest Paid on External Borrowings</b>	<b><u>19 528 171</u></b>	<b><u>19 939 491</u></b>
<b>36 CONTRACTED SERVICES</b>		
Other Contracted Services	-	7 799
<b>Total Contracted Services</b>	<u>-</u>	<u>7 799</u>
<i>Contracted Services</i> have been restated to correctly classify expenditure incurred in terms of a VAT Audit performed.		
<b>37 GRANTS AND SUBSIDIES PAID</b>		
Other	21 300 009	18 186 524
<b>Total Grants and Subsidies</b>	<b><u>21 300 009</u></b>	<b><u>18 186 524</u></b>

**Free Basic Services** are in respect of assistance to and providing basic service levels to indigent households.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>38 GENERAL EXPENSES</b>		
Included in General Expenses are the following:		
Advertising	208 709	454 892
Bank Charges	824 028	782 382
Chemicals & Poison	2 265 865	1 317 807
Clean Up Operation	54 000	846 930
Cleaning Material	460 987	494 781
Congress & Delegates Expenses	455 182	551 911
Connection Fees	497 472	541 952
Disaster Expenditure	2 534 869	140 426
Entertainment	176 191	128 345
Expenditure Incurred From Finance Management Grant	322 504	1 893 272
External Audit Fees	2 521 247	2 614 505
Fuel (Small Plant)	450 972	251 986
Hire Of Facilities & Equipment	4 437 437	5 890 296
Idp Review	-	242 007
Insurance	2 700 945	2 955 928
Inventory Items	(226 278)	1 018 811
Laboratorium Tests/Analysis	465 513	549 549
Lease Charges	318 783	53 709
Legal Cost	2 350 678	2 767 579
Licences	486 703	488 572
Life Saving Services	131	43 163
Mayoral Special Programmes	151 859	183 824
Network Connection	876 823	1 004 104
Postage & Telegrams	1 161 984	1 201 436
Stock Shortages/Surpluses	2 254	7 335
Telephone Cost	3 227 201	2 953 103
Tourism Strategy	240 000	-
Training	342 257	28 882
Transport Cost	7 828 189	7 883 029
Uniforms & Protective Clothing	463 041	431 515
Ward Committee Management	-	14 000
Website Hosting	7 200	9 900
General Expenses	18 415 128	20 652 791
<b>Total General Expenses</b>	<b><u>54 021 875</u></b>	<b><u>58 398 721</u></b>

*General Expenses* have been restated to correctly classify expenditure Refer to Note 42.1 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
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**39 CHANGE IN ACCOUNTING POLICY**

**GRAP 23 - Revenue from Non-exchange Transactions**

The Accounting Standard for Revenue from non-exchange transactions has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 23. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

**39.1 Reclassification of Unspent conditional Grants and Receipts**

The prior year figures of Unspent conditional Grants and Receipts and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of GRAP 23.

The effect of the Change in Accounting Policy is as follows:

	Unspent Conditional Grants and Receipts	Unspent Conditional Grants and Receipts
<b>Balances published as at 30 June 2011</b>	<b>12 998 058</b>	<b>12 998 058</b>
Recognition of Operating Lease Receivables	-	-
Recognition of Operating Lease Payables	-	-
<b>Restated Balances as at 30 June 2011</b>	<b>12 998 058</b>	<b>12 998 058</b>
Transactions incurred for the Year 2011/12:		
Grant Receipts	106 803	173 543
Grant Expenditure		
<b>Restated Balances as at 30 June 2012</b>	<b>13 104 861</b>	<b>13 171 601</b>

**40 CORRECTION OF ERROR**

The comparative information has changed because of changes in accounting policies, adoption of new accounting policies and errors incurred in the prior year. For the detail of each change, please refer to the notes that relate to changes in accounting policies (note 36) and errors (note 37).

	Balances and transactions as disclosed in the audited 2011/12 AFS	Restated 2011/12 AFS	Difference	Reference to notes
<b>Statement of Financial Position</b>				
<b>Current Assets</b>				
Receivables from Exchange Transactions	44 853 931	30 110 948	(14 742 983)	<b>38.1</b>
Receivables from Non-exchange Transactions	18 218 192	33 395 853	15 177 662	<b>38.2</b>
Cash and cash equivalents	608 995	-	(608 995)	<b>38.3</b>
<b>Non-Current Assets</b>				
Long - term receivables	542 578	385 900	(156 678)	<b>38.4</b>
<b>Current Liabilities</b>				
Payables from Exchange Transactions	105 193 713	106 913 509	1 719 796	<b>38.5</b>
Payables from Non-Exchange Transactions	-	4 986 764	4 986 764	<b>38.6</b>
Unspent Conditional Grants and Receipts	18 236 296	13 104 861	(5 131 435)	<b>38.7</b>
VAT Payable	3 813 329	864 836.11	(2 948 493)	<b>38.8</b>
Bank Overdraft	-	1 122 149.00	1 122 149	<b>38.9</b>
<b>Non-Current Liabilities</b>				
Retirement Benefit Liabilities	80 994 999	60 757 999	(20 237 000)	<b>38.10</b>
Long-term liabilities	71 622 054	71 191 313	(430 742)	<b>38.11</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	Balances and transactions as disclosed in the audited 2011/12 AFS	Restated 2011/12 AFS	2013 R Difference	2012 R Reference to notes
<b>Statement of Financial Performance</b>				
<b>REVENUE</b>				
<b>Revenue from Non-exchange Transactions</b>				
Property Rates	103 524 896	103 602 651	77 755	<b>38.12</b>
Licenses and Permits	7 302 280	7 304 080	1 800	<b>38.13</b>
Government Grants & Subsidies	70 806 256	70 762 710	(43 546)	<b>38.14</b>
<b>Revenue from Exchange Transactions</b>				
Service Charges	267 154 921	275 106 063	7 951 142	<b>38.15</b>
Interest Earned - External Investment	937 488.00	946 448.34	8 960	<b>38.16</b>
Other income	6 221 600.00	11 640 078.27	5 418 478	<b>38.17</b>
<b>EXPENDITURE</b>				
Employee Related Costs	181 761 695	163 211 233	18 550 462	<b>38.18</b>
Remuneration of Councilors	7 949 415	7 983 661	(34 246)	<b>38.19</b>
Contracte services	33 437	7 799	25 638	<b>38.20</b>
Collection costs	-	37 559	(37 559)	<b>38.21</b>
Impairment Losses	38 515 184	29 743 773	8 771 411	<b>38.22</b>
Repairs and Maintenance	15 545 765	15 381 393	164 372	<b>38.23</b>
Interest and Penalties paid	17 889 914	19 939 491	(2 049 577)	<b>38.24</b>
Grants & Subsidies Paid	18 054 346	18 186 524	(132 178)	<b>38.25</b>
Bulk Purchases	143 922 017	152 682 795	(8 760 778)	<b>38.26</b>
General Expenses	50 477 119	58 398 721	(7 921 602)	<b>38.27</b>
	<b>Reason for Adjustment</b>	<b>Note reference</b>	<b>Amount</b>	
<b>40.1 Receivables from Exchange Transactions</b>				
Re-allocation of account receivables to non-exchange transactions	Reclassification		(5 971 573)	
The method of determining the provision for impairment of receivables was revisited in the current year. The same method was applied to the comparative year and as a result an adjustment was required.	Error		(8 771 411)	
			<u>(14 742 983)</u>	
<b>40.2 Receivables from Non-exchange Transactions</b>				
The method of determining the provision for impairment of receivables was revisited in the current year. The same method was applied to the comparative year and as a result an adjustment was required. Reclassify receivables from exchange and non exchange.	Error		15 177 662	
<b>40.3 Cash and cash equivalents</b>				
Correction of prior error on cash book	Error		(608 995)	
<b>40.4 Long - term receivables</b>				
Increase in provision for impairment of debtors	Error		(156 678)	
<b>40.5 Payables from Exchange Transactions</b>				
Accruals not recognised in the prior year(s) in error	Error		1 719 796	
<b>40.6 Payables from Non-Exchange Transactions</b>				
Reclassify from exchange payables	Reclassification		4 986 764	
<b>40.7 Unspent Conditional Grants and Receipts</b>				
Reclassification between unspent conditional grants and receivables from non-exchange transactions and related VAT	Adoption of GRAP 23		(5 131 435)	
<b>40.8 VAT Payable</b>				
The municipality treated some VAT related transactions incorrectly in the prior year. The correction of these entries resulted in a small adjustment to the VAT payable account.	Error		(2 948 493)	
<b>40.9 Bank Overdraft</b>				
Cash book entries not recognised in the prior year(s) in error	Error		1 122 149	
<b>40.10 Retirement Benefit Liabilities</b>				
The obligation for the post retirement benefits raised in the prior year did not agree to the actuarial valuation. Both the long term and short term portion of the related obligations have been restated to agree to the actuary's valuation report.	Error		(20 237 000)	

