



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2021**

KOUGA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Index

The reports and statements set out below comprise the Annual Financial Statements presented to the council:

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KOUGA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

General Information

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2021

H Hendricks	Executive Mayor
T Jantjies	Corporate Service
B Reeder	Planning and Development
B Williams	Finance
W Gertenbach	Infrastructure & Engineering
D Benson	Community Services
F Baxter	Local Economic Development and Tourism

AUDITOR-GENERAL

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

BANKERS

First National Bank
Private Bag X5
Jeffreys Bay, 6330

REGISTERED OFFICE

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Jeffreys Bay

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Jeffreys Bay
6330

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

Webpage: www.kouga.gov.za
E-mail: registry@ec108.org.za

MUNICIPAL MANAGER

Mr. C. du Plessis

CHIEF FINANCIAL OFFICER

Mr. R Lorgat

KOUGA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

General Information (Continued)

LEGAL FORM

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

The Objects of Local Government are:

to provide democratic and accountable government for local communities;

to ensure the provision of services to communities in a sustainable manner;

to promote social and economic development;

to promote a safe and healthy environment; and

to encourage the involvement of communities and community organisations in the matters of local government.

The Municipality must strive, within its financial and administrative capacity, to achieve the objects as set out above.

JURISDICTION

Greater Kouga area which includes:

Humansdorp

St Francis Bay, Cape St Francis, Oyster Bay

Hankey, Jeffreys Bay, Lorie

Patensie, Thornhill

KOUGA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Approval of Annual Financial Statements

MEMBERS OF THE KOUGA LOCAL MUNICIPALITY

WARD	COUNCILLOR	
1	Mayoni	Z
2	Dennis	R
3	Gertenbach	W
4	Campher	F
5	Coenraad	W
6	Vumazonke	V
7	Februarie	E
8	Vorster	L
9	Jujwana	S
10	Mabukane	A
11	Bornman	H
12	Rheeder	B
13	Peters	M
14	Makasi	S
15	Hendricks	H
Proportional	August	C
Proportional	Oliphant	P
Proportional	Jantjies	R
Proportional	Dayimani	M
Proportional	Van Niekerk	M
Proportional	Matroos	C
Proportional	Biko	M
Proportional	Nkwalase	P
Proportional	Alexander	J
Proportional	Dhludhlu	B
Proportional	Benson	D
Proportional	Jantjes	T
Proportional	Williams	B
Proportional	Baxter	F

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, in accordance with Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister for Cooperative Governance and Traditional Affairs' determination in accordance with this Act.



Mr. C du Plessis
Municipal Manager

31 August 2021

Date

KOUGA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Report of the Auditor General

- Insert Audit Report -

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	Note	Actual	
		2021 R	2020 Restated R
ASSETS			
Current Assets		206 628 466	291 727 058
Inventories	1.	12 570 366	9 681 236
Receivables from Exchange Transactions	2.	68 813 788	67 929 097
Statutory Receivables from Non-Exchange Transactions	3.	23 992 062	28 004 397
VAT Receivable	4.	47 750 212	44 160 992
Cash and Cash Equivalents	5.	53 394 447	141 777 050
Lease Receivables	9.	107 590	171 287
Long-term Receivables	10.	-	3 000
Non-Current Assets		2 318 642 203	2 340 472 439
Property, Plant and Equipment	6.	2 054 701 795	2 077 137 455
Intangible Assets	7.	1 294 963	679 541
Investment Property	8.	262 645 444	262 645 444
Long-term Receivables	10.	-	10 000
Total Assets		2 525 270 668	2 632 199 497
LIABILITIES			
Current Liabilities		158 802 925	231 048 370
Consumer Deposits	11.	20 774 255	18 075 864
Payables from Exchange Transactions	12.	88 884 733	143 107 331
Payables from Non-exchange Transactions	13.	751 430	235 741
Unspent Conditional Grants and Receipts	14.	6 198 656	26 927 177
Lease Payables	15.	618 501	645 622
Borrowings	16.	6 128 308	8 961 975
Employee Benefit Liabilities	17.	7 872 752	8 316 102
Provisions	18.	27 574 289	24 778 557
Non-Current Liabilities		175 630 699	165 319 291
Lease Payables	15.	-	618 497
Borrowings	16.	-	6 128 314
Employee Benefit Liabilities	17.	101 796 699	86 255 839
Provisions	18.	73 834 000	72 316 640
Total Liabilities		334 433 624	396 367 660
Total Assets and Liabilities		2 190 837 044	2 235 831 837
NET ASSETS		2 190 837 044	2 235 831 837
Accumulated Surplus / (Deficit)	19.	2 190 837 044	2 235 831 837
Total Net Assets		2 190 837 044	2 235 831 837

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Note	Actual	
		2021 R	2020 Restated R
REVENUE			
Revenue from Non-exchange Transactions		439 208 558	470 628 562
Property Rates	20.	210 204 642	196 958 729
Fines, Penalties and Forfeits	21.	3 308 089	2 125 071
Licences and Permits	22.	10 227 056	8 814 675
Transfers and Subsidies	23.	213 768 324	261 080 764
Interest, Dividends and Rent on Land Earned	28.	1 700 447	1 649 323
Revenue from Exchange Transactions		494 661 063	457 972 760
Service Charges	24.	469 218 623	421 132 190
Sales of Goods and Rendering of Services	25.	8 159 247	11 110 886
Rental from Fixed Assets	27.	2 346 673	697 437
Interest, Dividends and Rent on Land Earned	28.	12 473 289	19 113 720
Operational Revenue	29.	1 051 658	3 666 703
Total Revenue		933 869 621	928 601 321
EXPENDITURE		978 842 773	902 792 776
Employee Related Costs	30.	335 334 005	293 708 033
Remuneration of Councillors	31.	12 780 365	12 876 077
Depreciation and Amortisation	32.	80 852 216	76 933 561
Impairment Losses	33.	31 494 818	55 236 859
Interest, Dividends and Rent on Land	34.	3 094 292	5 714 358
Bulk Purchases	35.	254 057 835	231 511 535
Contracted Services	36.	95 785 476	70 860 223
Inventory Consumed	37.	71 674 858	73 143 260
Transfers and Subsidies Paid	38.	761 000	570 000
Operating Leases	39.	6 550 963	6 699 738
Operational Costs	40.	84 467 479	73 821 561
Loss on Disposal of Property, Plant and Equipment	41.	1 989 467	1 717 571
Total Expenditure		978 842 773	902 792 776
SURPLUS / (DEFICIT) FOR THE YEAR		(44 973 152)	25 808 545
Refer to Budget Statement for explanation of budget variances			

KOUGA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R
2020		
Balance at 30 June 2019	2 184 817 728	2 184 817 728
Correction of Error (Note 43)	25 205 565	25 205 565
Restated Balance	2 210 023 293	2 210 023 293
Surplus / (Deficit) for the year	25 808 545	25 808 545
<i>Surplus / (Deficit) as per prior 2018/19 AFS</i>	25 515 155	25 515 155
<i>Revenue & Expenditure Correction of Error (Note 43.)</i>	293 390	293 390
Balance at 30 June 2020	2 235 831 838	2 235 831 838
		1.00
2021		
Correction of Error (Note 43)	-	-
Restated Balance	2 235 831 838	2 235 831 838
Surplus / (Deficit) for the year	(44 973 152)	(44 973 152)
Correction of Error (Note 43)	(21 642)	(21 642)
Balance at 30 June 2021	2 190 837 044	2 190 837 044

KOUGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	Note	Actual 2021 R	Actual 2020 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	20.	208 762 882	191 428 034
Transfers and Subsidies	23.	193 039 803	184 562 393
Service Charges	24.	437 835 551	349 641 285
External Interest and Dividends Received	28.	4 192 018	12 186 915
Other Receipts	29.	26 690 555	44 339 534
VAT Received	4.	-	2 634 901
Payments			
Employee Related Costs	30.	(317 988 180)	(297 298 549)
Remuneration of Councillors	31.	(12 780 365)	(12 876 077)
External Interest and Dividends Paid	34.	(1 425 286)	(1 982 922)
Suppliers Paid	37.	(481 748 259)	(315 284 983)
Other Payments	40.	(70 573 464)	(82 925 710)
VAT Paid	4.	(3 589 220)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	44.	<u>(17 583 966)</u>	<u>74 424 821</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	6.	(60 284 470)	(137 558 877)
Purchase of Intangible Assets	7.	(976 994)	(552 742)
Purchase of Investment Property	8.	-	-
Proceeds / (Payments) on Disposal of Property, Plant and Equipment	6.	57 425	-
Decrease / (Increase) in Long-term Receivables	10.	13 000	3 000
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(61 191 039)</u>	<u>(138 108 620)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in Finance Leases (Leases Paid)	15.	(645 618)	(1 067 666)
Decrease in Borrowings (Loans Repaid)	16.	(8 961 981)	(7 998 873)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(9 607 598)</u>	<u>(9 066 540)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(88 382 603)</u>	<u>(72 750 338)</u>
Cash and Cash Equivalents at Beginning of Period	5.	141 777 050	214 527 388
Cash and Cash Equivalents at End of Period	5.	53 394 447	141 777 050

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL POSITION								
Current Assets								
Inventories	9 249 358	(450 914)	8 798 444	8 798 444	12 570 366	3 771 922	142.87	135.91
Receivables from Exchange Transactions	81 061 058	-	67 393 998	67 393 998	68 813 788	1 419 790	102.11	84.89
Statutory Receivables from Non-Exchange Transactions	-	41 014 365	41 014 365	41 014 365	23 992 062	(17 022 303)	58.50	0.00
VAT Receivable	-	-	-	-	47 750 212	47 750 212	0.00	0.00
Cash and Cash Equivalents	47 098 521	42 963 166	90 061 687	90 061 687	53 394 447	(36 667 240)	59.29	113.37
Operating Lease Receivables	-	-	-	-	107 590	107 590	0.00	0.00
Current Portion of Long-term Receivables	-	3 000	3 000	3 000	-	(3 000)	0.00	0.00
Non-Current Assets								
Property, Plant and Equipment	1 985 074 554	89 418 692	2 074 493 246	2 074 493 246	2 054 701 795	(19 791 451)	99.05	103.51
Intangible Assets	1 608 305	68 275	1 676 580	1 676 580	1 294 963	(381 617)	77.24	80.52
Investment Property	242 551 944	-	242 551 944	242 551 944	262 645 444	20 093 500	108.28	108.28
Long-term Receivables	13 000	-	13 000	13 000	-	(13 000)	0.00	0.00
Total Assets	2 366 656 740	173 016 584	2 526 006 264	2 526 006 264	2 525 270 668	(735 596)	99.97	106.70
Current Liabilities								
Consumer Deposits	17 378 122	-	17 378 122	17 378 122	20 774 255	3 396 133	119.54	119.54
Provisions	-	29 648 800	29 648 800	29 648 800	27 574 289	(2 074 511)	93.00	0.00
Payables from Exchange Transactions	-	183 464 088	183 464 088	183 464 088	88 884 733	(94 579 355)	48.45	0.00
Payables from Non-exchange Transactions	-	-	-	-	751 430	751 430	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	6 198 656	6 198 656	0.00	0.00
Current Portion of Long-term Liabilities	-	6 747 000	6 747 000	6 747 000	6 128 308	(618 692)	90.83	0.00
Non-Current Liabilities								
Long-term Liabilities	-	-	-	-	-	-	0.00	0.00
Employee Benefit Liabilities	-	91 128 181	91 128 181	91 128 181	101 796 699	10 668 518	111.71	0.00
Non-current Provisions	-	72 316 640	72 316 640	72 316 640	73 834 000	1 517 360	102.10	0.00
Total Liabilities	17 378 122	383 304 709	400 682 831	400 682 831	325 942 371	(74 740 460)	81.35	1 875.59
Total Assets and Liabilities	2 349 278 618	(210 288 125)	2 125 323 433	2 125 323 433	2 199 328 298	74 004 865	103.48	93.62
Net Assets (Equity)								
Accumulated Surplus / (Deficit)	2 050 784 683	74 538 750	2 125 323 433	2 125 323 433	2 190 837 044	65 513 611	103.08	106.83
Total Net Assets	2 050 784 683	74 538 750	2 125 323 433	2 125 323 433	2 190 837 044	65 513 611	103.08	106.83

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Financial Position: Explanation of Variances between Approved Budget and Actual

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

Inventories

The variance is due to slightly lower than anticipated materials and supplies withdrawal from municipal stores.

Receivables from Exchange Transactions:

The Receivables from Exchange Transactions budgeted amount include an amount for VAT Receivable. NT Budget Schedules not aligned to GRAP ar

Receivables from Non-exchange Transactions

Receivables from Non-exchange Transactions mostly related to Property Rates and traffic fines debtors and they have been reclassified as Statutory Receivables from Non-exchange Transactions in line with GRAP108. No budget provision was made for Traffic fines' bad debt.

Statutory Receivables from Non-Exchange Transactions

NT Budget Template not aligned to GRAP and does not provide for Statutory Receivables from Non-Exchange Transaction, but the variance is explained in terms of Receivables from Non-exchange Transactions.

VAT Receivable:

VAT Receivable budget provision was included in Receivables from Exchange Transactions in line with NT Budget Schedules.

Cash and Cash Equivalents:

The Cash and Cash Equivalents is influenced by the lower than anticipated Payables from Exchange Transactions.

Operating Lease Receivables:

Budget provision for Operating Lease Receivables was made in Receivables from Exchange Transactions in line with NT Budget Schedules.

Long-term Receivables:

Budget provision slightly higher than anticipated.

Consumer Deposits:

Consumer deposits are influenced by deposits made in relation to electricity and water connection requests. The budget provision is slightly lower than

Payables from Exchange Transactions:

The Payables from Exchange Transactions are influenced by the available cash for the processing of payments. The actuals are lower than anticipated

Payables from Non-exchange Transactions:

Budget provision for Payables from Non-exchange transactions is made in Payables from Exchange Transactions in line with the NT budget schedules.

Unspent Conditional Grants and Receipts:

No budget provision is allowed for the Unspent Conditional Grants, unless a rollover has been approved by National Treasury.

Current Portion of Long-term Liabilities:

Budget provision slightly higher than anticipated.

Employee Benefit Liabilities:

Actuals are slightly higher than the budgeted amount.

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	205 650 016	2 151 343	207 801 359	207 801 359	210 204 642	2 403 283	101.16	102.21
Fines, Penalties and Forfeits	6 685 020	4 535 452	2 149 568	2 149 568	3 308 089	1 158 521	153.90	49.49
Licences and Permits	20 713 803	4 017 876	24 731 679	24 731 679	20 454 111	4 277 568	82.70	98.75
Transfers and Subsidies	183 968 100	36 363 229	220 331 329	220 331 329	213 768 324	6 563 005	97.02	116.20
Surcharges and Taxes	-	1	1	1	-	1	0.00	0.00
Interest, Dividends and Rent on Land Earned	1 348 714	-	1 348 714	1 348 714	1 700 447	351 733	126.08	126.08
Revenue from Exchange Transactions								
Service Charges	481 715 540	1 845 455	483 560 995	483 560 995	469 218 623	14 342 372	97.03	97.41
Sales of Goods and Rendering of Services	6 421 743	599 756	5 821 987	5 821 987	8 159 247	2 337 260	140.15	127.06
Rental from Fixed Assets	4 082 693	2 960 194	1 122 499	1 122 499	2 346 673	1 224 174	209.06	57.48
Interest, Dividends and Rent on Land Earned	18 657 263	4 200 463	14 456 800	14 456 800	12 473 289	1 983 511	86.28	66.85
Operational Revenue	15 118 646	1	15 118 645	15 118 645	1 051 658	14 066 987	6.96	6.96
Total Revenue	944 361 538	32 082 036	976 443 574	976 443 574	944 096 677	32 346 897	96.69	99.97
Expenditure								
Employee Related Costs	336 973 762	11 755 609	348 729 371	348 729 371	335 334 005	13 395 366	96.16	99.51
Remuneration of Councillors	13 650 824	-	13 650 824	13 650 824	12 780 365	870 459	93.62	93.62
Depreciation and Amortisation	89 270 585	204 701	89 065 884	89 065 884	80 852 216	8 213 668	90.78	90.57
Impairment Losses	89 572 520	19 410 948	70 161 572	70 161 572	31 494 818	38 666 754	44.89	35.16
Interest, Dividends and Rent on Land	1 387 823	1	1 387 824	1 387 824	3 094 292	1 706 468	222.96	222.96
Bulk Purchases	279 743 740	33 570 286	246 173 454	246 173 454	254 057 835	7 884 381	103.20	90.82
Contracted Services	60 351 644	32 872 976	93 224 620	93 224 620	95 785 476	2 560 856	102.75	158.71
Inventory Consumed	26 058 651	35 598 304	61 656 955	61 656 955	71 674 858	10 017 903	116.25	275.05
Transfers and Subsidies Paid	761 250	-	761 250	761 250	761 000	250	99.97	99.97
Operating Leases	11 248 921	2 965 800	8 283 121	8 283 121	6 550 963	1 732 158	79.09	58.24
Operational Costs	87 322 118	17 940 357	105 262 475	105 262 475	84 467 479	20 794 996	80.24	96.73
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	1 989 467	1 843 760	0.00	0.00
Total Expenditure	996 341 838	42 015 512	1 038 357 350	1 038 357 350	978 842 773	59 660 285	94.27	98.24
Surplus/(Deficit for the Year)	(51 980 300)	(9 933 476)	(61 913 776)	(61 913 776)	(34 746 096)	27 313 387	-	-
					10 227 056			

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Financial Performance: Explanation of Variances between Approved Budget and Actual

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

Fines, Penalties and Forfeits:

Fines mostly relate to the traffic fines and arise from unanticipated traffic infringements.

Licences and Permits Non-exchange:

Licences and Permits mostly relate to motor registrations and is influenced by the extent of vehicle registrations. The licences and Permits budget provision is higher than anticipated.

Transfers and Subsidies:

Transfers and Subsidies recognised are higher than the budgeted amount, due to the rollover of the Water Services Infrastructure Grant from 2018/19 financial year.

Interest, Dividends and Rent on Land Earned: Non-Exchange

This relates to the interest earned on the outstanding Property Rates Accounts. The interest realised is slightly lower than anticipated.

Licences and Permits Exchange:

The budget is slightly higher than anticipated.

Sales of Goods and Rendering of Services:

Sales of Goods and Rendering of Services actuals are lower than anticipated and influenced by the lower than anticipated legal fees recovered from ou

Rental from Fixed Assets:

This relates to the rental of municipal buildings, community halls and other municipal facilities. The revenue is influenced by the extent of rental agreem

Interest, Dividends and Rent on Land Earned: Exchange Transactions

This interest relates to interest earned on bank and investments and interest charged on outstanding debtors. The actuals are slightly lower than anticip

Operational Revenue:

This relates to the various operating revenue, such as insurance refunds, sale of municipal land and building related fees. The revenue is influenced by

Depreciation and Amortisation:

Budget provision is slightly higher than anticipated.

Impairment Losses:

The variance is due to traffic fines bad debt provision not budgeted for.

Inventory Consumed

Inventory Consumed is influenced by the higher than anticipated bulk water purchases/water consumption.

Operating Leases

The operating leases actuals are slightly lower than anticipated.

Loss on Disposal of Property, Plant and Equipment:

No budget provision was made for loss on Disposal of Property, Plant and Equipment

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER VOTE								
Corporate Services	2 385 918	-	2 385 918	2 385 918	3 247 435	861 517	136.11	136.11
Executive and Council	1 389 581	-	1 389 581	1 389 581	273 558	(1 116 023)	19.69	19.69
Financial Services	2 865 212	-	2 865 212	2 865 212	872 226	(1 992 986)	30.44	30.44
Infrastructure and Engineering	67 685 203	-	67 685 203	67 685 203	47 239 029	(20 446 174)	69.79	69.79
Planning, Development and Tourism	2 088 477	-	2 088 477	2 088 477	1 025 822	(1 062 655)	49.12	49.12
Community Services	8 306 678	-	8 306 678	8 306 678	7 701 040	(605 638)	92.71	92.71
Total Capital Expenditure	84 721 069	-	84 721 069	84 721 069	60 359 110	(24 361 959)	397.86	397.86

Capital Expenditure per Vote: 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 Vote are explained below:

Corporate Services:

Savings realised on capital items budgeted for and not procured.

Executive and Council:

Savings realised on capital items budgeted for and not procured.

Financial Services:

Savings realised on capital items budgeted for and not procured.

Infrastructure and Engineering:

Savings realised on capital items budgeted for and not procured.

Planning, Development and Tourism:

Savings realised on capital items budgeted for and not procured.

Community Services:

Savings realised on capital items budgeted for and not procured.

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CASH FLOW								
Cash Flows from/(used in) Operating Activities								
Receipts								
Property Rates	174 802 514	12 218 709	187 021 223	187 021 223	208 762 882	21 741 659	111.63	119.43
Transfers and Subsidies	183 968 100	19 901 548	203 869 648	203 869 648	193 039 803	(10 829 845)	94.69	104.93
Service Charges	424 039 444	11 165 452	435 204 896	435 204 896	437 835 551	2 630 655	100.60	103.25
External Interest and Dividends Received	18 957 054	(4 176 878)	14 780 176	14 780 176	4 192 018	(10 588 158)	28.36	22.11
Other Receipts	53 021 904	(4 077 525)	48 944 379	48 944 379	26 690 555	(22 253 824)	54.53	50.34
VAT Receivable / Payable	-	-	-	-	-	-	0.00	0.00
Payments								
Employee Related Costs	(336 973 762)	(11 755 600)	(348 729 362)	(348 729 362)	(317 988 180)	30 741 182	0.00	0.00
Remuneration of Councillors	(13 650 824)	-	(13 650 824)	(13 650 824)	(12 780 365)	870 459	0.00	0.00
External Interest and Dividends Paid	(1 387 823)	-	(1 387 823)	(1 387 823)	(1 425 286)	(37 463)	0.00	0.00
Suppliers Paid	(464 725 073)	(16 764 643)	(481 489 716)	(481 489 716)	(481 748 259)	(258 543)	0.00	0.00
Other Payments	(761 250)	-	(761 250)	(761 250)	(70 573 464)	(69 812 214)	0.00	0.00
VAT Receivable / Payable	-	-	-	-	(3 589 220)	(3 589 220)	0.00	0.00
Cash Flows from/(used in) Investing Activities								
Purchase of Property, Plant and Equipment	(56 912 490)	(28 251 256)	(85 163 746)	(85 163 746)	(60 284 470)	24 879 276	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(976 994)	(976 994)	0.00	0.00
Purchase of Investment Property	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	57 425	57 425	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	13 000	13 000	0.00	0.00
Cash Flows from/(used in) Financing Activities								
Increase in Long-term Loans (Loans Taken-on)	(9 607 598)	-	(9 607 598)	(9 607 598)	(8 961 981)	645 617	0.00	0.00
Decrease in Short-term Loans (Loans Repaid)	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at Beginning of the Year	76 328 324		141 031 684	141 031 684	141 777 050	(36 766 989)	100.53	185.75
Cash and Cash Equivalents at End of the Year	47 098 520		90 061 688	90 061 688	53 394 447			

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Cash Flow Statement: Explanation of Variances between Approved Budget and Actual

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

Property Rates

The Property Rates actuals are slightly higher than anticipated due to the improvement on annually raised property rates collection.

