



**AUDITED ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2022**

**KOUGA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**Index**

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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 2022**

**General Information**

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**MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2022**

H Hendricks	Executive Mayor
C Borman	Executive Deputy Mayor, Local Economic Development and Tourism
B Williams	Speaker
T Jantjies	Corporate Service
W Gertenbach	Finance
L Maree	Infrastructure & Engineering
D Benson	Community Services
S Ruth	Monitoring, Evaluation and Performance

**AUDITOR-GENERAL**

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

**BANKERS**

First National Bank  
Private Bag X5  
Jeffreys Bay, 6330

**REGISTERED OFFICE**

33 Da Gama Road  
Jeffreys Bay

P O Box 21  
Jeffreys Bay  
6330

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

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

**MUNICIPAL MANAGER**

Mr. C. du Plessis

**CHIEF FINANCIAL OFFICER**

Mr. R Lorgat

**KOUGA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**General Information (Continued)**

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**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 above.

**JURISDICTION**

Greater Kouga area which includes:

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

**KOUGA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**Approval of Annual Financial Statements**

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MEMBERS OF THE KOUGA LOCAL MUNICIPALITY

WARD	COUNCILLOR	
1	Ntshota	N
2	Murray	H
3	Gertenbach	W
4	Alexander	J
5	Biko	M
6	Ndzelani	K
7	Mbuqu	E
8	Foley	R
9	August	C
10	Mbandana	M
11	Haystek	F
12	Maree	L
13	Zana	V
14	Yali	M
15	Jantjes	T
Proportional	Hendricks	H
Proportional	Bornman	H
Proportional	Williams	B
Proportional	van Niekerk	M
Proportional	Benson	D
Proportional	Ruth	S
Proportional	Dhludhlu	B
Proportional	Dayimani	M
Proportional	Gunuza	V
Proportional	Ntengwane	N
Proportional	Valgee	M
Proportional	Oliphant	P
Proportional	Nkilishane	L
Proportional	Human	B
Proportional	van der Linde	W

**APPROVAL OF FINANCIAL STATEMENTS**

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

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




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**Mr. C du Plessis**  
Municipal Manager

31 August 2022

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**Date**

**KOUGA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**Report of the Auditor General**

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- Insert Audit Report -

**KOUGA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022**

	Note	Actual	
		2022	2021
		R	Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>192 437 864</b>	<b>168 876 900</b>
Inventories	1.	17 049 849	12 570 366
Receivables from Exchange Transactions	2.	76 320 626	45 103 236
Statutory Receivables from Non-Exchange Transactions	3.	20 620 893	9 951 048
VAT Receivable	4.	50 443 224	47 750 213
Cash and Cash Equivalents	5.	27 850 559	53 394 447
Lease Receivables	9.	152 713	107 590
<b>Non-Current Assets</b>		<b>2 328 629 135</b>	<b>2 320 627 821</b>
Property, Plant and Equipment	6.	2 065 150 911	2 056 687 414
Intangible Assets	7.	869 780	1 294 963
Investment Property	8.	262 608 444	262 645 444
<b>Total Assets</b>		<b>2 521 066 999</b>	<b>2 489 504 721</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>176 145 472</b>	<b>157 559 597</b>
Consumer Deposits	10.	23 672 925	20 774 255
Payables from Exchange Transactions	11.	105 579 188	87 641 406
Payables from Non-exchange Transactions	12.	-	751 430
Unspent Conditional Grants and Receipts	13.	-	6 198 656
Lease Payables	14.	7 463 613	618 501
Borrowings	15.	-	6 128 308
Employee Benefit Liabilities	16.	7 443 566	7 872 752
Provisions	17.	31 986 180	27 574 289
<b>Non-Current Liabilities</b>		<b>234 729 722</b>	<b>190 957 115</b>
Lease Payables	14.	22 813 236	-
Employee Benefit Liabilities	16.	105 496 394	101 796 699
Provisions	17.	106 420 092	89 160 416
<b>Total Liabilities</b>		<b>410 875 194</b>	<b>348 516 712</b>
<b>Total Assets and Liabilities</b>		<b>2 110 191 805</b>	<b>2 140 988 009</b>
<b>NET ASSETS</b>		<b>2 110 191 805</b>	<b>2 140 988 009</b>
Accumulated Surplus / (Deficit)	18.	2 110 191 805	2 140 988 009
<b>Total Net Assets</b>		<b>2 110 191 805</b>	<b>2 140 988 009</b>

**KOUGA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022**

	Note	Actual	
		2022 R	2021 Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>456 086 562</b>	<b>439 208 557</b>
Property Rates	19.	224 326 475	210 204 641
Fines, Penalties and Forfeits	20.	5 881 345	3 308 088
Licences and Permits	21.	9 593 213	10 227 056
Transfers and Subsidies	22.	214 510 912	213 768 325
Interest, Dividends and Rent on Land Earned	27.	1 774 617	1 700 447
<b>Revenue from Exchange Transactions</b>		<b>555 679 980</b>	<b>495 904 388</b>
Service Charges	23.	521 290 057	470 461 950
Sales of Goods and Rendering of Services	24.	9 602 709	8 159 245
Income from Agency Services	25.	2 559 892	1 411 573
Rental from Fixed Assets	26.	3 094 059	2 346 673
Interest, Dividends and Rent on Land Earned	27.	15 328 365	12 473 289
Operational Revenue	28.	3 804 898	1 051 658
<b>Total Revenue</b>		<b>1 011 766 542</b>	<b>935 112 945</b>
<b>EXPENDITURE</b>			
		<b>1 042 562 741</b>	<b>980 060 968</b>
Employee Related Costs	29.	331 397 764	335 334 008
Remuneration of Councillors	30.	13 394 816	12 780 365
Depreciation and Amortisation	31.	91 119 431	80 942 416
Impairment Losses	32.	38 639 218	32 294 830
Interest, Dividends and Rent on Land	33.	4 662 497	3 422 272
Bulk Purchases	34.	295 222 161	254 057 835
Contracted Services	35.	75 039 055	95 785 474
Inventory Consumed	36.	93 045 884	71 674 857
Transfers and Subsidies Paid	37.	458 000	761 000
Operating Leases	38.	5 789 222	6 550 963
Operational Costs	39.	83 521 647	84 467 481
Loss on Disposal of Property, Plant and Equipment	40.	10 273 046	1 989 467
<b>Total Expenditure</b>		<b>1 042 562 741</b>	<b>980 060 968</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(30 796 199)</b>	<b>(44 948 023)</b>



## KOUGA LOCAL MUNICIPALITY

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R
<b>2021</b>		
Balance at 30 June 2020	2 235 831 838	2 235 831 838
Correction of Error (Note 42)	(49 895 808)	(49 895 808)
<b>Restated Balance</b>	<b>2 185 936 030</b>	<b>2 185 936 030</b>
Surplus / (Deficit) for the year	(44 948 023)	(44 948 023)
<i>Surplus / (Deficit) as per prior 2020/21 AFS</i>	<i>(44 973 159)</i>	<i>(44 973 159)</i>
<i>Revenue &amp; Expenditure Correction of Error (Note 42.)</i>	<i>25 136</i>	<i>25 136</i>
Rounding Variances	2	2
<b>Balance at 30 June 2021</b>	<b>2 140 988 009</b>	<b>2 140 988 009</b>
<b>2022</b>		
Correction of Error (Note 42)	-	-
<b>Restated Balance</b>	<b>2 140 988 009</b>	<b>2 140 988 009</b>
Surplus / (Deficit) for the year	(30 796 199)	(30 796 199)
Rounding Variances	(5)	(5)
<b>Balance at 30 June 2022</b>	<b>2 110 191 805</b>	<b>2 110 191 805</b>

**KOUGA LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022**

	Note	Actual 2022 R	Actual 2021 Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	19.	222 910 709	208 762 881
Transfers and Subsidies	22.	208 312 256	193 039 803
Service Charges	23.	481 764 673	439 078 877
External Interest and Dividends Received	27.	3 224 544	4 192 018
Other Receipts	28.	30 632 442	26 690 557
<b>Payments</b>			
Employee Related Costs	29.	(332 334 550)	(319 231 506)
Remuneration of Councillors	30.	(13 394 816)	(12 780 365)
External Interest and Dividends Paid	33.	(865 483)	(1 425 285)
Suppliers Paid	36.	(453 500 746)	(481 388 261)
Other Payments	39.	(92 228 814)	(70 573 460)
VAT Paid	4.	(2 693 011)	(3 589 221)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>44.</b>	<b><u>51 827 204</u></b>	<b><u>(17 223 962)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	6.	(114 495 250)	(60 644 473)
Purchase of Intangible Assets	7.	-	(976 994)
Proceeds / (Payments) on Disposal of Property, Plant and Equipment	6.	13 557 118	57 425
Decrease / (Increase) in Long-term Receivables	10.	-	13 000
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b><u>(100 901 132)</u></b>	<b><u>(61 551 042)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in Finance Leases (Leases Paid)	14.	29 658 348	(645 618)
Decrease in Borrowings (Loans Repaid)	15.	(6 128 308)	(8 961 981)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b><u>23 530 040</u></b>	<b><u>(9 607 599)</u></b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b><u>(25 543 888)</u></b>	<b><u>(88 382 603)</u></b>
Cash and Cash Equivalents at Beginning of Period	5.	53 394 447	141 777 050
Cash and Cash Equivalents at End of Period	5.	27 850 559	53 394 447

**KOUGA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

30 June 2022

Description	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>							
<b>Current Assets</b>							
Inventories	8 798 443	3 771 923	12 570 366	17 049 849	4 479 483	135.64	193.78
Receivables from Exchange Transactions	115 913 074	52 474 605	63 438 469	76 320 626	12 882 157	120.31	65.84
Receivables from Non-exchange Transactions	-	-	-	-	-	0.00	0.00
Statutory Receivables from Non-Exchange Transactions	-	22 617 129	22 617 129	20 620 893	(1 996 236)	91.17	0.00
VAT Receivable	-	46 924 204	46 924 204	50 443 224	3 519 020	107.50	0.00
Cash and Cash Equivalents	45 339 220	41 234 264	4 104 956	27 850 559	23 745 603	678.46	61.43
Operating Lease Receivables	-	107 590	107 590	152 713	45 123	141.94	0.00
Current Portion of Long-term Receivables	-	-	-	-	-	0.00	0.00
<b>Non-Current Assets</b>							
Property, Plant and Equipment	2 042 418 637	10 687 002	2 053 105 639	2 065 150 911	12 045 272	100.59	101.11
Intangible Assets	2 933 580	531 616	2 401 964	869 780	(1 532 184)	36.21	29.65
Investment Property	242 551 944	20 093 500	262 645 444	262 608 444	(37 000)	99.99	108.27
Long-term Receivables	13 000	13 000	-	-	-	0.00	0.00
<b>Total Assets</b>	<b>2 457 967 898</b>	<b>9 947 863</b>	<b>2 467 915 761</b>	<b>2 521 066 999</b>	<b>53 151 238</b>	<b>102.15</b>	<b>102.57</b>
<b>Current Liabilities</b>							
Consumer Deposits	17 378 122	3 396 133	20 774 255	23 672 925	2 898 670	113.95	136.22
Provisions	-	38 274 789	38 274 789	39 429 746	1 154 957	103.02	0.00
Payables from Exchange Transactions	-	101 573 140	101 573 140	105 579 188	4 006 048	103.94	0.00
Payables from Non-exchange Transactions	-	-	-	-	-	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	0.00	0.00
Lease Payables	-	-	-	7 463 613	7 463 613	0.00	0.00
<b>Non-Current Liabilities</b>							
Lease Payables	-	-	-	22 813 236	22 813 236	0.00	0.00
Employee Benefit Liabilities	-	99 163 499	99 163 499	105 496 394	6 332 895	106.39	0.00
Non-current Provisions	-	92 212 000	92 212 000	106 420 092	14 208 092	115.41	0.00
<b>Total Liabilities</b>	<b>17 378 122</b>	<b>334 619 561</b>	<b>351 997 683</b>	<b>410 875 194</b>	<b>58 877 511</b>	<b>116.73</b>	<b>2 364.32</b>
<b>Total Assets and Liabilities</b>	<b>2 440 589 776</b>	<b>(324 671 698)</b>	<b>2 115 918 078</b>	<b>2 110 191 805</b>	<b>(5 726 273)</b>	<b>99.73</b>	<b>86.46</b>
<b>Net Assets (Equity)</b>							
Accumulated Surplus / (Deficit)	2 112 198 863	3 719 218	2 115 918 081	2 110 191 805	(5 726 276)	99.73	99.90
<b>Total Net Assets</b>	<b>2 112 198 863</b>	<b>3 719 218</b>	<b>2 115 918 081</b>	<b>2 110 191 805</b>	<b>(5 726 276)</b>	<b>99.73</b>	<b>99.90</b>

**KOUGA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

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**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**

Inventory mostly relate to materials and supplies used in service delivery implementation. The materials and supplies include water and sewerage pipes, electrical equipment used for planned and unanticipated maintenance of municipal infrastructure assets

**Receivables from Exchange Transactions:**

The receivables from exchange transactions are largely influenced by the higher than anticipated water billing, compared to the budgeted amount. The water revenue collection is also lower than anticipated in the 2021/22 approved adjusted budget

**Cash and Cash Equivalents:**

The cash and cash equivalent variances are largely influenced by the overall budget spending during the 2021/22 financial year and the outstanding creditors at year-end.

**Operating Lease Receivables**

Operating lease variance is due to new operating lease recognised during the 2021/22 financial year, but not budgeted for.

**Intangible Assets:**

The intangible assets variance is due to the computer software and applications acquisition, which were not materialised.

**Consumer Deposits:**

Consumer deposits variance is due to unanticipated additional deposits received in respect of the building plans and electricity.

**Lease Payables:**

Current and non-current lease payables relate to the rental of vehicles initially recognised as operating lease and subsequently recognised as finance lease in line with the Standards of Generally Recognised Accounting Practice (GRAP) requirements. The budget provision was made under the operating budget.