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

		2013 R	2012 R
<b>40.11 Long-term liabilities</b>			
Payment previously not recognized	Error	<u>(430 742)</u>	
<b>40.12 Property Rates</b>			
Correction of property rates rebates previously mapped under general expenses	Reclassification	<u>77 755</u>	
<b>40.13 Licenses and Permits</b>			
Correction of revenue previously not recognized	Error	<u>1 800</u>	
<b>40.14 Government Grants &amp; Subsidies</b>			
Revenue was recognised when all the conditions of the grant had not been met	Error	<u>(43 546)</u>	
<b>40.15 Service Charges</b>			
Correction of revenue previously not recognized	Error	<u>7 951 142</u>	
<b>40.16 Interest Earned - External Investment</b>			
Correction of interest received previously not recognized	Error	<u>8 960</u>	
<b>40.17 Other income</b>			
Correction of revenue previously mapped to service charges	Reclassification	<u>5 418 478</u>	
<b>40.18 Employee related costs</b>			
The obligation for the post retirement benefits raised in the prior year did not agree to the actuarial valuation. The Employee related costs were restated to agree to the actuary's valuation report. Reclassify salaries from general expense and to Employee related costs.	Error	<u>18 550 462</u>	
<b>40.19 Remuneration of Councilors</b>			
Correction of expenditure previously reported under general expenses	Reclassification	<u>(34 246)</u>	
<b>40.20 Contracte services</b>			
Reclassify from contracted services and general expenses	Reclassification	<u>25 638</u>	
<b>40.21 Collection costs</b>			
Correction of expenditure previously reported under general expenses	Reclassification	<u>(37 559)</u>	
<b>40.22 Impairment Losses</b>			
Decrease in the provision for impairment of debtors	Error	<u>8 771 411</u>	
<b>40.23 Repairs and Maintenance</b>			
Amount incorrectly expensed which should have been capitalised	Error	<u>164 372</u>	
<b>40.24 Interest and Penalties paid</b>			
Correction of interest paid previously not recognized	Error	<u>(2 049 577)</u>	
<b>40.25 Grants &amp; Subsidies Paid</b>			
Re-allocation of expense previously net off to the property rates income	Reclassification	<u>(132 178)</u>	
<b>40.26 Bulk Purchases</b>			
Correction of bulk purchases previously not recognized	Error	<u>(8 760 778)</u>	
<b>40.27 General Expenses</b>			
Correction of general expenses previously not recognized	Error	<u>(7 921 602)</u>	

**41 CHANGE IN ACCOUNTING ESTIMATES**

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of GRAP3.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>42 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	(36 838 325)	(62 974 409)
Adjustment for:		
Depreciation and Amortisation	77 156 014	77 007 101
Impairment Losses on Property, Plant and Equipment	-	-
Losses / (Gains) on Disposal of Property, Plant and Equipment	(180 045)	5 260
Profit on Sale of Land	-	-
Property, Plant and Equipment transferred to Assets Held-for-Sale	-	-
Other Movement on Property, Plant and Equipment	-	-
Contribution to Retirement Benefit Liabilities	7 579 000	-
Expenditure incurred from Retirement Benefit Liabilities	(1 605 000)	(1 593 716)
Contribution to Provisions - Current	-	-
Contribution to Provisions - Non-current	2 489 000	2 227 363
Expenditure incurred from Provisions - Current	(1 408 000)	(842 594)
Contribution to Impairment Provision	11 779 112	29 585 407
Bad Debts Written-off	(3 929 990)	(4 983 717)
<b>Operating surplus before working capital changes</b>	<b>55 041 765</b>	<b>37 028 126</b>
Decrease/(Increase) in Inventories	159 652	1 368 136
Decrease/(Increase) in Non-Current Assets Held-for-Sale	-	-
Decrease/(Increase) in Receivables from Exchange Transactions	(3 945 097)	(15 759 813)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(1 621 391)	(8 334 602)
Decrease/(Increase) in VAT Receivable	(10 013 778)	-
Decrease/(Increase) in Operating Lease Assets	(38 504)	(25 113)
Decrease/(Increase) in Current Portion of Long-term Receivables	29 865	(38 865)
Increase/(Decrease) in Consumer Deposits	1 086 618	264 653
Increase/(Decrease) in Payables from Exchange Transactions	(4 047 060)	59 991 489
Increase/(Decrease) in Payables from Non-exchange Transactions	(330 941)	(1 394 486)
Increase/(Decrease) in Conditional Grants and Receipts	(3 872 930)	129 007
<b>Cash generated by / (utilised in) Operations</b>	<b>31 583 365</b>	<b>74 129 564</b>
<b>43 NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2012/13 financial year.		
<b>44 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities (See Note 20)	93 428 065	98 797 250
Used to finance Property, Plant and Equipment - at cost	(93 428 065)	(98 797 250)
<b>Cash invested for Repayment of Long-term Liabilities</b>	<b>-</b>	<b>-</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>45.1 Unauthorised Expenditure</b>		
Reconciliation of Unauthorised Expenditure:		
Opening balance	301 516 546	200 435 168
Unauthorised Expenditure current year	31 134 310	101 081 378
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	<b>332 650 856</b>	<b>301 516 546</b>

Incident	Disciplinary Steps / Criminal Proceedings
<b>2012/2013 (2011/2012)</b>	
Employee Related Costs R 12,067,803 (2012: R nil)	Currently None - subject to possible future investigation
Remuneration of Councillors R 211,870 (2012: R nil)	Currently None - subject to possible future investigation
Collection Costs R nil (2012: R 37,559)	Currently None - subject to possible future investigation
Depreciation and Amortisation R 6,013,885 (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 2,069,876 (2012: R 4,148,185)	Currently None - subject to possible future investigation
Bulk Purchases R 3,821,573 (2012: R 13,102,155)	Currently None - subject to possible future investigation
Grants and Subsidies Paid R 6,949,304 (2012: R 2,421,895)	Currently None - subject to possible future investigation
<b>2010/2011</b>	
Employee Related Costs R 17,746,183	Currently None - subject to possible future investigation
Contracted services R 120,102	Currently None - subject to possible future investigation
Depreciation and Amortisation R 78,885,313	Currently None - subject to possible future investigation
Impairment Losses R nil (2010: R 4,364,483)	Currently None - subject to possible future investigation
Finance Costs R 7,561,412	Currently None - subject to possible future investigation
Bulk Purchases R 15,042,183	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 Property, Plant and Equipment R 2,281,603	Currently None - subject to possible future investigation
<b>2009/2010</b>	
The 2009/2010 approved budget was over spent by R 75,143,569	Currently None - subject to possible future investigation

**45.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	19 455 826	10 154 374
Fruitless and Wasteful Expenditure current year	9 038 284	9 301 452
Fruitless and Wasteful Expenditure awaiting condonement	<b>28 494 110</b>	<b>19 455 826</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	2 201 814	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 on late payment of trade creditors	9 038 284	Currently None - subject to possible future investigation

**45.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:		
Opening balance	47 922 780	31 955 599
Irregular Expenditure current year	-	15 967 181
Irregular Expenditure awaiting condonement	<b>47 922 780</b>	<b>47 922 780</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
Incident	Disciplinary Steps / Criminal Proceedings	
<b>2007/2008:</b>		
Irregular expenditure incurred on study loans to employees contrary to section 164(1)(c) of the MFMA	401 371	Currently None - subject to possible future investigation
Performance bonuses paid to section 57 employees contrary to regulation 8, 23 and 34 of GRN 805 of August 2006, read with section 129(1) of the MFMA.	358 665	Currently None - subject to possible future investigation
<b>2008/2009:</b>		
Contrary to regulation 12, 16 and 17 of the Supply Chain Management Policy, 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
42 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
42.1 Contrary to regulation 12, 16 and 17 of the Supply Chain Management Policy, the municipality did not obtain three written quotations when procuring goods or services from close family members of persons in the service of the state.	1 479 477	Currently None - subject to possible future investigation
Procurement irregularities occurred regarding a cell phone contract which was entered into with a service provider in terms of Regulation 19 of the GRN 868 of 30 May 2005: Municipal Supply Chain Management Regulations.	6 500 000	Currently None - subject to possible future investigation
<b>2010/2011:</b>		
Overpayment of acting allowances to officials	1 144 228	Currently None - subject to possible future investigation
Supply chain compliance not followed	3 718 462	Currently None - subject to possible future investigation
<b>2011/2012:</b>		
Supply chain compliance not followed	10 129 648	Currently None - subject to possible future investigation
Supply chain compliance not followed	5 837 533	Currently None - subject to possible future investigation