External Interest and Dividends Received

This interest relates to interest earned on bank and investments and interest charged on outstanding debtors. The actuals are lower than anticipated.

Other Receipts

Other Receipts are influenced by the anticipated land sales and insurance refunds not realised.

VAT Receivable

No budget provision was made for VAT Receivable.

Purchase of Property, Plant and Equipment

The underspending of projects relate to various Capital Programmes, with the budget rollover to 2021/22 for implementation of the projects. This is also influenced by the underspending of Municipal Infrastructure Grant.

Purchase of Intangible Assets

The budget provision was made in Property, Plant and Equipment.

Purchase of Investment Property:

The budget provision was made in Property, Plant and Equipment.

Proceeds on Disposal of Property, Plant and Equipment

No budget provision was made for Proceed of Property, Plant and Equipment.

KOUGA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared in accordance with 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 in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The Annual Financial Statements have been prepared in accordance with the historical cost convention, except where indicated otherwise.

The Statement of Financial Performance has been prepared to classify expenses by nature, whilst revenue is classified in a manner appropriate to the municipality's operations. The Cash Flow Statement has been prepared using the Direct Method.

1.1 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

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

- **Estimation of unused Prepaid Metered Services:**
Estimates of unused consumption of prepaid metered services, based on the consumption history, are made at year-end. Sales for prepaid metered services are recognised as revenue upon receipt of payment for these services, except at year-end when estimates for unused consumption up to reporting date are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30 June. In respect of estimates of consumption between the last date of purchase and the reporting date, an accrual for payments received in advance is made based on the average monthly consumption of consumers the reporting date, an accrual is made based on the average monthly consumption of consumers.

KOUGA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.2.2 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 7.2.2

1.2.3 Impairment of Financial Assets

Accounting Policy 4.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**
The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.
- **Impairment of Traffic Fines:**
Assessing and recognising impairment of Receivables for Traffic Fines is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not to be made at the time of initial recognition.

1.2.4 Impairment of Statutory Receivables

Accounting Policy 5.3 on Impairment of Statutory Receivables describes the process followed to determine the value at which Statutory Receivables should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment 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 Statutory Receivables recorded during the year is appropriate.

1.2.5 Capitalisation of Capital Assets

Judgement by management is required to distinguish between expenses incurred to maintain and repair capital assets and expenses incurred that will increase the remaining useful life of capital assets and needs to be capitalised to capital assets.

1.2.6 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 6.3, 7.2 and 8.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

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

1.2.7 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories

Accounting Policy 5 on Impairment of Assets, Accounting Policy 3.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 7.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value or Current Replacement Cost.

KOUGA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

1.2.8 Service Concession Arrangements

The municipality assesses whether it is a party to any service concession arrangements by considering the principles contained in GRAP 32 and IFRIC 12.

Management has assessed all arrangements in place and concluded that there are no service concession arrangements to which it was a party during this accounting period.

1.2.9 Defined Benefit Plan Liabilities

As described in Accounting Policy 16.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.2.10 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.

1.2.11 Principals and Agent Arrangements

The municipality assesses whether it is a party to any principal-agent arrangements by considering the principles contained in GRAP 109.

The municipality is assessed to be the agent and only accounts for the amounts which the agent are entitled to in terms of the principal-agent arrangement. In order to assess that the municipality is the agent, the following factors were considered in applying its judgement:

- The municipality acts as an agent for Department of Transport for issuing licenses and permits and collects monies on their behalf.

Management has assessed all arrangements in place and concluded that there are no principal-agent arrangements to which it was a party during this accounting period.

1.2.12 Housing Arrangements

The municipality is not accredited to deliver housing under the national housing programme. However it assesses its roles and responsibilities it undertakes for each project undertaken in terms of the national housing programme by assessing the terms and conditions agreed with the relevant Provincial Department of Human Settlements.

The municipality is assessed to be the project manager and relevant transactions are accounted for per the requirements of the relevant Standards of GRAP and the required disclosures are made in the relevant Notes to the Financial Statements. In order to assess that the municipality is the project manager, the following factors were considered in applying its judgement:

- The municipality acts on behalf of the Department of Human Settlement and acts on their behalf. The municipality acts as project manager whereby they co-ordinate representatives from Department of Human Settlement and contractors.

1.2.13 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 LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.2.14 Segment Reporting

The municipality is assessed to have reportable segments as per the requirements of GRAP 18. In order to assess that the segments could be aggregated, the following factors were considered in applying its judgement:

- For management purposes the municipality is broadly organised into business units based on the nature of operations and the services they provide.
- No individually material operating segments have been aggregated to form the above reportable operating segments.
- The municipality does not monitor segments geographically.

1.2.15

Management needs to estimate the effect of COVID-19 on its future cash flow and discount rates to ensure that the municipality will remain a going concern.

Judgement needs to be made on the effect of COVID-19 on credit risk, liquidity risk and going concern.

1.3 Materiality

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

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Going Concern Assumption

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

The recent COVID-19 pandemic and its effect on the municipality's current and expected performance has been considered by management in the Going Concern Assumption.

1.5 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:

Standard of GRAP / Nature of Impending Changes / Expected Impact	Effective Date	Planned Date for Application by Municipality
<ul style="list-style-type: none"> • Guideline Accounting for Landfill Sites None, Standard not applicable to Municipality 	Not yet determined	Not yet determined
<ul style="list-style-type: none"> • Guideline The Application of Materiality to Financial Statements No changes expected 	Not yet determined	Not yet determined

The municipality has no operations and / or interests in the above-mentioned Standards where the impact is indicated "None, Standard not applicable to Municipality" and therefore it is regarded that no disclosures on these Standards will be necessary.

KOUGA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. 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 2020 to 30 June 2021.

3. INVENTORIES

3.1 Recognition and Initial Measurement

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.

3.2 Subsequent Measurement

3.2.1 Consumable Stores

Subsequently, Inventories sold are valued at the lower of cost and net realisable value. The cost is determined using the Weighted Average Method.

Consumable stores distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost. The cost is determined using the Weighted Average Method.

3.2.2 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 reporting 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 LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3.2.3 Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

Differences arising on the measurement of such Inventory at the lower of cost to current replacement cost or net realisable value, are recognised in Surplus or Deficit in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value 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.

4. 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.

Initial Recognition

Financial Assets and Financial Liabilities are recognised 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.

4.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

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

Receivables from Exchange Transactions exclude Value Added Taxation, Prepayments and Operating Lease Receivables are classified as Financial Assets at Amortised Cost.

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). 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.

4.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Borrowings	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Unspent Conditional Grants	Financial Liabilities at Amortised Cost

KOUGA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4.3 Initial and Subsequent Measurement

4.3.1 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.

4.3.2 Financial Liabilities:

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 Surplus or Deficit by applying the effective interest rate.

4.4 Impairment of Financial Assets

Financial Assets 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 through the use of an allowance account.

4.4.1 Financial Assets at Amortised Cost

Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is management's judgement that the accounts are not "lost events" in terms of GRAP 104.58.
- This is based on management's expert opinion and generally accepted practice within the industry.
- Interest is charged on all outstanding balances at a rate of the banker's prime rate plus 1%.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

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 Surplus or Deficit.

4.5 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.

KOUGA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4.6 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 Surplus or Deficit.

5. STATUTORY RECEIVABLES

Statutory Receivables are receivables that arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset.

The municipality has the following Statutory Receivables from Non-exchange Transactions:

- Assessment Rates
- Fines
- Local Government Seta Subsidies

5.1 Recognition and Initial Measurement

Statutory Receivables are recognised if the transaction is an exchange transaction per GRAP 9 or a non-exchange transaction per GRAP 23 or, if the transaction is not within the scope of GRAP 9 or GRAP 23, or another Standard of GRAP, and the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be reliably measured.

The municipality recognises Statutory Receivables when they arise.

Statutory Receivables are initially measured at their transaction amount. The transaction amount would be the amount that is determined on initial measurement in accordance with the relevant Standard of GRAP.

The transaction amounts of the Statutory Receivables of the municipality are determined as follows:

- Assessment Rates are levied in terms of the stipulations contained in the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) at rates determined each year by Council.

5.2 Subsequent Measurement

Statutory Receivables are measured after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- Interest or other charges that may have accrued on the receivable, where applicable;
- Impairment losses; and
- Amounts derecognised.

5.3 Impairment

Statutory Receivables are assessed for indicators of impairment at the end of each reporting period. Statutory Receivables are impaired where there is any indication of impairment of Statutory Receivables, such as the probability of insolvency or significant financial difficulties of the debtor.

In assessing whether Statutory Receivables are impaired, the municipality assesses whether there are any indications that individually significant receivables are impaired; and/or groups of similar, individually insignificant, receivables are impaired.

KOUGA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The municipality groups together and assesses collectively for impairment those receivables that exhibit similar characteristics which provide information about the possible collectability of the amounts owing to the municipality. The municipality uses the following groupings:

- Assessment Rates
- Fines
- LG Seta Subsidies

If there is such evidence the carrying amount is reduced to the estimated future cash flows, an impairment loss is recognised, directly or indirectly, through the use of an allowance account, with the amount of the impairment loss being recognised in Surplus or Deficit.

5.4 Derecognition

The municipality derecognises Statutory Receivables only when the rights to the cash flows from the receivable expires or it transfers the Statutory Receivable and substantially all the risks and rewards of ownership of the receivable to another municipality, except when council approves the write-off of the receivable due to non-recoverability.

The municipality derecognises a receivable if the municipality, despite having retained some significant risks and rewards of ownership, transfers control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality recognises separately any rights and obligations created or retained in the transfer. The carrying amount of statutory receivables transferred is allocated between the rights and obligations retained and those transferred on the basis of the relative fair values at the transfer date. The municipality assesses whether any newly created rights and obligations are within the scope of GRAP 104 or another Standards of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, is recognised in surplus or deficit in the period transferred.

6. PROPERTY, PLANT AND EQUIPMENT

6.1 Initial Recognition and Measurement

Property, Plant and Equipment are initially recognised at cost.

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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

6.2 Subsequent Measurement

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

KOUGA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

6.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the Straight-line Method, to allocate their cost amounts to their residual values over the estimated useful lives of the assets. 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.

The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Buildings			Community	
	Improvements	5 - 50		Community Facilities	5 - 50
				Recreational Facilities	10 - 40
	Infrastructure			Other	
	Electricity	10 - 80		Computer Equipment	3 - 10
	Railways	30		Emergency Equipment	5 - 10
	Roads and Paving	5 - 80		Furniture and Fittings	5 - 15
	Sanitation	5 - 80		Transport Assets	7 - 15
	Sewerage / Solid Waste	5 - 80		Office Equipment	3 - 15
	Water	5 - 80		Plant and Equipment	2 - 20
	Landfill Sites	30 - 50		Other Assets	5 - 15

6.4 Land

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

6.5 Incomplete Construction Work

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

6.6 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.

6.7 Finance Leases

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

6.8 Derecognition

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.

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7. INTANGIBLE ASSETS

7.1 Initial Recognition and Measurement

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

Intangible Assets are initially recognised at cost.

Where an Intangible 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 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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

7.2 Subsequent Measurement, Amortisation and Impairment

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

Amortisation is charged on a Straight-line Method over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software Purchased	3 - 5			

7.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

8. INVESTMENT PROPERTY

8.1 Initial Recognition and Measurement

At initial recognition, the municipality measures Investment Property at cost. 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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

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8.2 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 5 - 50 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 recognised in Surplus or Deficit.

8.3 Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

9. HERITAGE ASSETS

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.

9.1 Initial Recognition and Measurement

Heritage Assets are initially recognised at cost.

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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

9.2 Subsequent Measurement

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

Subsequent to initial recognition Heritage Assets are carried at a revalued amount based on municipal valuations less any subsequent accumulated impairment losses. Revaluations are performed by experienced valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

9.3 Derecognition

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.

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10. LIVING AND NON-LIVING RESOURCES

Living Resources are defined as living organisms such as animals and plants that are used or held for the delivery or provision of goods and services, research, conservation, recreation, agricultural activities, education and training and rehabilitation or breeding processes.

Agricultural Assets are excluded from the scope of this Standard and are accounted for by the municipality in accordance with GRAP 27 (Agricultural Assets).

Living Resources are assets that undergo biological transformation and are those organisms that can grow, reproduce and degenerate. These assets include fruit trees, cattle and seed-bearing plants.

Non-living Resources are those resources, other than living resources, that occur naturally and have not been extracted from their source. These assets includes minerals, oils, etc.

Agricultural Assets are assets that are produced from living resources through agricultural activity and biological transformation through growth, degeneration and procreation. These assets are fruit from fruit-bearing plants, eggs from feathered animals and seeds from seed-bearing plants.

10.1 Initial Recognition and Measurement

A Living Resource shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and when the cost or fair value of the asset can be measured reliably.

A Living Resource that qualifies for recognition as an asset shall be recognised at its cost.

Where a Living Resource is acquired through a non-exchange transaction, its cost shall be recognised at its fair value as at the date of the acquisition.

10.2 Subsequent Measurement

When a municipality intends to hold a living resource for less than twelve months from the reporting date, it will account for the living resource in accordance with GRAP 12 (Inventories).

Subsequent to initial recognition, a group of Living Resources shall be carried at its cost, less any accumulated depreciation and any accumulated impairment losses.

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10.3 Depreciation

Depreciation 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 Living and Non-living Resources with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

	Asset Class	Years		Asset Class	Years
	Living Resources			Non-living Resources	
	Dairy Cattle	10		Water	Based on Actuarial Valuation
	Feathered Animals	3		Minerals	
	Forests and Plantations	20		Oils	
	Fruit Trees	20		Gas	
	Game Animals	20		Other Non-regenerative Resources	
	Animals for Reproduction	5			
	Animals for Wool or Milk	7			
	Dogs (law enforcement & security)	7			
	Horses (law enforcement & working)	7			
	Plants (for production of seeds)	10			
	Vines	20			
	Other Animals	5			

The assets' residual values, estimated useful lives and depreciation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. The municipality assesses the indicators for impairment based on the actuarial valuations, actual and potential uses of the Living Resources.

10.4 Derecognition

The carrying amount of a Living Resource 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 the Living Resource is recognised in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

11. 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.

11.1 Impairment of Cash Generating Assets

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

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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.

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 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.

11.2 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.

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.

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

12. CONSUMER DEPOSITS

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

13. PROVISIONS

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

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

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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 using discount rates that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

13.1 Provision for Environmental Rehabilitation

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

14. LEASES

14.1 The Municipality as Lessee

14.1.1 Finance Leases

Property, plant and equipment subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

14.1.2 Operating Leases

The municipality recognises operating lease rentals as an expense in Surplus or Deficit 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. Any lease incentives are included as part of the net consideration agreed.

14.2 The Municipality as Lessor

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

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

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15. BORROWING COSTS

All borrowing costs are treated as an expense in the period in which they are incurred.

16. EMPLOYEE BENEFIT LIABILITIES

16.1 Short-term Employee Benefits

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.

16.1.1 Provision for Staff Leave

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

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

16.1.2 Staff Bonuses Accrued

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

16.1.3 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipalities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

16.2 Post-employment Benefits

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

16.2.1 Defined Contribution Plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit 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.

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16.2.2 Defined Benefit Plans

Post-retirement Health Care Benefits

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

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

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

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 Surplus or Deficit.

Provincially-administered Defined Benefit Plans

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

Defined Benefit Pension Plans

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

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

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

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17. NET ASSETS

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

17.1 Reserves

17.1.1 Revaluation Reserve

The surplus arising from the revaluation of land and buildings as per Note N/A is credited to the Revaluation Reserve. Subsequent adjustments to the Revaluation Reserve are made in accordance with GRAP 17 (Property, Plant and Equipment).

17.2 Accumulated Surplus

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

17.2.1 Capital Replacement Reserve (CRR)

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

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

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in Surplus or Deficit and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

17.2.2 Capitalisation Reserve

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

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

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

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17.2.3 Donations and Public Contributions Reserve

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

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

17.2.4 Government Grants Reserve

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

When an item of Property, Plant and Equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

17.2.5 Housing Development Fund (HDF):

Sections 15(5) and 16 of the Housing Act (Act No107 of 1997), which came into operation on 1 April 1998, required that the municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act. Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The HDF is backed by cash, receivables and assets. The cash funds in the HDF are invested in accordance with the Investment Policy of the municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

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17.2.6 Self-insurance Reserve

A general Insurance Reserve has been established and, subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services, taking into account claims history and replacement value of the insured assets.

Reinsurance premiums paid to external reinsurers are regarded as an expense and are shown as such in Surplus or Deficit. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

The balance of the Self-insurance Reserve is invested in short-term cash investments. Interest earned on the Insurance Reserve is recorded as interest earned in Surplus or Deficit and is transferred to the Insurance Reserve via the Statement of Changes in Net Assets as a contribution.

17.2.7 Compensation for Occupational Injuries and Diseases (COID) Reserve

The municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act (Act No 130 of 1993).

The certificate of exemption issued by the Commissioner, as prescribed by the COID Act, requires that the municipality deposits cash and/or securities with the Commissioner, the market values of which in aggregate shall not be less than the capitalised value of the continuing liability of the municipality as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalised value of which is determined on the basis of an actuarial determination prescribed by the Commissioner. A COID Reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner and the municipality is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds out of the reserve to the expense account in Surplus or Deficit.

18. REVENUE RECOGNITION

18.1 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.

18.2 Revenue from Non-exchange Transactions

18.2.1 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.

18.2.2 Fines

Fines constitute both spot fines and summonses

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The municipality uses estimates to determine the amount of revenue that the municipality is entitled to collect that is subject to further legal proceedings.

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18.2.3 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

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.

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 Surplus or Deficit 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 Surplus or Deficit.

18.2.4 Public Contributions

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.

18.2.5 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

18.2.6 Interest Earned

Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

18.2.7 Rentals Received

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

18.2.8 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.

18.2.9 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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 as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

KOUGA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

18.3 Revenue from Exchange Transactions

18.3.1 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 been developed. 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.

18.3.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

18.3.3 Income 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.

Interest on outstanding customer receivables is calculated when the receivable is more than 30 days at prime rate plus 1%, and recognised in surplus or deficit on the time-proportionate basis.

18.3.4 Sale of Goods (including Houses)

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

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

KOUGA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

19. GRANTS-IN-AID

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

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

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

20. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the First-In-First-Out Method as defined by GRAP 12 (Inventories).

21. TREATMENT OF SUPPORT FUNDS RECEIVED

Funding received from Local Municipalities for support services are not recognised as revenue but are allocated to support accounts where the actual cost of support services (admin fees, travel costs and subsistence allowances) are deducted from. By using support accounts for each Local Municipality ZFM has more control over its support services and cannot overspent on support rendered.

22. 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 Surplus or Deficit 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 Surplus or Deficit.

23. 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 Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

KOUGA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

24. 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 Surplus or Deficit 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 Surplus or Deficit.

25. 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; and
- 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.

26. 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.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

27. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

28. 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 LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

29. SEGMENT REPORTING

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective and also considered separately for each of the towns within the municipal jurisdiction. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

The following services are considered significant to the municipality and is accordingly managed separately:

- Municipal governance and administration.
- Community and public safety.
- Housing.
- Health.
- Energy, waste, waste water and water.
- Other.

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the municipality as a whole.

The municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdiction.

Intersegmental transfers are per the municipality's approved tariff policy. The reconciliation clearly describes the effects of all internal transfers between segments.

The accounting policies for segmental reporting in the management accounts are aligned to the requirements of GRAP as described in these accounting policies.

No changes from were made from prior periods measurement methods used to determine reported segment surplus or deficit.

30. 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 LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
1. INVENTORIES		
Materials and Supplies	11 805 644	8 973 662
Water - At Cost	764 722	707 574
Total Inventories	12 570 366	9 681 236
1.1 Allocation for Cash Flow		
Suppliers Paid:-		
Inventory - Opening	9 681 236	9 249 357
Inventory - Closing	(12 570 366)	(9 681 236)
Adjustment for Non-cash Transactions: Realisable Value Adjustment	39 808	56 653
Total Inventory allocated to Suppliers Paid	<u>(2 849 323)</u>	<u>(375 226)</u>
Total Inventory allocated to Cash Flow	<u>(2 849 323)</u>	<u>(375 226)</u>

Materials and Supplies are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Current Replacement Cost were required.

Water is held for distribution and measured at the lower of Cost and Net Realisable Value. No write down of Inventory to Net Realisable Value was required.

The cost of water production for the year amounted to R0.00 (2020: R0.00) per kilolitre.