**KOUGA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

30 June 2022

Description	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>							
<b>Revenue from Non-exchange Transactions</b>							
Property Rates	218 710 931	5 373 716	224 084 647	224 326 475	241 828	100.11	102.57
Fines, Penalties and Forfeits	2 237 701	- 1 443 384	794 317	5 881 345	5 087 028	740.43	262.83
Licences and Permits	25 745 678	- 12 872 840	12 872 838	9 593 213	- 3 279 625	74.52	37.26
Transfers and Subsidies	192 857 985	21 203 352	214 061 337	214 510 912	449 575	100.21	111.23
Surcharges and Taxes	- 1	1	-	-	-	0.00	0.00
Interest, Dividends and Rent on Land Earned	1 404 011	238 798	1 642 809	1 774 617	131 808	108.02	126.40
<b>Revenue from Exchange Transactions</b>							
Service Charges	538 133 132	1 407 114	539 540 246	521 290 057	- 18 250 189	96.62	96.87
Sales of Goods and Rendering of Services	6 060 815	2 389 422	8 450 237	9 602 709	1 152 472	113.64	158.44
Income from Agency Services	-	1	1	2 559 892	2 559 891	#####	0.00
Rental from Fixed Assets	1 168 521	1 631 649	2 800 170	3 094 059	293 889	110.50	264.78
Interest, Dividends and Rent on Land Earned	15 049 529	- 1 061 640	13 987 889	15 328 365	1 340 476	109.58	101.85
Operational Revenue	4 287 510	10 283 809	14 571 319	3 804 898	- 10 766 421	26.11	88.74
<b>Total Revenue</b>	<b>1 005 655 812</b>	<b>27 149 998</b>	<b>1 032 805 810</b>	<b>1 011 766 542</b>	<b>- 21 039 268</b>	<b>97.96</b>	<b>100.61</b>
<b>Expenditure</b>							
Employee Related Costs	378 677 428	- 1 337 528	377 339 900	331 397 764	- 45 942 136	87.82	87.51
Remuneration of Councillors	13 650 824	-	13 650 824	13 394 816	- 256 008	98.12	98.12
Depreciation and Amortisation	91 830 149	-	91 830 149	91 119 431	- 710 718	99.23	99.23
Impairment Losses	53 726 248	- 7 908 749	45 817 499	38 639 218	- 7 178 281	84.33	71.92
Interest, Dividends and Rent on Land	715 994	1	715 995	4 662 497	3 946 502	651.19	651.19
Bulk Purchases	290 000 000	10 000 000	300 000 000	295 222 161	- 4 777 839	98.41	101.80
Contracted Services	78 598 308	4 553 590	83 151 898	75 039 055	- 8 112 843	90.24	95.47
Inventory Consumed	66 260 658	2 010 497	68 271 155	93 045 884	24 774 729	136.29	140.42
Transfers and Subsidies Paid	650 000	- 100 000	550 000	458 000	- 92 000	83.27	70.46
Operating Leases	7 623 732	- 450 000	7 173 732	5 789 222	- 1 384 510	80.70	75.94
Operational Costs	92 715 736	30 291 356	123 007 092	83 521 647	- 39 485 445	67.90	90.08
Loss on Disposal of Property, Plant and Equipment	-	-	-	10 273 046	10 273 046	0.00	0.00
<b>Total Expenditure</b>	<b>1 074 449 077</b>	<b>37 059 167</b>	<b>1 111 508 244</b>	<b>1 042 562 741</b>	<b>- 68 945 503</b>	<b>93.80</b>	<b>97.03</b>
<b>Surplus/(Deficit for the Year)</b>	<b>(68 793 265)</b>	<b>(9 909 169)</b>	<b>(78 702 434)</b>	<b>(30 796 199)</b>	<b>47 906 235</b>	<b>-</b>	<b>-</b>

**KOUGA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

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**Financial Performance: Explanation of Variances between Approved Budget and Actual**  
explained below:

**Fines, Penalties and Forfeits:**

Fines, penalties and forfeits mostly relate to traffic and building fines. The traffic fines revenue is significantly higher than initially budgeted for, due to the appointment of a service provider for speeding camera fines.

**Licences and Permits Non-exchange:**

Licences and permits mostly relate to motor vehicle, drivers, and learners' licences. The licences and permits revenue are largely influenced by lower than anticipated revenue on operators and public drivers permits

**Sales of Goods and Rendering of Services:**

Sales of Goods and Rendering of Services mostly relate to land usage, building plan, camping and legal fees. The revenue is slightly higher than anticipated due to building and valuation services fees

**Operational Revenue:**

Operating revenue mostly relate to various other revenues such as skills development levy refunds, insurance refunds, staff recoveries and sale of municipal property. The revenue is largely influenced by the land sale budget of R 10,524 million, which was subsequently recognised as a loss.

**Impairment Losses:**

Impairment losses mostly relate to bad debt provision raised against property rates and services charges (water, sanitation, refuse and electricity) debtors. The impairment losses are largely influenced by higher than anticipated bad debt provision raised for sanitation, refuse and water debtors.

**Interest, Dividends and Rent on Land:**

Interest, Dividend and Rent on Land mostly relate to finance cost paid on Development Bank of South Africa (DBSA) loan, which was fully paid during the 2021/22 financial year. Interest, Dividend and Rent on Land expenditure amount is largely influenced by the landfill site interest provision raised.

**Inventory consumed:**

Inventory consumed comprises of consumables, materials and supplies used in daily operations of the municipality and include the bulk water consumption. The inventory consumed is largely influenced by the bulk water account received from the Nelson Mandela Bay Municipality amounting to R 14,943 million, based on the correction of previous months billings. There was no budget provision made for the adjusted bulk water account.

**Operating Leases**

The operating leases relate to the rental of photocopy machines, IT related network equipment and other assets. The operating leases paid is lower than anticipated.

**Operational Costs**

Operational costs comprise of various line items relating to the daily operations of the municipality. The operational costs are largely influenced by the municipal services charges (municipal service charges relate to own consumption), which were transferred to service charges revenue and recognised as revenue forgone. The operational costs include a budget provision for the municipal services amounting to R 31,563 million.

**Loss on Disposal of Property, Plant and Equipment:**

The loss on disposal of property, plant and equipment relate to the land sale transaction and the loss was not anticipated, hence no budget provision was made.

**Employee related costs**

The employee related costs are slightly lower than anticipated and largely influenced by budgeted vacancies not yet filled.

**Transfers and subsidies paid**

Transfers and subsidies relate to grant-in-aid given by the municipality to various non-profit organizations, in line with the Council approved grant-in-aid policy. The transfers and subsidies paid is influenced by the number of applications received and approved in line with the requirements of grant-in-aid policy.

**KOUGA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

30 June 2022

Description	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER VOTE</b>							
Corporate Services	1 923 000	306 550	2 229 550	1 198 688	(1 030 862)	53.76	62.33
Executive and Council	2 740 000	280 000	3 020 000	2 283 622	(736 378)	75.62	83.34
Financial Services	2 460 000	1 256 440	3 716 440	3 781 739	65 299	101.76	153.73
Infrastructure and Engineering	45 230 000	30 764 045	75 994 045	65 983 153	(10 010 892)	86.83	145.88
Planning, Development and Tourism	1 170 000	735 425	1 905 425	855 269	(1 050 156)	44.89	53.84
Community Services	7 490 000	1 335 807	6 154 193	41 170 172	35 015 979	668.98	549.67
<b>Total Capital Expenditure</b>	<b>61 013 000</b>	<b>32 006 653</b>	<b>93 019 653</b>	<b>115 272 643</b>	<b>22 252 990</b>	<b>1 031.83</b>	<b>1 048.80</b>

**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:**

The Corporate services capital expenditure was slower than anticipated, compared to the approved budget. The municipality realised savings on some projects, compared to the budgeted amounts.

**Executive and Council:**

The Executive and Council capital expenditure is slightly slower than anticipated, compared to the approved budget. The municipality realised savings on some projects, compared to the budgeted amounts.

**Infrastructure and Engineering:**

boreholes to water treatment works, connecting Kruisfontein boreholes to Humansdorp water treatment work and water tanks for Jeffreys Bay drought project, with the budget rollover to 2022/23 financial year for implementation of the projects. The budget rollover amounts to R 4,468 million, will be approved by Council on 31 August 2022.

**Planning, Development and Tourism:**

The Planning, Development and Tourism capital expenditure is lower than anticipated, compared to the approved budget. Some capital expenditure projects were recognised as operational costs rather than capital expenditure due to the Standards of Generally Recognised Accounting Practice (GRAP) requirements. Project relates to Kouga Business Support Centre, with the budget rollover to 2022/23 financial year for implementation of the project. The budget rollover amounts to R0,336 million, will be approved by Council on 31 August 2022.

**Community Services:**

The Community Services capital expenditure budget is overspent due to the rental of vehicles initially recorded as operating lease and subsequently recognised as finance lease in line with the Standards of Generally Recognised Accounting Practice (GRAP) requirements.

**KOUGA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

30 June 2022

Description	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
<b>CASH FLOW</b>							
<b>Cash Flows from/(used in) Operating Activities</b>							
<b>Receipts</b>							
Property Rates	203 401 166	8 782 641	212 183 807	222 910 709	10 726 902	105.06	109.59
Transfers and Subsidies	192 857 985	15 240 435	208 098 420	208 312 256	213 836	100.10	108.01
Service Charges	500 463 813	211 008 968	711 472 781	481 764 673	(229 708 108)	67.71	96.26
External Interest and Dividends Received	15 706 376	12 895 587	2 810 789	3 224 544	413 755	114.72	20.53
Other Receipts	39 500 224	7 588 737	47 088 961	30 632 442	(16 456 519)	65.05	77.55
VAT Receivable / Payable	-	-	-	-	-	0.00	0.00
<b>Payments</b>							
Employee Related Costs	(378 677 428)	26 185 005	(352 492 423)	(332 334 550)	20 157 873	0.00	0.00
Remuneration of Councillors	(13 650 824)	-	(13 650 824)	(13 394 816)	256 008	0.00	0.00
External Interest and Dividends Paid	(715 994)	-	(715 994)	(865 483)	(149 489)	0.00	0.00
Suppliers Paid	(535 198 433)	241 323 535	(776 521 968)	(453 500 746)	323 021 222	0.00	0.00
Other Payments	(650 000)	650 000	-	(92 228 814)	(92 228 814)	0.00	0.00
VAT Receivable / Payable	-	-	-	(2 693 011)	(2 693 011)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>							
Purchase of Property, Plant and Equipment	(61 012 540)	30 328 451	(91 340 991)	(114 495 250)	(23 154 259)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	0.00	0.00
Purchase of Investment Property	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	10 524 761	10 524 761	13 557 118	3 032 357	128.81	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>							
Increase in Long-term Loans (Loans Taken-on)	(6 747 000)	191	(6 746 809)	(6 128 308)	618 501	0.00	0.00
Decrease in Short-term Loans (Loans Repaid)	-	-	-	-	-	0.00	0.00
<b>Cash and Cash Equivalents at Beginning of the Year</b>	<b>90 061 687</b>		<b>53 394 447</b>	<b>53 394 447</b>	<b>(5 912 746)</b>	<b>100.00</b>	<b>59.29</b>
<b>Cash and Cash Equivalents at End of the Year</b>	<b>45 339 032</b>		<b>4 104 957</b>	<b>27 850 559</b>			



**KOUGA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

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**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:

**Service Charges**

The service charges collections are largely influenced by the lower average collection for waste management, waste water management and water, compared to the service charges billing. The municipality has achieved an average collection rate of 94.32%, compared to the 94% average collection rate budgeted for.

**External Interest and Dividends Received**

The external interest and dividends received are slightly higher than anticipated. Interest earned on external investments is largely influenced by the municipality's investment portfolio.

**Other Receipts**

Other receipts comprise of various revenue sources relating to the daily operations of the municipality, such as receipts from municipal rental of facilities, fines, penalties, licences and permits and other operating revenue. The other receipts are largely influenced by demands from the communities.

**External Interest and Dividends Paid**

External interest and dividend paid mostly relate to finance cost paid on the Development Bank of South Africa (DBSA) loan, which was fully paid during the 2021/22 financial year. The external interest and dividend paid is slightly lower than anticipated.

**Suppliers Paid**

Suppliers paid will include other payments and VAT payable in terms of National Treasury budget schedules, therefore the expenditure is 68%, compared to the budget. Suppliers paid is largely influenced by the overall budget spending and the outstanding creditors at year-end.

**Purchase of Property, Plant and Equipment**

The purchasing of property, plant and equipment budget is overspent due to the rental of vehicles initially recognised as operating lease and subsequently recognised as finance lease in line with the Standards of Generally Recognised Accounting Practice (GRAP) requirements.

**Purchase of Intangible Assets**

The budget provision for the purchasing of intangible assets was included in the purchasing of property, plant and equipment budget.

**Proceeds on Disposal of Property, Plant and Equipment**

The proceeds on disposal of property, plant and equipment is slightly lower than anticipated.

**Increase in long-term loans**

The increase in long-term loans comprise of various vehicle finance lease entered by the municipality. The finance lease was initially recognised as operating lease and subsequently changed to finance lease in line with the Standards of Generally Recognised Accounting Practice (GRAP) requirements.

# KOUGA LOCAL MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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### 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:

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 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.

#### 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 3

#### 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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 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 6 on Impairment of Assets, Accounting Policy 7 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 3 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.

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 Defined Benefit Plan Liabilities

As described in Accounting Policy 14.2, 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.

#### 1.2.9 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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 1.2.10 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.

#### 1.2.11 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.

#### 1.2.12 Budget Information

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

#### 1.2.13 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.

## **KOUGA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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#### **1.2.14 Covid-19 Exposure Risk**

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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 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	Expected Impact
<ul style="list-style-type: none"> <li>● <b>Guideline</b>            <b>Accounting for Landfill Sites</b></li> </ul>	Not yet determined	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>● <b>GRAP 25 Revised</b>   <b>Employee Benefits</b></li> </ul>	Not yet determined	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>● <b>iGRAP 7 Revised</b>   <b>Limit on defined benefit asset, minimum funding requirements and their interaction.</b></li> </ul>	Not yet determined	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>● <b>GRAP 104 Revised</b> <b>Financial Instruments</b></li> </ul>	01 April 2025	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>● <b>iGRAP 21</b>            <b>The Effect of Past Decisions on Materiality</b></li> </ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>● <b>GRAP 2020</b>        <b>Improvements to the standards of GRAP 2020</b></li> </ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>● <b>GRAP 1 (amended)</b> <b>Presentation of Financial Statements</b></li> </ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>● <b>Guideline</b>            <b>The Application of Materiality to Financial Statements</b> No changes expected</li> </ul>	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 2022

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### 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 2021 to 30 June 2022.