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 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	-	-	
Council Subscriptions	2 272 148	762 698	
Amount Paid - current year	-	(762 698)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (included in Creditors)</b>	<b>2 272 148</b>	<b>-</b>	
<b>46.2 Audit Fees</b>			
44.4 Opening Balance	7 601 114	3 079 819	
Current year Audit Fee	3 488 078	6 088 427	
Amount Paid - current year	(3 925 868)	(1 567 132)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (included in Creditors)</b>	<b>7 163 324</b>	<b>7 601 114</b>	
<b>46.3 VAT</b>			
44.5 The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have			
<b>46.4 PAYE, Skills Development Levy and UIF</b>			
Opening Balance	6 058 989	-	
Current year Payroll Deductions	19 670 775	19 441 501	
Amount Paid - current year	(18 508 680)	(13 382 512)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (included in Creditors)</b>	<b>7 221 084</b>	<b>6 058 989</b>	
<b>46.5 Pension and Medical Aid Deductions</b>			
Opening Balance	11 928 255	-	
Current year Payroll Deductions and Council Contributions	43 603 856	40 753 931	
Amount Paid - current year	(51 939 507)	(28 825 676)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (included in Creditors)</b>	<b>3 592 604</b>	<b>11 928 255</b>	
<b>46.6 Councillor's arrear Consumer Accounts</b>			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
<b>30 June 2013</b>		<b>Outstanding more than 90 days</b>	
Councillor Ntshiza		1 175	
Councillor Kettledas		2 741	
Councillor Baxter		444	
Councillor Koluti		415	
<b>Total Councillor Arrear Consumer Accounts</b>		<b>4 774</b>	
<b>30 June 2012</b>		<b>Outstanding more than 90 days</b>	
MELENI	TN	1 026	
OLIPHANT	PJ&XD	8 239	
MAHLATHINI	ME	6 048	
BAXTER	F	1 172	
<b>Total Councillor Arrear Consumer Accounts</b>		<b>7 220</b>	
<b>46.7 Non-Compliance with the Municipal Finance Management Act</b>			
<b>Description</b>	<b>Chapter</b>	<b>Section</b>	<b>Sub-section</b>
Preparation and adoption of annual reports	12	121	(1)
Oversight reports on annual reports	12	129	(1)

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**                      **2012**  
**R**                                      **R**

**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	Date	Successful Tenderer	Reason	Amount
Community Services	Year 2012/13	Various occasions (7)	Various reasons like preferred supplier, sole supplier and urgency	481,357.16
<i>7 Procuring Uniform, Permit books, Licence Cards, Fire Fighting Equipment.</i>				
LED Tourism 1 Urgency visit - minister of energy	Year 2012/13	Various occasions (1)	Urgency	72,332.50
Corporate Support Services	Year 2012/13	Various occasions (35)	Various reasons like emergency, preferred supplier, etc	2,474,878.85
<i>35 Procuring Services ie Legal, Lease, Sanitary Dispensers &amp; Maint. High Sites</i>				
Technical Services	Year 2012/13	Various occasions (63)	Various reasons like emergency, preferred supplier, etc	7,935,737.51
<i>63 Procuring, Chemicals, Asphalt- Road Repairs, Sewer &amp; Water Pumps, Flood - Repairs</i>				
Financial Services	Year 2012/13	Various occasions (67)	Sole agent, sole supplier and urgency	4,887,476.29
<i>67 Procuring Services Vehicle Repair, Mailing, Cash in Transit, Training, Stock Items.</i>				

**2013**                      **2012**  
**R**                                      **R**

**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 2013</b>	Unaccounted Electricity Losses	6 851 379	0.7989	5 473 567
<b>30 June 2012</b>	Unaccounted Electricity Losses	14 346 241	0.6900	9 898 906

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.

	2013 R	2012 R
<b>Volumes in kWh/year:</b>		
System Input Volume	227 102 350	171 141 093
Billed Consumption	202 082 783	148 623 565
Distribution Loss	18 168 188	14 171 287
Unaccounted loss	6851379.00	8346241.00
Unaccounted loss percentage	3.02%	4.88%



**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

		2013 R	2012 R
<b>46.10 Water:</b>			
	<b>Lost Units</b>	<b>Tariff</b>	<b>Value</b>
<b>30 June 2013</b>	Unaccounted Water Losses	2 477 182	9 140 802
<b>30 June 2012</b>	Unaccounted Water Losses	2 506 681	8 171 780

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water

**47 COMMITMENTS FOR EXPENDITURE**

**61.1 Capital Commitments**

The municipality had no capital commitments at year-end.

**48 FINANCIAL INSTRUMENTS**

**48.1 Classification**

**FINANCIAL ASSETS:**

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

<u>Financial Assets</u>	<u>Classification</u>		
<b>Non-Current Assets</b>			
Long-term Receivables (including short term portion)	Amortised cost	336 529	385 900
<b>Current Assets</b>			
Receivables from Exchange Transactions	Amortised cost	27 593 890	30 110 948
Receivables from Non-exchange Transactions	Amortised cost	33 638 017	33 395 853
Current Investments	Amortised cost	18 540 246	17 401 277
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Long-term Receivables		336 529	385 900
Receivables from Exchange Transactions		27 593 890	30 110 948
Receivables from Non-exchange Transactions		33 638 017	33 395 853
Cash and Cash Equivalents		18 540 246	17 401 277
		<u>80 108 682</u>	<u>81 293 978</u>
<b>Total Financial Assets</b>		<u><b>80 108 682</b></u>	<u><b>81 293 978</b></u>

**FINANCIAL LIABILITIES:**

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

<u>Financial Liabilities</u>	<u>Classification</u>		
<b>Non-Current Liabilities</b>			
Long-term Liabilities	Amortised cost	70 903 735	71 191 313
Non-current Provisions	Amortised cost	-	-
<b>Current Liabilities</b>			
Consumer Deposits	Amortised cost	8 693 418	7 606 800
Provisions	Amortised cost	-	-
Payables from Exchange Transactions	Amortised cost	102 866 449	106 913 509
Payables from Non-exchange Transactions	Amortised cost	4 655 823	4 986 764
Unspent Conditional Grants and Receipts	Amortised cost	9 231 931	13 104 861
Short-term Loans	Amortised cost	22 524 330	27 605 937
Bank Overdraft	Amortised cost	1 970 751	1 116 719
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial Liabilities at Amortised Cost:</b>			
Long-term Liabilities	Amortised cost	70 903 735	71 191 313
Non-current Provisions	Amortised cost	-	-
Consumer Deposits	Amortised cost	8 693 418	7 606 800
Provisions	Amortised cost	-	-
Payables from Exchange Transactions	Amortised cost	102 866 449	106 913 509
Payables from Non-exchange Transactions	Amortised cost	4 655 823	4 986 764
Unspent Conditional Grants and Receipts	Amortised cost	9 231 931	13 104 861
Short-term Loans	Amortised cost	22 524 330	27 605 937
Bank Overdraft	Amortised cost	1 970 751	1 116 719
		<u>220 846 437</u>	<u>232 525 903</u>
<b>Total Financial Liabilities</b>		<u><b>220 846 437</b></u>	<u><b>232 525 903</b></u>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013	2012
	R	R

**48.2 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and funds, reserves and accumulated surplus. The municipality's overall strategy remains unchanged from 2012.

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

**48.3 Gearing Ratio**

	2013	2012
	R	R

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

Debt	326 727 210	328 675 400
Cash and Cash Equivalents	18 540 246	17 401 277
 Net Debt	 309 325 933	 328 675 400
 Equity	 2 697 998 938	 2 734 837 263
 <b>Net debt to equity ratio</b>	 <b>11.47%</b>	 <b>12.02%</b>

Debt is defined as Long and Short-term Liabilities.

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

**FINANCIAL RISK MANAGEMENT OBJECTIVES**

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

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

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

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**SIGNIFICANT RISKS**

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

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

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

Risks and exposures are disclosed as follows:

**Market Risk**

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

**Credit Risk**

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

**Liquidity Risk**

48.3.1 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.

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**                      **2012**  
**R**                                      **R**

**MARKET RISK MANAGEMENT**

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

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

The municipality manages its interest rate risk by:

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

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

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

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

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

**Interest Rate Sensitivity Analysis**

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

Account heading	2013	2012	2013 - effect of change in 50 basis points	2012 - effect of change in 50 basis points
	R	R	R	R
Current Investments	18 540 246	17 401 277	92 701	87 006
Bank Overdraft	1 970 751	1 116 719	9 854	5 584

**CREDIT RISK MANAGEMENT**

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

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

**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

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

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Interest is levied on overdue accounts.