The cost of Inventories recognised as an expense includes R71 674 858 (2020: R73 143 260)

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Service Debtors:	<u>230 078 797</u>	<u>167 310 947</u>	<u>62 767 850</u>
Electricity	47 499 064	15 329 521	32 169 543
Refuse	58 520 385	50 430 864	8 089 521
Sewerage	35 842 740	29 920 609	5 922 131
Other Service Charges	6 812 323	5 372 510	1 439 813
Water	81 404 286	66 257 442	15 146 843
Other Debtors	724 062	-	724 062
Prepayments and Advances	3 613 699	22 000	3 591 699
Control, Clearing and Interface Accounts	476 634	-	476 634
Deposits for Land	1 253 543	-	1 253 543
Total Receivables from Exchange Transactions	<u>236 146 736</u>	<u>167 332 947</u>	<u>68 813 788</u>

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Service Debtors:	191 765 082	129 050 796	62 714 286
Electricity	46 030 497	14 072 304	31 958 193
Refuse	46 457 771	39 343 262	7 114 509
Sewerage	27 829 645	21 981 883	5 847 762
Other Service Charges	5 230 406	3 296 280	1 934 126
Water	66 216 763	50 357 067	15 859 696
Other Debtors	724 062	-	724 062
Prepayments and Advances	3 139 189	22 000	3 117 189
Control, Clearing and Interface Accounts	480 017		480 017
Deposits for Land	893 543	-	893 543
Total Receivables from Exchange Transactions	197 001 893	129 072 796	67 929 097

	2021 R	2020 R
2.1 Allocation for Cash Flow		
Service Charges:-		
Service Debtors - Opening Balance	62 714 286	48 279 205
Service Debtors - Closing Balance	(62 767 850)	(62 714 286)
Service Debtors: Provision for Impairment - Opening Balance	129 050 796	111 436 400
Service Debtors: Provision for Impairment - Closing Balance	(167 310 947)	(129 050 796)
Other Receivables - Opening Balance	724 062	140 060
Other Receivables - Closing Balance	(724 062)	(724 062)
Total Receivables from Exchange Transactions allocated to Service Charges	(38 313 716)	(32 633 478)
Other Receipts:-		
Receivables from Exchange Transactions: Gross - Opening Balance	197 001 893	165 551 604
Receivables from Exchange Transactions: Gross - Closing Balance	(236 146 736)	(197 001 893)
Less Cash Flow for:-		
Service Charges	38 313 716	32 633 478
Suppliers Paid	834 510	(1 172 284)
Total Receivables from Exchange Transactions allocated to Other Receipts	3 383	10 905
Suppliers Paid:-		
Prepayments and Advances - Opening Balance	3 117 189	2 898 016
Prepayments and Advances - Closing Balance	(3 591 699)	(3 117 189)
Prepayments and Advances: Provision for Impairment - Opening Balance	22 000	22 000
Prepayments and Advances: Provision for Impairment - Closing Balance	(22 000)	(22 000)
Deposit for Land - Opening Balance	893 543	2 285 000
Deposit for Land - Closing Balance	(1 253 543)	(893 543)
Total Receivables from Exchange Transactions allocated to Suppliers Paid	(834 510)	1 172 284
Total Receivables from Exchange Transactions allocated to Profit on Sale of Land (Other Receipts)	-	-
Total Receivables from Exchange Transactions allocated to Cash Flow	(39 144 843)	(31 450 289)

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2.2 Ageing of Receivables from Exchange Transactions

As at 30 June 2021

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	10 529 433	18 003 388	1 649 892	17 316 350	47 499 064
Less: Provision for Impairment	-	180 247	1 370 560	13 778 714	15 329 521
Net Balances	10 529 433	17 823 141	279 332	3 537 637	32 169 543
Refuse:					
Gross Balances	15 958	6 046 721	1 553 285	50 904 421	58 520 385
Less: Provision for Impairment	-	1 026 497	1 511 154	47 893 214	50 430 865
Net Balances	15 958	5 020 224	42 131	3 011 207	8 089 520
Sewerage:					
Gross Balances	9 886	5 508 369	1 164 533	29 159 951	35 842 740
Less: Provision for Impairment	-	805 626	1 116 770	27 998 213	29 920 609
Net Balances	9 886	4 702 744	47 763	1 161 738	5 922 131
Other Service Charges:					
Gross Balances	462 965	1 940 591	134 507	4 274 260	6 812 323
Less: Provision for Impairment	-	991 317	134 193	4 247 000	5 372 511
Net Balances	462 965	949 274	314	27 260	1 439 813
Water:					
Gross Balances	5 916 938	8 476 633	2 174 744	64 835 970	81 404 286
Less: Provision for Impairment	-	1 685 728	2 109 511	62 462 203	66 257 443
Net Balances	5 916 938	6 790 905	65 233	2 373 767	15 146 843
Other Debtors:					
Gross Balances	724 062	-	-	-	724 062
Net Balances	724 062	-	-	-	724 062
Prepayments and Advances:					
Gross Balances	3 613 699	-	-	-	3 613 699
Less: Provision for Impairment	22 000	-	-	-	22 000
Net Balances	3 591 699	-	-	-	3 591 699
Control, Clearing and Interface Accounts:					
Gross Balances	476 634	-	-	-	476 634
Net Balances	476 634	-	-	-	476 634
Deposits for Land					
Gross Balances	1 253 543	-	-	-	1 253 543
Net Balances	1 253 543	-	-	-	1 253 543

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

As at 30 June Receivables of R45 832 669 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	
All Receivables:				
Gross Balances	39 975 703	6 676 961	166 490 954	213 143 617
Less: Provision for Impairr	4 689 415	6 242 188	156 379 345	167 310 948
Net Balances	35 286 287	434 773	10 111 609	45 832 669

As at 30 June 2020

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	11 045 323	14 101 287	3 447 184	17 436 704	46 030 497
Less: Provision for Impairr	106 944	61 878	1 970 754	11 932 727	14 072 304
Net Balances	10 938 379	14 039 409	1 476 429	5 503 977	31 958 193

Refuse:

Gross Balances	559 303	4 100 801	1 938 630	39 859 037	46 457 771
Less: Provision for Impairr	(12 575 104)	5 257 712	1 352 673	45 307 981	39 343 262
Net Balances	13 134 407	(1 156 911)	585 957	(5 448 944)	7 114 509

Sewerage:

Gross Balances	(84 325)	4 009 593	1 533 866	22 370 510	27 829 645
Less: Provision for Impairr	-	-	972 246	21 009 637	21 981 883
Net Balances	(84 325)	4 009 593	561 620	1 360 873	5 847 762

Other Service Charges:

Gross Balances	603 360	144 488	99 471	4 383 088	5 230 406
Less: Provision for Impairr	10 662	6 367	34 284	3 244 967	3 296 280
Net Balances	592 698	138 120	65 187	1 138 121	1 934 126

Water:

Gross Balances	5 618 387	6 905 476	3 052 291	50 640 609	66 216 763
Less: Provision for Impairr	-	633 697	1 245 917	48 477 453	50 357 067
Net Balances	5 618 387	6 271 779	1 806 374	2 163 155	15 859 695

Other Debtors:

Gross Balances	724 062	-	-	-	724 062
Net Balances	724 062	-	-	-	724 062

Prepayments and Advances:

Gross Balances	3 139 189	-	-	-	3 139 189
Less: Provision for Impairr	22 000	-	-	-	22 000
Net Balances	3 117 189	-	-	-	3 117 189

Control, Clearing and Interface Accounts:

Gross Balances	480 017	-	-	-	480 017
Net Balances	480 017	-	-	-	480 017

Deposits for Land

Gross Balances	893 543	-	-	-	893 543
Net Balances	893 543	-	-	-	893 543

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

As at 30 June Receivables of R32 514 741 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	
All Receivables:				
Gross Balances	29 261 645	10 071 441	134 689 948	174 023 035
Less: Provision for Impair	5 959 655	5 575 874	129 972 765	141 508 294
Net Balances	23 301 990	4 495 567	4 717 183	32 514 741

2021
R

2020
R

2.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	129 072 796	111 458 401
Impairment Losses recognised	42 567 225	44 689 219
Amounts written off as uncollectable	(4 307 074)	(27 074 824)
Balance at end of year	167 332 947	129 072 796

2.3.1 Allocation for Cash Flow

Provision for Impairment at Beginning of Year	129 072 796	111 458 400
Movement in Non-cash Transactions:-		
Impairment Recognised	38 108 783	31 492 073
Impairment Reversed	4 458 442	13 197 146
Total Receivables from Exchange Transactions Impairment allocated to Non-cash Transactions	42 567 225	44 689 219
Movement in Service Charges:-		
Amounts Written-off	(4 307 074)	(27 074 824)
Total Receivables from Exchange Transactions Impairment allocated to Service Charges	(4 307 074)	(27 074 824)
Provision for Impairment at End of Year	167 332 948	129 072 795

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.

Prepayments and Advances include an amount of R169,443 for Recoveries from Staff. A historic portion of R22,000 has been deemed to be irrecoverable.

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. Furthermore, it is management's expert opinion and generally accepted practice within the industry not to impair government debt between different government entities, and National Treasury could be approached to engage in the matters if required.

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

3. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTION

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Property Rates	47 426 052	24 907 490	22 518 561
Fines	32 227 658	30 754 158	1 473 500
Total Statutory Receivables from Non-Exchange Transactions	79 653 710	55 661 648	23 992 062
As at 30 June 2020			
Property Rates	44 851 594	23 942 021	20 909 574
Fines	29 964 796	22 869 973	7 094 823
Total Statutory Receivables from Non-Exchange Transactions	74 816 391	46 811 994	28 004 397
		2021 R	2020 R

3.1 Allocation for Cash Flow

Property Rates:-

Property Rates Debtors - Opening Balance	20 909 574	19 581 209
Property Rates Debtors - Closing Balance	(22 518 561)	(20 909 574)
Property Rates Debtors: Provision for Impairment - Opening Balance	23 942 021	18 090 368
Property Rates Debtors: Provision for Impairment - Closing Balance	(24 907 490)	(23 942 021)
Total Statutory Receivables from Non-exchange Transactions allocated to Property Rates	(2 574 457)	(7 180 018)

Other Receipts:

Fines Debtors - Opening Balance	7 094 823	11 066 356
Fines Debtors - Closing Balance	(1 473 500)	(7 094 823)
Fines Debtors: Provision for Impairment - Opening Balance	22 869 973	39 610 451
Fines Debtors: Provision for Impairment - Closing Balance	(30 754 158)	(22 869 973)
Total Statutory Receivables from Non-Exchange Transactions allocated to Other Receipts	(2 262 862)	20 712 010
Total Statutory Receivables from Non-Exchange Transactions allocated to Cash Flow	(4 837 319)	13 531 993

3.2 Ageing of Statutory Receivables from Non-Exchange Transactions

As at 30 June 2021

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	11 026	10 981 751	1 170 645	35 262 630	47 426 052
Less: Provision for Impairment	5 791	5 767 460	614 806	18 519 433	24 907 490
Net Balances	5 235	5 214 291	555 839	16 743 197	22 518 561
Fines:					
Gross Balances	32 227 658	-	-	-	32 227 658
Less: Provision for Impairment	30 754 158	-	-	-	30 754 158
Net Balances	1 473 500	-	-	-	1 473 500

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

As at 30 June Receivables of R22 513 326 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	
All Receivables:				
Gross Balances	10 981 751	1 170 645	35 262 630	47 415 026
Less: Provision for Impair	5 767 460	614 806	18 519 433	24 901 700
Net Balances	5 214 291	555 839	16 743 197	22 513 326

As at 30 June 2020

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	7 973 543	1 610 486	856 123	34 411 442	44 851 594
Less: Provision for Impair	3 962 987	729 564	424 853	18 824 617	23 942 021
Net Balances	4 010 557	880 922	431 270	15 586 825	20 909 574
Fines:					
Gross Balances	29 964 796	-	-	-	29 964 796
Less: Provision for Impair	22 869 973	-	-	-	22 869 973
Net Balances	7 094 823	-	-	-	7 094 823

As at 30 June Receivables of R16 899 017 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	
All Receivables:				
Gross Balances	1 610 486	856 123	34 411 442	36 878 051
Less: Provision for Impair	729 564	424 853	18 824 617	19 979 034
Net Balances	880 922	431 270	15 586 825	16 899 017

**2021
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**2020
R**

3.3 Reconciliation of Provision for Impairment

Balance at Beginning of year	46 811 994	57 700 819
Impairment Losses Recognised	9 417 404	(10 888 825)
Impairment Losses Reversed	-	-
Amounts Written-off as uncollectable	(567 750)	-
Balance at end of year	55 661 648	46 811 994

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

3.3.1 Allocation for Cash Flow

Provision for Impairment at Beginning of Year	46 811 994	57 700 819
Movement in Non-cash Transactions:-		
Impairment Recognised	9 417 404	(10 888 825)
Impairment Reversed	-	-
Total Receivables from Non-exchange Transactions Impairment allocated to Non-cash Transaction	<u>9 417 404</u>	<u>(10 888 825)</u>
Movement in Property Rates:-		
Amounts Written-off	(567 750)	-
Total Receivables from Non-exchange Transactions Impairment allocated to Property Rates	<u>(567 750)</u>	<u>-</u>
Movement in Other Receipts:-		
Amounts Written-off	-	-
Total Receivables from Non-exchange Transactions Impairment allocated to Other Receipts	<u>-</u>	<u>-</u>
Provision for Impairment at End of Year	<u>55 661 648</u>	<u>46 811 994</u>

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

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

4. VAT RECEIVABLE

Vat Receivable	<u>47 750 212</u>	<u>44 160 992</u>
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4.1 Allocation for Cash Flow

VAT Received	-	2 634 901
VAT Paid	(3 589 220)	-
Total VAT allocated to Cash Flow	<u>(3 589 220)</u>	<u>2 634 901</u>

VAT is payable on the receipts basis. The municipality however uses accrual accounting, and only once payment is received from debtors, VAT is paid over to SARS.

Furthermore, VAT is claimable on the payment basis.

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

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

5. CASH AND CASH EQUIVALENTS

Current Investments	40 489 896	122 294 823
Bank Accounts	12 904 130	19 481 806
Cash on Hand	421	421
Total Bank, Cash and Cash Equivalents	53 394 447	141 777 050

5.1 Allocation for Cash Flow:

Increase / (Decrease) in Cash Equivalents:-

Cash and Cash Equivalents - Opening Balance	141 777 050	214 527 388
Cash and Cash Equivalents - Closing Balance	(53 394 447)	(141 777 050)

Total Cash and Cash Equivalents allocated to Increase / (Decrease) in Cash Equivalents	88 382 603	72 750 338
--	-------------------	-------------------

Total Cash and Cash Equivalents allocated to Cash Flow	88 382 603	72 750 338
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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.

5.2 Current Investment Deposits

Call Deposits	40 489 896	122 294 823
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Total Current Investment Deposits	40 489 896	122 294 823
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Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.00 % to 8.00% (2020: 3.40 % to 10.00 %) per annum.

5.3 Bank Accounts

Cash in Bank	12 904 130	19 481 806
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Total Bank Accounts	12 904 130	19 481 806
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The Municipality has the following operational bank accounts:

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Primary Bank Account

Cash book balance at beginning of year	19 481 806	5 694 930
Cash book balance at end of year	<u>12 904 130</u>	<u>19 481 806</u>

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

Bank statement balance at beginning of year	11 782 906	11 217 561
Bank statement balance at end of year	<u>7 082 227</u>	<u>11 782 906</u>

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

Bank statement balance at beginning of year	6 954 464	2 383 385
Bank statement balance at end of year	<u>5 795 584</u>	<u>6 954 464</u>

First National Bank - Jeffreys bay Branch-Cheque Account Number: 62682103591

Bank statement balance at beginning of year	27 768	
Bank statement balance at end of year	<u>26 319</u>	<u>27 768</u>

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

5.4 Cash and Cash Equivalents

Cash Floats and Advances	421	421
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>421</u>	<u>421</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

6. PROPERTY, PLANT AND EQUIPMENT

30 June 2021

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Landfill Sites	Community	Other	Transport Assets	Leased Assets	Work in Progress	Total
	R	R	R	R	R	R	R	R	R	R
Carrying values at 01 July 2020	234 719 377	50 836 868	1 546 611 608	14 699 974	24 121 041	15 307 580	25 533 458	1 953 748	163 353 801	2 077 137 455
Cost	234 719 377	53 605 907	2 198 444 059	44 252 422	25 731 956	43 684 191	56 542 201	5 167 861	163 353 801	2 825 501 775
- Completed Assets	234 719 377	53 605 907	2 198 444 059	44 252 422	25 731 956	43 684 191	56 542 201	5 167 861	-	2 662 147 974
- Under Construction	-	-	-	-	-	-	-	-	163 353 801	163 353 801
Accumulated Impairment Losses	-	(879 000)	-	-	(1 587 000)	(441 442)	(454 957)	-	-	(3 362 399)
Accumulated Depreciation	-	(1 890 039)	(651 832 452)	(29 552 448)	(23 915)	(27 935 169)	(30 553 786)	(3 214 113)	-	(745 001 922)
Acquisition of Assets										
- Cost	-	1 377 612	-	-	-	4 406 098	5 775 708	-	-	11 559 417
- Capital Under Construction	-	-	-	-	-	-	-	-	48 799 692	48 799 692
Decommissioning and other Liabilities	-	-	-	(74 640)	-	-	-	-	-	(74 640)
Depreciation	-	(768 968)	(68 569 523)	(2 092 215)	(74 468)	(4 368 759)	(4 183 428)	(433 284)	-	(80 490 644)
Carrying value of Disposals:	-	(99 748)	(235 129)	-	-	(154 341)	(1 547 222)	(10 452)	-	(2 046 892)
- Cost	-	(120 000)	(829 267)	-	-	(2 410 752)	(5 092 073)	(98 715)	-	(8 550 808)
- Accumulated Impairment Losses	-	-	-	-	-	50 690	291 684	-	-	342 374
- Accumulated Depreciation	-	20 252	594 138	-	-	2 205 721	3 253 168	88 263	-	6 161 542
Impairment (losses)/reversals	-	(87 808)	(68 413)	-	-	(26 372)	-	-	-	(182 593)
Capital under Construction - Completed	-	-	-	-	-	-	-	-	(59 348 298)	(59 348 298)
Transfer to Cost - Completed	-	2 417 532	53 789 028	-	3 141 738	-	-	-	-	59 348 298
Carrying values at 30 June 2021	234 719 377	53 675 487	1 531 527 571	12 533 119	27 188 312	15 164 206	25 578 516	1 510 013	152 805 195	2 054 701 795
Cost	234 719 377	57 281 050	2 251 403 820	44 177 782	28 873 694	45 679 537	57 225 835	5 069 146	152 805 195	2 877 235 437
- Completed Assets	234 719 377	57 281 050	2 251 403 820	44 177 782	28 873 694	45 679 537	57 225 835	5 069 146	-	2 724 430 242
- Under Construction	-	-	-	-	-	-	-	-	152 805 195	152 805 195
Accumulated Impairment Losses	-	(966 808)	(68 413)	-	(1 587 000)	(417 124)	(163 273)	-	-	(3 202 618)
Accumulated Depreciation	-	(2 638 755)	(719 807 836)	(31 644 663)	(98 382)	(30 098 207)	(31 484 046)	(3 559 134)	-	(819 331 023)

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2020

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Landfill Sites	Community	Other	Transport Assets	Leased Assets	Work in Progress	Total
	R	R			R	R	R	R	R	R
Carrying values at 01 July 2019	231 769 377	51 389 637	1 566 945 742	16 009 370	24 132 290	12 102 855	15 216 850	1 897 578	98 827 320	2 018 291 019
Cost	231 769 377	53 605 907	2 154 597 135	42 963 771	25 731 956	36 012 509	43 057 413	4 687 823	98 827 320	2 691 253 211
- Completed Assets	231 769 377	53 605 907	2 154 597 135	42 963 771	25 731 956	36 012 509	43 057 413	4 687 823	-	2 592 425 891
- Under Construction	-	-	-	-	-	-	-	-	98 827 320	98 827 320
Accumulated Impairment Losses	-	(879 000)	-	-	(1 587 000)	(392 222)	(341 978)	-	-	(3 200 200)
Accumulated Depreciation	-	(1 337 270)	(587 651 393)	(26 954 401)	(12 666)	(23 517 432)	(27 498 585)	(2 790 245)	-	(669 761 992)
Acquisition of Assets										
- Cost	2 950 000	-	-	1 176 792	-	7 685 532	13 662 214	480 038	-	25 954 576
- Capital Under Construction	-	-	-	-	-	-	-	-	111 477 179	111 477 179
Decommissioning and other Liabilities	-	-	15 264	111 859	-	-	-	-	-	127 123
Depreciation	-	(552 769)	(65 592 236)	(2 598 047)	(11 249)	(4 425 063)	(3 213 277)	(423 868)	-	(76 816 509)
Carrying value of Disposals:	-	-	(1 691 696)	-	-	(6 524)	(19 351)	-	-	(1 717 571)
- Cost	-	-	(3 102 874)	-	-	(13 849)	(177 426)	-	-	(3 294 149)
- Accumulated Depreciation	-	-	1 411 178	-	-	7 325	158 075	-	-	1 576 579
Impairment (losses)/reversals	-	-	-	-	-	(49 220)	(112 979)	-	-	(162 199)
Capital under Construction - Completed	-	-	-	-	-	-	-	-	(46 950 698)	(46 950 698)
Transfer to Cost - Completed	-	-	46 934 534	-	-	-	-	-	-	46 934 534
Carrying values at 30 June 2020	234 719 377	50 836 868	1 546 611 608	14 699 974	24 121 041	15 307 580	25 533 458	1 953 748	163 353 801	2 077 137 455
Cost	234 719 377	53 605 907	2 198 444 059	44 252 422	25 731 956	43 684 191	56 542 201	5 167 861	163 353 801	2 825 501 775
- Completed Assets	234 719 377	53 605 907	2 198 444 059	44 252 422	25 731 956	43 684 191	56 542 201	5 167 861	-	2 662 147 974
- Under Construction	-	-	-	-	-	-	-	-	163 353 801	163 353 801
Accumulated Impairment Losses	-	(879 000)	-	-	(1 587 000)	(441 442)	(454 957)	-	-	(3 362 399)
Accumulated Depreciation	-	(1 890 039)	(651 832 452)	(29 552 448)	(23 915)	(27 935 169)	(30 553 786)	(3 214 113)	-	(745 001 922)

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
6. PROPERTY, PLANT AND EQUIPMENT (Continued)		
6.1 Allocation for Cash Flow		
Property, Plant and Equipment at Beginning of Year	2 077 137 455	2 018 291 020
Property, Plant and Equipment	1 913 783 654	1 919 463 699
Construction Work-in-Progress	163 353 801	98 827 320
Movement in Non-cash Transactions:-		
Depreciation for the Year	(80 490 644)	(76 816 509)
Impairment for the Year	(182 593)	(162 199)
Revaluation	-	-
Total Property, Plant and Equipment allocated to Non-cash Transactions	<u>(80 673 237)</u>	<u>(76 978 707)</u>
Purchase of Property, Plant and Equipment:-		
Acquisition of Property, Plant and Equipment	11 484 777	26 081 699
Acquisitions	11 559 417	25 954 576
Correction of Error	-	-
Decommissioning, Restoration and Other Liabilities	(74 640)	127 123
Acquisition of Construction Work-in-Progress	48 799 692	111 477 179
Total Property, Plant and Equipment allocated to Purchase of Property, Plant and Equipment	<u>60 284 470</u>	<u>137 558 877</u>
Disposal of Property, Plant and Equipment:-		
Carrying Value of Disposals	(2 046 892)	(1 717 571)
Total Property, Plant and Equipment allocated to Proceeds on Disposal of Property, Plant and Equipment	<u>(2 046 892)</u>	<u>(1 717 571)</u>
Transfer of Property, Plant and Equipment:-		
Work in Progress Completed: Transferred In	59 348 298	46 934 534
Work in Progress Completed: Transferred Out	(59 348 298)	(46 950 698)
Total Property, Plant and Equipment allocated to Suppliers Paid	<u>-</u>	<u>(16 164)</u>
Property, Plant and Equipment at End of Year	<u>2 054 701 795</u>	<u>2 077 137 455</u>
Proceeds on Disposal of Property, Plant and Equipment:-		
Disposals as per Reconciliation of Property, Plant and Equipment	2 046 892	1 717 571
Gains / Losses on Disposal of Property, Plant and Equipment	(1 989 467)	(1 717 571)
Total Proceeds on Disposal of Property, Plant and Equipment allocated to Cash Flow	<u>57 425</u>	<u>-</u>
6.2 Assets pledged as security		
No assets have been pledged as security.		
6.3 Property, Plant and Equipment rented out		
For certain Property Plant and Equipment a portion is being rented out. Due to the insignificance of this portion relative to the whole, judgement has been made that this does not fit the recognition criteria as Investment Property.		
6.4 Impairment of Property, Plant and Equipment		
Impairment Losses on Property, Plant and Equipment to the amount of R182 593 (2020: R162 199) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 33..		
Land	-	-
Buildings	87 808	-
Infrastructure	68 413	-
Other Assets	26 372	49 220
Transport Assets	-	112 979
Total Impairment of Property, Plant and Equipment	<u>182 593</u>	<u>162 199</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

6.5 Delayed Projects

Project Details	Delayed or Halted		
Community Asset	Delayed	5 813 027	5 813 027
Reason: The projects was delayed due to COVID 19 and the Drought disaster in the Kouga Area			
Other Assets	Delayed	587 615	587 615
Reason: The projects was delayed due to COVID 19 and the Drought disaster in the Kouga Area			
Total Carrying Amounts of Delayed or Halted Projects		6 400 642	6 400 642

6.6 Compensation received for Losses

Compensation, included in Operating Surplus, was received from the municipality's insurers and other third parties for Property, Plant and Equipment lost during the year:

	Compensation Received R	Carrying Value of Lost Assets R	Surplus / Deficit on Compensation R
30 June 2021			
Buildings	-	99 748	(99 748)
Infrastructure	-	235 129	(235 129)
Leased Assets	-	10 452	(10 452)
Other Assets	-	154 341	(154 341)
Transport Assets	-	1 547 222	(1 547 222)
Totals for Lost Property, Plant and Equipment	-	2 046 892	(2 046 892)
	Compensation Received R	Carrying Value of Lost Assets R	Surplus / Deficit on Compensation R
30 June 2020			
Infrastructure	-	1 691 696	(1 691 696)
Other Assets	-	6 524	(6 524)
Transport Assets	-	19 351	(19 351)
Totals for Lost Property, Plant and Equipment	-	1 717 571	(1 717 571)

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
6.7 Expenditure incurred for Repairs and Maintenance		
The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:		
Electrical Infrastructure	8 824 439	9 819 954
- Contracted Services	5 591 155	2 043 287
- Inventory Consumed	3 196 953	7 680 626
- Other Operational Costs	36 332	96 041
Information and Communication Infrastructure	45 677	-
- Other Operational Costs	45 677	-
Rail Infrastructure	193 534	-
- Contracted Services	193 534	-
Roads Infrastructure	32 759 937	25 495 148
- Contracted Services	32 095 143	18 685 600
- Inventory Consumed	664 794	5 299 599
- Other Operational Costs	-	1 509 949
Sanitation Infrastructure	2 567 395	3 207 749
- Contracted Services	1 112 115	1 660 904
- Inventory Consumed	918 014	1 110 962
- Other Operational Costs	537 266	435 883
Solid Waste Disposal	65 120	1 538 237
- Contracted Services	65 120	1 500 483
- Other Operational Costs	-	37 754
Storm Water Infrastructure	1 058 488	726 282
- Contracted Services	67 015	79 464
- Inventory Consumed	467 450	499 260
- Other Operational Costs	524 024	147 559
Water Supply Infrastructure	8 766 492	2 956 702
- Contracted Services	588 155	1 076 193
- Inventory Consumed	1 923 183	1 783 107
- Other Operational Costs	6 255 154	97 402
Community Assets	3 348 767	4 362 399
- Contracted Services	2 669 277	3 502 966
- Inventory Consumed	679 490	859 433
Machinery and Equipment	390 736	318 266
- Contracted Services	307 455	240 585
- Inventory Consumed	83 282	77 681
Other Assets - Buildings	2 546 506	1 965 669
- Contracted Services	2 095 775	1 651 392
- Inventory Consumed	445 596	314 277
- Other Operational Costs	5 134	-
Transport Assets	7 945 875	9 898 657
- Contracted Services	6 680 305	8 714 695
- Inventory Consumed	1 161 570	914 209
- Other Operational Costs	104 000	269 752
Total Expenditure related to Repairs and Maintenance Projects	68 512 967	60 289 063

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

7. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	1 294 963	679 541
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The movement in Intangible Assets is reconciled as follows:

Software Purchased:

Carrying values at 01 July	679 540	243 850
Cost	1 176 385	623 643
Accumulated Amortisation	(496 844)	(379 793)
Acquisitions:	976 994	552 741
Purchased	976 994	552 741
Amortisation:	(361 571)	(117 051)
Purchased	(361 571)	(117 051)
Internally Developed	-	-
Carrying values at 30 June	1 294 963	679 540
Cost	2 153 379	1 176 385
Accumulated Amortisation	(858 415)	(496 844)

7.1 Allocation for Cash Flow

Intangible Assets at Beginning of Year	679 541	243 850
Movement in Non-cash Transactions:-		
Amortisation for the Year	(361 571)	(117 051)
Total Intangible Assets allocated to Non-cash Transactions	(361 571)	(117 051)
Purchase of Intangible Assets:-		
Acquisition of Intangible Assets	976 994	552 742
Total Intangible Assets allocated to Purchase of Intangible Assets	976 994	552 742
Intangible Assets at End of Year	1 294 963	679 541

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.

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

7.2 Significant Intangible Assets

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

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

8. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation	262 645 444	262 645 444
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	262 645 444	262 645 444
Cost	262 645 444	262 645 444
Acquisitions during the Year	-	-
Cost	-	-
Carrying values at 30 June	262 645 444	262 645 444
Cost	262 645 444	262 645 444

8.1 Allocation for Cash Flow

Investment Property at Beginning of Year	262 645 444	262 645 444
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Movement in Non-cash Transactions:-

Depreciation for the Year	-	-
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Total Investment Property allocated to Non-cash Transactions	-	-
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Purchase of Investment Property:-

Acquisition of Investment Property	-	-
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Total Investment Property allocated to Purchase of Investment Property	-	-
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Investment Property at End of Year	262 645 444	262 645 444
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Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	925 404	-
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

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.

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
9. LEASE RECEIVABLES		
Current Lease Receivables	107 590	171 287
Non-current Lease Receivables	-	-
Total Lease Receivables	107 590	171 287
9.1 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	171 287	234 365
Operating Lease - Straight lining	-	-
Operating Lease Revenue effected	(63 697)	(63 078)
Total Operating Lease Receivables	107 590	171 287
9.1.1 Allocation for Cash Flow		
Other Receipts:-		
Operating Lease Receivables - Opening Balance	171 287	234 365
Operating Lease Receivables - Closing Balance	(107 590)	(171 287)
Total Operating Lease Receivables allocated to Other Receipts	63 697	63 078
Total Operating Lease Receivables allocated to Cash Flow	63 697	63 078
9.1.2 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.		
9.1.3 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	360 075	360 075
2 to 5 years	1 311 975	1 311 975
More than 5 years	-	-
Total Operating Lease Arrangements	1 672 050	1 672 050
The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R63 697 (2020: decrease of R63 078) in current year income.		
10. LONG-TERM RECEIVABLES		
Staff Related Long Term Receivables	-	13 000
Gross Balance	10 000	13 000
Provision for Impairment	(10 000)	-
Total Long Term Receivables	-	26 000
Less: Current Portion transferred to Current Receivables:-	-	3 000
Staff Related Long Term Receivables	-	3 000
Non-Current Portion of Long Term Receivables	-	10 000

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

10.1 Allocation for Cash Flow

Decrease / (Increase) in Long-term Receivables:-

Long-term Receivables - Opening Balance	10 000	13 000
Long-term Receivables - Closing Balance	-	(10 000)
	10 000	3 000

Total Long-term Receivables allocated to Decrease / (Increase) in Long-term Receivables

Other Receipts:-

Current Portion of Long-term Receivables - Opening Balance	3 000	3 000
Current Portion of Long-term Receivables - Closing Balance	-	(3 000)
	3 000	-

Total Current Portion of Long-term Receivables allocated to Other Receipts

Total Long-term Receivables allocated to Cash Flow

	13 000	3 000
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Staff Related Long Term Receivables

Staff Related Long Term Receivables relate to an acting allowance that was overpaid to an employee in 2009. A provision has now been made for the write-off of this receivable in the new financial year, as this person is not employed by the municipality any more, and does not have the means to repay the monies.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
11. CONSUMER DEPOSITS		
Electricity	11 881 426	10 835 939
Water	2 024 497	1 821 417
Other Deposits:-	6 868 333	5 418 508
- Land Sales	6 794 262	5 359 835
- Rental Properties	42 070	58 673
- Wayleave	32 000	-
Total Consumer Deposits	20 774 255	18 075 864
11.1 Allocation for Cash Flow		
Service Charges:-		
Consumer Deposits: Trading Services - Opening Balance	(12 657 356)	(12 292 453)
Electricity	(10 835 939)	(10 563 805)
Water	(1 821 417)	(1 728 648)
Consumer Deposits: Trading Services - Closing Balance	13 905 922	12 657 356
Electricity	11 881 426	10 835 939
Water	2 024 497	1 821 417
Total Consumer Deposits allocated to Service Charges	1 248 566	364 903
Other Receipts:-		
Consumer Deposits: Other Services - Opening Balance	(5 418 508)	(5 085 670)
Consumer Deposits: Other Services - Closing Balance	6 868 333	5 418 508
Total Consumer Deposits allocated to Other Receipts	1 449 825	332 839
Total Consumer Deposits allocated to Cash Flow	2 698 391	697 742
Consumer Deposits - Electricity and Water		
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.		
12. PAYABLES FROM EXCHANGE TRANSACTIONS		
Bonus	-	-
Other Payables	11 734 759	10 646 509
Retentions	3 697 847	3 349 136
Salary Related Payables	834 091	816 076
Trade Creditors	54 817 337	112 202 790
Advance Payments	17 800 699	16 092 821
Total Payables from Exchange Transactions	88 884 733	143 107 331
12.1 Allocation for Cash Flow		
Service Charges:-		
Advance Payments	1 707 879	1 136 418
Control, Clearing and Interface Accounts: Prepaid Electricity	-	0
Total Payables from Exchange Transactions allocated to Service Charges	1 707 879	1 136 419
Other Receipts:-		
Unallocated Deposits	929 217	(5 445 894)
Total Payables from Exchange Transactions allocated to Other Receipts	929 217	(5 445 894)

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Employee Related Costs:-

Bonus	-	-
Compensation Commission (COID)	-	(11 953 994)
Control, Clearing and Interface Accounts: Salary Clearing and Control	98 406	1 184 437
Long Service Award	118 046	12 036 228
PAYE Deductions	(100 031)	38 380

Total Payables from Exchange Transactions allocated to Employee Related Costs	<u><u>116 421</u></u>	<u><u>1 305 051</u></u>
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Suppliers Paid:-

Auditor-General of South Africa	0	(43 254)
Bulk Water	(777 517)	(59 693 978)
Control, Clearing and Interface Accounts: Goods Received / Invoices Received	0	2 364
Electricity Bulk Purchase	2 355 827	3 192 220
Payables and Accruals	(58 963 764)	115 412 173
Retentions	348 711	809 640

Total Payables from Exchange Transactions allocated to Suppliers Paid	<u><u>(57 036 742)</u></u>	<u><u>59 679 166</u></u>
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Other Payments:-

Affiliates, Related Parties and Associated Companies	-	(0)
Control, Clearing and Interface Accounts: Cash and Bank	60 627	(949 963)

Total Payables from Exchange Transactions allocated to Other Payments	<u><u>60 627</u></u>	<u><u>(949 964)</u></u>
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Total Payables from Exchange Transactions allocated to Cash Flow	<u><u>(54 222 598)</u></u>	<u><u>55 724 778</u></u>
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13. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Transfers and Subsidies	751 430	235 741
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Total Payables from Non-exchange Transactions	<u><u>751 430</u></u>	<u><u>235 741</u></u>
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13.1 Allocation for Cash Flow

Other Payments:-

Payables from Non-exchange Transactions - Opening Balance	-	235 741
Payables from Non-exchange Transactions - Closing Balance	751 430	235 741

Total Payables from Non-exchange Transactions allocated to Other Payments	<u><u>515 689</u></u>	<u><u>235 741</u></u>
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Total Payables from Non-exchange Transactions allocated to Cash Flow	<u><u>515 689</u></u>	<u><u>235 741</u></u>
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No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

District Municipalities	-	-
National Government	5 962 915	26 927 177
Provincial Government	235 741	-

Total Unspent Conditional Grants and Receipts	<u><u>6 198 656</u></u>	<u><u>26 927 177</u></u>
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14.1 Allocation for Cash Flow

Transfers and Subsidies:-

Unspent Conditional Grants and Receipts - Opening Balance	(26 927 177)	(103 445 548)
Unspent Conditional Grants and Receipts - Closing Balance	6 198 656	26 927 177

Total Unspent Conditional Grants and Receipts allocated to Transfers and Subsidies	<u><u>(20 728 521)</u></u>	<u><u>(76 518 371)</u></u>
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Total Unspent Conditional Grants and Receipts allocated to Cash Flow	<u><u>(20 728 521)</u></u>	<u><u>(76 518 371)</u></u>
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KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

See Note 23 for the reconciliation of Grants from Government and other sources. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

15. LEASE PAYABLES

Current Lease Payables	618 501	645 622
Non-current Lease Payables	-	618 497
Total Lease Payables	618 501	1 264 119

15.1 Finance Lease Payables

Finance Lease Liability	618 501	1 264 119
Total Non-current Lease Payables	618 501	1 264 119
Less: Current Portion transferred to Current Lease Payables:-	(618 501)	(645 622)
Non-Current Portion of Finance Lease Payables	-	618 497

15.1.1 Allocation for Cash Flow

15.1.1.1 Current Portion:-

Movement in Current Portion of Finance Lease Payables:-

Opening Balance	(645 622)	(1 067 666)
Closing Balance	618 501	645 622
Total Movement in Current Portion of Finance Lease Payables	(27 121)	(422 045)
Adjustment for Non-cash Transactions:	422 045	696 860
Total Current Portion allocated to Repayment of Borrowings	394 924	274 816

15.1.1.2 Non-current Portion:-

Movement in Non-current Finance Lease Payables:-

Non-current Finance Lease Payables - Opening Balance	(618 497)	(1 264 119)
Non-current Finance Lease Payables - Closing Balance	-	618 497
Total Movement in Non-current Finance Lease Payables	(618 497)	(645 622)
Adjustment for Non-cash Transactions:	(422 045)	(696 860)
Total Non-current Long-term Liabilities allocated to Repayment of Borrowings	(1 040 542)	(1 342 482)

Total Long-term Liabilities allocated to Cash Flow

	(645 618)	(1 067 666)
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15.1.2 Summary of Arrangements

Finance Lease Liabilities relates to Vehicles and IT Equipment with lease terms of 5 (2020: 5) years. The effective interest rate on Finance Leases is between 13,21% and 48,13% (2020: 13,21 to 48,13%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

15.1.3 Obligations under Leases

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2020: 5 years). The effective interest rate on Finance Leases is between 14.73% and 21.53% (2020: 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 municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The risks and rewards of ownership in respect of the Property, Plant and Equipment will transfer to the municipality at the conclusion of the agreement.

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	
	2021 R	2020 R	2021 R	2020 R
Amounts payable under borrowings:				
Within one year	795 355	795 355	618 501	645 622
In the second to fifth years, inclusive	662 796	662 796		618 497
Over five years	-	-	-	-
	<u>1 458 151</u>	<u>1 458 151</u>	<u>618 501</u>	<u>1 264 119</u>
Less: Future Finance Obligations	194 036	194 036		
Present Value of Minimum Lease Obligations	<u>1 264 115</u>	<u>1 264 115</u>	<u>618 501</u>	<u>1 264 119</u>
Less: Amounts due for settlement within 12 months (Current Portion)			(618 501)	(645 622)
Borrowings due for settlement after 12 months (Non-current Portion)			<u>-</u>	<u>618 497</u>

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) Photocopiers, Computers and Fax Machines	R 1 264 119	R 1 264 119
- Instalments are payable monthly in arrears		
- Average period outstanding	12 months	12 months
- Average effective interest rate, based on prime	15.33%	15.33%
- Average monthly instalment	R 52 860	R 52 860

16. BORROWINGS

Long-Term Borrowings

Development Bank of South Africa

Less: Current Portion transferred to Current Borrowings:-

Development Bank of South Africa

Non-Current Portion of Borrowings

16.1 Allocation for Cash Flow

16.1.1 Current Portion:-

Movement in Current Portion of Borrowings:-

Current Portion of Borrowings - Opening Balance	(8 961 975)	(7 998 872)
Current Portion of Borrowings - Closing Balance	6 128 308	8 961 975
Total Movement in Current Portion of Borrowings	(2 833 667)	963 103
Adjustment for Non-cash Transactions:	2 833 667	(963 103)
- Transfer from Non-current Borrowings	<u>2 833 667</u>	<u>(963 103)</u>
Total Current Portion allocated to Repayment of Borrowings	<u>-</u>	<u>-</u>

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

16.1.2 Non-current Portion:-

Movement in Non-current Borrowings:-

Non-current Borrowings - Opening Balance	(6 128 314)	(15 090 290)
Non-current Borrowings - Closing Balance	-	6 128 314
Total Movement in Non-current Borrowings	(6 128 314)	(8 961 976)
Adjustment for Non-cash Transactions:		
- Transfer to Current Portion of Long-term Liabilities	(2 833 667)	963 103
	<u>(2 833 667)</u>	<u>963 103</u>
Total Non-current Long-term Liabilities allocated to Repayment of Borrowings	<u>(8 961 981)</u>	<u>(7 998 873)</u>
Total Long-term Liabilities allocated to Cash Flow	<u>(8 961 981)</u>	<u>(7 998 873)</u>

16.2 Summary of Arrangements

The fixed term loan is over a period of 10 years was taken up with the Development Bank of Southern Africa to purchase heavy duty vehicles. In terms of the service level agreement, as amended, the loan will be repaid in monthly instalments at a interest rate of 11.18 %.

16.3 Obligations under Borrowings

Annuity and Bullet Loans	-	6 128 314
Current Portion transferred to Current Liabilities:-	6 128 308	8 961 975
Annuity and Bullet Loans	<u>6 128 308</u>	<u>8 961 975</u>
Total Borrowings	<u>6 128 308</u>	<u>15 090 289</u>

17. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities

Post-retirement Health Care Benefits Liability	109 669 451	94 571 941
Post-retirement Pension Benefits Liability	89 626 999	75 535 567
Long Service Awards Liability	150 949	151 045
Performance Bonus	17 157 000	16 490 264
	<u>2 734 503</u>	<u>2 395 065</u>

Less: Current Portion of Employee Benefit Liabilities

Post-retirement Health Care Benefits Liability	7 872 752	8 316 102
Post-retirement Pension Benefits Liability	3 144 000	3 176 023
Long Service Awards Liability	21 249	21 249
Performance Bonus	1 973 000	2 723 765
	<u>2 734 503</u>	<u>2 395 065</u>

Non-Current Portion of Employee Benefit Liabilities

	<u>101 796 699</u>	<u>86 255 839</u>
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17.1 Allocation for Cash Flow

17.1.1 Current Portion

Provisions at Beginning of Year	8 316 102	7 828 354
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Movement in Non-cash Transactions:-

Defined Benefit Obligations	3 144 000	3 197 272
Long Service Awards Liability	(750 765)	195 364
Performance Bonus	339 439	98 402

Total Provisions allocated to Non-cash Transactions	<u>2 732 674</u>	<u>3 491 038</u>
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Movement in Employee Related Costs:-

Actual Benefit Payments	(3 176 023)	(3 003 291)
Reductions (Outflow of Economic Benefits)	-	-

Total Provisions allocated to Employee Related Costs	<u>(3 176 023)</u>	<u>(3 003 291)</u>
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Provisions at End of Year	<u>7 872 752</u>	<u>8 316 102</u>
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KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

17.1.2 Non-current Portion

Employee Benefit Liabilities at Beginning of Year	86 255 839	94 807 417
 Movement in Non-cash Transactions:-		
Long-service Awards	4 141 266	1 885 792
Post Retirement Health Care	14 102 206	(7 901 855)
Post Retirement Pension	50 353	(7 114)
 Total Employee Benefit Liabilities allocated to Non-cash Transactions	18 293 825	(6 023 177)
 Movement in Employee Related Costs:-		
Long-service Awards: Reductions (Outflow of Economic Benefits)	(2 723 765)	(2 528 401)
Post Retirement Health Care: Actual Employer Benefit Payments	(29 200)	-
Defined Benefit Obligations: Actual Benefit Payments	-	-
 Total Employee Benefit Liabilities allocated to Employee Related Costs	(2 752 965)	(2 528 401)
 Employee Benefit Liabilities at End of Year	101 796 699	86 255 839

17.2 Current Portion of Employee Benefit Liabilities

The movement in Current Portion of Employee Benefit Liabilities is reconciled as follows:

	Performance Bonus	Medical Aid	Pension Fund	Long-term Service
	R	R	R	R
30 June 2021				
Opening Balance	2 395 065	3 176 023	-	2 723 765
Current service cost	339 438	3 144 000	21 249	-
Actual employer benefit payments	-	(3 176 023)	-	-
Reversals	-	-	-	(750 765)
 Balance at end of year	2 734 503	3 144 000	21 249	1 973 000
	Performance Bonus	Medical Aid	Pension Fund	Long-term Service
	R	R	R	R
30 June 2020				
Opening Balance	2 296 662	2 982 243	21 048	2 528 401
Current service cost	98 403	3 176 023	21 249	2 723 765
Actual employer benefit payments	-	(2 982 243)	(21 048)	-
Reversals	-	-	-	(2 528 401)
 Balance at end of year	2 395 065	3 176 023	21 249	2 723 765

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

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

17.3 Post-retirement Health Care Benefits Liability

Opening Balance	75 535 567	83 222 393
Interest Cost	10 123 421	7 767 684
Current Service Cost	3 369 081	3 821 493
Actual Employer Benefit Payments	(3 176 023)	(2 982 243)
Actuarial Loss/ (Gain) recognised in the year	3 774 953	(16 293 760)
Balance at end of Year	<u>89 626 999</u>	<u>75 535 567</u>
Transfer to Current Provisions	3 144 000	3 176 023
Total Post-retirement Health Care Benefits Liability	<u>86 482 999</u>	<u>72 359 544</u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2021 by Arch Actuarial Consulting. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	423	438
Continuation Members (Retirees, widowers and orphans)	76	71
Total Members	<u>499</u>	<u>509</u>

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

In-service Members	49 071 999	36 187 184
Continuation Members	40 555 000	39 348 384
Total Liability	<u>89 626 999</u>	<u>75 535 567</u>

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

- Bonitas
- Keyhealth
- LA Health
- Hosmed
- Samwumed

The Current-service Cost for the year ending 30 June 2021 is estimated to be R3 369 081, whereas the cost for the ensuing year is estimated to be R3 144 000 (30 June 2020: R3 821 493 and R3 369 081 respectively)."

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

Discount Rate	10.26%	13.69%
Health Care Cost Inflation Rate	6.86%	9.41%
Net Effective Discount Rate	3.18%	3.91%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

Opening Balance	75 535 567	83 222 393
Interest Cost	10 123 421	7 767 684
Current Service Cost	3 369 081	3 821 493
Benefits Paid	(3 176 023)	(2 982 243)
Actuarial Losses / (Gains)	3 774 953	(16 293 760)

Total Recognised Benefit Liability	89 626 999	75 535 567
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The amounts recognised in the Statement of Financial Position are as follows:

Present Value of Fund Obligations	89 626 999	75 535 567
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Total Benefit Liability	89 626 999	75 535 567
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	3 369 081	7 767 684
Interest cost	10 123 421	3 821 493
Actuarial losses / (gains)	3 774 953	(16 293 760)

Total Post-retirement Benefit included in Employee Related Costs (Note 30.)	17 267 455	(4 704 583)
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The history of fair values are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Present Value of Defined Benefit Obligation	89 626 999	75 535 567	83 222 393	86 379 999	82 973 999
Deficit	89 626 999	75 535 567	83 222 393	86 379 999	82 973 999

Experienced adjustments on Plan Liabilities	(9 109 000)	(1 919 000)	2 356 040	41 820	6 739 754
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	2021 R	2020 R
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The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	14 896 000	15 565 243
Effect on the defined benefit obligation	15 565 243	86 136 671

Decrease:

Effect on the aggregate of the current service cost and the interest cost	10 670 000	11 755 460
Effect on the defined benefit obligation	11 755 460	66 738 349

The municipality expects to make a contribution of R3,273,000 (2020: R3,144,000) to the Defined Benefit Plans during the next financial year.