### 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 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.

#### 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.



## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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.

#### 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
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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

#### 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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 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.

#### 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

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 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.

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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 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.

## 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.

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

## **KOUGA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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#### **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.

### **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).

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 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).

#### 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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 9. 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.

##### 9.1 Impairment of Cash Generating Assets

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

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

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

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.

##### 9.2 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.



## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit 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.

#### 10. 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.

#### 11. 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.

## **KOUGA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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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. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows 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.

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

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

## **12. LEASES**

### **12.1 The Municipality as Lessee**

#### **12.1.1 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.

#### **12.1.2 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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 12.2 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.

#### 13. BORROWING COSTS

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

#### 14. EMPLOYEE BENEFIT LIABILITIES

##### 14.1 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.

##### 14.1.1 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.

##### 14.1.2 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.

##### 14.1.3 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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 14.2 Post-employment Benefits

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

##### 14.2.1 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.

##### 14.2.2 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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### **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.

## **15. NET ASSETS**

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

### **15.1 Reserves**

### **15.2 Accumulated Surplus**

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

## **16. REVENUE RECOGNITION**

### **16.1 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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 16.2 Revenue from Non-exchange Transactions

##### 16.2.1 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.

##### 16.2.2 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.

##### 16.2.3 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.

##### 16.2.4 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

##### 16.2.5 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.

##### 16.2.6 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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 16.2.7 Rentals Received

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

#### 16.2.8 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.

#### 16.2.9 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.

#### 16.3 Revenue from Exchange Transactions

##### 16.3.1 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.

##### 16.3.2 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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 16.3.3 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.

#### 16.3.4 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;
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 17. 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.

#### 18. 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).



## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 19. 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.

#### 20. 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.

#### 21. 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.

#### 22. 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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 23. RELATED PARTIES

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

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

#### 24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

#### 25. 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.

#### 26. 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.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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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.

#### **27. 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 2022**

	<b>2022</b>	<b>2021</b>
	<b>R</b>	<b>R</b>
<b>1. INVENTORIES</b>		
Materials and Supplies	16 251 171	11 805 644
Water - At Cost	798 678	764 722
<b>Total Inventories</b>	<b>17 049 849</b>	<b>12 570 366</b>

**1.1 Allocation for Cash Flow**

**Suppliers Paid:-**

Inventory - Opening Balance	12 570 366	9 681 236
Inventory - Closing Balance	(17 049 849)	(12 570 366)
Adjustment for Non-cash Transactions: Realisable Value Adjustment	97 142	39 808
Total Inventory allocated to Suppliers Paid	<u>(4 382 341)</u>	<u>(2 849 322)</u>
<b>Total Inventory allocated to Cash Flow</b>	<b><u>(4 382 341)</u></b>	<b><u>(2 849 322)</u></b>

**Materials and Supplies** are held for own use and measured at the lower of Cost and Net Realisable Value. Inventory was adjusted to Net realisable Value.

**Water** is held for distribution and measured at the lower of Cost and Net Realisable Value. Inventory to Net Realisable Value was required.

**2. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>Gross</b>	<b>Provision for</b>	<b>Net</b>
	<b>Balances</b>	<b>Impairment</b>	<b>Balances</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>As at 30 June 2022</b>			
Service Debtors:	285 223 420	217 602 472	67 620 948
Electricity	52 792 349	17 549 139	35 243 210
Refuse	71 667 244	67 479 223	4 188 021
Sewerage	45 727 374	39 749 642	5 977 732
Other Service Charges	6 605 573	6 201 637	403 936
Water	108 430 880	86 622 831	21 808 049
Other Debtors	3 514 062	-	3 514 062
Prepayments and Advances	3 744 768	22 000	3 722 768
Control, Clearing and Interface Accounts	569 305	-	569 305
Deposits for Land	893 543	-	893 543
<b>Total Receivables from Exchange Transactions</b>	<b><u>293 945 098</u></b>	<b><u>217 624 472</u></b>	<b><u>76 320 626</u></b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2021</b>			
Service Debtors:	230 078 798	190 661 500	39 417 298
Electricity	47 499 064	26 040 224	21 458 840
Refuse	58 520 385	55 089 330	3 431 055
Sewerage	35 842 740	32 730 990	3 111 750
Other Service Charges	6 812 323	5 868 622	943 701
Water	81 404 286	70 932 334	10 471 952
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	893 543	-	893 543
<b>Total Receivables from Exchange Transactions</b>	<b>235 786 736</b>	<b>190 683 500</b>	<b>45 103 236</b>

**2.1 Allocation for Cash Flow**

**Service Charges:-**

	2022 R	2021 R
Service Debtors - Opening Balance	39 417 298	39 596 690
Service Debtors - Closing Balance	(67 620 948)	(39 417 298)
Service Debtors: Provision for Impairment - Opening Balance	190 661 500	152 168 392
Service Debtors: Provision for Impairment - Closing Balance	(217 602 472)	(190 661 500)
Other Receivables - Opening Balance	724 062	724 062
Other Receivables - Closing Balance	(724 062)	(724 062)
Total Receivables from Exchange Transactions allocated to Service Charges	<b>(55 144 622)</b>	<b>(38 313 716)</b>

**Other Receipts:-**

Receivables from Exchange Transactions: Gross - Opening Balance	235 786 736	197 001 892
Receivables from Exchange Transactions: Gross - Closing Balance	(293 945 098)	(235 786 736)
Less Cash Flow for:-		
Service Charges	55 144 622	38 313 716
Suppliers Paid	131 069	474 511
Profit on Sale of Land	2 790 000	-
Total Receivables from Exchange Transactions allocated to Other Receipts	<b>(92 671)</b>	<b>3 383</b>

**Suppliers Paid:-**

Prepayments and Advances - Opening Balance	3 591 699	3 117 188
Prepayments and Advances - Closing Balance	(3 722 768)	(3 591 699)
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	893 543
Deposit for Land - Closing Balance	(893 543)	(893 543)

Total Receivables from Exchange Transactions allocated to Suppliers Paid	<b>(131 069)</b>	<b>(474 511)</b>
Total Receivables from Exchange Transactions allocated to Profit on Sale of Land (Other Receipts)	<b>(2 790 000)</b>	<b>-</b>
<b>Total Receivables from Exchange Transactions allocated to Cash Flow</b>	<b>(58 158 362)</b>	<b>(38 784 844)</b>

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**2.2 Ageing of Receivables from Exchange Transactions**

As at 30 June 2022

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	30 958 262	2 301 065	1 400 854	18 132 168	52 792 349
Less: Provision for Impairment	169 473	1 023 265	566 366	15 790 035	17 549 139
<b>Net Balances</b>	<b>30 788 789</b>	<b>1 277 800</b>	<b>834 488</b>	<b>2 342 133</b>	<b>35 243 210</b>
<b>Refuse:</b>					
Gross Balances	1 971 414	1 950 787	1 604 444	66 140 599	71 667 244
Less: Provision for Impairment	1 862 667	954 161	786 256	63 876 139	67 479 223
<b>Net Balances</b>	<b>108 747</b>	<b>996 626</b>	<b>818 188</b>	<b>2 264 460</b>	<b>4 188 021</b>
<b>Sewerage:</b>					
Gross Balances	4 453 833	1 551 323	1 208 262	38 513 956	45 727 374
Less: Provision for Impairment	195 905	848 311	626 539	38 078 887	39 749 642
<b>Net Balances</b>	<b>4 257 928</b>	<b>703 012</b>	<b>581 723</b>	<b>435 069</b>	<b>5 977 732</b>
<b>Other Service Charges:</b>					
Gross Balances	465 785	105 736	24 781	6 009 271	6 605 573
Less: Provision for Impairment	87 121	92 562	12 683	6 009 271	6 201 637
<b>Net Balances</b>	<b>378 664</b>	<b>13 174</b>	<b>12 098</b>	<b>-</b>	<b>403 936</b>
<b>Water:</b>					
Gross Balances	19 344 040	3 160 664	2 263 621	83 662 555	108 430 880
Less: Provision for Impairment	587 887	1 767 101	1 238 111	83 029 732	86 622 831
<b>Net Balances</b>	<b>18 756 153</b>	<b>1 393 563</b>	<b>1 025 510</b>	<b>632 823</b>	<b>21 808 049</b>
<b>Other Debtors:</b>					
Gross Balances	3 514 062	-	-	-	3 514 062
<b>Net Balances</b>	<b>3 514 062</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 514 062</b>
<b>Prepayments and Advances:</b>					
Gross Balances	3 744 768	-	-	-	3 744 768
Less: Provision for Impairment	22 000	-	-	-	22 000
<b>Net Balances</b>	<b>3 722 768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 722 768</b>
<b>Control, Clearing and Interface Accounts:</b>					
Gross Balances	569 305	-	-	-	569 305
<b>Net Balances</b>	<b>569 305</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>569 305</b>

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**Deposits for Land**

Gross Balances	893 543	-	-	-	893 543
<b>Net Balances</b>	<b>893 543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>893 543</b>

As at 30 June Receivables of R13 330 667 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	9 069 575	6 501 962	212 458 549	228 030 086
Less: Provision for Impairment	4 685 400	3 229 955	206 784 064	214 699 419
<b>Net Balances</b>	<b>4 384 175</b>	<b>3 272 007</b>	<b>5 674 485</b>	<b>13 330 667</b>

**As at 30 June 2021**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	10 529 434	15 276 527	2 726 861	18 966 242	47 499 064
Less: Provision for Impairment	-	7 526 596	1 236 665	17 276 963	26 040 224
<b>Net Balances</b>	<b>10 529 434</b>	<b>7 749 931</b>	<b>1 490 196</b>	<b>1 689 279</b>	<b>21 458 840</b>

**Refuse:**

Gross Balances	15 959	4 198 872	1 847 848	52 457 706	58 520 385
Less: Provision for Impairment	(1)	2 072 565	900 416	52 116 350	55 089 330
<b>Net Balances</b>	<b>15 960</b>	<b>2 126 307</b>	<b>947 432</b>	<b>341 356</b>	<b>3 431 055</b>

**Sewerage:**

Gross Balances	9 887	3 974 169	1 534 200	30 324 484	35 842 740
Less: Provision for Impairment	-	1 998 908	797 635	29 934 447	32 730 990
<b>Net Balances</b>	<b>9 887</b>	<b>1 975 261</b>	<b>736 565</b>	<b>390 037</b>	<b>3 111 750</b>

**Other Service Charges:**

Gross Balances	471 632	1 777 317	162 506	4 400 868	6 812 323
Less: Provision for Impairment	-	1 323 552	144 202	4 400 868	5 868 622
<b>Net Balances</b>	<b>471 632</b>	<b>453 765</b>	<b>18 304</b>	<b>-</b>	<b>943 701</b>

**Water:**

Gross Balances	5 916 939	8 476 633	2 174 744	64 835 970	81 404 286
Less: Provision for Impairment	2 850 595	1 528 291	2 122 816	64 430 632	70 932 334
<b>Net Balances</b>	<b>3 066 344</b>	<b>6 948 342</b>	<b>51 928</b>	<b>405 338</b>	<b>10 471 952</b>

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**Other Debtors:**

Gross Balances	724 062	-	-	-	724 062
<b>Net Balances</b>	<b>724 062</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>724 062</b>

**Prepayments and Advances:**

Gross Balances	3 613 699	-	-	-	3 613 699
Less: Provision for Impairment	22 000	-	-	-	22 000
<b>Net Balances</b>	<b>3 591 699</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 591 699</b>

**Control, Clearing and Interface Accounts:**

Gross Balances	476 634	-	-	-	476 634
<b>Net Balances</b>	<b>476 634</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>476 634</b>

**Deposits for Land**

Gross Balances	893 543	-	-	-	893 543
<b>Net Balances</b>	<b>893 543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>893 543</b>

As at 30 June Receivables of R25 324 041 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	33 703 518	8 446 159	170 985 270	213 134 947
Less: Provision for Impairment	14 449 912	5 201 734	168 159 260	187 810 906
<b>Net Balances</b>	<b>19 253 606</b>	<b>3 244 425</b>	<b>2 826 010</b>	<b>25 324 041</b>

**2022**  
R

**2021**  
R

**2.3 Reconciliation of the Provision for Impairment**

Balance at beginning of year	190 683 499	152 190 392
Impairment Losses recognised	31 776 730	42 800 181
Amounts written off as uncollectable	(4 835 758)	(4 307 073)
<b>Balance at end of year</b>	<b>217 624 471</b>	<b>190 683 500</b>



## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 2.3.1 Allocation for Cash Flow

<b>Provision for Impairment at Beginning of Year</b>	190 683 499	152 190 392
<b>Movement in Non-cash Transactions:-</b>		
Impairment Recognised	197 280 460	38 341 739
Impairment Reversed	(165 503 730)	4 458 442
Total Receivables from Exchange Transactions Impairment allocated to Non-cash Transactions	<u>31 776 730</u>	<u>42 800 181</u>
<b>Movement in Service Charges:-</b>		
Amounts Written-off	(4 835 758)	(4 307 073)
Total Receivables from Exchange Transactions Impairment allocated to Service Charges	<u>(4 835 758)</u>	<u>(4 307 073)</u>
<b>Provision for Impairment at End of Year</b>	<u><b>217 624 471</b></u>	<u><b>190 683 500</b></u>

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.