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

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

- |  | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|
|  | <b>R</b>    | <b>R</b>    |
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
  - The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
  - Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

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

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

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

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

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

**LIQUIDITY RISK MANAGEMENT**

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

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

	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
Bank overdraft		
< 3 months	-	-
> 3 months	1 970 751	1 116 719
Consumer Deposits		
< 3 months	-	-
> 3 months	8 693 418	7 606 800
Payables from Exchange Transactions		
< 3 months	102 866 449	106 913 509
> 3 months	-	-
Payables from Non-exchange Transactions		
< 3 months	-	-
> 3 months	4 655 823	4 986 764
Unspent Conditional Grants and Receipts		
< 3 months	-	-
> 3 months	9 231 931	13 104 861
Current Portion of Long-term Liabilities		
< 3 months	-	-
> 3 months	22 524 330	27 605 937
Annuity Loans		
< 3 months	-	-
> 3 months	70 903 735	71 191 313
	<b>220 846 437</b>	<b>232 525 903</b>

**KOUGA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

2013  
R                      2012  
R

**49 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise. No related party transactions were identified.

**49.1 Loans granted to Related Parties**

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

**49.2 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

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

<b>Managers</b>	<b>Names</b>	<b>Family Member</b>	<b>Department</b>	<b>Relationship</b>	<b>Remuneration</b>
Expenditure	L. Jenneker	M. Jenneker	Comm. Services	Daughter	119 028
Asset & Fleet	S. Baartman	N. Baartman	Expenditure	Daughter	123 984
Asset & Fleet	S. Baartman	E. Welcome	Income	Daughter	119 028
Electrical	A. Marais	B. Marais	Technical Services	Son	148 380
<b>Councillors</b>					
Mayor	B. Koerat	F. Muller	Comm. Services	Daughter	185 436
Mayor	B. Koerat	C. Kettleidas	Budget & Treasury	Daughter	209 916
Ward 2	E. Hill	M. Hill	Expenditure	Wife	121 452
Ward 6	P. Oliphant	D. Oliphant	Comm. Services	Wife	150 660
Ward 9	L. Ntshiza	J.Ntshiza	Comm. Services	Wife	121 452
Ward 14	T. Meleni	S. Meleni	Comm. Services	Wife	105 960
Proportional	D. Kettleidas	C. Witbooi	Human Resources	Cousin	121 452

The municipality did not buy goods from any companies which can be considered to be Related Parties.

**50 CONTINGENT LIABILITIES**

(i) Council is involved in a dispute with different individuals as at 30 June 2013:

Claims against the municipality	19 483 661	19 915 702
Possible legal fees	1 008 925	1 628 745

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

20 000 000                      20 000 000

**40 492 586**                      **41 544 447**

**51 IN-KIND DONATIONS AND ASSISTANCE**

During the year the Department of Local Government and traditional affairs paid R1.9 million on behalf of the municipality to the Office of the Auditor General to assist with the audit fees.

**52 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2013.

**53 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

(i) During May 2013 the Council adopted the 2014/14 to 2015/16 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 weekly and 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 ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

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

**APPENDIX A  
KOUGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance previously reported as at 30/06/2011	Corrections	Restated balances at 30/06/2011	Received / Recognised during the year	Redemption during the year	Balance at 30/06/2012	Received / Recognised during the year	Redemption during the year	Balance at 2013/06/30	Current portion Redemption 2013	Non-current liability 30/06/2014
	R	%			R		R	R	R	R	R	R	R		
<b>ANNUITY LOANS:</b>															
<b>ABSA</b>															
ABSA	166 000	14.50%	528	30/11/2016	106 676	-	106 676	-	(11 195)	95 481	-	(11 559)	83 921	(11 435)	72 486
<b>Total ABSA</b>	<b>166 000</b>				<b>106 676</b>	<b>-</b>	<b>106 676</b>	<b>-</b>	<b>(11 195)</b>	<b>95 481</b>	<b>-</b>	<b>(11 559)</b>	<b>83 921</b>	<b>(11 435)</b>	<b>72 486</b>
<b>ASDR</b>															
ASDR	150 000	14.25%	513	30/12/2011	11 426	-	11 426	-	814	12 240	-	(12 240)	-	-	-
<b>Total ASDR</b>	<b>150 000</b>				<b>11 426</b>	<b>-</b>	<b>11 426</b>	<b>-</b>	<b>814</b>	<b>12 240</b>	<b>-</b>	<b>(12 240)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cacadu</b>	<b>788 870</b>							<b>788 870</b>		788 870			788 870	(788 870)	-
<b>Total Cacadu</b>	<b>788 870</b>							<b>788 870</b>	<b>-</b>	<b>788 870</b>	<b>-</b>	<b>-</b>	<b>788 870</b>	<b>(788 870)</b>	<b>-</b>
<b>DBSA</b>															
	6 128 561	11.185%		30/09/2024	5 789 998		5 789 998	671 864		6 461 863	440 423.55		6 902 286	(1 223 967)	5 678 320
	33 112 638	14.610%		30/09/2016	24 565 402		24 565 402	3 725 036		28 290 438	1 257 731.74		29 548 170	(7 235 256)	22 312 913
	6 000 000	9.265%		31/03/2016	4 792 936		4 792 936	503 546		5 296 482	361 013.29	(799 432.77)	4 858 063	1 472 392	6 330 454
	1 600 000	8.995%		31/03/2013	932 922		932 922	103 716		1 036 638	(1 036 638.00)		-	-	-
	20 000 000	11.180%		30/06/2017	22 176 338		22 176 338	2 624 986.61		24 801 325	1 690 397.78		26 491 723	(6 358 446)	20 133 276
<b>Total DBSA</b>	<b>66 841 199</b>				<b>58 257 596</b>	<b>0</b>	<b>58 257 596</b>	<b>7 629 149</b>	<b>0</b>	<b>65 886 746</b>	<b>3 749 566</b>	<b>(1 836 071)</b>	<b>67 800 241</b>	<b>(13 345 278)</b>	<b>54 454 964</b>
<b>Total INCA</b>	<b>71 157 199</b>	11.88%		30/06/2016	18 796 354.66		18 796 355	300 092.77	(4 636 298)	14 460 149		(1 502 451)	12 957 699	(2 622 336)	10 335 362
	<b>71 157 199</b>				<b>18 796 354.66</b>	<b>-</b>	<b>18 796 355</b>	<b>300 093</b>	<b>(4 636 298)</b>	<b>14 460 149</b>	<b>-</b>	<b>(1 502 451)</b>	<b>12 957 699</b>	<b>(2 622 336)</b>	<b>10 335 362</b>
<b>Total Annuity Loans</b>	<b>139 103 268</b>				<b>77 172 053.20</b>		<b>77 172 053</b>	<b>8 718 112</b>	<b>(4 646 679)</b>	<b>81 243 486</b>	<b>3 749 566</b>	<b>(3 362 321)</b>	<b>81 630 731</b>	<b>(16 767 919)</b>	<b>64 862 812</b>
<b>CAPITALISED LEASE LIABILITIES:</b>															
<b>Wesbank</b>															
Wesbank - sewerage tr	922 982	14.00%	533	28/02/2011	175 701	-	175 701	-	(175 701)	-	-	-	-	-	-
Wesbank - P.O.S	107 520	15.409%	534	30/06/2010	-	-	-	-	-	-	-	-	-	-	-
Wesbank - P.O.S	133 046	14.489%	535	31/08/2010	5 798	-	5 798	-	(5 798)	-	-	-	-	-	-
Wesbank - Health	119 350	14.00%	536	31/07/2008	32 404	-	32 404	-	(32 404)	-	-	-	-	-	-
Wesbank - Health	119 350	14.00%	537	31/08/2011	34 841	-	34 841	-	(34 841)	-	-	-	-	-	-
Wesbank	420 215	14.00%	547	31/07/2012	181 994	-	181 994	-	(181 994)	-	-	-	-	-	-
<b>Total Wesbank</b>	<b>1 822 463</b>				<b>430 738</b>	<b>-</b>	<b>430 738</b>	<b>-</b>	<b>(430 738)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating leases reclassified as finance leases</b>					<b>22 457 039</b>		<b>22 457 039</b>		<b>(4 903 275)</b>	<b>17 553 764</b>		<b>(5 756 411)</b>	<b>11 797 353</b>	<b>(5 756 411)</b>	<b>6 040 942</b>
<b>Total capitalised lease</b>	<b>1 822 463</b>				<b>22 887 777</b>	<b>-</b>	<b>22 887 777</b>	<b>-</b>	<b>(5 334 013)</b>	<b>17 553 764</b>	<b>-</b>	<b>(5 756 411)</b>	<b>11 797 353</b>	<b>(5 756 411)</b>	<b>6 040 942</b>
<b>TOTAL EXTERNAL</b>	<b>140 925 731</b>				<b>100 059 830</b>	<b>-</b>	<b>100 059 830</b>	<b>8 718 112</b>	<b>-9 980 692</b>	<b>98 797 250</b>	<b>3 749 566</b>	<b>-9 118 732</b>	<b>93 428 083</b>	<b>(22 524 330)</b>	<b>70 903 754</b>