Refer to Note 49., "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

17.4 Post-retirement Pension Benefits Liability

Opening Balance	129 796	179 207
Interest Cost	10 405	13 021
Current Service Cost	21 249	-
Actual Employer Benefit Payments	(29 200)	(21 048)
Actuarial Loss/ (Gain) recognised in the year	18 699	(20 135)
 Balance at end of Year	 <u>150 949</u>	 <u>151 045</u>
 Transfer to Current Provisions	 21 249	 21 249
 Total Post-retirement Pension Benefits Liability	 <u>129 700</u>	 <u>129 796</u>

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

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2021 Arch Actuarial Consulting a fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

Discount Rate	7.41%	7.41%
Health Care Cost Inflation Rate	2.57%	2.57%
Net Effective Discount Rate	4.72%	4.72%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

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

Opening Balance	151 045	179 207
Interest Cost	10 405	13 021
Current Service Cost	(29 200)	(21 048)
Actual Employer Benefit Payments	(21 249)	-
Actuarial Loss/ (Gain) recognised in the year	18 699	(20 135)
 Total Recognised Benefit Liability	 <u>129 700</u>	 <u>151 045</u>

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

Present value of fund obligations	129 700	151 045
 Total Benefit Liability	 <u>129 700</u>	 <u>151 045</u>

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

Interest cost	10 405	13 021
Actuarial losses / (gains)	18 699	(20 135)
 Total Post-retirement Benefit included in Employee Related Costs (Note)	 <u>29 104</u>	 <u>(7 114)</u>

The history of experienced adjustments is as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Present Value of Defined Benefit Obligation	129 700	151 045	179 207	715 000	742 000
 Deficit	 <u>129 700</u>	 <u>151 045</u>	 <u>179 207</u>	 <u>715 000</u>	 <u>742 000</u>
 Experienced adjustments on Plan Liabilities	 7 899	 (1 189)	 622 911	 Unknown	 2 356 040

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2021
R

2020
R

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

Increase:

Effect on the aggregate of the current service cost and the interest cost	11 186	11 186
Effect on the defined benefit obligation	124 000	143 637

Decrease:

Effect on the aggregate of the current service cost and the interest cost	8 000	9 528
Effect on the defined benefit obligation	136 200	159 265

17.5 Long Service Awards Liability

Opening Balance	16 490 264	16 937 509
Current Service Cost and Interest Cost	3 140 278	5 795 768
Payments Made	(2 723 765)	(2 528 401)
Other Reductions	-	(990 847)
Actuarial Gain/(Loss)	250 223	(2 723 765)
Balance at end of Year	17 157 000	16 490 264
Transfer to Current Provisions	1 973 000	2 723 765
Total Long Service Awards Liability	15 184 000	13 766 499

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2021 by Arch Actuarial Consulting. 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.

At year end, 798 (2020: 852) employees were eligible for Long-service Awards.

The Current-service Cost and Interest Cost for the year ending 30 June 2021 is estimated to be R3 140 278, whereas the cost for the ensuing year is estimated to be R (30 June 2021: R5 795 768 and R3 140 278 respectively).

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

Discount Rate	9.73%	9.73%
Cost Inflation Rate	5.57%	4.57%
Net Effective Discount Rate	3.94%	3.94%
Expected Rate of Salary Increase	4.00%	6.25%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

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

Opening Balance	16 490 264	16 937 509
Interest Cost	-	-
Current Service Cost	250 223	(2 723 765)
Actuarial Loss/ (Gain) recognised in the year	3 140 278	4 804 921
Benefits Paid	(2 723 765)	(2 528 401)
Total Recognised Benefit Liability	17 157 000	16 490 264

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

Present value of fund obligations	17 157 000	16 490 264
Total Benefit Liability	17 157 000	16 490 264

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

Current service cost	3 140 278	5 795 768
Interest cost	-	-
Total Post-retirement Benefit included in Employee Related Costs (Note 30.)	3 140 278	5 795 768

The history of experienced adjustments is as follows:

	2021 R	2020 R	2019 R	2018 R
Present Value of Defined Benefit Obligation	17 157 000	16 490 264	16 937 509	14 292 000
Deficit	17 157 000	16 490 264	16 937 509	14 292 000
Experienced adjustments on Plan Liabilities	(632 777)	-	179 135	-

	2021 R	2020 R
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The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	3 117 863	3 117 863
Effect on the defined benefit obligation	18 107 000	15 692 185

Decrease:

Effect on the aggregate of the current service cost and the interest cost	3 164 217	3 164 217
Effect on the defined benefit obligation	16 285 000	17 371 225

The municipality expects to make a contribution of R2 723 765 (2020: R3 140 278) to the defined benefit plans during the next financial year.

18. PROVISIONS

Current Provisions	27 574 289	24 778 557
Non-current Provisions	73 834 000	72 316 640
Total Provisions	101 408 289	97 095 197

18.1 Current Provisions

Current Portion of Non-Current Provisions:	27 574 289	24 778 557
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	3 624 276	3 547 270
Environmental Cleanup	1 450 000	1 036 522
Leave	22 500 013	20 194 765
Total Provisions	27 574 289	24 778 557

18.1.1 Allocation for Cash Flow

Provisions at Beginning of Year	24 778 557	21 820 446
Movement in Non-cash Transactions:-		
Provisions	2 795 732	2 958 111
Total Provisions allocated to Non-cash Transactions	2 795 732	2 958 111
Provisions at End of Year	27 574 288	24 778 557

The movement in Current Provisions is reconciled as follows:

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Current Portion of Non-Current Provisions:

Staff Benefit Provisions:

Leave Provision

Opening Balance	20 194 765	17 026 502
Increases	2 305 248	3 168 263
Payments Made	-	-
Reversals	-	-
Balance at end of year	<u>22 500 013</u>	<u>20 194 765</u>

Other Operational Provisions:

	Environmental Cleanup	Decommissioning of Landfill Sites
	R	R
30 June 2021		
Opening Balance	1 036 522	3 547 270
Increases	413 478	77 006
Reversals	-	-
Balance at end of year	<u>1 450 000</u>	<u>3 624 276</u>

	Environmental Cleanup	Decommissioning of Landfill Sites
	R	R
30 June 2020		
Opening Balance	2 000 000	2 793 944
Increases	-	3 547 270
Reversals	(963 478)	(2 793 944)
Balance at end of year	<u>1 036 522</u>	<u>3 547 270</u>

Environmental Clean-up Illegal dumping of builders and other rubble is taken place throughout the Kouga area to the municipality's property. Contrary to S19A of Environmental Conservation Act,73 (No 73 of 19 89), the municipality has not cleared the illegal dumping and other rubble. The municipality has accounted for a provision for the cost of clearing of builders and other rubble as required by GRAP 19.

Leave Provision Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. All leave has to be taken within a timeframe of 18 months subsequent to earning it There is no possibility of reimbursement.

Long Service Award Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

18.2 Non-current Provisions

Decommissioning, Restoration and Similar Liabilities: Landfill Sites	73 834 000	72 316 640
Decommissioning, Restoration and Similar Liabilities:Non-specific	-	-

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Total Non-current Provisions	73 834 000	72 316 640
18.2.1 Allocation for Cash Flow		
Non-current Provisions at Beginning of Year	72 316 640	68 637 404
Movement in Non-cash Transactions:-		
Decommissioning, Restoration and Similar Liabilities	1 517 360	3 731 436
Total Non-current Provisions allocated to Non-cash Transactions	<u>1 517 360</u>	<u>3 731 436</u>
Decommissioning, Restoration and Similar Liabilities:Non-specific	-	(52 200)
Total Non-current Provisions allocated to Suppliers Paid	<u>-</u>	<u>(52 200)</u>
Non-current Provisions at End of Year	73 834 000	72 316 640

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

	Decommissioning of Non-Specific R	Decommissioning of Landfill Sites R
30 June 2021		
Opening Balance	-	72 316 640
Finance Charges	-	1 517 360
Payments Made	-	-
Increases (Passage of Time/Discounted Rate)	-	-
Balance at end of year	<u>-</u>	<u>73 834 000</u>

	Decommissioning of Non-Specific R	Decommissioning of Landfill Sites R
30 June 2020		
Opening Balance	52 200	68 585 204
Finance Charges	-	3 211 375
Other Reductions	-	-
Balance at end of year	<u>-</u>	<u>72 316 640</u>

18.3 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 2021 by a technical specialist, Mr S Nel, (Pr Eng, BSc Eng (Civil), BCom Honours), the branch manager for the East London branch of Bosch Munitech (Pty) Ltd. The provision is the best estimate of the net present value of future rehabilitation costs of the land-fill sites to restore the sites at the end of their useful lives. The payment dates of the total closure and rehabilitation are uncertain, but are currently expected to be between 2021 and 2038.

Major assumptions concerning future events

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

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

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

LANDFILL SITES - USEFUL LIFE	Humansdorp	Hankey	Oyster Bay	JBAY (Open)	St. Francis (Open)
	Landfill Site	Landfill Site	Transfer Station	Transfer Station	Transfer Station
Remaining Useful Life 30 June 2021	6	6	6	28	28

The following Landfill sites have closed:

St Francis - Site
Paradise Beach - Site
Patensie - Site

	Humansdorp	Hankey	Oyster Bay	JBAY (Open)	St. Francis (Open)
Closing Provision as at 30 June 2019	49 231 816	8 846 016	563 023	-	-
Interest cost at 2019 weighted average - unwinding of interest	2 215 432	398 071	25 336	-	-
Change in PV in the future cash flows due to change in the discount rate	72 784	15 945	37	588 396	588 396
Closing Provision as at 30 June 2020	51 520 032	9 260 032	588 396	588 396	588 396
Interest cost at 2020 weighted average - unwinding of interest	1 133 441	203 721	12 945	12 945	12 945
Change in PV in the future cash flows due to change in the discount rate	10 185	(17 995)	(1 228)	(1 228)	(1 228)
Closing Provision as at 30 June 2021	52 663 658	9 445 758	600 113	600 113	600 113

	St. Francis (Closed)	Paradise Beach (JBAY)	Patensie
Closing Provision as at 30 June 2019	11 898 116	563 023	261 890
Interest cost at 2019 weighted average - unwinding of interest	535 415	25 336	11 785
Change in PV in the future cash flows due to change in the discount rate	22 901	37	155
Closing Provision as at 30 June 2020	12 456 432	588 396	273 830
Interest cost at 2020 weighted average - unwinding of interest	535 415	25 336	11 785
Change in PV in the future cash flows due to change in the discount rate	22 901	37	155
Closing Provision as at 30 June 2021	13 014 748	613 769	285 770

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
19. ACCUMULATED SURPLUS		
Accumulated Surplus / (Deficit) due to the results of Operations	2 190 837 047	2 235 831 837
Total Accumulated Surplus	<u><u>2 190 837 047</u></u>	<u><u>2 235 831 837</u></u>

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

KOUGA LOCAL MUNICIPALITY
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	2021 R	2020 R
20. PROPERTY RATES		
	Actual Levies	
Property Rates Levies	210 204 642	196 958 729
Total Property Rates	210 204 642	196 958 729
20.1 Allocation for Cash Flow:		
Total Property Rates	210 204 642	196 958 729
Adjustment for Non-cash Transactions:-	-	-
Total Property Rates allocated to Cash Flow	210 204 642	196 958 729
20.2 Calculation of Cash Flow:		
Property Rates Income	210 204 642	196 958 729
Non-exchange Interest Earned	1 700 447	1 649 323
Cash Flow from Non-exchange Receivables	(2 574 457)	(7 180 018)
Amounts Written-off as Uncollectable	(567 750)	-
Total Receipts for Property Rates	208 762 882	191 428 034
<p>Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2018.</p> <p>Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.</p> <p>An general rate is applied as follows to property valuations to determine property rates: Residential Properties: 0,008743 c/R (2019/20: 0,0078 c/R) Business Properties: 0,009093 c/R (2019/20: 0,008639 c/R) Agricultural Properties: 0,002186 c/R (2019/20: 0,002077 c/R)</p> <p>A Rebate of R15,000 is received on all residential properties, private towns receives an additional 20% on property valuation and equitable share recipients and Pensioners earning R15 000 and less per month, receives an additional R85,000 rebate on property value.</p>		
21. FINES, PENALTIES AND FORFEITS		
Traffic Fines:	3 063 146	1 847 650
Municipal	3 063 146	1 847 650
Service Provider	-	-
Other Fines:	244 942	277 421
Building	195 624	216 812
Overdue Books Fine	318	1 609
Pound Fees	49 000	59 000
Total Fines, Penalties and Forfeits	3 308 089	2 125 071
21.1 Allocation for Cash Flow:		
Total Fines, Penalties and Forfeits	3 308 089	2 125 071
Adjustment for Non-cash Transactions:-	-	-
Total Fines, Penalties and Forfeits allocated to Other Receipts	3 308 089	2 125 071

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

22. LICENCES AND PERMITS

Boat	5 773 009	4 535 150
Health Certificates	(57 968)	5 740
Road and Transport:	4 436 938	4 071 662
Drivers Licence Application/Duplicate Drivers Licences	2 673 110	2 593 358
Drivers Licence Certificate	-	34 674
Learners Certificate	839 891	700 477
Operators and Public Drivers Permits	923 938	743 153
Trading	75 076	202 124
Total Licences and Permits	10 227 056	8 814 675

22.1 Allocation for Cash Flow:

Total Licences and Permits	10 227 056	8 814 675
Adjustment for Non-cash Transactions:-	-	-
Total Licences and Permits allocated to Other Receipts	10 227 056	8 814 675

23. TRANSFERS AND SUBSIDIES RECEIVED

Capital Grants	46 786 514	126 693 735
Allocations In-kind	-	333 890
Monetary Allocations	46 786 514	126 359 845
Operational Grants	166 981 811	134 387 029
Monetary Allocations	166 981 811	134 387 029
Total Transfers and Subsidies Received	213 768 324	261 080 764

23.1 Allocation for Cash Flow:

Total Transfers and Subsidies Received	213 768 324	261 080 764
Adjustment for Non-cash Transactions:	-	-
Total Transfers and Subsidies Received allocated to Cash Flow	213 768 324	261 080 764

23.2 Calculation of Cash Flow:

Government Grants and Subsidies Income	Note 23.1	213 768 324	261 080 764
Cash Flow from Non-exchange Receivables	Note 5.1	-	(0)
Cash Flow from Unspent Government Grants	Note 14.1	(20 728 521)	(76 518 371)
Total Receipts for Government Grants and Subsidies		193 039 803	184 562 393

23.3 Summary of Grants:

23.3.1 Capital Grants

	Allocations In-kind		Monetary Allocations	
	2021	2020	2021	2020
District Municipalities	-	333 890	1 516 655	713 585
National Governments	-	-	45 269 859	125 646 260
Total Capital Grants Received	-	333 890	46 786 514	126 359 845

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

23.3.2 Operational Grants

	Allocations In-kind		Monetary Allocations	
	2021	2020	2021	2020
District Municipalities	-	-	2 845 500	2 619 200
Foreign Government and International Organisations	-	-	867 207	-
National Governments	-	-	4 172 903	4 669 401
National Revenue Fund	-	-	157 046 000	124 938 000
Provincial Government	-	-	2 050 000	2 114 259
Total Operational Grants Received	-	-	166 981 811	134 387 029

23.4 Detailed Summaries

23.4.1 Equitable Share

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	157 046 000	124 938 000
Transferred to Revenue	(157 046 000)	(124 938 000)
Unspent Balance at the End of the Year	-	-

In terms of the Constitution, the grant is used to subsidise the provision of basic services to indigent community members. This grant is unconditional.

23.4.2 National: EPWP Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1 054 000	1 000 000
Conditions Met - Transferred to Revenue	(1 054 000)	(1 000 000)
Unspent Balance at the End of the Year	-	-

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

23.4.3 National: FMG Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1 500 000	1 770 000
Transferred to Revenue	(1 500 000)	(1 770 000)
Unspent Balance at the End of the Year	-	-

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.

23.4.4 National: MIG Funds

Unspent Balance at the Beginning of the Year	12 505 994	-
Current Year Receipts	31 190 000	37 996 000
Conditions Met - Transferred to Revenue	(37 733 079)	(25 490 006)
Unspent Balance at the End of the Year	5 962 915	12 505 994

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. R388 000 have been withheld. The roll over application for the 2019/2020 financial year to the amount of R2 900 000.00 was not approved, R 9 605 994.34 was

23.4.5 National: WSIG Funds

Unspent Balance at the Beginning of the Year	14 315 680	98 017 338
Current Year Receipts	-	10 000 000
Conditions Met - Transferred to Revenue	(14 315 680)	(93 701 658)
Unspent Balance at the End of the Year	-	14 315 680

The Water Services Infrastructure Grant is allocated to municipalities to assist in drought relief. The roll over application for the 2019/2020 financial year to the amount of R6 815 680.72 was approved and R7 500 000.00 was not

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

23.4.6 National: Department of economic development

Unspent Balance at the Beginning of the Year	65 500	65 500
Current Year Receipts	-	-
Transferred to Revenue	(65 500)	-
Unspent Balance at the End of the Year	-	65 500

No funds have been withheld.

23.4.7 Integrated National Electrification Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	5 200 000	3 202 000
Conditions Met - Transferred to Revenue	(5 200 000)	(3 202 000)
Unspent Balance at the End of the Year	-	-

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

23.4.8 Energy Efficiency Grant

Unspent Balance at the Beginning of the Year	40 003	-
Current Year Receipts	-	4 000 000
Conditions Met - Transferred to Revenue	(40 003)	(3 959 997)
Unspent Balance at the End of the Year	-	40 003

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

23.4.9 Disaster Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	-	1 192 000
Transferred to Revenue	-	(1 192 000)
Unspent Balance at the End of the Year	-	-

This is an unconditional grant and was received from Sarah Baartman District Municipality.

23.4.10 Provincial: Department Human Settlement (Houses)

Balance unspent at the beginning of the year	-	5 362 710
Current year receipts	-	868 905
Conditions met - transferred to Revenue: Operating Expenses	-	(6 231 615)
Unspent Balance at the End of the Year	-	-

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

24. SERVICE CHARGES

Sale of Electricity	281 916 331	246 061 535
Sale of Water	80 982 787	73 768 737
Refuse Removal	53 973 636	51 351 251
Sewerage and Sanitation Charges	52 345 869	49 950 667
Total Service Charges	469 218 623	421 132 190

24.1 Allocation for Cash Flow:

Total Service Charges	469 218 623	421 132 190
Adjustment for Non-cash Transactions:-	-	-
Total Service Charges allocated to Cash Flow	469 218 623	421 132 190

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

24.2 Calculation of Cash Flow:

Service Charges Income	Note 24.1	469 218 623	421 132 190
Exchange Interest Earned	Note 28.1	8 281 272	6 926 805
Cash Flow from Exchange Receivables	Note 2.1	(38 313 716)	(32 633 478)
Cash Flow from Consumer Deposits	Note 11.1	1 248 566	364 903
Cash Flow from Exchange Payables	Note 12.1	1 707 879	1 136 419
Exchange Receivables: Amounts written-off as uncollectable	Note 2.3.1	(4 307 074)	(27 074 824)
Bad Debt Written-off	Note 33.1	-	(20 210 729)
Total Receipts for Service Charges		437 835 551	349 641 285

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.

25. SALES OF GOODS AND RENDERING OF SERVICES

Application Fees for Land Usage	436 398	601 929
Building Plan Approval	3 328 419	2 336 905
Camping Fees	267 897	1 986 091
Cemetery and Burial	376 649	365 039
Cleaning and Removal	108 383	6 128
Encroachment Fees	81 762	5 957
Fire Services	12 822	20 442
Legal Fees	2 664 616	5 138 444
Photocopies and Faxes	57 166	76 579
Removal of Restrictions	545 830	321 879
Sale of Goods	-	37 078
Scrap, Waste & Other Goods	913	-
Town Planning and Servitudes	-	5 530
Valuation Services	278 390	208 887
Total Sales of Goods and Rendering of Services	8 159 247	11 110 886

25.1 Allocation for Cash Flow:

Total Sales of Goods and Rendering of Services	8 159 247	11 110 886
Adjustment for Non-cash Transactions:-	-	-
Total Sales of Goods and Rendering of Services allocated to Other Receipts	8 159 247	11 110 886

26. INCOME FROM AGENCY SERVICES

Commission on Vehicle Registration	1 411 573	2 251 824
Total Income from Agency Services	1 411 573	2 251 824

26.1 Allocation for Cash Flow:

Total Income from Agency Services	1 411 573	2 251 824
Adjustment for Non-cash Transactions:-	-	-
Total Income from Agency Services allocated to Other Receipts	1 411 573	2 251 824

The municipality is party to a principal / agent agreement.

The municipality is an agent on behalf of the Eastern Cape Provincial Department of Transport in collecting motor vehicle licences at an agency fee of 19%, VAT inclusive. There were no significant changes in the agreement which occurred during the reporting period. No material risks were identified on the agreement for the municipality. The municipality does not incur any expenses on behalf of the principal.

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Revenue due to the Principal, and not paid over at year end included in Payables from Exchange Transactions:	140 056	114 582
Amount of revenue received on behalf of the principle during the reporting period		
Motor vehicle licence fees	11 347 567	10 565 290
Revenue Retained, Income from Agency Services	(1 411 573)	(2 251 824)
Revenue due to the Principal	<u>9 935 994</u>	<u>8 313 467</u>

27. RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue

Investment Property	925 404	-
Other Fixed Assets:	1 421 269	697 437
Property Plant and Equipment	<u>1 421 269</u>	<u>697 437</u>

Total Rental of Facilities and Equipment	<u>2 346 673</u>	<u>697 437</u>
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27.1 Allocation for Cash Flow:

Total Rental of Facilities and Equipment	2 346 673	697 437
Adjustment for Non-cash Transactions:-	-	-

Total Rental of Facilities and Equipment allocated to Other Receipts	<u>2 346 673</u>	<u>697 437</u>
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Rental income generated are at market related premiums. All rental income recognised is therefore market related.