### 3. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2022</b>			
Property Rates	50 368 249	33 892 658	16 475 591
Fines	32 589 670	32 052 115	537 555
Accrued Income	3 607 747	-	3 607 747
<b>Total Statutory Receivables from Non-Exchange Transactions</b>	<u><b>86 565 666</b></u>	<u><b>65 944 773</b></u>	<u><b>20 620 893</b></u>

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2021</b>			
Property Rates	47 426 052	38 948 504	8 477 548
Fines	32 227 658	30 754 158	1 473 500
Accrued Income	-	-	-
<b>Total Statutory Receivables from Non-Exchange Transactions</b>	<b>79 653 710</b>	<b>69 702 662</b>	<b>9 951 048</b>

**3.1 Allocation for Cash Flow**

**Property Rates:-**

	<b>2022 R</b>	<b>2021 R</b>
Property Rates Debtors - Opening Balance	8 477 548	7 435 616
Property Rates Debtors - Closing Balance	(16 475 591)	(8 477 548)
Property Rates Debtors: Provision for Impairment - Opening Balance	38 948 504	37 415 978
Property Rates Debtors: Provision for Impairment - Closing Balance	(33 892 658)	(38 948 504)
<b>Total Statutory Receivables from Non-exchange Transactions allocated to Property Rates</b>	<b>(2 942 197)</b>	<b>(2 574 458)</b>

**Other Receipts:**

Fines Debtors - Opening Balance	1 473 500	7 094 823
Fines Debtors - Closing Balance	(537 555)	(1 473 500)
Fines Debtors: Provision for Impairment - Opening Balance	30 754 158	22 869 973
Fines Debtors: Provision for Impairment - Closing Balance	(32 052 115)	(30 754 158)
Accrued Income - Opening Balance	-	-
Accrued Income - Closing Balance	(3 607 747)	1
<b>Total Statutory Receivables from Non-Exchange Transactions allocated to Other Receipts</b>	<b>(3 969 759)</b>	<b>(2 262 861)</b>
<b>Total Statutory Receivables from Non-Exchange Transactions allocated to Cash Flow</b>	<b>(6 911 956)</b>	<b>(4 837 319)</b>

**3.2 Ageing of Statutory Receivables from Non-Exchange Transactions**

**As at 30 June 2022**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Property Rates (Including Services Debtors):</b>					
Gross Balances	10 724 650	2 815 463	857 492	35 970 644	50 368 249
Less: Provision for Impairment	-	1 182 966	548 749	32 160 943	33 892 658
<b>Net Balances</b>	<b>10 724 650</b>	<b>1 632 497</b>	<b>308 743</b>	<b>3 809 701</b>	<b>16 475 591</b>
<b>Fines:</b>					
Gross Balances	32 589 670	-	-	-	32 589 670
Less: Provision for Impairment	32 052 115	-	-	-	32 052 115
<b>Net Balances</b>	<b>537 555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>537 555</b>

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

As at 30 June Receivables of R5 750 941 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	2 815 463	857 492	35 970 644	39 643 599
Less: Provision for Impairment	1 182 966	548 749	32 160 943	33 892 658
<b>Net Balances</b>	<b>1 632 497</b>	<b>308 743</b>	<b>3 809 701</b>	<b>5 750 941</b>

As at 30 June 2021

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Property Rates (Including Services Debtors):</b>					
Gross Balances	11 026	10 981 751	1 170 645	35 262 630	47 426 052
Less: Provision for Impairment	14 046 804	5 767 460	614 806	18 519 433	38 948 504
<b>Net Balances</b>	<b>(14 035 778)</b>	<b>5 214 291</b>	<b>555 839</b>	<b>16 743 197</b>	<b>8 477 548</b>
<b>Fines:</b>					
Gross Balances	32 227 658	-	-	-	32 227 658
Less: Provision for Impairment	30 754 158	-	-	-	30 754 158
<b>Net Balances</b>	<b>1 473 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 473 500</b>

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	
<b>All Receivables:</b>				
Gross Balances	10 981 751	1 170 645	35 262 630	47 415 026
Less: Provision for Impairment	5 767 460	614 806	18 519 433	24 901 700
<b>Net Balances</b>	<b>5 214 291</b>	<b>555 839</b>	<b>16 743 197</b>	<b>22 513 326</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	2022 R	2021 R
<b>3.3 Reconciliation of Provision for Impairment</b>		
Balance at Beginning of year	69 702 662	60 285 952
Impairment Losses Recognised	21 244 286	9 984 460
Impairment Losses Reversed	(24 753 987)	-
Amounts Written-off as uncollectable	(248 188)	(567 750)
<b>Balance at end of year</b>	<b><u>65 944 773</u></b>	<b><u>69 702 662</u></b>
<b>3.3.1 Allocation for Cash Flow</b>		
<b>Provision for Impairment at Beginning of Year</b>	69 702 662	60 285 952
<b>Movement in Non-cash Transactions:-</b>		
Impairment Recognised	21 244 286	9 984 460
Impairment Reversed	(24 753 987)	-
Total Non-exchange Transactions Impairment allocated to Non-cash Transactions	<u>(3 509 701)</u>	<u>9 984 460</u>
<b>Movement in Property Rates:-</b>		
Amounts Written-off	(248 187)	(567 750)
Total Receivables from Non-exchange Transactions Impairment allocated to Property Rates	<u>(248 187)</u>	<u>(567 750)</u>
<b>Movement in Other Receipts:-</b>		
Amounts Written-off	(1)	-
Total Receivables from Non-exchange Transactions Impairment allocated to Other Receipts	<u>(1)</u>	<u>-</u>
<b>Provision for Impairment at End of Year</b>	<b><u>65 944 773</u></b>	<b><u>69 702 662</u></b>

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

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

No assets were subject to any restrictions.

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**4. VAT RECEIVABLE**

Vat Receivable	50 443 224	47 750 213
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**4.1 Allocation for Cash Flow**

VAT Received	-	-
VAT Paid	(2 693 011)	(3 589 221)
<b>Total VAT allocated to Cash Flow</b>	<b>(2 693 011)</b>	<b>(3 589 221)</b>

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.

**5. CASH AND CASH EQUIVALENTS**

Current Investments	9 802 827	40 489 896
Bank Accounts	18 047 311	12 904 130
Cash on Hand	421	421
<b>Total Bank, Cash and Cash Equivalents</b>	<b>27 850 559</b>	<b>53 394 447</b>

**5.1 Allocation for Cash Flow:**

**Increase / (Decrease) in Cash Equivalents:-**

Cash and Cash Equivalents - Opening Balance	53 394 447	141 777 050
Cash and Cash Equivalents - Closing Balance	(27 850 559)	(53 394 447)

Total Cash and Cash Equivalents allocated to Increase / (Decrease) in Cash Equivalents	<b>25 543 888</b>	<b>88 382 603</b>
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<b>Total Cash and Cash Equivalents allocated to Cash Flow</b>	<b>25 543 888</b>	<b>88 382 603</b>
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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.

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**5.2 Current Investment Deposits**

Call Deposits	9 802 827	40 489 896
<b>Total Current Investment Deposits</b>	<b>9 802 827</b>	<b>40 489 896</b>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.00 % to 8.00% (2021: 3.00 % to 8.00 %) per annum.

**5.3 Bank Accounts**

Cash in Bank	18 047 311	12 904 130
<b>Total Bank Accounts</b>	<b>18 047 311</b>	<b>12 904 130</b>

The Municipality has the following operational bank accounts:

**Primary Bank Account**

Cash book balance at beginning of year	12 904 130	19 481 806
Cash book balance at end of year	18 047 311	12 904 130

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

Bank statement balance at beginning of year	7 082 227	11 782 906
Bank statement balance at end of year	4 850 118	7 082 227

First National Bank - Jeffreys bay Branch-Cheque Account Number: 52540033504

Bank statement balance at beginning of year	5 795 584	6 954 464
Bank statement balance at end of year	13 197 193	5 795 584

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

Bank statement balance at beginning of year	26 319	27 768
Bank statement balance at end of year	-	26 319

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

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**6. PROPERTY, PLANT AND EQUIPMENT**

30 June 2022

**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
<b>Carrying values at 01 July 2021</b>	<b>235 425 377</b>	<b>53 964 802</b>	<b>1 616 310 640</b>	<b>13 793 295</b>	<b>28 207 922</b>	<b>15 164 206</b>	<b>25 578 517</b>	<b>1 510 013</b>	<b>66 732 642</b>	<b>2 056 687 414</b>
Cost	235 425 377	56 310 190	2 336 186 890	45 437 958	29 893 305	45 679 537	57 225 835	5 069 147	66 732 642	2 877 960 881
- Completed Assets	235 425 377	56 310 190	2 336 186 890	45 437 958	29 893 305	45 679 537	57 225 835	5 069 147	-	2 811 228 239
- Under Construction	-	-	-	-	-	-	-	-	66 732 642	66 732 642
Accumulated Impairment Losses	-	(966 808)	(68 413)	-	(1 587 000)	(417 124)	(163 273)	-	-	(3 202 618)
Accumulated Depreciation	-	(1 378 580)	(719 807 837)	(31 644 663)	(98 383)	(30 098 207)	(31 484 045)	(3 559 134)	-	(818 070 849)
Acquisition of Assets										
- Cost	-	-	(1)	-	-	5 533 378	36 132 735	-	-	41 666 112
- Capital Under Construction	-	-	-	-	-	-	-	-	72 315 658	72 315 658
Decommissioning and other Liabilities	-	-	-	17 773 157	-	-	-	-	-	17 773 157
Depreciation	-	(632 212)	(74 832 484)	(5 399 905)	(174 713)	(4 523 517)	(4 679 415)	(260 907)	-	(90 503 153)
Carrying value of Disposals:	(22 748 000)	(472 500)	-	-	-	(601 882)	(7 781)	-	-	(23 830 163)
- Cost	(22 748 000)	(472 500)	-	-	-	(3 090 052)	(114 976)	-	-	(26 425 528)
- Accumulated Impairment Losses	-	-	-	-	-	588 368	-	-	-	588 368
- Accumulated Depreciation	-	-	-	-	-	1 899 802	107 195	-	-	2 006 997
Impairment (losses)/reversals	-	(6 450 000)	(2 508 114)	-	-	-	-	-	-	(8 958 114)
Capital under Construction - Completed	-	-	-	-	-	-	-	-	(16 354 634)	(16 354 634)
Transfer to Cost - Completed	-	970 860	8 216 169	-	7 167 605	-	-	-	-	16 354 634
<b>Carrying values at 30 June 2022</b>	<b>212 677 377</b>	<b>47 380 950</b>	<b>1 547 186 210</b>	<b>26 166 547</b>	<b>35 200 814</b>	<b>15 572 185</b>	<b>57 024 056</b>	<b>1 249 106</b>	<b>122 693 666</b>	<b>2 065 150 911</b>
Cost	212 677 377	56 808 550	2 344 403 058	63 211 115	37 060 910	48 122 863	93 243 594	5 069 147	122 693 666	2 983 290 280
- Completed Assets	212 677 377	56 808 550	2 344 403 058	63 211 115	37 060 910	48 122 863	93 243 594	5 069 147	-	2 860 596 614
- Under Construction	-	-	-	-	-	-	-	-	122 693 666	122 693 666
Accumulated Impairment Losses	-	(7 416 808)	(2 576 527)	-	(1 587 000)	171 244	(163 273)	-	-	(11 572 364)
Accumulated Depreciation	-	(2 010 792)	(794 640 321)	(37 044 568)	(273 096)	(32 721 922)	(36 056 265)	(3 820 041)	-	(906 567 005)

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**6. PROPERTY, PLANT AND EQUIPMENT (Continued)**

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
<b>Carrying values at 01 July 2020</b>	<b>235 084 817</b>	<b>52 097 043</b>	<b>1 545 351 430</b>	<b>15 960 150</b>	<b>24 121 041</b>	<b>15 307 581</b>	<b>25 533 458</b>	<b>1 953 748</b>	<b>163 353 801</b>	<b>2 078 763 069</b>
Cost	235 084 817	53 605 907	2 197 183 883	45 512 598	25 731 956	43 684 192	56 542 200	5 167 861	163 353 801	2 825 867 215
- Completed Assets	235 084 817	53 605 907	2 197 183 883	45 512 598	25 731 956	43 684 192	56 542 200	5 167 861	-	2 662 513 414
- 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	-	(629 864)	(651 832 453)	(29 552 448)	(23 915)	(27 935 169)	(30 553 785)	(3 214 113)	-	(743 741 747)
Acquisition of Assets										
- Cost	340 560	1 377 612	-	-	-	4 406 097	5 775 708	1	-	11 899 978
- Capital Under Construction	-	-	-	-	-	-	-	-	48 819 134	48 819 134
Decommissioning and other Liabilities	-	-	0	(74 640)	-	-	-	-	-	(74 640)
Depreciation	-	(768 968)	(68 569 522)	(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)	(1 547 221)	(10 452)	-	(2 046 891)
- Cost	-	(120 000)	(829 267)	-	-	(2 410 752)	(5 092 073)	(98 715)	-	(8 550 807)
- 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	-	-	-	-	-	-	-	-	(145 440 293)	(145 440 293)
Transfer to Cost - Completed	-	1 446 671	139 832 274	-	4 161 349	-	-	-	-	145 440 294
<b>Carrying values at 30 June 2021</b>	<b>235 425 377</b>	<b>53 964 802</b>	<b>1 616 310 640</b>	<b>13 793 295</b>	<b>28 207 922</b>	<b>15 164 206</b>	<b>25 578 517</b>	<b>1 510 013</b>	<b>66 732 642</b>	<b>2 056 687 414</b>
Cost	235 425 377	56 310 190	2 336 186 890	45 437 958	29 893 305	45 679 537	57 225 835	5 069 147	66 732 642	2 877 960 881
- Completed Assets	235 425 377	56 310 190	2 336 186 890	45 437 958	29 893 305	45 679 537	57 225 835	5 069 147	-	2 811 228 239
- Under Construction	-	-	-	-	-	-	-	-	66 732 642	66 732 642
Accumulated Impairment Losses	-	(966 808)	(68 413)	-	(1 587 000)	(417 124)	(163 273)	-	-	(3 202 618)
Accumulated Depreciation	-	(1 378 580)	(719 807 837)	(31 644 663)	(98 383)	(30 098 207)	(31 484 045)	(3 559 134)	-	(818 070 849)