**APPENDIX B**  
**KOUGA LOCAL MUNICIPALITY**  
**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 June 2013**

Description	Historical Cost			Revaluation		Cost / Revaluation				Accumulated Depreciation			Carrying Value	Assets Held for Sale
	Opening Balance 1 July 2012	Additions 12/13	Closing Balance	Opening Balance	Closing Balance	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Additions 12/13	Closing Balance		
	R		R	R	R	R	R	R	R	R	R	R		
<b>INFRASTRUCTURE</b>														
Roads, Pavements, Bridges and Storm Water	1 691 881 560		1 691 881 560	1 691 881 559.52	1 691 881 560		-	-	1 691 881 560	429 419 471	40 336 547	469 756 018	1 222 125 541	-
Water Reservoirs and Reticulation	403 153 549	<b>2 374 326.62</b>	405 527 875	405 527 875.15	405 527 875	-	2 374 326.62	2 374 327	405 527 875	147 934 193	8 459 639	156 393 832	249 134 043	-
Car Parks, Bus Terminals and Taxi Ranks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Reticulation	285 512 434	<b>5 265 602.01</b>	290 778 036	290 778 035.54	290 778 036	-	5 265 602.01	5 265 602	290 778 036	132 551 715	5 341 671	137 893 386	152 884 650	-
Sewerage Purification and Reticulation	265 525 200	<b>20 861 497.73</b>	286 386 698	286 386 697.57	286 386 698	-	20 861 497.73	20 861 498	286 386 698	97 817 833	6 785 952	104 603 785	181 782 912	-
Street Lighting	4 147 663	<b>130 015.00</b>	4 277 678	4 277 678.10	4 277 678	-	130 015.00	130 015	4 277 678	353 563	165 907	519 469	3 758 209	-
Solid Waste	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2 650 220 389</b>	<b>28 631 441.36</b>	<b>2 678 851 830</b>	<b>2 678 851 829.87</b>	<b>2 678 851 846</b>	-	<b>28 631 441</b>	<b>28 501 426</b>	<b>2 678 851 846</b>	<b>808 076 774</b>	<b>61 089 716</b>	<b>869 166 490</b>	<b>1 809 685 356</b>	-
<b>HERITAGE</b>														
Heritage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>HOUSING</b>														
Housing Schemes	2 920		2 920	2 920.00	2 920	2 920	-	-	2 920				2 920	-
<b>Total</b>	<b>2 920</b>		<b>2 920</b>	<b>2 920.00</b>	<b>2 920</b>	<b>2 920</b>	-	-	<b>2 920</b>				<b>2 920</b>	-
<b>OTHER ASSETS</b>														
Motor Vehicles	33 978 129		33 978 129	33 978 129.14	33 978 129	33 978 129	-	-	33 978 129	9 825 926	2 917 415	12 743 341	21 234 788	-
Computer equipment	-		-	-	-	-	-	-	-	-	-	-	-	-
Bins and equipment	-		-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	7 141 043	<b>59 228.05</b>	7 200 271	7 200 271.05	7 200 271	7 200 271	-	-	7 200 271	3 499 778	1 010 943	4 510 721	2 689 550	-
Specialised vehicles	1 471 489		1 471 489	1 471 488.96	1 471 489	1 471 489	-	-	1 471 489	402 891	101 883	504 774	966 715	-
Plant and Equipment	7 785 951	<b>117 890.94</b>	7 903 842	7 903 841.53	7 903 842	7 903 842	-	-	7 903 842	4 381 944	610 111	4 992 055	2 911 786	-
Office Equipment	7 638 072	<b>233 710.67</b>	7 871 783	7 871 782.67	7 871 783	7 871 783	-	-	7 871 783	4 277 027	1 078 679	5 355 706	2 516 076	-
Town planning	-		-	-	-	-	-	-	-	-	-	-	-	-
Security Measures	303 771		303 771	303 771.42	303 771	303 771	-	-	303 771	77 333	11 368	88 701	215 070	-
Emergency Equipment	201 807	<b>133 955.25</b>	335 762	335 762.11	335 762	335 762	-	-	335 762	91 211	34 163	125 374	210 388	-
<b>Total</b>	<b>58 520 262</b>	<b>544 784.91</b>	<b>59 065 047</b>	<b>59 065 046.88</b>	<b>59 065 047</b>	<b>59 065 047</b>	-	-	<b>59 065 047</b>	<b>22 556 110</b>	<b>5 764 563</b>	<b>28 320 673</b>	<b>30 744 374</b>	-
<b>LAND &amp; BUILDINGS</b>														
Civic Land & Buildings	-		-	-	-	-	-	-	-	-	-	-	-	-
Vacant land	-		-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields - Land	7 528 000		7 528 000	7 528 000.00	7 528 000	7 528 000	-	-	7 528 000	-	-	-	7 528 000	-
Land held for Sale	99 193 500		99 193 500	99 193 500.00	99 193 500	99 193 500	-	-	99 193 500	-	-	-	99 193 500	-
Buildings - held for Sale	80 119 500		80 119 500	80 119 500.00	80 119 500	80 119 500	-	-	80 119 500	-	-	-	80 119 500	-
Investment property - Buildings	13 848 500		13 848 500	13 848 500.00	13 848 500	13 848 500	-	-	13 848 500	4 708 490	553 940	5 262 430	8 586 070	-
Investment property - Land	57 027 000		57 027 000	57 027 000.00	57 027 000	57 027 000	-	-	57 027 000	-	-	-	57 027 000	-
Community Halls - Land	23 769 000		23 769 000	23 769 000.00	23 769 000	23 769 000	-	-	23 769 000	-	-	-	23 769 000	-
Libraries - Land	445 000		445 000	445 000.00	445 000	445 000	-	-	445 000	-	-	-	445 000	-
Clinics - Land	679 000		679 000	679 000.00	679 000	679 000	-	-	679 000	-	-	-	679 000	-
Cemetery - Land	3 400 000		3 400 000	3 400 000.00	3 400 000	3 400 000	-	-	3 400 000	-	-	-	3 400 000	-
Land	702 488 150		702 488 150	702 488 150.00	702 488 150	702 488 150	-	-	702 488 150	-	-	-	702 488 150	-
Parks - Land	41 672 000		41 672 000	41 672 000.00	41 672 000	41 672 000	-	-	41 672 000	-	-	-	41 672 000	-
Buildings	90 026 369		90 026 369	90 026 368.80	90 026 369	90 026 369	-	-	90 026 369	29 440 014	4 107 234	33 547 248	56 479 121	-
<b>Total</b>	<b>1 120 196 019</b>		<b>1 120 196 019</b>	<b>1 120 196 018.80</b>	<b>1 120 196 019</b>	<b>1 120 196 019</b>	-	-	<b>1 120 196 019</b>	<b>34 148 504</b>	<b>4 661 174</b>	<b>38 809 678</b>	<b>1 081 386 341</b>	-
Finance leased assets	38 153 432		38 153 432	38 153 431.93	38 153 432	38 153 432			38 153 432	23 584 121.64	5 554 503.92	29 138 626	9 014 806	
<b>Total</b>	<b>38 153 432</b>		<b>38 153 432</b>	<b>38 153 431.93</b>	<b>38 153 432</b>	<b>38 153 432</b>	-	-	<b>38 153 432</b>	<b>23 584 122</b>	<b>5 554 504</b>	<b>29 138 626</b>	<b>9 014 806</b>	-