28. INTEREST, DIVIDENDS AND RENT ON LAND EARNED

Non-exchange Receivables:

Outstanding Billing Debtors	1 700 447	1 649 323
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Total Non-exchange Interest, Dividends and Rent on Land Earned	<u>1 700 447</u>	<u>1 649 323</u>
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External Investments:

Bank Account	613 189	1 717 291
Investments	3 578 829	10 469 623

	<u>4 192 018</u>	<u>12 186 915</u>
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Outstanding Exchange Receivables:

Outstanding Billing Debtors	8 281 272	6 926 805
Electricity	980 770	749 081
Service Charges	66 538	67 973
Waste Management	2 579 261	2 251 788
Waste Water Management	1 514 488	1 234 385
Water	3 140 215	2 623 578

	<u>8 281 272</u>	<u>6 926 805</u>
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Total Exchange Interest, Dividends and Rent on Land Earned	<u>12 473 289</u>	<u>19 113 720</u>
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Total Interest, Dividends and Rent on Land Earned	<u>14 173 737</u>	<u>20 763 043</u>
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KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

28.1 Allocation for Cash Flow:

Property Rates:-

Interest on Outstanding Non-exchange Receivables	1 700 447	1 649 323
Total Interest, Dividends and Rent on Land Earned allocated to Property Rates	<u>1 700 447</u>	<u>1 649 323</u>

Service Charges:-

Interest on Outstanding Exchange Receivables	8 281 272	6 926 805
Total Interest, Dividends and Rent on Land Earned allocated to Service Charges	<u>8 281 272</u>	<u>6 926 805</u>

External Interest and Dividends Received:-

Interest on External Investments	4 192 018	12 186 915
Total Interest, Dividends and Rent on Land Earned allocated to External Interest and Dividends Received	<u>4 192 018</u>	<u>12 186 915</u>

Total External Interest and Dividends Received allocated to Cash Flow

14 173 737 20 763 043

28.2 Calculation of Cash Flow:

External Interest and Dividends Income	4 192 018	12 186 915
Total Receipts for Interest and Dividends Received	<u>4 192 018</u>	<u>12 186 915</u>

29. OPERATIONAL REVENUE

Commission	471 938	499 644
Insurance Refund	14 917	2 581 454
Sale of Property	114	-
Skills Development Levy Refund	506 038	581 983
Staff Recoveries	58 651	3 623
Total Operational Revenue	<u>1 051 658</u>	<u>3 666 703</u>

29.1 Allocation for Cash Flow:

Total Operational Revenue	1 051 658	3 666 703
Adjustment for Non-cash Transactions:-	-	-
Total Operational Revenue allocated to Other Receipts	<u>1 051 658</u>	<u>3 666 703</u>

29.2 Calculation of Cash Flow:

Income from Operational Revenue	Note 29.1	1 051 658	3 666 703
Income from Rental from Fixed Assets	Note 27.1	2 346 673	697 437
Income from Sales of Goods and Rendering of Services	Note 25.1	8 159 247	11 110 886
Income from Surcharges and Taxes	Note 38.1	-	-
Income from Licences and Permits	Note 22.1	10 227 056	8 814 675
Income from Fines, Penalties and Forfeits	Note 21.1	3 308 089	2 125 071
Cash Flow from Exchange Receivables	Note 2.1	3 383	10 905
Cash Flow from Statutory Exchange Receivables	Note 4.1	-	-
Cash Flow from Non-exchange Receivables	Note 5.1	-	-
Cash Flow from Statutory Non-exchange Receivables	Note 3.1	(2 262 862)	20 712 010
Cash Flow from Operating Lease Receivables	Note 9.1	63 697	63 078
Cash Flow from Consumer Deposits	Note 11.1	1 449 825	332 839
Cash Flow from Exchange Payables	Note 12.1	929 217	(5 445 894)
Correction of Prior Year Errors	Note 33.1	-	-
Total Receipts for Other Revenue		<u>26 690 555</u>	<u>44 339 534</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 28, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	R	R
30. EMPLOYEE RELATED COSTS		
Salaries and Wages:		
Basic	195 286 680	182 066 646
Long Service Awards	1 286 800	1 207 991
Bonusses	611 711	511 524
Leave Payments	4 252 056	1 221 247
Overtime	23 381 337	27 333 706
Allowances:		
Acting and Post Related Allowances	2 601 788	1 198 745
Bonus Allowance	14 980 178	13 388 228
Cellular and Telephone	9 588	5 559
Housing Benefits	899 547	856 667
Standby Allowance	7 198 775	7 395 340
Travel or Motor Vehicle	10 342 750	9 389 730
Social Contributions:		
Bargaining Council	1 724 006	1 577 147
Group Life Insurance	6 801 069	6 530 382
Medical	16 850 481	15 799 761
Pension	30 459 117	28 654 661
Unemployment Insurance	1 584 803	1 564 669
Post-retirement Benefits:		
Current Service Cost	-	-
Interest Cost	10 133 826	7 780 705
Actuarial Gains and Losses	3 793 652	(16 313 895)
Past Service Cost	3 369 081	3 821 493
Defined Contribution Fund Expenses	(3 205 223)	(3 003 291)
Leave Gratuity	2 305 248	3 168 263
Long Term Service Awards	666 736	(447 245)
Total Employee Related Costs	335 334 005	293 708 033
30.1 Allocation for Cash Flow:		
Employee Related Costs	335 334 005	293 708 033
Adjustment for Non-cash Transactions:	(23 158 393)	(636 124)
Provisions and Non-current Provisions:-	(2 644 686)	(3 266 665)
Performance Bonus	(339 438)	(98 403)
Leave	(2 305 248)	(3 168 263)
Employee Benefit Liabilities:-	(20 513 707)	2 630 541
Long-service Awards	(3 390 501)	(2 081 156)
Medical	(17 267 455)	4 704 583
Pension	(50 353)	7 114
Total Employee Related Costs allocated to Cash Flow	312 175 613	293 071 908
30.2 Calculation of Cash Flow:		
Employee Related Costs Expenditure	312 175 613	293 071 908
Cash Flow from Exchange Payables	(116 421)	(1 305 051)
Cash Flow from Employee Benefit Liabilities	5 928 988	5 531 692
Total Payments for Employee Related Costs	317 988 180	297 298 549

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

30.3 Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager: C Du Plessis

Annual Remuneration	1 555 880	1 415 803
Car and Other Allowances	235 528	97 097
Company Contributions to UIF, Medical and Pension Funds	20 744	17 911
Total	1 812 152	1 530 811

Remuneration of the Chief Financial Officer: S Thys (1 July 2019 - 31 December 2019)

Annual Remuneration	-	695 253
Car and Other Allowances	-	329 813
Company Contributions to UIF, Medical and Pension Funds	-	11 187
Total	-	1 036 253

Remuneration of the Chief Financial Officer: R Lorgat (1 April - Current)

Annual Remuneration	1 260 911	280 317
Car and Other Allowances	129 588	32 397
Company Contributions to UIF, Medical and Pension Funds	18 267	3 936
Total	1 408 766	316 650

Remuneration of the Director: Community Services - N Machalesi

Annual Remuneration	1 200 911	1 061 269
Car and Other Allowances	312 821	228 372
Company Contributions to UIF, Medical and Pension Funds	18 591	16 350
Total	1 532 323	1 305 992

Remuneration of Director: Infrastructure and Engineering - V Felton

Annual Remuneration	763 513	1 145 269
Car and Other Allowances	1 599 964	317 483
Company Contributions to UIF, Medical and Pension Funds	10 175	16 921
Total	2 373 652	1 479 673

Remuneration of Director: Corporate Services - K Moodley

Annual Remuneration	1 284 911	1 145 269
Car and Other Allowances	245 285	188 431
Company Contributions to UIF, Medical and Pension Funds	18 582	16 953
Total	1 548 779	1 350 653

Remuneration of Director: Planning, Development and Tourism - F Mabusela

Annual Remuneration	1 200 911	1 061 269
Car and Other Allowances	270 404	207 891
Company Contributions to UIF, Medical and Pension Funds	17 973	16 011
Total	1 489 288	1 285 171

Summary of Remuneration of Section 57 Employees:

All Managers	8 756 194	7 988 552
Total Remuneration of Section 57 Employees	8 756 194	7 988 552

31. REMUNERATION OF COUNCILLORS

Executive Mayor	893 853	893 853
Speaker	715 079	715 079
Executive Committee Members	4 022 282	4 022 282
Total for All Other Councillors	7 149 151	7 244 864
Total Councillors' Remuneration	12 780 365	12 876 077

31.1 Allocation for Cash Flow:

Total Councillors' Remuneration	12 780 365	12 876 077
Adjustment for Non-cash Transactions:-	-	-
Total Councillors' Remuneration allocated to Cash Flow	12 780 365	12 876 077

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

31.2 Calculation of Cash Flow:

Remuneration of Councillors Expenditure	Note 31.1	12 780 365	12 876 077
Total Payments for Employee Related Costs		12 780 365	12 876 077

Remuneration of Councillors:

In-kind Benefits

The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Mayor is provided with secretarial support and an office at the cost of the municipality.

32. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment		80 852 216	76 816 509
Amortisation: Intangible Assets		-	117 052
Total Depreciation and Amortisation		80 852 216	76 933 561

33. IMPAIRMENT LOSSES

Impairment Losses on Fixed Assets		182 593	162 199
Impairment Losses on Financial Assets		31 352 033	55 131 313
Fair Value Adjustment		(39 808)	(56 653)
Total Impairment Losses		31 494 818	55 236 859

33.1 Allocation for Cash Flow:

Total Impairment Losses		31 494 818	55 236 859
Adjustment for Non-cash Transactions:		(31 494 818)	(35 026 130)
Impairment Losses on Fixed Assets	Note 33.2	(182 593)	(162 199)
Impairment Losses on Financial Assets	Note 33.3	(31 352 033)	(34 920 584)
Realisable Value Adjustment - Inventories		39 808	56 653
Total Impairment Losses allocated to Service Charges		-	20 210 729

33.2 Impairment Losses on Fixed Assets

Impairment Losses		182 593	162 199
Property, Plant and Equipment		182 593	162 199
		182 593	162 199

33.3 Impairment Losses on Financial Assets

Impairment Losses		26 477 209	21 723 438
Other Receivables from Non-exchange Revenue		(953 969)	(9 768 636)
Trade and Other Receivables from Exchange Transactions		27 431 178	31 492 073

Bad Debts Written Off

		4 874 824	20 210 729
Reversal of Impairment Losses		-	13 197 146
Other Receivables from Non-exchange Revenue		-	-
Trade and Other Receivables from Exchange Transactions		-	13 197 146
		31 352 033	55 131 313

33.4 Fair Value Adjustment

Inventory		(39 808)	(56 653)
		(39 808)	(56 653)

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

34. INTEREST, DIVIDENDS AND RENT ON LAND PAID

Interest Paid:	3 094 292	5 714 358
Borrowings	1 238 024	2 201 127
Finance Leases	149 733	262 416
Interest costs non-current Provisions	1 669 006	3 211 375
Overdue Accounts	37 528	39 440
Total Interest Expense	3 094 292	5 714 358
Total Interest, Dividends and Rent on Land Paid	3 094 292	5 714 358

34.1 Allocation for Cash Flow:

Non-cash Transactions:-

Interest Paid	1 669 006	3 731 436
Total Interest, Dividends and Rent on Land Paid allocated to Non-cash Transactions	1 669 006	3 731 436

External Interest and Dividends Paid:-

Interest Paid	1 425 286	1 982 922
Total Interest, Dividends and Rent on Land Paid allocated to External Interest and Dividends Paid	1 425 286	1 982 922

Total External Interest and Dividends Paid allocated to Cash Flow

3 094 292	5 714 358
------------------	------------------

34.2 Calculation of Cash Flow:

Interest, Dividends and Rent on Land Paid Expenditure	Note 34.1	1 425 286	1 982 922
Total Payments for External Interest and Dividends Paid		1 425 286	1 982 922

35. BULK PURCHASES

Electricity	254 057 835	231 511 535
Water	-	-
Total Bulk Purchases	254 057 835	231 511 535

35.1 Allocation for Cash Flow:

Total Bulk Purchases	254 057 835	231 511 535
Adjustment for Non-cash Transactions:-	-	-
Total Bulk Purchases allocated to Suppliers Paid	254 057 835	231 511 535

36. CONTRACTED SERVICES

Outsourced Services	28 832 018	16 011 719
Consultants and Professional Services	8 533 562	12 341 781
Contractors	58 419 896	42 506 723
Total Contracted Services	95 785 476	70 860 223

36.1 Allocation for Cash Flow:

Total Contracted Services	95 785 476	70 860 223
Adjustment for Non-cash Transactions:-	(490 484)	210 152
Total Contracted Services allocated to Suppliers Paid	95 294 992	71 070 375

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

36.2 Outsourced Services

Animal Care	400 000	350 000
Burial Services	179 285	176 170
Business and Advisory	9 871 486	9 279 441
Catering Services	137 352	256 708
Cleaning Services	349 791	127 565
Clearing and Grass Cutting Services	2 667 492	513 959
Drivers Licence Cards	514 922	513 105
Fire Services	97 526	-
Illegal Dumping	2 131 689	-
Internal Auditors	25 300	27 074
Litter Picking and Street Cleaning	-	581 400
Medical Services [Medical Health Services & Support]	1 099 804	490 881
Personnel and Labour	6 196 304	1 892 383
Professional Staff	157 600	19 690
Security Services	4 914 140	1 650 029
Traffic Fines Management	68 437	77 402
Transport Services	20 889	55 912
	28 832 018	16 011 719

36.3 Consultants and Professional Services

Business and Advisory	2 039 195	4 306 172
Infrastructure and Planning	2 566 790	1 394 008
Laboratory Services	342 700	521 573
Legal Cost	3 584 876	6 120 027
	8 533 562	12 341 781

36.4 Contractors

Artists and Performers	-	112 500
Catering Services	2 058	1 093
Employee Wellness	174 707	138 922
Maintenance of Buildings and Facilities	5 639 907	5 344 849
Maintenance of Equipment	446 568	349 197
Maintenance of Infrastructure	52 155 338	36 524 056
Medical Services	-	1 057
Pest Control and Fumigation	1 318	35 049
	58 419 896	42 506 723

37. INVENTORY CONSUMED

Consumables	8 544 370	7 987 447
Materials and Supplies	18 785 953	32 138 028
Water	44 344 534	33 017 786
Total Inventory Consumed	71 674 858	73 143 260

37.1 Allocation for Cash Flow:

Total Inventory Consumed	71 674 858	73 143 260
Adjustment for Non-cash Transactions:-	-	-
Total Inventory Consumed allocated to Suppliers Paid	71 674 858	73 143 260

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

37.2 Calculation of Cash Flow:

Expenditure for Inventory Consumed	Note 37.1	71 674 858	73 143 260
Expenditure for Contracted Services	Note 36.1	95 294 992	71 070 375
Expenditure for Bulk Purchases	Note 35.1	254 057 835	231 511 535
Cash Flow from Inventories	Note 1.1	2 849 323	375 226
Cash Flow from Exchange Receivables	Note 2.1	834 510	(1 172 284)
Cash Flow from Property, Plant and Equipment	Note 6.1	-	(16 164)
Cash Flow from Exchange Payables	Note 12.1	57 036 742	(59 679 166)
Cash Flow from Non-current Provisions	Note 18.2	-	52 200
Total for Suppliers Paid		481 748 259	315 284 983

38. TRANSFERS AND SUBSIDIES PAID

Operational Grants		761 000	570 000
Monetary Allocations		761 000	570 000
Total Transfers and Subsidies Paid		761 000	570 000

38.1 Allocation for Cash Flow:

Total Transfers and Subsidies Paid		761 000	570 000
Adjustment for Non-cash Transactions:-		-	-
Total Transfers and Subsidies Paid allocated to Other Payments		761 000	570 000

39. OPERATING LEASES

Furniture and Office Equipment		1 979 168	2 571 933
Machinery and Equipment		15 132	24 017
Other Assets		4 556 663	4 103 789
Total Operating Leases		6 550 963	6 699 738

39.1 Allocation for Cash Flow:

Total Operating Leases		6 550 963	6 699 738
Adjustment for Non-cash Transactions:-		-	-
Total Operating Leases allocated to Other Payments		6 550 963	6 699 738

39.2 Leasing Arrangements

The Municipality as Lessee:

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

39.3 Amounts Payable under Operating Leases

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

Other Equipment:		6 510 115	6 699 738
Up to 1 year		6 510 115	6 699 738
2 to 5 years		-	-
More than 5 years		-	-
Total Operating Lease Arrangements		6 510 115	6 699 738

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

Minimum lease payments	6 510 115	6 699 738
Total Operating Lease Expenses	6 510 115	6 699 738

40. OPERATIONAL COSTS

Included in General Expenses are the following:

Achievements and Awards	1 084 110	1 125 234
Advertising, Publicity and Marketing	1 544 894	1 208 434
Bank Charges, Facility and Card Fees	707 900	1 455 363
Bargaining Council	2 947 746	2 765 653
Commission	5 533 247	4 456 481
Communication	2 227 272	2 566 490
Contribution to Provisions	413 478	(930 978)
Courier and Delivery Services	2 599	450
Deeds	13 438	-
External Audit Fees	4 320 105	4 996 934
External Computer Service	6 952 116	5 700 665
Firearm Handling Fees	-	31 936
Hire Charges	33 487 369	26 102 397
Insurance Underwriting	4 834 029	5 035 321
Licences	727 041	584 955
Management Fee	5 407 345	4 516 187
Municipal Services	-	(1)
Printing, Publications and Books	941 801	734 296
Professional Bodies, Membership and Subscription	14 930	1 637
Registration Fees	1 695 092	2 178 538
Remuneration to Ward Committees	3 407 166	2 696 498
Resettlement Cost	59 775	56 800
Samples and Specimens	-	64 973
Search Fees	85 350	72 636
Signage	301 050	250 939
Skills Development Fund Levy	1 685 716	1 600 975
Storage of Files (Archiving)	542 246	1 194 442
Supplier Development Programme	41 509	-
Travel and Subsistence	580 009	1 564 614
Uniform and Protective Clothing	3 174 022	2 138 545
Vehicle Tracking	656 135	619 787
Workmen's Compensation Fund	1 079 991	1 031 359
Total Operational Costs	84 467 479	73 821 561

40.1 Allocation for Cash Flow:

Total Operational Costs	84 467 479	73 821 561
Adjustment for Non-cash Transactions:-	-	-
Total Operational Costs allocated to Other Payments	84 467 479	73 821 561

40.2 Calculation of Cash Flow:

Expenditure for Operational Costs	Note 40.1	84 467 479	73 821 561
Expenditure for Operating Leases	Note 39.1	6 550 963	6 699 738
Expenditure for Transfers and Subsidies Paid	Note 38.1	761 000	570 000
Cash Flow from Exchange Payables	Note 12.1	(60 627)	949 964
Cash Flow from Non-exchange Payables	Note 13.1	(515 689)	(235 741)
Variance on Impairment (Provision for VAT on Receivables)		(20 632 596)	1 120 189
Other Non-cash Transactions		2 935	-
Total for Other Payments		70 573 464	82 925 712

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

40.3 Travel and Subsistence

	423 815	1 341 813
Domestic		
Accommodation	110 989	422 612
Daily Allowance	-	44 352
Food and Beverage (Served)	78 949	206 296
Transport without Operator	229 529	520 342
Transport with Operator	4 348	148 211
Foreign	-	83 383
Accommodation	-	6 333
Daily Allowance	-	77 050
Non-employees	156 194	139 418
	580 009	1 564 614

No other extra-ordinary expenses were incurred.

41. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Property, Plant and Equipment	(1 989 467)	(1 717 571)
Total Gains on Disposal of Capital Assets	-	-
Total Losses on Disposal of Capital Assets	1 989 467	1 717 571

41.1 Allocation for Cash Flow:

Disposal of Property, Plant and Equipment:

Gains on Disposal of Capital Assets	Note 6.1	-	-
Losses on Disposal of Capital Assets	Note 6.1	(1 989 467)	(1 717 571)
Total Gains on Disposal of Capital Assets allocated to Property, Plant and Equipment		(1 989 467)	(1 717 571)
Total Gains / (Losses) on Disposal of Capital Assets allocated to Cash Flow		(1 989 467)	(1 717 571)

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
42. RECLASSIFICATION OF ANNUAL FINANCIAL STATEMENTS		
42.1 Reclassification of Accumulated Surplus		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.		
The effect of the changes are as follows:		
		Accumulated Surplus
Balance published as at 30 June 2019		2 184 817 728
Correction of Error:-		
Adjustment for Carrying Value of Vehicles Written Off	-	
Reclassification of Investment Property, from PPE	25 041 000	
Reclassification of PPE, to Investment Property	(25 041 000)	
Adjustment for Receivables: Property Rates	(475 284)	
Adjustment for Land not previously included	22 362 974	
Adjustment for Properties not previously included	196 000	
Adjustment for Community Asset not previously included	7 500 000	
Bank Account not previously recognised	299 421	
Adjustment for Accumulated Depreciation	465 954	
Adjustment of Infrastructure Cost for WIP Capitalised	(389 788)	
Adjustment on Infrastructure WIP for capitalisation of Infrastructure assets	389 788	
Reclassification of Bulk Purchases to Inventory Consumed	(33 017 786)	
Reclassification of Inventory Consumed from Bulk Purchases	33 017 786	
Adjustment for Duplicated Asset	(5 143 500)	
	<u>25 205 565</u>	
Restated Balance as at 30 June 2019		2 210 023 292
Transactions incurred for the Year 2019/20		25 515 155
Correction of Error:-		
Adjustment for Properties not previously included	(585 407)	
Bank Account not previously recognised	(271 652)	
Adjustment of Interest on Bank Account	527 261	
Adjustment for Prepaid Electricity	623 189	
Adjustment for Rounding Errors	(1)	
	<u>293 389</u>	
Restated Balances as at 30 June 2020		2 235 831 837

42.2 Reclassification of Revenue

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

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2019/20
Property Rates	197 544 136	-	(585 407)	196 958 729
Fines, Penalties and Forfeits	2 124 921	-	150	2 125 071
Licences and Permits - Non-exchange	11 066 499	-	(2 251 824)	8 814 675
Transfers and Subsidies	261 034 594	-	46 170	261 080 764
Interest, Dividends & Rent on Land Non-Exchange	1 649 323	-	-	1 649 323
Service Charges	420 509 001	-	623 189	421 132 190
Sales of Goods and Rendering of Services	11 110 286	-	600	11 110 886
Rental from Fixed Assets	697 437	-	-	697 437
Interest, Dividends & Rent on Land Exchange	18 584 025	-	529 695	19 113 720
Operational Revenue	3 666 703	-	-	3 666 703
	<u>927 986 924</u>	<u>-</u>	<u>614 397</u>	<u>928 601 321</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

42.3 Reclassification of Expenditure

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

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2019/20
Employee Related Costs	293 708 033	-	-	293 708 033
Remuneration of Councillors	12 876 077	-	-	12 876 077
Depreciation and Amortisation	76 933 561	-	-	76 933 561
Impairment Losses	55 236 859	-	-	55 236 859
Interest, Dividends and Rent on Land	5 714 358	-	-	5 714 358
Bulk Purchases	264 529 320	-	(33 017 786)	231 511 535
Contracted Services	70 860 223	-	-	70 860 223
Inventory Consumed	40 125 475	-	33 017 786	73 143 260
Transfers and Subsidies Paid	250 000	-	320 000	570 000
Operating Leases	6 699 738	-	-	6 699 738
Operational Costs	73 820 554	-	1 007	73 821 561
Loss on Disposal of PPE	1 717 571	-	-	1 717 571
	902 471 769	-	321 007	902 792 776