**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	2022 R	2021 R
<b>6. PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>6.1 Allocation for Cash Flow</b>		
<b>Property, Plant and Equipment at Beginning of Year</b>	<b>2 056 687 413</b>	<b>2 078 763 069</b>
Property, Plant and Equipment	1 989 954 772	1 915 409 268
Construction Work-in-Progress	66 732 641	163 353 801
<b>Movement in Non-cash Transactions:-</b>		
Depreciation for the Year	(90 503 152)	(80 490 644)
Impairment for the Year	(8 958 114)	(182 593)
Decommissioning, Restoration and Other Liabilities	17 773 157	-
Donated Assets	-	-
Revaluation	-	-
Total Property, Plant and Equipment allocated to Non-cash Transactions	<u>(81 688 109)</u>	<u>(80 673 237)</u>
<b>Purchase of Property, Plant and Equipment:-</b>		
Acquisition of Property, Plant and Equipment	42 179 592	11 825 339
Acquisitions	41 666 111	11 899 979
Correction of Error	-	-
Decommissioning, Restoration and Other Liabilities	513 481	(74 640)
Acquisition of Construction Work-in-Progress	72 315 658	48 819 134
Total Property, Plant and Equipment allocated to Purchase of Property, Plant and Equipment	<u>114 495 250</u>	<u>60 644 473</u>
<b>Disposal of Property, Plant and Equipment:-</b>		
Carrying Value of Disposals	(23 830 164)	(2 046 892)
Total Property, Plant and Equipment allocated to Proceeds on Disposal of Property, Plant and Equipment	<u>(23 830 164)</u>	<u>(2 046 892)</u>
<b>Transfer of Property, Plant and Equipment:-</b>		
Work in Progress Completed: Transferred In	16 354 634	145 440 293
Work in Progress Completed: Transferred Out	(16 354 634)	(145 440 293)
Total Property, Plant and Equipment allocated to Suppliers Paid	<u>-</u>	<u>-</u>
<b>Property, Plant and Equipment at End of Year</b>	<b><u>2 065 664 390</u></b>	<b><u>2 056 687 413</u></b>
<b>Proceeds on Disposal of Property, Plant and Equipment:-</b>		
Disposals as per Reconciliation of Property, Plant and Equipme Note 6.1	23 830 164	2 046 892
Gains / Losses on Disposal of Property, Plant and Equipment Note 40.	(10 273 046)	(1 989 467)
<b>Total Proceeds on Disposal of Property, Plant and Equipment allocated to Cash Flow</b>	<b><u>13 557 118</u></b>	<b><u>57 425</u></b>

**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.

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 6.4 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R8 958 114 (2021: R182 593) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 32..

Buildings	6 450 000	87 808
Infrastructure	2 508 114	68 413
Other Assets	-	26 372
<b>Total Impairment of Property, Plant and Equipment</b>	<b>8 958 114</b>	<b>182 593</b>

#### 6.5 Delayed Projects

No Projects have been delayed.

#### 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:

	Carrying Value of Lost Assets R	Surplus / Deficit on Compensation R
<b>30 June 2022</b>		
Land	22 748 000	(22 748 000)
Buildings	472 500	(472 500)
Other Assets	601 882	(601 882)
Transport Assets	7 781	(7 781)
<b>Totals for Lost Property, Plant and Equipment</b>	<b>23 830 163</b>	<b>(23 830 163)</b>

	Carrying Value of Lost Assets R	Surplus / Deficit on Compensation R
<b>30 June 2021</b>		
Buildings	99 748	(99 748)
Infrastructure	235 129	(235 129)
Leased Assets	10 452	(10 452)
Other Assets	154 341	(154 341)
Transport Assets	1 547 221	(1 547 221)
<b>Totals for Lost Property, Plant and Equipment</b>	<b>2 046 891</b>	<b>(2 046 891)</b>

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	<b>2022</b>	<b>2021</b>
	<b>R</b>	<b>R</b>
<b>6.7 Expenditure incurred for Repairs and Maintenance</b>		
The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:		
Electrical Infrastructure	5 906 174	8 824 440
- Contracted Services	1 102 395	5 591 155
- Inventory Consumed	4 729 428	3 196 953
- Other Operational Costs	74 351	36 332
Information and Communication Infrastructure	164 163	45 677
- Contracted Services	164 163	-
- Other Operational Costs	-	45 677
Rail Infrastructure	695 607	193 534
- Contracted Services	695 607	193 534
Roads Infrastructure	11 131 682	32 759 937
- Contracted Services	9 850 312	32 095 143
- Inventory Consumed	1 281 370	664 794
Sanitation Infrastructure	2 518 326	2 567 395
- Contracted Services	1 450 152	1 112 115
- Inventory Consumed	843 071	918 014
- Other Operational Costs	225 103	537 266
Solid Waste Disposal	-	65 120
- Contracted Services	-	65 120
Storm Water Infrastructure	1 115 536	1 058 489
- Contracted Services	137 228	67 015
- Inventory Consumed	544 264	467 450
- Other Operational Costs	434 044	524 024
Water Supply Infrastructure	9 189 071	8 766 492
- Contracted Services	943 773	588 155
- Inventory Consumed	3 085 412	1 923 183
- Other Operational Costs	5 159 886	6 255 154
Community Assets	3 139 741	3 348 767
- Contracted Services	2 501 807	2 669 277
- Inventory Consumed	637 934	679 490
Machinery and Equipment	665 913	390 737
- Contracted Services	537 176	307 455
- Inventory Consumed	128 737	83 282
Other Assets - Buildings	3 063 141	2 546 505
- Contracted Services	2 653 232	2 095 775
- Inventory Consumed	409 909	445 596
- Other Operational Costs	-	5 134
Transport Assets	9 161 435	7 945 875
- Contracted Services	7 638 441	6 680 305
- Inventory Consumed	1 476 204	1 161 570
- Other Operational Costs	46 790	104 000
<b>Total Expenditure related to Repairs and Maintenance Projects</b>	<b>46 750 789</b>	<b>68 512 968</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**7. INTANGIBLE ASSETS**

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>869 780</b>	<b>1 294 963</b>
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The movement in Intangible Assets is reconciled as follows:

**Software Purchased:**

<b>Carrying values at 01 July</b>	<b>1 294 963</b>	<b>679 540</b>
Cost	2 153 378	1 176 384
Accumulated Amortisation	(858 415)	(496 844)
Acquisitions:	-	976 994
Purchased	-	976 994
Amortisation:	(425 183)	(361 571)
Purchased	(425 183)	(361 571)
Disposals:	-	-
<b>Carrying values at 30 June</b>	<b>869 780</b>	<b>1 294 963</b>
Cost	2 153 378	2 153 378
Accumulated Amortisation	(1 283 598)	(858 415)

**7.1 Allocation for Cash Flow**

<b>Intangible Assets at Beginning of Year</b>	<b>1 294 963</b>	<b>679 541</b>
<b>Movement in Non-cash Transactions:-</b>		
Amortisation for the Year	(425 184)	(361 571)
Total Intangible Assets allocated to Non-cash Transactions	(425 184)	(361 571)
<b>Purchase of Intangible Assets:-</b>		
Acquisition of Intangible Assets	-	976 994
Total Intangible Assets allocated to Purchase of Intangible Assets	-	976 994
<b>Intangible Assets at End of Year</b>	<b>869 779</b>	<b>1 294 964</b>

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31.).

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.

**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 2022**

**8. INVESTMENT PROPERTY**

At Cost less Accumulated Depreciation	<u><u>262 608 444</u></u>	<u><u>262 645 444</u></u>
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The movement in Investment Property is reconciled as follows:

<b>Carrying values at 1 July</b>	<b>262 645 444</b>	<b>262 645 444</b>
Cost	262 645 444	262 645 444
Acquisitions during the Year	-	-
Cost	-	-
<b>Carrying values at 30 June</b>	<b>262 608 444</b>	<b>262 645 444</b>
Cost	262 608 444	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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<b>Investment Property at End of Year</b>	<b>262 608 444</b>	<b>262 645 444</b>
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Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	2 263 717	925 404
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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.

# KOUGA LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>9. LEASE RECEIVABLES</b>		
Current Lease Receivables	152 713	107 590
Non-current Lease Receivables	-	-
<b>Total Lease Receivables</b>	<b>152 713</b>	<b>107 590</b>
<b>9.1 Operating Lease Receivables</b>		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	107 590	171 287
Operating Lease - Straight lining	-	-
Operating Lease Revenue effected	45 123	(63 697)
<b>Total Operating Lease Receivables</b>	<b>152 713</b>	<b>107 590</b>
<b>9.1.1 Allocation for Cash Flow</b>		
<b>Other Receipts:-</b>		
Operating Lease Receivables - Opening Balance	107 590	171 287
Operating Lease Receivables - Closing Balance	(152 713)	(107 590)
Total Operating Lease Receivables allocated to Other Receipts	(45 123)	63 697
<b>Total Operating Lease Receivables allocated to Cash Flow</b>	<b>(45 123)</b>	<b>63 697</b>
<b>9.1.2 Leasing Arrangements</b>		
<b>The Municipality as Lessor:</b>		
Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 99 years, with an option to extend.		
All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.		
<b>9.1.3 Amounts receivable under Operating Leases</b>		
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:		
Up to 1 year	360 075	360 075
2 to 5 years	1 311 975	1 311 975
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	<b>1 672 050</b>	<b>1 672 050</b>

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 R-45 123 (2021: decrease of R63 697) in current year income.

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	<b>2022</b>	<b>2021</b>
	<b>R</b>	<b>R</b>
<b>10. CONSUMER DEPOSITS</b>		
Electricity	12 906 149	11 881 426
Water	2 219 214	2 024 497
Other Deposits:-	8 547 562	6 868 332
- Land Sales	8 371 633	6 794 262
- Rental Properties	79 929	42 070
- Wayleave	96 000	32 000
<b>Total Consumer Deposits</b>	<b>23 672 925</b>	<b>20 774 255</b>
<b>10.1 Allocation for Cash Flow</b>		
<b>Service Charges:-</b>		
Consumer Deposits: Trading Services - Opening Balance	(13 905 923)	(12 657 356)
Electricity	(11 881 426)	(10 835 939)
Water	(2 024 497)	(1 821 417)
Consumer Deposits: Trading Services - Closing Balance	15 125 363	13 905 923
Electricity	12 906 149	11 881 426
Water	2 219 214	2 024 497
<b>Total Consumer Deposits allocated to Service Charges</b>	<b>1 219 440</b>	<b>1 248 567</b>
<b>Other Receipts:-</b>		
Consumer Deposits: Other Services - Opening Balance	(6 868 332)	(5 418 508)
Consumer Deposits: Other Services - Closing Balance	8 547 563	6 868 332
<b>Total Consumer Deposits allocated to Other Receipts</b>	<b>1 679 231</b>	<b>1 449 824</b>
<b>Total Consumer Deposits allocated to Cash Flow</b>	<b>2 898 671</b>	<b>2 698 391</b>
<b>Consumer Deposits - Electricity and Water</b>		
Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.		
No interest is paid on Consumer Deposits held.		
<b>11. PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Other Payables	16 913 522	10 491 432
Retentions	3 382 568	3 697 847
Salary Related Payables	1 059 452	834 091
Trade Creditors	60 363 161	54 817 337
Advance Payments	23 860 485	17 800 699
<b>Total Payables from Exchange Transactions</b>	<b>105 579 188</b>	<b>87 641 406</b>

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 11.1 Allocation for Cash Flow

##### Service Charges:-

Advance Payments	6 059 786	1 707 878
Control, Clearing and Interface Accounts: Prepaid Electricity	1 071 949	-
<b>Total Payables from Exchange Transactions allocated to Service Charges</b>	<b>7 131 735</b>	<b>1 707 878</b>

##### Other Receipts:-

Control, Clearing and Interface Accounts: Licensing and Registration	48 466	-
Unallocated Deposits	1 266 182	929 217
<b>Total Payables from Exchange Transactions allocated to Other Receipts</b>	<b>1 314 648</b>	<b>929 217</b>

##### Employee Related Costs:-

Control, Clearing and Interface Accounts: Salary Clearing and Control	-	(1 144 921)
Long Service Award	143 768	118 046
PAYE Deductions	81 593	(100 031)
<b>Total Payables from Exchange Transactions allocated to Employee Related Costs</b>	<b>225 361</b>	<b>(1 126 906)</b>

##### Suppliers Paid:-

Auditor-General of South Africa	6 772	-
Bulk Water	(947 686)	(777 517)
Control, Clearing and Interface Accounts: Goods Received / Invoices Received	4 041 694	-
Electricity Bulk Purchase	5 024 165	2 355 827
Payables and Accruals	1 462 573	(58 963 764)
Retentions	(315 279)	348 711
<b>Total Payables from Exchange Transactions allocated to Suppliers Paid</b>	<b>9 272 239</b>	<b>(57 036 743)</b>

##### Other Payments:-

Control, Clearing and Interface Accounts: Cash and Bank	(6 200)	60 627
<b>Total Payables from Exchange Transactions allocated to Other Payments</b>	<b>(6 200)</b>	<b>60 627</b>

#### **Total Payables from Exchange Transactions allocated to Cash Flow**

	<b>17 937 783</b>	<b>(55 465 927)</b>
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## 12. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Transfers and Subsidies	-	751 430
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<b>Total Payables from Non-exchange Transactions</b>	<b>-</b>	<b>751 430</b>
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#### 12.1 Allocation for Cash Flow

##### Other Payments:-

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

<b>Total Payables from Non-exchange Transactions allocated to Other Payments</b>	<b>(751 430)</b>	<b>515 689</b>
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<b>Total Payables from Non-exchange Transactions allocated to Cash Flow</b>	<b>(751 430)</b>	<b>515 689</b>
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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.



**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

National Government	-	5 962 915
Provincial Government	-	235 741
<b>Total Unspent Conditional Grants and Receipts</b>	<b>-</b>	<b>6 198 656</b>

**13.1 Allocation for Cash Flow**

**Transfers and Subsidies:-**

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

Total Unspent Conditional Grants and Receipts allocated to Transfers and Subsidies	<b>(6 198 656)</b>	<b>(20 728 521)</b>
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<b>Total Unspent Conditional Grants and Receipts allocated to Cash Flow</b>	<b>(6 198 656)</b>	<b>(20 728 521)</b>
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The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 22 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.