**KOUGA LOCAL MUNICIPALITY**  
**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 June 2013**

Description	Historical Cost			Revaluation		Cost / Revaluation				Accumulated Depreciation			Carrying Value	Assets Held for Sale
	Opening Balance	Additions 12/13	Closing Balance	Opening Balance	Closing Balance	Opening Balance	Additions	Under Construction	Closing Balance	opening Balance	Additions 12/13	Closing Balance		
	R		R	R	R	R	R	R	R	R	R	R		
<b>Intangible Assets</b>														
Computer Software	603 458	<b>57 198.34</b>	660 657	660 656.79	660 657	660 657	-	-	660 657	453 012	86 057	539 070	121 587	-
Service and Operating Rights & Other	-		-	-	-	-	-	-	-	-	-	-	-	-
Valuation Roll	-		-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>603 458</b>	<b>57 198.34</b>	<b>660 657</b>	<b>660 656.79</b>	<b>660 657</b>	<b>660 657</b>	-	-	<b>660 657</b>	<b>453 012</b>	<b>86 057</b>	<b>539 070</b>	<b>121 587</b>	-
<b>Total Fixed Asset Register</b>	<b>3 867 696 480</b>	<b>29 233 424.61</b>	<b>3 896 929 904</b>	<b>3 896 929 904.27</b>	<b>3 896 929 904</b>	<b>3 896 929 904</b>			<b>3 896 929 920</b>	<b>888 818 522</b>	<b>71 601 510</b>	<b>965 974 536</b>	<b>2 930 955 384</b>	-

**APPENDIX C**  
**KOUGA LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 June 2013**

Description	Historical Cost					Cost / Revaluation				Accumulated Depreciation		Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Under Construction		Under Construction	Closing Balance	Opening Balance	Closing Balance	
						Balance b/f	Added					
R	R	R	R	R	R	R	R	R	R	R	R	
Executive and Council												
Finance and Administration	1 058 738 162	410 830	-	-	1 059 148 992				1 059 148 992	70 952 421.84	85 800 416.61	973 348 575.22
Planning and Development	8 089 722		-	-	8 089 722				8 089 722	4 459 276.66	4 992 055.21	3 097 666.80
Community and Social Services	69 965 000		-	-	69 965 000				69 965 000	-	-	69 965 000.00
Housing	2 920		-	-	2 920				2 920	-	-	2 920.00
Public Safety	1 673 296	133 955	-	-	1 807 251				1 807 251	168 543.70	214 075.13	1 593 176.12
Sport and Recreation	7 528 000		-	-	7 528 000				7 528 000	-	-	7 528 000.00
Waste Management	265 525 245	20 933 730.21	-	-	286 458 975		20 933 730.21	20 933 730	286 458 975	97 817 832.96	104 603 781.70	181 855 193.35
Roads and Transport	1 691 881 560		-	-	1 691 881 560		-	-	1 691 881 560	429 419 471.13	469 756 018.10	1 222 125 541.42
Water	403 153 533	2 374 326.62	-	-	405 527 859		2 374 326.62	2 374 327	405 527 859	147 934 192.94	156 393 832.30	249 134 026.85
Electricity	289 660 097	5 395 617.01	-	-	295 055 714		5 395 617.01	5 395 617	295 055 714	132 905 276.80	138 412 854.30	156 642 859.34
<b>Total PPE</b>	<b>3 796 217 534</b>	<b>29 248 459</b>	<b>-</b>	<b>-</b>	<b>3 825 465 992</b>		<b>28 703 674</b>	<b>28 703 674</b>	<b>3 825 465 992</b>	<b>883 657 016.03</b>	<b>960 173 033.35</b>	<b>2 865 292 959</b>
Investment assets	70 875 500				70 875 500				70 875 500	4 708 490	5 262 430.00	65 613 070
Intangible assets	603 458	57 198			660 657				660 657	453 012	539 069.14	121 588
<b>Total Assets Register</b>	<b>3 867 696 492</b>	<b>29 305 657</b>			<b>3 897 002 149</b>		<b>28 703 674</b>	<b>28 703 674</b>	<b>3 897 002 149</b>	<b>888 818 518.25</b>	<b>965 974 532.49</b>	<b>2 931 027 617</b>



**APPENDIX D**  
**KOUGA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

2012 Actual Income	2012 Budgeted Income	2012 Actual Expenditure	2012 Budgeted Expenditure	2012 Surplus/ (Deficit)	Description	Vote Number	2013 Actual Income	2013 Budgeted Income	2013 Actual Expenditure	2013 Budgeted Expenditure	2013 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
-	-	23 818 749	24 598 648	(23 818 749)	Executive and Council		2 100	2 100	23 527 526	25 799 617	(23 525 426)
-	-	13 984 482	14 145 119	(13 984 482)	Council	130	2 100	2 100	15 651 197	16 274 707	(15 649 097)
-	-	932 113	976 999	(932 113)	Executive Mayor	530	-	-	968 979	1 144 548	(968 979)
-	-	307 604	300 808	(307 604)	Executive Mayor: Secretariate	531	-	-	-	-	-
-	-	456 730	483 736	(456 730)	MM: Media	572	-	-	488 867	568 745	(488 867)
-	-	584 171	593 698	(584 171)	MM: PMS	571	-	-	622 734	618 514	(622 734)
-	-	1 176 268	1 191 239	(1 176 268)	MM: Risk Management	229	-	-	411 046	478 336	(411 046)
-	-	299 878	300 278	(299 878)	MM: Secretariate	573	-	-	-	-	-
-	-	6 077 503	6 606 771	(6 077 503)	Municipal Manager	570	-	-	5 384 704	6 714 767	(5 384 704)
-	-	-	-	-			-	-	-	-	-
151 659 243	154 671 466	100 580 025	71 334 952	51 079 218	Finance and Administration		174 241 699	171 769 094	91 552 586	79 029 443	82 689 113
105 509 075	106 607 377	2 971 116	3 260 000	102 537 960	Finance: Assessment Rates	030	115 743 439	116 931 368	1 296 495	2 270 000	114 446 944
-	-	12 563 519	1 270 906	(12 563 519)	Finance: Asset & Fleet Management	226	-	-	12 493 651	7 187 034	(12 493 651)
946 448	572 056	3 345 012	4 408 209	(2 398 563)	Finance: Budget & Financial Reporting	221	1 236 465	604 093	3 619 480	3 832 531	(2 383 015)
39 908 406	43 282 072	3 239 567	3 686 174	36 668 839	Finance: CFO	220	51 332 301	49 779 045	1 424 759	3 184 464	49 907 543
287 526	256 132	12 061 143	3 297 012	(11 773 617)	Finance: Expenditure	222	377 101	270 477	12 254 643	3 440 489	(11 877 543)
5 010 989	3 948 741	42 623 878	32 044 180	(37 612 889)	Finance: Revenue	223	4 719 469	4 166 761	32 366 406	32 954 976	(27 646 937)
17 911	-	1 271 453	1 322 232	(1 253 542)	Finance: SCM	228	42 064	11 976	1 361 558	1 398 845	(1 319 494)
-	-	252 963	253 830	(252 963)	Finance: Secretariate	225	-	-	-	-	-
74 133	2 597	1 668 525	1 242 015	(1 594 392)	Finance: Stores	227	741 096	2 743	1 317 133	1 349 385	(576 038)
-	-	962 030	921 936	(962 030)	Mechanical Workshop	550	-	-	1 085 353	1 110 204	(1 085 353)
-	-	3 443 768	3 461 505	(3 443 768)	Human Resources	333	-	-	3 614 730	3 700 517	(3 614 730)
1 246	2 491	14 566 597	14 747 102	(14 565 352)	Corporate Services	121	25 113	2 631	18 971 548	16 869 557	(18 946 434)
(96 491)	-	1 610 455	1 419 851	(1 706 947)	Corporate Services: Director	120	24 651	-	1 746 829	1 731 441	(1 722 178)
-	-	-	-	-			-	-	-	-	-
1 941 829	1 224 154	11 504 211	10 457 673	(9 562 381)	Planning and Development		1 497 215	1 292 720	10 893 924	13 889 307	(9 396 709)
-	-	174 097	88 548	(174 097)	Economic Development: Agriculture	171	-	-	311 309	410 189	(311 309)
-	-	391 108	390 187	(391 108)	Economic Development: Business	172	-	-	418 820	541 895	(418 820)
423 314	232 680	1 817 305	797 264	(1 393 991)	Economic Development: General	170	47 798	245 711	737 268	1 796 367	(689 469)
-	-	380 608	564 065	(380 608)	Economic Development: Tourism	173	-	-	701 827	929 275	(701 827)
50 000	-	2 081 059	1 986 114	(2 031 059)	IDP/LED	340	-	-	1 734 982	1 880 352	(1 734 982)
-	-	687 751	842 016	(687 751)	Social Development	790	-	-	850 785	992 330	(850 785)
-	-	944 258	953 918	(944 258)	Director Planning and Development	701	-	-	-	-	-
1 468 515	991 474	5 028 025	4 835 561	(3 559 510)	Planning & Development	700	1 449 417	1 047 009	6 138 933	7 338 899	(4 689 516)
-	-	-	-	-			-	-	-	-	-
-	-	-	-	-	Health		-	-	-	-	-
-	-	-	-	-	Clinic AndriesKRaal	323	-	-	-	-	-
-	-	-	-	-	Clinic Kwanomzamo	321	-	-	-	-	-
-	-	-	-	-	Clinic Pellsrus	322	-	-	-	-	-
-	-	-	-	-	Health (Primary)	320	-	-	-	-	-
-	-	-	-	-			-	-	-	-	-
5 993 715	2 056 794	10 297 082	11 780 082	(4 303 366)	Community and Social Services		14 729 851	6 414 143	11 296 050	14 410 471	3 433 801
4 192 462	162 490	470 833	600 865	3 721 630	Cemeteries	110	10 874 028	171 592	499 267	1 254 366	10 374 761
4 858	7 228	100 867	731 368	(96 009)	Kouga Cultural Centre	400	645	7 633	107 172	834 853	(106 527)
247 123	17 573	3 433 383	3 567 410	(3 186 260)	Libraries	500	2 103 386	4 184 842	3 590 727	4 215 290	(1 487 341)
-	-	125 125	124 281	(125 125)	Museum	580	(81 436)	81 436	132 408	195 630	(213 844)
29 152	5 263	2 243 786	2 095 534	(2 214 634)	Beach	040	-	-	2 672 107	2 453 322	(2 672 107)
-	-	404 605	478 899	(404 605)	Blue Flag	041	-	-	110 463	610 095	(110 463)
1 519 880	1 863 880	2 775 573	2 714 491	(1 255 692)	Caravan Parks	100	1 832 283	1 968 259	2 792 212	3 758 657	(959 928)
-	-	33 362	314 790	(33 362)	Community & Social Services: Director	791	-	-	830 176	764 266	(830 176)
240	360	709 549	1 152 444	(709 309)	Community Services	115	944	381	561 519	323 992	(560 575)