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

42.4 Reclassification of Statement of Financial Position

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

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2019/20
Current Assets				
Inventories	9 681 236	-	-	9 681 236
Receivables from Exchange Transactions	45 875 434	-	22 053 662	67 929 097
Receivables from Non-exchange Transactions	29 065 088	(29 065 088)	-	-
Statutory Receivables from Non-exchange Transactions	-	29 065 088	(1 060 691)	28 004 397
VAT Receivable	65 780 872	-	(21 619 880)	44 160 992
Cash and Cash Equivalents	141 032 614	-	744 436	141 777 050
Lease Receivables	171 287	-	-	171 287
Long-term Receivables	3 000	-	-	3 000
Non-Current Assets				
Property, Plant and Equipment	2 071 849 528	-	5 287 927	2 077 137 455
Intangible Assets	679 541	-	-	679 541
Investment Property	242 551 944	-	20 093 500	262 645 444
Long-term Receivables	10 000	-	-	10 000
Current Liabilities				
Consumer Deposits	(18 075 864)	-	-	(18 075 864)
Payables from Exchange Transactions	(143 107 331)	-	-	(143 107 331)
Unspent Conditional Grants and Receipts	(26 927 177)	-	-	(26 927 177)
Lease Payables	-	-	(645 622)	(645 622)
Borrowings	(9 607 597)	-	645 622	(8 961 975)
Employee Benefit Liabilities	-	-	(8 316 102)	(8 316 102)
Provisions	(33 094 658)	-	8 316 102	(24 778 557)
Non-Current Liabilities				
Lease Payables	-	-	(618 497)	(618 497)
Borrowings	(6 746 811)	-	618 497	(6 128 314)
Employee Benefit Liabilities	(86 255 839)	-	-	(86 255 839)
Provisions	(72 316 640)	-	-	(72 316 640)
Net Assets				
Accumulated Surplus / (Deficit)	(2 210 332 883)	-	(25 498 954)	(2 235 831 837)
	<u>-</u>	<u>-</u>	<u>(515 689)</u>	<u>(515 689)</u>

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

42.5 Reclassification of Cash Flow Statement

The prior year figures of the Cash Flow Statement have been restated to correctly classify the nature of cash receipts and expenditures of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2019/20
Receipts				
Property Rates	190 307 845	-	1 120 189	191 428 034
Transfers and Subsidies	184 516 223	-	46 170	184 562 393
Service Charges	371 128 411	-	(21 487 126)	349 641 285
External Interest and Dividends Received	11 657 220	-	529 695	12 186 915
Other Receipts	44 338 784	-	750	44 339 534
Payments				
Employee Related Costs	(297 508 701)	-	210 152	(297 298 549)
Remuneration of Councillors	(12 876 077)	-	-	(12 876 077)
External Interest and Dividends Paid	(2 502 983)	-	520 061	(1 982 922)
Suppliers Paid	(315 131 483)	-	(153 499)	(315 284 983)
Other Payments	(80 964 452)	-	(1 961 257)	(82 925 710)
VAT Paid	(18 984 979)	-	18 984 979	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	73 979 806	-	445 015	74 424 821
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	(137 558 877)	-	-	(137 558 877)
Purchase of Intangible Assets	(552 742)	-	-	(552 742)
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-
Decrease / (Increase) in Long-term Receivables	3 000	-	-	3 000
NET CASH FLOWS FROM INVESTING ACTIVITIES	(138 108 620)	-	-	(138 108 620)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in Finance Leases (Leases Taken-on)	-	-	-	-
Decrease in Finance Leases (Leases Redeemed)	-	-	(1 067 666)	(1 067 666)
Increase in Borrowings (Loans Taken-on)	-	-	-	-
Decrease in Borrowings (Loans Redeemed)	(9 066 540)	-	1 067 666	(7 998 873)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(9 066 540)	-	-	(9 066 540)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT	(73 195 353)	-	445 015	(72 750 338)
Cash and Cash Equivalents at Beginning of Period	214 227 967	-	299 421	214 527 388
Cash and Cash Equivalents at End of Period	141 032 614	-	744 436	141 777 050

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43. CORRECTION OF ERROR

Corrections were made on disclosures of the previous financial year. These disclosures are limited to re-classification of line items within the different categories of the financial statements. Details of the corrections are described below:

43.1 Reclassification of Statement of Financial Position

Opening Balances and **Prior Year Amounts** of items in the Statement of Financial Position have been restated as indicated below:

	Property, Plant and Equipment	Investment Property	Accumulated Surplus / (Deficit)
Balances previously published per AFS as at 30 June 2019	2 013 003 092	242 551 944	(2 184 817 728)
Correction of Errors:-			
Reclassification of Investment Property, from PPE	(25 041 000)	-	-
Reclassification of PPE, to Investment Property	-	25 041 000	-
Adjustment for Receivables: Property Rates	-	-	475 284
Adjustment for Land not previously included	22 362 974	-	(22 362 974)
Adjustment for Properties not previously included	-	196 000	(196 000)
Adjustment for Community Asset not previously included	7 500 000	-	(7 500 000)
Bank Account not previously recognised	-	-	(299 421)
Adjustment for Accumulated Depreciation	465 954	-	(465 954)
Adjustment of Infrastructure Cost for WIP Capitalised	(389 788)	-	389 788
Adjustment on Infrastructure WIP for capitalisation of Infrastructure assets	389 788	-	(389 788)
Reclassification of Bulk Purchases to Inventory Consumed	-	-	33 017 786
Reclassification of Inventory Consumed from Bulk Purchases	-	-	(33 017 786)
Adjustment for Duplicated Asset	-	(5 143 500)	5 143 500
Rounding Errors	-	-	-
Balances now published per AFS as at 30 June 2019	2 018 291 020	262 645 444	(2 210 023 293)
Transactions incurred for the Year 2019/20	58 846 436	-	(25 515 155)
Correction of Errors:-			
Adjustment for Properties not previously included	-	-	585 407
Bank Account not previously recognised	-	-	271 652
Adjustment of Interest on Bank Account	-	-	(527 261)
Adjustment for Prepaid Electricity	-	-	(623 189)
Rounding Errors	-	-	1
Balances now published per AFS as at 30 June 2020	2 077 137 456	262 645 444	(2 235 831 837)

Property, Plant and Equipment:

The **opening balances** of Property, Plant and Equipment have been restated to correctly remove land parcel, previously incorrectly duplicated within PPE.

The **prior year amounts** of Inventories have been restated to correctly disclose the property Inventory that was transferred in the prior period, and for which the risks

	Receivables from Exchange Transactions	VAT Receivable
Balances previously published per AFS as at 30 June 2019	54 093 203	46 795 893
Balances now published per AFS as at 30 June 2019	54 093 203	46 795 893
Transactions incurred for the Year 2019/20	(8 217 769)	18 984 979
Correction of Errors:-		
VAT Previously Excluded from Receivables	22 053 662	(22 053 662)
Adjustment of Interest on Bank Account	-	527 261
Adjustment for Prepaid Electricity	-	(93 478)
Balances now published per AFS as at 30 June 2020	67 929 097	44 160 992

Receivables from Exchange Transactions:

The **prior year amounts** of Receivables from Exchange Transactions have been restated to correctly include the VAT portion, which was previously disclosed as VAT Receivable.

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VAT Receivable:

The **prior year amounts** of VAT Receivable have been restated to correctly exclude the VAT portion Receivables from Exchange Transactions.

	Statutory Receivables from Non-Exchange Transactions	Cash and Cash Equivalents
Balances previously published per AFS as at 30 June 2019	31 122 849	214 227 967
Correction of Errors:-		
Adjustment for Receivables: Property Rates	(475 284)	
Bank Account not previously recognised		299 421
Balances now published per AFS as at 30 June 2019	30 647 565	214 527 388
Transactions incurred for the Year 2019/20	(2 057 761)	(73 195 353)
Correction of Errors:-		
Adjustment for Receivables: Property Rates	(585 407)	-
Bank Account not previously recognised	-	(271 652)
Adjustment for Prepaid Electricity		716 667
Balances now published per AFS as at 30 June 2020	28 004 397	141 777 050
	2021	2020
	R	R

44. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year		(44 973 152)	25 808 545
Adjustment for Non-cash Transactions included in Surplus / (Deficit):			
Employee Related Costs	Refer Note 30.1	23 158 393	636 124
Depreciation and Amortisation	Refer Note 48.2	80 852 216	76 933 561
Impairment Losses	Refer Note 33.1	31 494 818	35 026 130
Interest, Dividends and Rent on Land	Refer Note 34.1	1 669 006	3 731 436
Adjustment for Cash Transactions not included in Surplus / (Deficit):			
Exchange Receivables: Bad Debts Written-off	Refer Note 2.3.1	(4 307 074)	(27 074 824)
Statutory Exchange Receivables: Bad Debts Written-off	Refer Note 3.3.1	(567 750)	-
Transfer of Property, Plant and Equipment	Refer Note 6.1	-	16 164
Expenditure from Current Employee Benefit Liabilities	Refer Note 17.1.1	(3 176 023)	(3 003 291)
Expenditure from Non-current Employee Benefit Liabilities	Refer Note 17.1.2	(2 752 965)	(2 528 401)
Expenditure from Non-current Provisions	Refer Note 18.2	-	(52 200)
Adjustment for Non-cash Transactions included in Working Capital:			
Inventories	Refer Note 1.1	39 808	56 653
Decrease/(Increase) in Impairment of Exchange Receivables	Refer Note 2.3	(38 260 151)	(17 614 396)
Decrease/(Increase) in Impairment of Statutory Non-exchange Receivables	Refer Note 3.3	(8 849 654)	10 888 825
Adjustment for Transactions included in Surplus / (Deficit) directly recognised in Cash Flow:			
Gains / (Losses) on Disposal of Capital Assets	Refer Note 41.1	1 989 467	1 717 571
Variance on Impairment (Provision for VAT on Receivables)		20 632 596	(1 120 189)

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Minor Rounding Errors	3 000	1
Operating Surplus before Working Capital Changes	57 440 084	103 211 556
Decrease/(Increase) in Inventories	(2 889 130)	(431 879)
Decrease/(Increase) in Receivables from Exchange Transactions	(884 692)	(13 835 893)
Decrease/(Increase) in Receivables from Non-exchange Transactions	-	-
Decrease/(Increase) in Statutory Receivables from Non-exchange Transactions	4 012 335	2 643 168
Decrease/(Increase) in VAT Receivable	(3 589 220)	2 634 901
Decrease/(Increase) in Operating Lease Receivables	63 697	63 078
Increase/(Decrease) in Consumer Deposits	2 698 391	697 742
Increase/(Decrease) in Payables from Exchange Transactions	(54 222 598)	55 724 778
Increase/(Decrease) in Payables from Non-exchange Transactions Lease Payables	515 689	235 741
Increase/(Decrease) in Unspent Conditional Grants and Receipts	(20 728 521)	(76 518 371)
Cash Generated by / (Utilised in) Operations	(17 583 966)	74 424 821

45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review, or the prior year.

45.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure:

Opening Balance	27 485	34 893 163
Fruitless and Wasteful Expenditure Current Year	37 528	27 485
Expenditure investigated and approved by Council	(27 485)	(34 893 163)
To be Recovered	-	-
To be Recovered – Receivables (refer Note 4)	-	-
Recouped from Salaries Payable	-	-
Fruitless and Wasteful Expenditure awaiting condonement	37 528	27 485

Incident	Disciplinary Steps / Criminal Proceedings
Interest and penalties on late payment of trade creditors. - R37 528 (2020: R27 485)	Currently None - subject to possible future investigation

45.3 Irregular Expenditure

	2021 R	2020 R
Reconciliation of Irregular Expenditure:		
Opening Balance:	4 809 197	70 513 695
Irregular Expenditure Current Year:	261 222	4 229 598
Condoned/Written-off by Council:	(3 729 888)	(69 934 095)
To be Recovered – Contingent Asset (see Note 48)	-	-
Transfer to Receivables for Recovery (see Note 4)	-	-
Irregular Expenditure awaiting condonation	1 340 531	4 809 197

Current Year:

Incident	Deviation
Invalid deviations - R261 222 (2020: R4 229 598)	Still to be investigated.

2021 R	2020 R
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46. ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION

46.1 MUNICIPAL FINANCE MANAGEMENT ACT

46.1.1 Contributions to Organised Local Government - SALGA

Opening Balance	-	-
Council Subscriptions	3 422 255	2 947 746
Amount Paid - current year	(3 422 255)	(2 947 746)

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Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
46.1.2 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current Year Contributions	73 272 224	68 602 142
Amount Paid - current year	(73 272 224)	(68 602 142)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
46.1.3 Audit Fees		
Opening Balance	3 774	-
Current year Audit Fees	4 322 780	4 069 729
Amount Paid - current year	(4 306 043)	(4 065 954)
Balance Unpaid (included in Creditors)	<u>20 511</u>	<u>3 774</u>
46.1.4 PAYE, Skills Development Levy and UIF		
Opening Balance	-	-
Current year Payroll Deductions	47 968 445	44 521 086
Amount Paid - current year	(47 968 445)	(44 521 086)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
46.1.5 VAT		
The net of VAT input receivables and VAT output payables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.	47 750 212	44 160 992

46.1.6 Councillor's arrear Consumer Accounts

During the financial year under review one Councillor (present or past) were in arrears with the settlement of his municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2021:

30 June 2021	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Februarie ER	21 060	21 060	-
Total Councillor Arrear Consumer Accounts	<u>21 060</u>	<u>21 060</u>	<u>-</u>
30 June 2020	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Februarie ER	19 350	19 350	-
Total Councillor Arrear Consumer Accounts	<u>19 350</u>	<u>19 350</u>	<u>-</u>

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

In terms of section 36(1) of the Municipal Supply Chain Management Policy 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.

KOUGA LOCAL MUNICIPALITY
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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:

30 June 2021

Department	Tenderer	Reason	Amount
Finance	Various (26)	"Various reason like impracticality/emergency/ single provider /urgency"	5 329 657
Infrastructure & Engineering	Various (26)	"Various reason like impracticality/emergency/ single provider /urgency"	6 786 342
Corporate Services	Various (16)	"Various reason like impracticality/emergency/ single provider /urgency"	1 266 685
Office of MM	Various (4)	"Various reason like impracticality/emergency/ single provider /urgency"	151 027
Community Services	Various (47)	"Various reason like impracticality/emergency/ single provider /urgency"	12 741 681
Planning, Development & Tourism	Various (12)	"Various reason like impracticality/emergency/ single provider /urgency"	1 153 872
Total:			27 429 263

30 June 2020

Department	Tenderer	Reason	Amount
Finance	Various (9)	Various reasons like impracticality/ urgency/ Continuity and alignment	4 806 564
Infrastructure & Engineering	Various (154)	Various reasons like impracticality/ urgency/ Preferred supplier	87 253 294
Corporate Services	Various (17)	Various reasons like impracticality/ urgency/ Sole Supplier	851 570
Office of MM	Various (46)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	1 284 784
Community Services	Various (17)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	7 571 250
Planning, Development & Tourism	Various (14)	Impracticality	559 173
Total:			102 326 634

46.1.8)(d)(i) of the MFMA

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

Electricity:

		Lost Units	Tariff	Value
30 June 2021	Unaccounted Electricity Losses	<u>14 656 036</u>	<u>1.3717</u>	<u>20 103 685</u>
30 June 2020	Unaccounted Electricity Losses	<u>25 056 544</u>	<u>1.2797</u>	<u>32 064 859</u>

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

Volumes in kWh/year:

	2021	2020
System Input Volume	208 493 305	203 171 890
Billed Consumption	<u>177 157 805</u>	<u>161 861 595</u>
Unaccounted	31 335 500	41 310 295

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Normal distribution losses - 8% of electricity purchases	16 679 464	16 253 751
	14 656 036	25 056 544
Percentage Distribution Loss	7.03%	12.33%

Water:

		Lost Units	Tariff	Value
30 June 2021	Unaccounted Water Losses	3 556 208	9.6300	34 246 283
30 June 2020	Unaccounted Water Losses	2 507 620	7.3100	18 330 702

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

	2021	2020
Volumes in KI/year:		
System Input Volume	7 243 049	7 234 555
Billed Consumption	3 686 841	4 726 935
Distribution Loss	3 556 208	2 507 620
Percentage Distribution Loss	49.10%	34.66%

46.2 BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on compliance with the B-BBEE Act is included in the Annual Report under the section titled B-BBEE Compliance Performance Information.

47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

- Approved and Contracted for:-

	85 178 961	112 860 883
Infrastructure	76 618 933	102 298 930
Community	2 800 000	5 886 847
Other	5 760 028	4 675 106

Total Capital Commitments

This expenditure will be financed from:		
Internal and Grant funding	85 178 961	112 860 883
	85 178 961	112 860 883

The Capital Commitments are VAT inclusive.

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48. FINANCIAL INSTRUMENTS

48.1 Classification

FINANCIAL ASSETS:

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

Financial Assets at Amortised Cost:

Non-current Long-term Receivables	Staff Related Long Term Receivables	-	10 000
Receivables from Exchange Transactions	Electricity	32 169 543	31 958 193
Receivables from Exchange Transactions	Refuse	8 089 521	7 114 509
Receivables from Exchange Transactions	Sewerage	5 922 131	5 847 762
Receivables from Exchange Transactions	Other Service Charges	1 439 813	1 934 126
Receivables from Exchange Transactions	Water	15 146 843	15 859 696
Receivables from Exchange Transactions	Other Debtors	724 062	724 062
Receivables from Exchange Transactions	Prepayments and Advances	3 591 699	3 117 189
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	476 634	480 017
Receivables from Exchange Transactions	Deposits for Land	1 253 543	893 543
Cash and Cash Equivalents	Call Deposits	40 489 896	122 294 823
Cash and Cash Equivalents	Bank Balances	12 904 130	19 481 806
Cash and Cash Equivalents	Cash Floats and Advances	421	421
Current Long-term Receivables	Staff Related Long Term Receivables	-	3 000
Total Financial Assets		122 208 235	209 719 146

FINANCIAL LIABILITIES:

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

Financial Liabilities at Amortised Cost:

Non-current Finance Lease Obligations	Non-current Finance Lease Obligations	618 501	1 264 119
Non-current Borrowings	Development Bank of South Africa	-	6 128 314
Payables from Exchange Transactions	Other Payables	11 734 759	10 646 509
Payables from Exchange Transactions	Retentions	3 697 847	3 349 136
Payables from Exchange Transactions	Salary Related Payables	834 091	816 076
Payables from Exchange Transactions	Trade Creditors	54 817 337	112 202 790
Payables from Non-exchange Transactions	Transfers and subsidies	751 430	235 741
Unspent Conditional Grants and Receipts	National Government	5 962 915	26 927 177
Unspent Conditional Grants and Receipts	Provincial Government	235 741	-
Current Finance Lease Obligations	Current Finance Lease Obligations	618 501	645 622
Current Borrowings	Development Bank of South Africa	6 128 308	8 961 975
Total Financial Liabilities		85 399 431	171 177 460

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

48.2 Capital Risk Management

KOUGA LOCAL MUNICIPALITY
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The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19. and the Statement of Changes in Net Assets.

Gearing Ratio

	2021	2020
	R	R
The gearing ratio at the year-end was as follows:		
Debt	7 365 311	17 000 030
Cash and Cash Equivalents	(40 490 317)	(122 295 244)
Net Debt	(33 125 006)	(105 295 214)
Equity	2 190 837 044	2 235 831 837
Net debt to equity ratio	-1.51%	-4.71%

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

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

48.3 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 Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity 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.

48.4 Significant Risks

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

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

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

Risks and exposures are disclosed as follows:

Market Risk

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

Credit Risk

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

Liquidity Risk

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

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

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 48.8 to the Annual Financial Statements.

48.5 Market Risk

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

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

48.5.1 Foreign Currency Risk Management

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

48.5.2 Interest Rate Risk Management

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

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

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

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

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

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

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The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 25 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 48.8 below:

Cash and Cash Equivalents:

If interest rates had been 25 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2021 would have increased / decreased by R243 963 (30 June 2020: R445 379). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

48.6 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

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

Investments/Bank, Cash and Cash Equivalents

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

Trade and Other Receivables

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

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

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.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Northern Province Academy of Sport and Department of Water and Forestry Affairs for which there is uncertainty about the collectivity. They have been included in the Provision for Impairment of Consumer Debtors.

	2021	2020
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Long-term Receivables	-	26 000
Receivables from Exchange Transactions	236 146 736	197 001 893

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Bank, Cash and Cash Equivalents	53 394 447	141 777 050
Maximum Credit and Interest Risk Exposure	289 541 182	338 778 942
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:		
	%	%
Exchange Debtors:		
- Service Debtors	97.43%	97.34%
- Other Debtors	0.31%	0.37%
- Prepayments and Advances	1.53%	1.59%
- Other Minor Classes	0.73%	0.70%
Total Credit Risk	100.00%	100.00%
Bank and Cash Balances		
Current Investments	40 489 896	122 294 823
Bank Accounts	12 904 130	19 481 806
Cash on Hand	421	421
Total Bank and Cash Balances	53 394 447	141 777 050
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Long-term Receivables		
High	-	-
Medium	-	-
Low	-	26 000
Total Long-term Receivables	-	26 000
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
High	18 302 163	28 203 993
Medium	4 678 956	7 210 363
Low	-	-
Total Receivables from Exchange Transactions	22 981 119	35 414 356

Credit quality Groupings:

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

Medium - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Low - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

48. FINANCIAL INSTRUMENTS (Continued)

48.1 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2021								
Non-interest Bearing		0.00%	78 034 120	78 034 120	-	-	-	-
Fixed Interest Rate Instruments			7 365 311	7 365 311	-	-	-	-
			85 399 431	85 399 431	-	-	-	-
30 June 2020								
Non-interest Bearing		0.00%	154 177 429	154 177 429	-	-	-	-
Fixed Interest Rate Instruments			17 000 030	17 000 030	-	-	-	-
			171 177 460	171 177 460	-	-	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2021								
Non-interest Bearing		0.00%	68 814 209	68 807 209	3 000	3 000	1 000	-
Variable Interest Rate Instruments		4.30%	53 394 026	53 394 026	-	-	-	-
			122 208 235	122 201 235	3 000	3 000	1 000	-
30 June 2020								
Non-interest Bearing		0.00%	67 942 518	67 932 518	3 000	3 000	4 000	-
Variable Interest Rate Instruments		6.84%	141 776 629	141 776 629	-	-	-	-
			209 719 146	209 709 146	3 000	3 000	4 000	-

The municipality does not have any financing facilities and expects to meet its obligations from operating cash flows and proceeds of maturing financial assets and to maintain current debt to equity ratio.

48.2 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

KOUGA LOCAL MUNICIPALITY
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2021
R

2020
R

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. All councillors belong to the Pension Fund for Municipal Councillors, whilst employees belong to a variety of approved Pension and Provident Funds as described below.

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R30 459 117 (2020: R28 654 661) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

49.1 DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund (Defined Benefit Scheme):

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2012 disclosed an actuarial valuation amounting to R3 014 878 (2011: R2 971 150) million, with a net accumulated deficit of R18 287 (2011: R58 935) million, with a funding level of 99.4% (2011: 104.1%).

Government Employees Pension Fund (GEPF):

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a surplus of R0,0 (30 June 2004: deficit of R12,8) million, with a funding level of 100,0% (30 June 2004: 96,5%). The contribution rate paid by the members (7,00%) and the municipalities (13,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2014.

The net assets available for benefits were R5 715 557 193.

The statutory valuation performed as at 28 February 2014 revealed that the net assets of the fund were R0,0 (28 February 2011: R552,8) million, with a funding level of 100,0% (28 February 2011: 107,9%). The contribution rate paid by the members (7,50%) and Council (15,00%, 18,00% and 22,00%) is not sufficient to fund the benefits accruing from the fund in the future and there is a shortfall in the future employer contribution rate of 12,80% (28 February 2011: 8,10%).

The fund is closed for membership and no new members are allowed to join the fund.