**14. LEASE PAYABLES**

Current Lease Payables	7 463 613	618 501
Non-current Lease Payables	22 813 236	-

<b>Total Lease Payables</b>	<b>30 276 849</b>	<b>618 501</b>
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**14.1 Finance Lease Payables**

Finance Lease Liability	30 276 849	618 501
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Total Non-current Lease Payables	30 276 849	618 501
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Less: Current Portion transferred to Current Lease Payables:-	(7 463 613)	(618 501)
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<b>Non-Current Portion of Finance Lease Payables</b>	<b>22 813 236</b>	<b>-</b>
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**14.1.1 Allocation for Cash Flow**

**14.1.1.1 Current Portion:-**

**Movement in Current Portion of Finance Lease Payables:-**

Opening Balance	(618 501)	(645 622)
Closing Balance	7 463 613	618 501

Total Movement in Current Portion of Finance Lease Payables	6 845 112	(27 121)
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Adjustment for Non-cash Transactions:	422 045	696 860
- Transfer from Non-current Finance Lease Payables	422 045	696 860
- Other Non-cash Transactions	-	-

Total Current Portion allocated to Repayment of Borrowings	7 267 157	669 739
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**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**14.1.1.2 Non-current Portion:-**

**Movement in Non-current Finance Lease Payables:-**

Non-current Finance Lease Payables - Opening Balance	-	(618 497)
Non-current Finance Lease Payables - Closing Balance	22 813 236	-
Total Movement in Non-current Finance Lease Payables	22 813 236	(618 497)
Adjustment for Non-cash Transactions:	(422 045)	(696 860)
- Transfer to Current Portion of Finance Lease Payables	(422 045)	(696 860)
- Other Non-cash Transactions	-	-
Proceeds from Borrowings	-	-
Total Non-current Long-term Liabilities allocated to Repayment of Borrowings	22 391 191	(1 315 357)
<b>Total Long-term Liabilities allocated to Cash Flow</b>	<b>29 658 348</b>	<b>(645 618)</b>

**14.1.2 Summary of Arrangements**

**The Municipality as Lessee:**

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2021: 5 years). The effective interest rate on Finance Leases is between 14.73% and 21.53% (2021: 13.21% and 48.13%).

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

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2022 R	2021 R	2022 R	2021 R
<b>Amounts payable under borrowings:</b>				
Within one year	9 951 190	662 796	7 463 614	618 501
In the second to fifth years, inclusive	25 347 055	-	22 813 237	-
Over five years	-	-	-	-
	<u>35 298 245</u>	<u>662 796</u>	<u>30 276 851</u>	<u>618 501</u>
Less: Future Finance Obligations	5 021 394	44 303		
<b>Present Value of Minimum Lease Obligations</b>	<u><b>30 276 851</b></u>	<u><b>618 493</b></u>	<u><b>30 276 851</b></u>	<u><b>618 501</b></u>
Less: Amounts due for settlement within 12 months (Current Portion)			(7 463 614)	(618 501)
<b>Borrowings due for settlement after 12 months (Non-current Portion)</b>			<u><b>22 813 237</b></u>	<u><b>-</b></u>

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

- Office Equipment
- Vehicles

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

Included in these classes are the following significant leases:

(i) Various Vehicles, New Plant and Office Equipment	R 30 276 851	R 1 264 119
- Instalments are payable monthly in arrears		
- Average period outstanding	32 months	12 months
- Average effective interest rate, based on prime	13,5%	15.33%
- Average monthly instalment	R 946 152	R 52 860

**15. BORROWINGS**

**Long-Term Borrowings**

Development Bank of South Africa	-	6 128 308
	-	6 128 308

**Less: Current Portion transferred to Current Borrowings:-**

Development Bank of South Africa	-	(6 128 308)
	-	(6 128 308)

**Non-Current Portion of Borrowings**

	-	-
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**16. EMPLOYEE BENEFIT LIABILITIES**

**Employee Benefit Liabilities**

	112 939 960	109 669 451
Post-retirement Health Care Benefits Liability	92 123 834	89 626 999
Post-retirement Pension Benefits Liability	52 695	150 949
Long Service Awards Liability	18 958 334	17 157 000
Performance Bonus	1 805 097	2 734 503

**Less: Current Portion of Employee Benefit Liabilities**

	7 443 566	7 872 752
Post-retirement Health Care Benefits Liability	3 253 911	3 144 000
Post-retirement Pension Benefits Liability	9 414	21 249
Long Service Awards Liability	2 375 144	1 973 000
Performance Bonus	1 805 097	2 734 503

**Non-Current Portion of Employee Benefit Liabilities**

	105 496 394	101 796 699
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**16.1 Allocation for Cash Flow**

**16.1.1 Current Portion**

**Provisions at Beginning of Year**

	7 872 752	8 316 102
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**Movement in Non-cash Transactions:-**

Defined Benefit Obligations	3 253 911	3 144 000
Post Retirement Pension	(11 835)	(21 249)
Long Service Awards Liability	402 144	(750 765)
Performance Bonus	(929 406)	339 438

Total Provisions allocated to Non-cash Transactions

	2 714 814	2 711 424
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**Movement in Employee Related Costs:-**

Actual Benefit Payments	(3 144 000)	(3 154 774)
Reductions (Outflow of Economic Benefits)	-	-

Total Provisions allocated to Employee Related Costs

	(3 144 000)	(3 154 774)
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**Provisions at End of Year**

	7 443 566	7 872 752
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**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**16.1.2 Non-current Portion**

<b>Employee Benefit Liabilities at Beginning of Year</b>	<b>101 796 699</b>	<b>86 255 839</b>
 <b>Movement in Non-cash Transactions:-</b>		
Long-service Awards	3 194 000	4 141 266
Post Retirement Health Care	5 631 870	14 123 455
Post Retirement Pension	(56 654)	49 904
 Total Employee Benefit Liabilities allocated to Non-cash Transactions	<u>8 769 216</u>	<u>18 314 625</u>
 <b>Movement in Employee Related Costs:-</b>		
Long-service Awards: Reductions (Outflow of Economic Benefits)	(1 794 810)	(2 723 765)
Post Retirement Health Care: Actual Employer Benefit Payments	(3 274 711)	-
Post Retirement Pension Payment	-	(50 000)
 Total Employee Benefit Liabilities allocated to Employee Related Costs	<u>(5 069 521)</u>	<u>(2 773 765)</u>
 <b>Employee Benefit Liabilities at End of Year</b>	<u><b>105 496 394</b></u>	<u><b>101 796 699</b></u>

**16.2 Current Portion of Employee Benefit Liabilities**

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

	<b>Performance Bonus R</b>	<b>Medical Aid R</b>	<b>Pension Fund R</b>	<b>Long-term Service R</b>
<b>30 June 2022</b>				
Opening Balance	2 734 503	3 144 000	21 249	1 973 000
Current service cost	(929 406)	3 253 911	8 965	2 375 144
Actual employer benefit payments	-	(3 144 000)	(20 800)	-
Reversals	-	-	-	(1 973 000)
 <b>Balance at end of year</b>	<u><b>1 805 097</b></u>	<u><b>3 253 911</b></u>	<u><b>9 414</b></u>	<u><b>2 375 144</b></u>
	<b>Performance Bonus R</b>	<b>Medical Aid R</b>	<b>Pension Fund R</b>	<b>Long-term Service R</b>
<b>30 June 2021</b>				
Opening Balance	2 395 065	3 176 023	-	2 723 765
Current service cost	339 438	3 144 000	-	-
Actual employer benefit payments	-	(3 176 023)	21 249	-
Reversals	-	-	-	(750 765)
 <b>Balance at end of year</b>	<u><b>2 734 503</b></u>	<u><b>3 144 000</b></u>	<u><b>21 249</b></u>	<u><b>1 973 000</b></u>

**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 2022

#### 16.3 Post-retirement Health Care Benefits Liability

Opening Balance	89 626 999	75 535 567
Interest Cost	9 038 000	10 123 421
Current Service Cost	6 757 911	3 369 081
Actual Employer Benefit Payments	(6 397 911)	(3 176 023)
Actuarial Loss/ (Gain) recognised in the year	(6 901 165)	3 774 953
Balance at end of Year	92 123 834	89 626 999
Transfer to Current Provisions	3 253 911	3 144 000
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>88 869 923</b>	<b>86 482 999</b>

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

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2022 by One Pangaea Expertise & Solutions. 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)	424	423
Continuation Members (Retirees, widowers and orphans)	78	76
<b>Total Members</b>	<b>502</b>	<b>499</b>

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

In-service Members	51 568 834	49 071 999
Continuation Members	40 555 000	40 555 000
<b>Total Liability</b>	<b>92 123 834</b>	<b>89 626 999</b>

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 2022 is estimated to be R3 504 000, whereas the cost for the ensuing year is estimated to be R3 253 911 (30 June 2021: R3 369 081 and R3 504 000 respectively)."

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

Discount Rate	12.80%	10.26%
Health Care Cost Inflation Rate	9.31%	6.86%
Net Effective Discount Rate	3.18%	3.18%
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 2022

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

Opening Balance	89 626 999	75 535 567
Interest Cost	9 038 000	10 123 421
Current Service Cost	3 504 000	3 369 081
Benefits Paid	(3 144 000)	(3 176 023)
Actuarial Losses / (Gains)	(6 901 165)	3 774 953
<b>Total Recognised Benefit Liability</b>	<b>92 123 834</b>	<b>89 626 999</b>

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

Present Value of Fund Obligations	92 123 834	89 626 999
<b>Total Benefit Liability</b>	<b>92 123 834</b>	<b>89 626 999</b>

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

Current service cost	6 757 911	10 123 421
Interest cost	9 038 000	3 369 081
Actuarial losses / (gains)	(6 901 165)	3 774 953
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 29.)</b>	<b>8 894 746</b>	<b>17 267 455</b>

**The history of fair values are as follows:**

	2022 R	2021 R	2020 R	2019 R	2018 R
Present Value of Defined Benefit Obligation	92 123 834	89 626 999	83 222 393	86 379 999	86 379 999
<b>Deficit</b>	<b>92 123 834</b>	<b>89 626 999</b>	<b>83 222 393</b>	<b>86 379 999</b>	<b>86 379 999</b>
Experienced adjustments on Plan Liabilities	(9 109 000)	(1 919 000)	2 356 040	41 820	6 739 754

	<b>2022 R</b>	<b>2021 R</b>
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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	18 027 552	14 896 000
Effect on the defined benefit obligation	106 203 313	15 565 243

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	13 254 634	10 670 000
Effect on the defined benefit obligation	80 533 893	11 755 460

The municipality expects to make a contribution of R3,273,000 (2021: 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 2022

#### 16.4 Post-retirement Pension Benefits Liability

Opening Balance	130 149	129 796
Interest Cost	8 800	10 405
Current Service Cost	-	20 800
Actual Employer Benefit Payments	(20 800)	(28 751)
Actuarial Loss/ (Gain) recognised in the year	(65 454)	18 699
Balance at end of Year	52 695	150 949
Transfer to Current Provisions	9 414	21 249
<b>Total Post-retirement Pension Benefits Liability</b>	<b>43 281</b>	<b>129 700</b>

The municipality provides certain post - retirement pension benefits to certain retired employees of the municipality. According to the rules of the pension fund, with which the municipality is associated, a member (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

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2022 One Pangaea Expertise & solutions. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

Discount Rate	9.26%	7.36%
Health Care Cost Inflation Rate	0.00%	4.09%
Net Effective Discount Rate	9.26%	7.36%
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	157 862	179 207
Interest Cost	8 800	10 405
Current Service Cost	-	(29 200)
Actual Employer Benefit Payments	(20 800)	(21 249)
Actuarial Loss/ (Gain) recognised in the year	(102 581)	18 699
<b>Total Recognised Benefit Liability</b>	<b>43 281</b>	<b>157 862</b>

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

Present value of fund obligations	43 281	157 862
<b>Total Benefit Liability</b>	<b>43 281</b>	<b>157 862</b>

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

Interest cost	8 800	10 405
Actuarial losses / (gains)	(65 454)	(20 135)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note )</b>	<b>(56 654)</b>	<b>(9 730)</b>

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The history of experienced adjustments is as follows:

	2022 R	2021 R	2020 R	2019 R	2018 R
Obligation	43 281	157 862	179 207	715 000	742 000
<b>Deficit</b>	<b>43 281</b>	<b>157 862</b>	<b>179 207</b>	<b>715 000</b>	<b>742 000</b>
Experienced adjustments on Plan Liabilities	7 899	(1 189)	622 911	Unknown	2 356 040
				2022 R	2021 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	4 667	11 186
Effect on the defined benefit obligation	49 952	124 000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	4 156	9 528
Effect on the defined benefit obligation	54 774	159 265

#### 16.5 Long Service Awards Liability

Opening Balance	17 157 000	16 490 264
Current Service Cost and Interest Cost	5 569 144	3 140 278
Payments Made	(1 794 810)	(2 723 765)
Other Reductions	-	-
Actuarial Gain/(Loss)	(1 973 000)	250 223
Balance at end of Year	<u>18 958 334</u>	<u>17 157 000</u>
Transfer to Current Provisions	2 375 144	1 973 000
<b>Total Long Service Awards Liability</b>	<b><u>16 583 190</u></b>	<b><u>15 184 000</u></b>

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 2022 by One Pangaea Expertise & Solutions. 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, 781 (2021: 798) employees were eligible for Long-service Awards.

The Current-service Cost and Interest Cost for the year ending 30 June 2022 is estimated to be R5 569 144, whereas the cost for the ensuing year is estimated to be R (30 June 2022: R3 140 278 and R5 569 144 respectively).



## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

Discount Rate	10.02%	9.73%
Cost Inflation Rate	6.65%	5.57%
Net Effective Discount Rate	2.20%	3.94%
Expected Rate of Salary Increase	7.65%	4.00%
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	17 157 000	16 490 264
Interest Cost	-	-
Current Service Cost	(1 973 000)	250 223
Actuarial Loss/ (Gain) recognised in the year	5 569 144	3 140 278
Benefits Paid	(1 794 810)	(2 723 765)
<b>Total Recognised Benefit Liability</b>	<b>18 958 334</b>	<b>17 157 000</b>

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

Present value of fund obligations	18 958 334	17 157 000
<b>Total Benefit Liability</b>	<b>18 958 334</b>	<b>17 157 000</b>

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

Current service cost	5 569 144	3 140 278
Interest cost	-	-
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 29.)</b>	<b>5 569 144</b>	<b>3 140 278</b>

The history of experienced adjustments is as follows:

	2022 R	2021 R	2020 R	2019 R
Present Value of Defined Benefit Obligation	18 958 334	17 157 000	16 490 264	16 937 509
<b>Deficit</b>	<b>18 958 334</b>	<b>17 157 000</b>	<b>16 490 264</b>	<b>16 937 509</b>
Experienced adjustments on Plan Liabilities	(632 777)	-	179 135	-
			2022 R	2021 R

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

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	3 648 131	3 117 863
Effect on the defined benefit obligation	18 003 663	15 692 185

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	3 720 419	3 164 217
Effect on the defined benefit obligation	20 014 386	17 371 225

The municipality expects to make a contribution of R2 723 765 (2021: R5 569 144) to the defined benefit plans during the next financial year.

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**17. PROVISIONS**

Current Provisions	31 986 180	27 574 289
Non-current Provisions	106 420 092	89 160 416
<b>Total Provisions</b>	<b><u>138 406 272</u></b>	<b><u>116 734 705</u></b>

**17.1 Current Provisions**

Current Portion of Non-Current Provisions:	31 986 179	27 574 289
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	8 196 051	3 624 276
Environmental Cleanup	1 925 750	1 450 000
Leave	21 864 378	22 500 013
<b>Total Provisions</b>	<b><u>31 986 179</u></b>	<b><u>27 574 289</u></b>

**17.1.1 Allocation for Cash Flow**

<b>Provisions at Beginning of Year</b>	<b>27 574 289</b>	<b>24 778 556</b>
<b>Movement in Non-cash Transactions:-</b>		
Provisions	4 411 890	2 795 732
Total Provisions allocated to Non-cash Transactions	<u>4 411 890</u>	<u>2 795 732</u>
<b>Provisions at End of Year</b>	<b><u>31 986 179</u></b>	<b><u>27 574 288</u></b>

The movement in Current Provisions is reconciled as follows:

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

**Staff Benefit Provisions:**

**Leave Provision**

Opening Balance	22 500 013	20 194 765
Increases / Decreases	(635 635)	2 305 248
<b>Balance at end of year</b>	<b><u>21 864 378</u></b>	<b><u>22 500 013</u></b>

**Other Operational Provisions:**

	<b>Environmental Cleanup</b>	<b>Decommissioning of Landfill Sites</b>
	<b>R</b>	<b>R</b>
<b>30 June 2022</b>		
Opening Balance	1 450 000	3 624 276
Increases	475 750	4 571 775
Reversals	-	-
<b>Balance at end of year</b>	<b><u>1 925 750</u></b>	<b><u>8 196 051</u></b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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

**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.

**17.2 Non-current Provisions**

Decommissioning, Restoration and Similar Liabilities: Landfill Sites	106 420 092	89 160 416
Decommissioning, Restoration and Similar Liabilities:Non-specific	-	-
<b>Total Non-current Provisions</b>	<b>106 420 092</b>	<b>89 160 416</b>

**17.2.1 Allocation for Cash Flow**

<b>Non-current Provisions at Beginning of Year</b>	<b>89 160 416</b>	<b>87 224 875</b>
<b>Movement in Non-cash Transactions:-</b>		
Decommissioning, Restoration and Similar Liabilities	17 259 676	1 935 541
Total Non-current Provisions allocated to Non-cash Transactions	17 259 676	1 935 541
Decommissioning, Restoration and Similar Liabilities:Non-specific	-	-
Total Non-current Provisions allocated to Suppliers Paid	-	-
<b>Non-current Provisions at End of Year</b>	<b>106 420 092</b>	<b>89 160 416</b>

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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

	<b>Decommissioning of Landfill Sites</b>
	<b>R</b>
<b>30 June 2022</b>	
Opening Balance	89 160 416
Finance Charges	17 259 677
Payments Made	-
Increases (Passage of Time/Discounted I	-
<b>Balance at end of year</b>	<b>106 420 093</b>

	<b>Decommissioning of Landfill Sites</b>
	<b>R</b>
<b>30 June 2021</b>	
Opening Balance	87 224 874
Finance Charges	1 935 541
Other Reductions	-
<b>Balance at end of year</b>	<b>89 160 415</b>

**17.3 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 2022 in - house by Mr T Rudolph from Kouga Municipality, (National Diploma: Analytical Chemistry, Mine Residue Disposal Course). 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 2022 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.

<b>LANDFILL SITES - USEFUL LIFE</b>	<b>Humansdorp</b>	<b>Hankey</b>	<b>Oyster Bay</b>	<b>JBAY (Open)</b>	<b>St. Francis (Open)</b>
	Landfill Site	Landfill Site	Transfer Station	Transfer Station	Transfer Station
Remaining Useful Life 30 June 2022	6	6	6	28	28

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**The following Landfill sites have closed:**

St Francis - Site  
Paradise Beach - Site  
Patensie - Site  
Papiestfontein - Site

	<b>Humansdorp</b>	<b>Hankey</b>	<b>Oyster Bay</b>	<b>JBAY (Open)</b>	<b>St. Francis (Open)</b>
<b>Closing Provision as at 30 June 2020</b>	<b>51 520 032</b>	<b>9 260 032</b>	<b>588 396</b>	<b>588 396</b>	<b>588 396</b>
Interest cost at 2019 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)
<b>Closing Provision as at 30 June 2021</b>	<b>52 663 658</b>	<b>9 445 758</b>	<b>600 113</b>	<b>600 113</b>	<b>600 113</b>
Interest cost at 2020 weighted average - unwinding of interest	2 580 519	462 842	29 406	29 406	29 406
Change in PV in the future cash flows due to change in the discount rate	14 351 910	(793 713)	(119 919)	(119 919)	(374 719)
<b>Closing Provision as at 30 June 2022</b>	<b>69 596 087</b>	<b>9 114 887</b>	<b>509 600</b>	<b>509 600</b>	<b>254 800</b>
	<b>Paradise Beach (JBAY)</b>	<b>Papiestfontein (Closed)</b>	<b>St. Francis (Closed)</b>	<b>Paradise Beach (JBAY)</b>	<b>Patensie</b>
<b>Closing Provision as at 30 June 2020</b>	-	<b>14 908 234</b>	<b>12 456 432</b>	<b>588 396</b>	<b>273 830</b>
Interest cost at 2019 weighted average - unwinding of interest	-	327 981	274 042	12 945	6 024
Change in PV in the future cash flows due to change in the discount rate	-	90 200	(60 616)	(1 228)	(1 304)
<b>Closing Provision as at 30 June 2021</b>	-	<b>15 326 415</b>	<b>12 669 858</b>	<b>600 113</b>	<b>278 550</b>
Interest cost at 2020 weighted average - unwinding of interest	-	750 994	620 823	29 406	13 649
Change in PV in the future cash flows due to change in the discount rate	254 800	15 411	819 693	(629 519)	3 880 975
<b>Closing Provision as at 30 June 2022</b>	<b>254 800</b>	<b>16 092 821</b>	<b>14 110 374</b>	<b>-</b>	<b>4 173 174</b>

**18. ACCUMULATED SURPLUS**

Accumulated Surplus / (Deficit) due to the results of Operations	2 110 191 805	2 140 988 009
<b>Total Accumulated Surplus</b>	<b>2 110 191 805</b>	<b>2 140 988 009</b>

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

# KOUGA LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>19. PROPERTY RATES</b>		
	<b>Actual Levies</b>	
Property Rates Levies	224 326 475	210 204 641
<b>Total Property Rates</b>	<b>224 326 475</b>	<b>210 204 641</b>
<b>19.1 Allocation for Cash Flow:</b>		
Total Property Rates	224 326 476	210 204 642
Adjustment for Non-cash Transactions:-	-	-
<b>Total Property Rates allocated to Cash Flow</b>	<b>224 326 476</b>	<b>210 204 642</b>
<b>19.2 Calculation of Cash Flow:</b>		
Property Rates Income	224 326 476	210 204 642
Non-exchange Interest Earned	1 774 617	1 700 447
Cash Flow from Non-exchange Receivables	(2 942 197)	(2 574 458)
Amounts Written-off as Uncollectable	(248 187)	(567 750)
<b>Total Receipts for Property Rates</b>	<b>222 910 709</b>	<b>208 762 881</b>
<p>Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 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: 0,009202 c/R (2020/21: 0,008743 c/R)                      Business Properties: 0,009570 c/R (2020/21: 0,009093 c/R)                      Agricultural Properties: 0,002301 c/R (2020/21: 0,002186 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>		
<b>20. FINES, PENALTIES AND FORFEITS</b>		
Traffic Fines:	5 696 291	3 063 146
Municipal	5 696 291	3 063 146
Service Provider	-	-
Other Fines:	185 054	244 942
Building	185 036	195 624
Overdue Books Fine	18	318
Pound Fees	-	49 000
<b>Total Fines, Penalties and Forfeits</b>	<b>5 881 345</b>	<b>3 308 088</b>

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**20.1 Allocation for Cash Flow:**

Total Fines, Penalties and Forfeits	5 881 345	3 308 089
Adjustment for Non-cash Transactions:-	-	-
<b>Total Fines, Penalties and Forfeits allocated to Other Receipts</b>	<b><u>5 881 345</u></b>	<b><u>3 308 089</u></b>

**21. LICENCES AND PERMITS**

Boat	6 164 580	5 773 009
Health Certificates	6 272	(57 968)
Road and Transport:	3 337 680	4 436 939
Activities on Public Roads	12 321	-
Drivers Licence Application/Duplicate Drivers Licences	1 050 814	2 673 110
Drivers Licence Certificate	1 373 103	-
Learner Licence Application	597 999	-
Learners Certificate	118 611	839 891
Motor Vehicle Licence	79 099	-
Operators and Public Drivers Permits	105 733	923 938
Trading	84 681	75 076
<b>Total Licences and Permits</b>	<b><u>9 593 213</u></b>	<b><u>10 227 056</u></b>

**21.1 Allocation for Cash Flow:**

Total Licences and Permits	9 593 214	10 227 056
Adjustment for Non-cash Transactions:-	-	-
<b>Total Licences and Permits allocated to Other Receipts</b>	<b><u>9 593 214</u></b>	<b><u>10 227 056</u></b>

**22. TRANSFERS AND SUBSIDIES RECEIVED**

<b>Capital Grants</b>	60 630 436	46 786 514
Monetary Allocations	60 630 436	46 786 514
<b>Operational Grants</b>	153 880 476	166 981 811
Monetary Allocations	153 880 476	166 981 811
<b>Total Transfers and Subsidies Received</b>	<b><u>214 510 912</u></b>	<b><u>213 768 325</u></b>

**22.1 Allocation for Cash Flow:**

Total Transfers and Subsidies Received	214 510 912	213 768 324
Adjustment for Non-cash Transactions:	-	-
<b>Total Transfers and Subsidies Received allocated to Cash Flow</b>	<b><u>214 510 912</u></b>	<b><u>213 768 324</u></b>

**22.2 Calculation of Cash Flow:**

Government Grants and Subsidies Income	Note 22.1	214 510 912	213 768 324
Cash Flow from Unspent Government Grants	Note 13.1	(6 198 656)	(20 728 521)
<b>Total Receipts for Government Grants and Subsidies</b>		<b><u>208 312 256</u></b>	<b><u>193 039 803</u></b>

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 22.3 Summary of Grants:

##### 22.3.1 Capital Grants

	Monetary Allocations	
	2022	2021
District Municipalities	1 638 000	1 516 655
National Governments	58 005 265	45 269 859
<b>Total Capital Grants Received</b>	<b>60 630 436</b>	<b>46 786 514</b>

##### 22.3.2 Operational Grants

	Monetary Allocations	
	2022	2021
District Municipalities	2 888 420	2 845 500
Foreign Government and International Organisations	354 406	867 207
National Governments	4 813 650	4 172 903
National Revenue Fund	143 774 000	157 046 000
Provincial Government	2 050 000	2 050 000
<b>Total Operational Grants Received</b>	<b>153 880 476</b>	<b>166 981 810</b>

#### 22.4 Detailed Summaries

##### 22.4.1 Equitable Share

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	143 774 000	157 046 000
Transferred to Revenue	(143 774 000)	(157 046 000)
<b>Unspent Balance at the End of the Year</b>	<b>-</b>	<b>-</b>

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

##### 22.4.2 National: EPWP Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1 423 000	1 054 000
Conditions Met - Transferred to Revenue	(1 423 000)	(1 054 000)
<b>Unspent Balance at the End of the Year</b>	<b>-</b>	<b>-</b>

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

##### 22.4.3 National: FMG Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1 720 000	1 500 000
Transferred to Revenue	(1 720 000)	(1 500 000)
<b>Unspent Balance at the End of the Year</b>	<b>-</b>	<b>-</b>

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.



## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 22.4.4 National: MIG Funds

Unspent Balance at the Beginning of the Year	5 962 915	12 505 994
Current Year Receipts	33 413 000	31 190 000
Conditions Met - Transferred to Revenue	(39 375 915)	(37 733 079)
<b>Unspent Balance at the End of the Year</b>	<b>-</b>	<b>5 962 915</b>

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. The roll over application for the 2020/2021 financial year to the amount of R 5 962 915 was approved.

#### 22.4.5 National: WSIG Funds

Unspent Balance at the Beginning of the Year	-	14 315 680
Current Year Receipts	-	-
Conditions Met - Transferred to Revenue	-	(14 315 680)
<b>Unspent Balance at the End of the Year</b>	<b>-</b>	<b>-</b>

The Water Services Infrastructure Grant is allocated to municipalities to assist in drought relief.

#### 22.4.6 National: Municipal Disaster Relief Grant for drought

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	12 500 000	-
Transferred to Revenue	(12 500 000)	-
<b>Unspent Balance at the End of the Year</b>	<b>-</b>	<b>-</b>

The Municipal Disaster Relief Grant for drought is allocated to assist in drought relief.