**APPENDIX D  
KOUGA MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

2012 Actual Income	2012 Budgeted Income	2012 Actual Expenditure	2012 Budgeted Expenditure	2012 Surplus/ (Deficit)	Description	Vote Number	2013 Actual Income	2013 Budgeted Income	2013 Actual Expenditure	2013 Budgeted Expenditure	2013 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
-	-	3 601 652	3 694 630	(3 601 652)	Housing		-	-	3 690 862	4 183 395	(3 690 862)
-	-	3 601 652	3 694 630	(3 601 652)	Housing Services	325	-	-	3 690 862	4 183 395	(3 690 862)
10 924 364	19 274 746	23 863 554	24 295 900	(12 939 189)	Public Safety		9 378 696	20 351 906	26 111 802	29 252 430	(16 733 105)
1 057	2 114	8 172 412	8 487 508	(8 171 355)	Fire Services	230	-	-	10 700 818	11 771 038	(10 700 818)
-	-	398 455	581 771	(398 455)	Disaster Management	140	-	-	814 803	1 111 761	(814 803)
8 070 826	16 412 087	4 242 708	4 125 308	3 828 119	National Traffic	590	8 391 268	17 331 170	4 135 549	4 577 073	4 255 719
2 852 481	2 860 545	11 049 979	11 101 313	(8 197 498)	Protection Services	710	987 429	3 020 736	10 460 632	11 792 558	(9 473 203)
-	-	19 904 874	19 861 466	(19 904 874)	Sport and Recreation		124	124	21 216 327	22 492 510	(21 216 203)
-	-	19 440 929	19 359 061	(19 440 929)	Parks & Open Space	680	-	-	20 692 622	20 947 672	(20 692 622)
-	-	463 945	502 405	(463 945)	Sport & Recreation	800	124	124	523 705	1 544 838	(523 581)
12 875 224	13 562 170	7 651 250	11 703 387	5 223 974	Environmental Protection		13 078 116	10 243 483	9 574 770	12 248 385	3 503 346
1 646 162	159 729	2 209 089	2 554 101	(562 927)	Environmental Health	210	1 749 060	557 281	2 464 447	2 770 742	(715 387)
390 059	628 188	88 405	156 757	301 654	Nature Reserves	600	377 037	663 370	10 724	258 934	366 313
10 839 003	12 774 253	5 353 756	8 992 529	5 485 247	Environmental Management Fee	731	10 952 019	9 022 832	7 099 598	9 218 709	3 852 421
77 832 585	66 570 845	61 025 158	54 655 249	16 807 427	Waste Management		87 189 963	83 296 441	60 856 014	65 074 388	26 333 949
304 509	303 167	5 000 543	5 368 863	(4 696 035)	Sanitation	750	334 618	330 453	4 742 627	5 107 596	(4 408 009)
53 639 584	45 191 632	27 401 204	21 653 065	26 238 380	Sewerage	780	61 151 757	57 439 493	26 706 791	31 026 579	34 444 965
23 888 492	21 076 046	28 623 411	27 633 321	(4 734 919)	Refuse Removal	730	25 703 588	25 526 495	29 406 595	28 940 213	(3 703 007)
2 304 049	5 805 075	66 578 057	19 713 187	(64 274 008)	Roads and Transport		4 819 988	8 666 410	68 712 669	62 722 429	(63 892 681)
969 951	1 373 202	9 304 101	1 003 629	(8 334 149)	Water Ways	990	1 049 604	1 450 106	9 473 318	1 528 855	(8 423 714)
1 334 097	4 431 873	57 273 956	18 709 558	(55 939 859)	Public Works	720	3 770 384	7 216 304	59 239 351	61 193 574	(55 468 967)
38 625 302	43 676 720	46 807 285	42 281 549	(8 181 983)	Water		40 951 738	45 384 476	42 330 114	54 037 105	(1 378 376)
38 625 302	43 676 720	46 807 285	42 281 549	(8 181 983)	Water	980	40 951 738	45 384 476	42 330 114	54 037 105	(1 378 376)
176 490 950	174 865 572	160 882 480	147 853 077	15 608 470	Electricity		183 641 252	200 001 439	169 780 024	180 865 222	13 861 228
176 490 950	174 865 572	160 882 480	147 853 077	15 608 470	Electricity	190	183 641 252	200 001 439	169 780 024	180 865 222	13 861 228
958 379	1 899 725	6 065 673	14 062 515	(5 107 294)	Other		2 082 700	2 622 336	28 909 100	19 548 572	(26 826 400)
263 476	294 591	1 648 516	2 207 758	(1 385 040)	Skills Development	820	1 276 074	800 000	1 647 206	2 665 183	(371 131)
2 108	4 215	3 945 169	4 309 127	(3 943 061)	Finance: IT	224	-	-	4 009 463	4 254 061	(4 009 463)
274 422	9 397	2 036 692	2 198 023	(1 762 270)	Engineering	200	337 326	9 924	2 144 072	2 358 837	(1 806 747)
-	1 150 100	914 394	919 777	(914 394)	Mig Administration Unit	560	-	1 395 100	1 003 524	1 401 752	(1 003 524)
-	-	(97 129)	266 500	97 129	Technical Services: Director	551	-	-	937 815	941 407	(937 815)
-	-	279 992	279 879	(279 992)	Technical Services: Secretariate	552	-	-	-	-	-
-	-	(9 536 735)	935 751	9 536 735	Strategic Services: Director	330	49 300	(49 300)	12 130 430	826 656	(12 081 130)
-	-	259 933	262 664	(259 933)	Strategic Services: Secretariate	331	-	-	-	-	-
418 373	441 422	6 614 841	2 683 036	(6 196 468)	Building & Property	070	420 000	466 612	7 036 590	7 100 676	(6 616 590)
479 605 641	483 607 267	542 580 049	456 292 315	(62 974 409)	Sub-Total		531 613 442	550 044 672	568 451 768	583 553 274	(36 838 325)
					Revenue Foregone						
479 605 641	483 607 267	542 580 049	456 292 315	(62 974 409)	Total		531 613 442	550 044 672	568 451 768	583 553 274	(36 838 325)