No further information could be obtained.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

National Fund for Municipal Workers - Pension Fund:

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively. Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The last statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R10,050,029,000 (30 June 2014 : R9,031,759,000), with funding levels of 100.42% (30 June 2014: 100.10%). The actuary certified that the assets of the fund are sufficient to cover 100.42% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

Joint Municipal Pension Fund (previously Transvaal Municipal Pension Fund):

The scheme is subject to a bi-annual actuarial valuation. The last statutory valuation was performed as at 30 September 2007.

The statutory valuation performed as at 30 September 2007 revealed that the fund had a surplus of R82,1 (31 December 2005: shortfall of R44,2) million, with a funding level of 123,7% (31 December 2005: unknown). The contribution rate paid by the members (9,00%) and municipalities (22,00%) has a shortfall of 0,90%, but can be covered by the available margin in the fund.

The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205 million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 14%
- From 1 July 2007 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

The fund is closed for membership and no new members are allowed to join the fund.

No information could be obtained.

49.2 DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund (Defined Contribution Scheme):

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

The actuarial valuation report at 30 June 2012 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R 421 900 (2011: R386 570) million, net investment reserve of R21 231 (2011: R15 285) million and a funding level of 105.3% (2011: 104.1%).

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R10 775 599 and R546 059 (30 June 2011: R9 930,837 in total) million, with funding levels of 99.9% and 108% (2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short moratorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months;.

KOUGA LOCAL MUNICIPALITY

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National Fund for Municipal Workers - Provident Fund:

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948.000 (30 June 2011 : R6,574,75.00), with funding levels of 102.0% (30 June 2014: 111.7%).

As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

None of the above mentioned plans are State Plans.

50. RELATED PARTY TRANSACTIONS

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

50.1 Compensation of Related Parties

Compensation of Close Family Members of Councillors and/or Key Management:

Name of Related Person	Designation	Description of Related Party Relationship	2021	2020
S. Meleni	Official	Wife of councillor Meleni	291 927	474 411
GE Coenraad	Official	Daughter of councillor Coenraad	176 349	288 764

2021
R 2020
R

50.2 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Municipal Capacity	Nature of relationship	Purchases for the Year	Purchases for the Year
Sheljesh Trading	S. Harmse	Official	Director was in the service of KLM until September 2019.	59 800	-
Central Bridge Trading 436 CC	Z. Tshume	Official	Wife of the director	132 608	219 050
Faulkner Bouers	B. Faulkner	Official	Director is the uncle of this employees	-	66 300
Kwa Nandipha Catering	P. Dondashe	Official	Husband of director	-	15 325
2326 Random Solutions	T. Madatt	Official	Uncle of directors	77 300	-
Amahle Waste Recycling	NI Dela (Emp 1959)	Ward Committee Member	NI Dela is the director/owner of the company	76 950	99 850
Unomtha Catering	Z Gxuluwe	Official	Daughter of the director	-	11 520
Mesrazest	J Hammond	Official	Brother in Law of Director	1 713 646	1 086 900
Infraforce Africa (Pty) Ltd	E. Sekula	Official	Owner was employed at KLM	154 560	24 460
Mgqandu & Coco Trading	C. Mgqandu	Official	Husband of Director	55 400	85 620
Premier Attraction 528 CC t/a ZIS Distributors	R. Lorgat	Official	Cousin of the director	550 057	-
GGs Engineering	J. Nhlangulela	Official	Director	126 341	154 982
Malubongwe General Trading (Pty) Ltd	H. U. Geleba	Official	Husband of Director	26 400	17 800
Arviclox	K. Papa	Official	Director was in the service of KLM until January 2020.	13 800	-

KOUGA LOCAL MUNICIPALITY
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RE Le Grange t/a RL Trading	J Hammond	Official	Brother in law of sole prop	19 300	46 200
Martinash Trading (Pty) Ltd	J Savage	Official	Director was an employee from KLM from 1/09/1994 - 27/08/2010	445 996	130 130
Terr Trillion Friendly (Pty) Ltd	V Yake	Official	Cousin of the director	-	21 600
Izwe Lethu General Trading	X Badi	Official	Director's spouse	29 000	-
Sys Smart (Pty) Ltd	D van Vuuren	Official	Director's son in law	29 900	-
Total Purchases				3 511 058	1 979 737

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

51. CONTINGENT LIABILITIES

51.1 Court Proceedings:

51 356 057 **61 988 665**

Court Proceedings arose due to various claims brought against the Municipality. The attorneys suggested that the matters will be defended, due to the circumstances of each.

The likelihood of successfully defending the claims, as well as the timing and possible costs thereof, cannot be determined at this time.

(i) EA Plaatjies / Kouga Local Municipality:

3 600 000 12 000 000

A civil litigation action has been instituted against Kouga Municipality by the Plaintiff for payment of damages relating to a diving incident at a dam in Kruisfontein, Humansdorp for an amount of R12 million. This matter has been set down for a hearing on 26 June 2019. The quantum and merits issues were separated and the merits were settled on the basis that the Kouga Municipality would be liable to pay 30% of the damages that may be proven at the hearing in respect of the quantum part. We are currently waiting for a new trial date.

(ii) Tauris Garden CC:

- -

Civil Claim for damages. Awaiting instructions with regards to appointment of quantity surveyor.

(iii) Peter John France & Gerald Jack Friedman Trustees of The Rental Company Trust:

4 000 000 4 000 000

Claim defended on behalf of Kouga. Currently preparing for trial.

(iii) Nelson Mandela Bay Metropolitan Municipality alleged claim in respect of Water Consumption.

41 000 000 41 000 000

NMBM instituted action against Kouga Municipality in respect of an alleged claim of approximately R41 million in respect of water consumption.

(iv) Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.:

47 711 47 711

Civil Claim for damages. Awaiting instructions with regards to appointment of quantity surveyor.

(v) Tshepega Civil Engineers (Pty) Ltd / KOUGA Local Municipality

1 950 346 1 900 355

Claims for monies owed for professional services rendered

(v) Various claims due to municipal administrative matters under dispute or investigation:

508 000 3 040 599

(i) Alleged Damages Incurred: H Goeda

51.2 Unlawful and wrongful assault and arrest & detention

250 000 **-**

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

52. CONTINGENT ASSETS

52.1 Insurance Claims:	<u>1 764 237</u>	<u>1 804 382</u>
(i) Lost / Damaged Assets: The municipality has claims outstanding against its Insurers for lost and/or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of R1 764 237 (2020: R1 804 382) will be recovered.	1 764 237	1 804 382

53. COMPARATIVE FIGURES

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

54. GOING CONCERN ASSESSMENT

The COVID-19 pandemic continues to have a devastating impact on the macro economy and a significant component of the institutions which operate therein. The municipality has not been immune to the impact of the pandemic. The impact and duration of the COVID-19 pandemic in the Province and Kouga's jurisdiction is uncertain at the date of this submission. Management of the municipality is however of the opinion that regardless of the possible effect of the COVID-19 pandemic, the municipality will continue to operate for the foreseeable future, which is usually regarded as at least the next 12 months from the reporting date, however not limited to this timeframe.

Management also considered the following matters in relation to the Going Concern position of Kouga Local Municipality:

- (i) On 26 June 2020 the Council adopted the 2019/2020 to 2022/23 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

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

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

55. SEGMENT REPORTING

For management purposes the municipality is broadly organised into business units based on the nature of operations and the services they provide. The municipality has seven primary reportable segments:

- **The segment for Municipal Governance and Administration Services:-**
This segment consists of services such as executive services, support services to the executive and finance & administration services.
- **The segment for Community and Public Safety Services:-**
This segment consists of all services for community & social development, public safety and sport & recreation.
- **The segment for Housing Services:-**
This segment consists of all services for the providing of housing to the community.
- **The segment for Health Services:-**
This segment consists of all services for the providing of health to the community.
- **The segment for Economic and Environmental Services:-**
This segment consists of environmental services such as planning & development, environmental protection and roads & storm water.
- **The segment for Trading Services:-**
This segment consists of the following infrastructure services delivered to the community.
 - Energy Sources:-
This segment consists of all services for energy supply to the community.
 - Waste Management:-
This segment consists of all services for the management of solid waste in the municipal area.
 - Waste Water Management:-
This segment consists of all services for the management of waste water, including sewage, in the municipal area.
 - Water Management:-
This segment consists of all services for water supply to the community.
- **The segment for Other Services:-**
This segment consists of minor services rendered in the municipal jurisdiction area.

No individually material operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on non-financial metrics and the segment's operating surplus or deficit, measured consistently with the accounting policies applied in the Annual Financial Statements. However, the municipality's financing (including finance costs and finance income) and revenue from taxes are managed on a group basis and are not allocated to operating segments.

Inter-business unit services are not valued and are deemed to have been supplied for no consideration, and are therefore not eliminated. However, the quality of services provided internally is monitored as part of the non-financial service performance information.

The municipality operates within the following geographical areas:

WARD	AREA
Ward 1	- Oyster Bay, Sea Vista and surrounding farms
Ward 2	- Pellsrus, Tokyo Sexwale, Lootspark
Ward 3	- Lower Wavecrest
Ward 4	- Kruisfontein, Gill Marcus, Die Berg and surrounding farms
Ward 5	- Arcadia, Graslaagte, Johnson's Ridge and surrounds
Ward 6	- Kwanomzamo
Ward 7	- Lorie, Thornhill, Longmore, Mondplaas and surrounds
Ward 8	- Upper Wavecrest, Kabeljous and surrounds
Ward 9	- Hankey Town, Centerton, Phillipville, Kleinfontein and Ext 4
Ward 10	- Ramaphosa Village, Andrieskraal, Cambria and surrounds
Ward 11	- Jeffreys Bay Central, C-Place
Ward 12	- St Francis Bay, Cape St Francis, Paradise Beach and lower Humansdorp Golf Course
Ward 13	- Hankey, Weston, Rosedale, ex Nathi Farm and Patensie Town
Ward 14	- Aston Bay, Marina Martinique, Mandela Bay, and Ocean View
Ward 15	- Humansdorp Town, Boskloof, Panorama, Upper Humansdorp Golf Course

The municipality does however not monitor operating results for these geographical segments, and operational results are only monitored within the business units as previously disclosed.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

55.1 Segmental Analysis of Financial Performance

Year Ended 30 June 2021

Description	Executive and Council	Finance and Administration	Community and Social Services	Public Safety	Sport and Recreation	Housing	Health	Environmental Protection	Planning and Development	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Variance	Total for Municipality
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE																
Revenue from Non-exchange Transactions																
Property Rates	-	210 204 642	-	-	-	-	-	-	-	-	-	-	-	-	-	210 204 642
Fines, Penalties and Forfeits	-	3 063 146	318	-	-	-	-	-	195 624	49 000	-	-	-	-	-	3 308 089
Licences and Permits	-	-	-	-	4 694 089	-	(57 968)	1 078 920	-	1 787 769	-	-	-	-	-	7 502 810
Transfers and Subsidies	867 407	109 339 310	2 050 000	1 516 655	-	-	2 845 500	-	1 578 900	1 054 000	10 810 279	16 968 661	42 377 931	24 359 681	-	213 768 324
Surcharges and Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest, Dividends and Rent on Land Earned	-	1 700 447	-	-	-	-	-	-	-	-	-	-	-	-	-	1 700 447
Revenue from Exchange Transactions																
Licences and Permits	-	-	-	-	-	-	75 076	-	-	2 649 170	-	-	-	-	-	2 724 245
Service Charges	-	(16 979 139)	-	-	-	-	-	(419 472)	-	-	298 895 470	54 393 108	52 345 869	80 982 787	-	469 218 623
Sales of Goods and Rendering of Services	-	2 999 384	377 094	12 822	180 239	-	-	87 659	4 393 666	-	-	108 383	-	-	-	8 159 247
Income from Agency Services	-	-	-	-	-	-	-	-	-	1 411 573	-	-	-	-	-	1 411 573
Rental from Fixed Assets	-	-	-	-	925 404	-	-	-	1 421 269	-	-	-	-	-	-	2 346 673
Interest, Dividends and Rent on Land Earned	-	4 258 556	-	-	-	-	-	-	-	-	980 770	2 579 261	1 514 488	3 140 215	-	12 473 289
Operational Revenue	58 651	993 007	-	-	-	-	-	-	-	-	-	-	-	-	-	1 051 658
Gains on Other Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	57 151	-	57 151
Total Revenue	926 058	315 579 354	2 427 412	1 529 477	5 799 732	-	2 862 608	747 106	7 589 459	6 951 511	310 686 519	74 049 414	96 238 287	108 539 834	-	933 926 772
EXPENDITURE																
Employee Related Costs	18 368 577	105 931 358	7 466 942	21 303 385	32 607 652	4 562 162	4 745 408	2 087 705	23 007 052	32 764 275	14 077 543	27 627 448	22 084 352	18 676 878	23 268	335 334 005
Remuneration of Councillors	12 780 365	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12 780 365
Depreciation and Amortisation	-	4 258 034	-	-	-	-	-	-	8 001 969	30 106 668	5 908 220	-	21 870 504	10 706 821	-	80 852 216
Impairment Losses	-	36 155 893	-	-	-	-	-	(474 143)	-	-	152 240	(17 117 722)	5 124 731	7 693 627	-	31 534 626
Interest, Dividends and Rent on Land	-	187 261	-	-	1 238 024	-	-	-	-	-	-	1 669 006	-	-	-	3 094 292
Contracted Services	1 931 381	24 212 992	532 657	686 681	6 342 472	55 830	587 000	639 729	1 553 052	37 015 323	6 824 595	9 440 323	2 616 326	2 468 002	879 111	95 785 476
Inventory Consumed	179 238	2 079 357	661 100	734 814	2 595 178	1 566 268	179 140	617 746	613 502	2 232 483	4 466 411	3 096 428	3 263 962	49 389 143	88	71 674 858
Transfers and Subsidies Paid	300 000	-	-	-	261 000	-	-	-	-	-	-	-	-	-	200 000	761 000
Operating Leases	896 272	5 350 059	31 278	2 280	(1 178)	5 548	(487)	-	267 431	-	(239)	-	-	-	-	6 550 963
Operational Costs	15 550 924	18 770 167	398 242	837 434	6 399 213	48 520	116 783	524 164	697 491	1 416 001	5 638 908	10 930 162	16 324 696	6 789 642	25 132	84 467 479
Loss on Disposal of Property, Plant and Equipment	-	2 046 618	-	-	-	-	-	-	-	-	-	-	-	-	-	2 046 618
Total Expenditure	50 006 757	198 991 739	9 090 219	23 564 594	49 442 361	6 238 328	5 627 845	3 395 202	34 140 498	103 534 750	291 125 514	35 645 644	71 284 570	95 724 113	1 127 598	978 939 732
Surplus/(Deficit) for the Year	(49 080 699)	116 587 615	(6 662 806)	(22 035 117)	(43 642 629)	(6 238 328)	(2 765 237)	(2 648 096)	(26 551 039)	(96 583 239)	19 561 005	38 403 769	24 953 717	12 815 721.30	(1 127 598)	(45 012 960)

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KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Year Ended 30 June 2020

Description	Executive and Council	Finance and Administration	Community and Social Services	Public Safety	Sport and Recreation	Housing	Health	Environmental Protection	Planning and Development	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Total for Municipality
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE															
Revenue from Non-exchange Transactions															
Property Rates	-	196 958 729	-	-	-	-	-	-	-	-	-	-	-	-	196 958 729
Fines, Penalties and Forfeits	-	1 847 650	1 609	-	-	-	-	-	216 812	59 000	-	-	-	-	2 125 071
Licences and Permits	-	-	-	-	3 535 166	-	5 740	999 983	-	1 517 377	-	-	-	-	6 058 267
Transfers and Subsidies	46 170	127 041 890	2 050 000	713 585	-	-	2 619 200	1 192 000	1 899 401	1 000 000	7 161 997	64 259	23 590 605	93 701 658	261 080 764
Interest, Dividends and Rent on Land Earned	-	1 649 323	-	-	-	-	-	-	-	-	-	-	-	-	1 649 323
Revenue from Exchange Transactions															
Licences and Permits	-	-	-	-	-	-	202 124	-	-	2 554 285	-	-	-	-	2 756 409
Service Charges	-	(10 764 083)	-	-	-	-	-	(420 591)	-	-	256 825 618	51 771 842	49 950 667	73 768 737	421 132 190
Sales of Goods and Rendering of Services	-	5 455 311	369 637	20 442	1 957 961	-	-	28 130	3 273 279	-	-	6 128	-	-	11 110 886
Income from Agency Services	-	-	-	-	-	-	-	-	-	2 251 824	-	-	-	-	2 251 824
Rental from Fixed Assets	-	-	-	-	1 488	-	-	-	695 949	-	-	-	-	-	697 437
Interest, Dividends and Rent on Land Earned	-	12 254 888	-	-	-	-	-	-	-	-	749 081	2 251 788	1 234 385	2 623 578	19 113 720
Operational Revenue	3 623	3 663 081	-	-	-	-	-	-	-	-	-	-	-	-	3 666 703
Gains on Other Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	49 793	338 106 788	2 421 246	734 027	5 494 615	-	2 827 063	1 799 522	6 085 440	7 382 486	264 736 696	54 094 016	74 775 657	170 093 973	928 601 321
EXPENDITURE															
Employee Related Costs	12 924 860	79 787 578	7 072 660	19 413 826	29 947 363	4 180 790	3 788 336	544 110	20 014 895	30 780 845	13 227 425	32 262 653	18 085 547	21 677 144	293 708 033
Remuneration of Councillors	12 876 077	-	-	-	-	-	-	-	-	-	-	-	-	-	12 876 077
Depreciation and Amortisation	-	8 190 508	-	-	-	-	-	-	552 770	30 203 237	5 627 570	-	22 823 944	9 535 533	76 933 561
Impairment Losses	-	55 293 511	-	-	-	-	-	-	-	-	-	-	-	-	55 293 511
Interest, Dividends and Rent on Land	-	301 856	-	-	2 201 127	-	-	-	-	-	-	3 211 375	-	-	5 714 358
Bulk Purchases	-	-	-	-	-	-	-	-	-	-	231 511 535	-	-	-	231 511 535
Contracted Services	838 557	20 703 174	1 120 735	1 329 904	5 895 842	154 244	845 295	553 236	1 386 002	22 051 634	3 206 757	6 035 061	3 140 257	1 771 715	70 860 223
Inventory Consumed	81 114	1 564 006	2 492 637	783 008	2 321 612	24 578	169 345	6 281 147	472 826	6 762 738	8 692 283	2 804 187	3 282 138	37 411 642	73 143 260
Transfers and Subsidies Paid	320 000	-	-	-	250 000	-	-	-	-	-	-	-	-	-	570 000
Operating Leases	4 009 963	2 314 694	41 565	10 744	1 796	4 816	1 141	-	313 110	-	1 909	-	-	-	6 699 738
Operational Costs	14 616 523	18 431 177	376 143	788 269	5 524 033	80 354	177 484	(869 801)	727 424	2 563 556	4 770 589	10 359 699	15 523 752	694 678	73 821 561
Loss on Disposal of Property, Plant and Equipment	-	1 717 571	-	-	-	-	-	-	-	-	-	-	-	-	1 717 571
Total Expenditure	45 667 093	188 304 076	11 103 740	22 325 751	46 141 773	4 444 782	4 981 601	6 508 692	23 467 026	92 362 009	267 038 069	54 672 975	62 855 638	71 090 712	902 849 428
Surplus/(Deficit) for the Year	(45 617 300)	149 802 712	(8 682 494)	(21 591 725)	(40 647 157)	(4 444 782)	(2 154 538)	(4 709 170)	(17 381 586)	(84 979 523)	(2 301 372)	(578 959)	11 920 019	99 003 260.85	25 751 893

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KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

55.5 Segmental Analysis of Capital Expenditure

Description	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	835 000	297 258	1 132 258	(937 758)	194 500	937 758	1 132 258	273 558	(858 700)	24.16	32.76
Finance and Administration	2 899 455	3 101 675	6 001 130	(3 907 941)	2 093 189	3 907 941	6 001 130	18 434 047	12 432 917	307.18	635.78
Internal Audit	-	-	-	-	-	-	-	-	-	0.00	0.00
Community and Social Services	-	-	-	10 500	10 500	(10 500)	-	-	-	0.00	0.00
Public Safety	3 668 600	2 213 161	5 881 761	(5 881 761)	-	5 881 761	5 881 761	5 625 289	(256 472)	95.64	153.34
Sport and Recreation	11 599 790	644 917	12 244 707	(12 244 707)	-	12 244 707	12 244 707	10 432 990	(1 811 717)	85.20	89.94
Housing	760 000	1	760 001	(760 001)	-	760 001	760 001	339 886	(420 115)	44.72	44.72
Health	-	-	-	-	-	-	-	(290 000)	(290 000)	0.00	0.00
Environmental Protection	-	-	-	5 000	5 000	(5 000)	-	-	-	0.00	0.00
Planning and Development	1 737 413	1 133 476	2 870 889	6 975 611	9 846 500	(6 975 611)	2 870 889	1 114 599	(1 756 290)	38.82	64.15
Road Transport	7 890 511	(3 881 381)	4 009 130	(4 009 130)	-	4 009 130	4 009 130	235 514	(3 773 616)	5.87	2.98
Energy Sources	8 171 739	10 812 573	18 984 312	(18 984 312)	-	18 984 312	18 984 312	12 588 159	(6 396 153)	66.31	154.05
Waste Management	1 236 522	(336 522)	900 000	(900 000)	-	900 000	900 000	(263 074)	(1 163 074)	0.00	0.00
Waste Water Management	14 633 460	9 819 419	24 452 879	(24 452 879)	-	24 452 879	24 452 879	19 881 015	(4 571 864)	81.30	135.86
Water Management	3 380 000	4 446 679	7 826 679	(7 826 679)	-	7 826 679	7 826 679	5 929 167	(1 897 512)	75.76	175.42
Other	100 000	-	100 000	(100 000)	-	100 000	100 000	-	(100 000)	0.00	0.00
Total Capital Expenditure	56 912 490	28 251 256	85 163 746	(73 014 057)	12 149 689	73 014 057	85 163 746	74 301 150	(10 862 596)	87.25	130.55

55.6 Segmental Analysis of Financial Position

The main components of the Financial Position that is currently considered, and managed, within the defined municipal segments have been determined as follows:

55.6.1 Receivables from Exchange and Non-Exchange Transactions

Description	Executive and Council	Finance and Administration	Community and Social Services	Public Safety	Sport and Recreation	Housing	Health	Environmental Protection	Planning and Development	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Variance	Total for Municipality
Receivables from Exchange Transactions																
Electricity	-	-	-	-	-	-	-	-	-	-	32 169 543	-	-	-	-	-
Refuse	-	-	-	-	-	-	-	-	-	-	-	8 089 521	-	-	-	-
Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	5 922 131	-	-	-
Water	-	-	-	-	-	-	-	-	-	-	-	-	-	15 146 843	-	-
Statutory Receivables from Non-Exchange Transactions																
Property Rates	-	22 518 561	-	-	-	-	-	-	-	-	-	-	-	-	-	-

78.2.2 Property, Plant and Equipment

Description	Executive and Council	Finance and Administration	Community and Social Services	Public Safety	Sport and Recreation	Housing	Health	Environmental Protection	Planning and Development	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-