**APPENDIX E1  
KOUGA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2013**

Description	2012/13										
	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
	R	R	R	R	R	R	R	R	R	R	R
<b>REVENUE - STANDARD</b>											
<b>Governance and Administration:</b>											
Executive and Council	-	2 100	2 100	-	-	2 100	2 100	-	-	100.00	0.00
Budget and Treasury Office	172 432 779	(666 316)	171 766 463	-	-	171 766 463	174 191 935	-	2 425 472	101.41	101.02
Corporate Services	2 678 719	(53 752)	2 624 967	-	-	2 624 967	2 132 464	-	(492 503)	81.24	79.61
<b>Community and Public Safety:</b>											
Community and Social Services	4 185 983	2 228 160	6 414 143	-	-	6 414 143	14 729 851	-	8 315 708	229.65	351.89
Sport and Recreation	-	124	124	-	-	124	124	-	(0)	99.74	0.00
Public Safety	20 354 139	(2 233)	20 351 906	-	-	20 351 906	9 378 696	-	(10 973 210)	46.08	46.08
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00
Health	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Economic and Environmental Services:</b>											
Planning and Development	1 292 720	-	1 292 720	-	-	1 292 720	1 497 215	-	204 495	115.82	115.82
Road Transport	5 373 110	3 293 300	8 666 410	-	-	8 666 410	4 819 988	-	(3 846 422)	55.62	89.71
Environmental Protection	9 854 878	388 605	10 243 483	-	-	10 243 483	13 078 116	-	2 834 633	127.67	132.71
<b>Trading Services:</b>											
Electricity	200 001 439	-	200 001 439	-	-	200 001 439	183 641 252	-	(16 360 187)	91.82	91.82
Water	45 384 476	-	45 384 476	-	-	45 384 476	40 951 738	-	(4 432 738)	90.23	90.23
Waste Water Management	56 904 946	865 000	57 769 946	-	-	57 769 946	61 486 375	-	3 716 429	106.43	108.05
Waste Management	25 526 495	-	25 526 495	-	-	25 526 495	25 703 588	-	177 093	100.69	100.69
<b>Other:</b>											
Tourism	-	-	-	-	-	-	-	-	-	0.00	0.00
Intergovernmental & Special Projects	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Revenue - Standard</b>	<b>543 989 684</b>	<b>6 054 988</b>	<b>550 044 672</b>	<b>-</b>	<b>-</b>	<b>550 044 672</b>	<b>531 613 442</b>	<b>-</b>	<b>(18 431 230)</b>	<b>96.65</b>	<b>97.72</b>
<b>EXPENDITURE - STANDARD</b>											
<b>Governance and Administration:</b>											
Executive and Council	25 988 840	(189 223)	25 799 617	-	-	25 799 617	23 527 526	-	(2 272 091)	91.19	90.53
Budget and Treasury Office	43 678 241	13 049 687	56 727 928	-	-	56 727 928	67 219 479	-	10 491 551	118.49	153.90
Corporate Services	37 946 471	3 903 616	41 850 087	-	-	41 850 087	53 242 207	-	11 392 120	127.22	140.31
<b>Community and Public Safety:</b>											
Community and Social Services	14 614 278	(203 807)	14 410 471	-	-	14 410 471	11 296 050	-	(3 114 421)	78.39	77.29
Sport and Recreation	22 142 656	349 854	22 492 510	-	-	22 492 510	21 216 327	-	(1 276 183)	94.33	95.82
Public Safety	27 520 129	1 732 301	29 252 430	-	-	29 252 430	26 111 802	-	(3 140 628)	89.26	94.88
Housing	4 030 281	153 114	4 183 395	-	-	4 183 395	3 690 862	-	(492 533)	88.23	91.58
Health	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Economic and Environmental Services:</b>											
Planning and Development	14 106 422	(217 115)	13 889 307	-	-	13 889 307	10 893 924	-	(2 995 383)	78.43	77.23
Road Transport	19 360 238	43 362 191	62 722 429	-	-	62 722 429	68 712 669	-	5 990 240	109.55	354.92
Environmental Protection	12 639 173	(390 788)	12 248 385	-	-	12 248 385	9 574 770	-	(2 673 615)	78.17	75.75
<b>Trading Services:</b>											
Electricity	180 303 834	561 388	180 865 222	-	-	180 865 222	169 780 024	-	(11 085 198)	93.87	94.16
Water	48 965 279	5 071 826	54 037 105	-	-	54 037 105	42 330 114	-	(11 706 991)	78.34	86.45
Waste Water Management	27 750 331	8 383 844	36 134 175	-	-	36 134 175	31 449 419	-	(4 684 756)	87.04	113.33
Waste Management	28 478 750	461 463	28 940 213	-	-	28 940 213	29 406 595	-	466 382	101.61	103.26
<b>Other:</b>											
Tourism	-	-	-	-	-	-	-	-	-	0.00	0.00
Intergovernmental & Special Projects	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Expenditure - Standard</b>	<b>507 524 923</b>	<b>76 028 351</b>	<b>583 553 274</b>	<b>-</b>	<b>-</b>	<b>583 553 274</b>	<b>568 451 768</b>	<b>-</b>	<b>(15 101 506)</b>	<b>97.41</b>	<b>112.00</b>
<b>Surplus/(Deficit) for the year</b>	<b>36 464 761</b>	<b>(69 973 363)</b>	<b>(33 508 602)</b>	<b>-</b>	<b>-</b>	<b>(33 508 602)</b>	<b>(36 838 325)</b>	<b>-</b>	<b>(3 329 723)</b>	<b>0.00</b>	<b>0.00</b>

**APPENDIX E2  
KOUGA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2013**

Description	2012/13										
	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
	R	R	R	R	R	R	R	R	R	R	R
<b>REVENUE BY VOTE</b>											
Vote 1 - EXECUTIVE & COUNCIL	-	2 100	2 100	-	-	2 100	2 100	-	-	100.00	0.00
Vote 2 - FINANCIAL SERVICES	172 437 231	(670 768)	171 766 463	-	-	171 766 463	174 191 935	-	2 425 472	101.41	101.02
Vote 3 - ADMINISTRATION, MONITORING AND EVALUATION	2 631	-	2 631	-	-	2 631	49 765	-	47 134	1 891.47	1 891.47
Vote 4 - SOCIAL SERVICES	61 363 968	2 614 656	63 978 624	-	-	63 978 624	63 939 334	-	(39 290)	99.94	104.20
Vote 5 - LED, TOURISM AND CREATIVE INDUSTRIES	1 053 344	(49 300)	1 004 044	-	-	1 004 044	1 373 818	-	369 774	136.83	130.42
Vote 6 - INFRASTRUCTURE, PLANNING & DEVELOPMENT	309 132 510	4 158 300	313 290 810	-	-	313 290 810	292 056 491	-	(21 234 319)	93.22	94.48
Vote 7 -	-	-	-	-	-	-	-	-	-	0.00	0.00
Vote 8 -	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Revenue by Vote</b>	<b>543 989 684</b>	<b>6 054 988</b>	<b>550 044 672</b>	<b>-</b>	<b>-</b>	<b>550 044 672</b>	<b>531 613 442</b>	<b>-</b>	<b>(18 431 230)</b>	<b>96.65</b>	<b>97.72</b>
<b>EXPENDITURE BY VOTE</b>											
Vote 1 - EXECUTIVE & COUNCIL	25 988 840	(189 223)	25 799 617	-	-	25 799 617	23 527 526	-	(2 272 091)	91.19	90.53
Vote 2 - FINANCIAL SERVICES	47 198 493	12 673 292	59 871 785	-	-	59 871 785	70 143 589	-	10 271 804	117.16	148.61
Vote 3 - ADMINISTRATION, MONITORING AND EVALUATION	23 160 974	(859 459)	22 301 515	-	-	22 301 515	24 333 107	-	2 031 592	109.11	105.06
Vote 4 - SOCIAL SERVICES	106 537 698	2 492 643	109 030 341	-	-	109 030 341	107 822 475	-	(1 207 866)	98.89	101.21
Vote 5 - LED, TOURISM AND CREATIVE INDUSTRIES	9 259 885	624 885	9 884 770	-	-	9 884 770	17 789 014	-	7 904 244	179.96	192.11
Vote 6 - INFRASTRUCTURE, PLANNING & DEVELOPMENT	295 379 033	61 286 213	356 665 246	-	-	356 665 246	324 836 058	-	(31 829 188)	91.08	109.97
Vote 7 -	-	-	-	-	-	-	-	-	-	0.00	0.00
Vote 8 -	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Expenditure by Vote</b>	<b>507 524 923</b>	<b>76 028 351</b>	<b>583 553 274</b>	<b>-</b>	<b>-</b>	<b>583 553 274</b>	<b>568 451 768</b>	<b>-</b>	<b>(15 101 506)</b>	<b>97.41</b>	<b>112.00</b>
<b>Surplus/(Deficit) for the year</b>	<b>36 464 761</b>	<b>(69 973 363)</b>	<b>(33 508 602)</b>	<b>-</b>	<b>-</b>	<b>(33 508 602)</b>	<b>(36 838 325)</b>	<b>-</b>	<b>(3 329 723)</b>	<b>0.00</b>	<b>0.00</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
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June			
Equitable Share	Nat Treasury	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
NDPG	Nat Treasury	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWAF O & M	DWAF	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DME Projects	DME	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
EPWP Incentive Grant	Province	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Health - Clinics	Province											N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sport & Recreation	Province											N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Local District Municipality	LDM											N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
<b>Total Grants and Subsidies Received</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																			