#### 22.4.7 Integrated National Electrification Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	7 800 000	5 200 000
Conditions Met - Transferred to Revenue	(7 800 000)	(5 200 000)
<b>Unspent Balance at the End of the Year</b>	<b>-</b>	<b>-</b>

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

#### 22.4.8 Provincial: Department Human Settlement (Houses)

Balance unspent at the beginning of the year	-	-
Current year receipts	13 512 151	-
Funds spent on behalf of the Department of Human Settlement	(13 512 151)	-
<b>Balance at the End of the Year</b>	<b>-</b>	<b>-</b>

This grant is for the building of low cost housing within the KOUGA area. The municipality is only the agent of the department of Human Settlement for the construction of low cost houses and do not form part of the revenue and expenditure of the municipality.

### 23. SERVICE CHARGES

Sale of Electricity	327 234 203	283 159 658
Sale of Water	83 125 109	80 982 787
Refuse Removal	54 525 598	53 973 636
Sewerage and Sanitation Charges	56 405 147	52 345 869
<b>Total Services Charges</b>	<b>521 290 057</b>	<b>470 461 950</b>

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 23.1 Allocation for Cash Flow:

Total Service Charges	521 290 057	470 461 950
Adjustment for Non-cash Transactions:-	-	-
<b>Total Service Charges allocated to Cash Flow</b>	<b>521 290 057</b>	<b>470 461 950</b>

#### 23.2 Calculation of Cash Flow:

Service Charges Income	Note 23.1	521 290 057	470 461 950
Exchange Interest Earned	Note 27.1	12 103 821	8 281 271
Cash Flow from Exchange Receivables	Note 2.1	(55 144 622)	(38 313 716)
Cash Flow from Consumer Deposits	Note 10.1	1 219 440	1 248 567
Cash Flow from Exchange Payables	Note 11.1	7 131 735	1 707 878
Exchange Receivables: Amounts written-off as uncollectable	Note 2.3.1	(4 835 758)	(4 307 073)
Bad Debt Written-off	Note 32.1	-	-
<b>Total Receipts for Service Charges</b>		<b>481 764 673</b>	<b>439 078 877</b>

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

#### 24. SALES OF GOODS AND RENDERING OF SERVICES

Application Fees for Land Usage	300 062	436 398
Building Plan Approval	5 214 545	3 328 419
Camping Fees	55 781	267 897
Cemetery and Burial	416 510	376 649
Cleaning and Removal	283 115	108 383
Development Charges	20 251	-
Encroachment Fees	8 591	81 762
Fire Services	16 182	12 822
Legal Fees	2 471 687	2 664 616
Photocopies and Faxes	44 958	57 166
Removal of Restrictions	166 331	545 830
Sale of Goods	145 736	-
Scrap, Waste & Other Goods	313	913
Valuation Services	458 647	278 390
<b>Total Sales of Goods and Rendering of Services</b>	<b>9 602 709</b>	<b>8 159 245</b>

#### 24.1 Allocation for Cash Flow:

Total Sales of Goods and Rendering of Services	9 602 709	8 159 247
Adjustment for Non-cash Transactions:-	-	-
<b>Total Sales of Goods and Rendering of Services allocated to Other Receipts</b>	<b>9 602 709</b>	<b>8 159 247</b>

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 25. INCOME FROM AGENCY SERVICES

Commission on Vehicle Registration	2 559 892	1 411 573
<b>Total Income from Agency Services</b>	<b>2 559 892</b>	<b>1 411 573</b>

#### 25.1 Allocation for Cash Flow:

Total Income from Agency Services	2 559 892	1 411 573
Adjustment for Non-cash Transactions:-	-	-
<b>Total Income from Agency Services allocated to Other Receipts</b>	<b>2 559 892</b>	<b>1 411 573</b>

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.

Revenue due to the Principal, and not paid over at year end included in Payables from Exchange Transac	140 056	114 582
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#### 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	(2 559 892)	(1 411 573)
Revenue due to the Principal	<b>8 787 675</b>	<b>9 153 717</b>

#### 26. RENTAL FROM FIXED ASSETS

##### Straight-lined Operating Lease Revenue

Investment Property	2 263 717	925 404
Other Fixed Assets:	830 342	1 421 269
Property Plant and Equipment	830 342	1 421 269

<b>Total Rental of Facilities and Equipment</b>	<b>3 094 059</b>	<b>2 346 673</b>
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#### 26.1 Allocation for Cash Flow:

Total Rental of Facilities and Equipment	3 094 059	2 346 673
Adjustment for Non-cash Transactions:-	-	-
<b>Total Rental of Facilities and Equipment allocated to Other Receipts</b>	<b>3 094 059</b>	<b>2 346 673</b>

Rental income generated are at market related premiums. All rental income recognised is therefore market related.

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**27. INTEREST, DIVIDENDS AND RENT ON LAND EARNED**

**Non-exchange Receivables:**

Outstanding Billing Debtors	1 774 617	1 700 447
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<b>Total Non-exchange Interest, Dividends and Rent on Land Earned</b>	<b><u>1 774 617</u></b>	<b><u>1 700 447</u></b>
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**External Investments:**

Bank Account	1 043 183	613 189
Investments	2 181 361	3 578 829

	<b><u>3 224 544</u></b>	<b><u>4 192 018</u></b>
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**Outstanding Exchange Receivables:**

Outstanding Billing Debtors	12 103 821	8 281 271
Electricity	1 150 533	980 770
Service Charges	252 484	66 538
Waste Management	3 737 054	2 579 261
Waste Water Management	2 229 667	1 514 488
Water	4 734 083	3 140 214

	<b><u>12 103 821</u></b>	<b><u>8 281 271</u></b>
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<b>Total Exchange Interest, Dividends and Rent on Land Earned</b>	<b><u>15 328 365</u></b>	<b><u>12 473 289</u></b>
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<b>Total Interest, Dividends and Rent on Land Earned</b>	<b><u>17 102 982</u></b>	<b><u>14 173 736</u></b>
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**27.1 Allocation for Cash Flow:**

**Property Rates:-**

Interest on Outstanding Non-exchange Receivables	1 774 617	1 700 447
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Total Interest, Dividends and Rent on Land Earned allocated to Property Rates	<b><u>1 774 617</u></b>	<b><u>1 700 447</u></b>
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**Service Charges:-**

Interest on Outstanding Exchange Receivables	12 103 821	8 281 271
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Total Interest, Dividends and Rent on Land Earned allocated to Service Charges	<b><u>12 103 821</u></b>	<b><u>8 281 271</u></b>
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**External Interest and Dividends Received:-**

Interest on External Investments	3 224 544	4 192 018
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Total Interest, Dividends and Rent on Land Earned allocated to External Interest and Dividends Received	<b><u>3 224 544</u></b>	<b><u>4 192 018</u></b>
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<b>Total External Interest and Dividends Received allocated to Cash Flow</b>	<b><u>17 102 982</u></b>	<b><u>14 173 736</u></b>
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**27.2 Calculation of Cash Flow:**

External Interest and Dividends Income	3 224 544	4 192 018
--	-----------	-----------

<b>Total Receipts for Interest and Dividends Received</b>	<b><u>3 224 544</u></b>	<b><u>4 192 018</u></b>
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## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 28. OPERATIONAL REVENUE

Commission	415 138	471 938
Insurance Refund	2 541 783	14 917
Sale of Property	-	114
Skills Development Levy Refund	653 650	506 038
Staff Recoveries	194 327	58 651

<b>Total Operational Revenue</b>	<b>3 804 898</b>	<b>1 051 658</b>
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#### 28.1 Allocation for Cash Flow:

Total Operational Revenue	3 804 898	1 051 658
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Adjustment for Non-cash Transactions:-	-	-
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<b>Total Operational Revenue allocated to Other Receipts</b>	<b>3 804 898</b>	<b>1 051 658</b>
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#### 28.2 Calculation of Cash Flow:

Income from Operational Revenue	Note 28.1	3 804 898	1 051 658
Income from Rental from Fixed Assets	Note 26.1	3 094 059	2 346 673
Income from Agency Services	Note 25.1	2 559 892	1 411 573
Income from Sales of Goods and Rendering of Services	Note 24.1	9 602 709	8 159 247
Income from Licences and Permits	Note 21.1	9 593 214	10 227 056
Income from Fines, Penalties and Forfeits	Note 20.1	5 881 345	3 308 089
Cash Flow from Exchange Receivables	Note 2.1	(2 882 671)	3 383
Cash Flow from Statutory Non-exchange Receivables	Note 3.1	(3 969 759)	(2 262 861)
Cash Flow from Operating Lease Receivables	Note 9.1	(45 123)	63 697
Cash Flow from Current Portion of Long-term Receivables	Note 10.1	-	3 000
Cash Flow from Consumer Deposits	Note 10.1	1 679 231	1 449 824
Cash Flow from Exchange Payables	Note 11.1	1 314 648	929 217

<b>Total Receipts for Other Revenue</b>	<b>30 632 442</b>	<b>26 690 557</b>
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The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 19 to 27, 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 2022**

	<b>2022</b>	<b>2021</b>
	<b>R</b>	<b>R</b>
<b>29. EMPLOYEE RELATED COSTS</b>		
Salaries and Wages:		
Basic	206 449 976	195 286 681
Long Service Awards	953 230	1 286 800
Bonuses	178 167	611 711
Leave Payments	5 631 168	4 252 056
Overtime	17 265 899	23 381 337
Allowances:		
Acting and Post Related Allowances	5 949 602	2 601 788
Bonus Allowance	14 465 934	14 980 178
Cellular and Telephone	101 653	9 588
Housing Benefits	782 294	899 547
Standby Allowance	7 725 438	7 198 775
Travel or Motor Vehicle	10 762 198	10 342 750
Social Contributions:		
Bargaining Council	166 786	1 724 006
Group Life Insurance	8 499 241	6 801 069
Medical	16 688 454	16 850 481
Pension	30 455 049	30 459 117
Unemployment Insurance	1 758 394	1 584 804
Post-retirement Benefits:		
Current Service Cost	3 504 000	-
Interest Cost	9 005 200	10 133 826
Actuarial Gains and Losses	(9 464 831)	3 793 652
Past Service Cost	-	3 369 081
Defined Contribution Fund Expenses	-	(3 205 223)
Leave Gratuity	(635 634)	2 305 248
Long Term Service Awards	1 155 546	666 736
<b>Total Employee Related Costs</b>	<b>331 397 764</b>	<b>335 334 008</b>
<b>29.1 Allocation for Cash Flow:</b>		
Employee Related Costs	331 397 766	335 334 005
Adjustment for Non-cash Transactions:	(7 051 376)	(23 157 944)
<b>Total Employee Related Costs allocated to Cash Flow</b>	<b>324 346 390</b>	<b>312 176 061</b>

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 29.2 Calculation of Cash Flow:

Employee Related Costs Expenditure	Note 29.1	324 346 390	312 176 061
Cash Flow from Exchange Payables	Note 11.1	(225 361)	1 126 906
Cash Flow from Employee Benefit Liabilities	Note 16.1	8 213 521	5 928 539
<b>Total Payments for Employee Related Costs</b>		<b>332 334 550</b>	<b>319 231 506</b>

#### 29.3 Remuneration of Section 57 Employees:

##### Remuneration of the Municipal Manager: C Du Plessis

Annual Remuneration		1 602 573	1 555 880
Car and Other Allowances		660 700	235 528
Company Contributions to UIF, Medical and Pension Funds		28 396	20 744
<b>Total</b>		<b>2 291 669</b>	<b>1 812 152</b>

##### Remuneration of the Chief Financial Officer: R Lorgat

Annual Remuneration		1 307 459	1 260 911
Car and Other Allowances		238 532	129 588
Company Contributions to UIF, Medical and Pension Funds		21 151	18 267
<b>Total</b>		<b>1 567 142</b>	<b>1 408 766</b>

##### Remuneration of the Director: Community Services - N Machalesi

Annual Remuneration		1 247 459	1 200 911
Car and Other Allowances		428 140	312 821
Company Contributions to UIF, Medical and Pension Funds		21 916	18 591
<b>Total</b>		<b>1 697 514</b>	<b>1 532 323</b>

##### Remuneration of Director: Infrastructure and Engineering - V Felton

Annual Remuneration		-	763 513
Car and Other Allowances		-	1 599 964
Company Contributions to UIF, Medical and Pension Funds		-	10 175
<b>Total</b>		<b>-</b>	<b>2 373 652</b>

##### Remuneration of Director: Infrastructure and Engineering - J. E. Delport (August 2021 - November 2021)

Annual Remuneration		494 775	-
Car and Other Allowances		157 922	-
Company Contributions to UIF, Medical and Pension Funds		9 178	-
<b>Total</b>		<b>661 875</b>	<b>-</b>

##### Remuneration of Director: Infrastructure and Engineering - A Liberty (April 2022 - May 2022)

Annual Remuneration		176 467	-
Car and Other Allowances		45 483	-
Company Contributions to UIF, Medical and Pension Funds		4 171	-
<b>Total</b>		<b>226 122</b>	<b>-</b>

##### Remuneration of Director: Infrastructure and Engineering - T. Madatt (1 May 2022 - 30 June 2022)

Annual Remuneration		-	-
Car and Other Allowances		20 286	-
Company Contributions to UIF, Medical and Pension Funds		-	-
<b>Total</b>		<b>20 286</b>	<b>-</b>

##### Remuneration of Director: Corporate Services - K Moodley

Annual Remuneration		1 331 459	1 284 911
Car and Other Allowances		346 736	245 285
Company Contributions to UIF, Medical and Pension Funds		22 554	18 582
<b>Total</b>		<b>1 700 749</b>	<b>1 548 778</b>

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

Annual Remuneration	1 247 459	1 200 911
Car and Other Allowances	377 538	270 404
Company Contributions to UIF, Medical and Pension Funds	21 644	17 973
<b>Total</b>	<b>1 646 641</b>	<b>1 489 288</b>

#### Summary of Remuneration of Section 57 Employees:

All Managers	7 336 573	8 756 193
<b>Total Remuneration of Section 57 Employees</b>	<b>7 336 573</b>	<b>8 756 193</b>

### 30. REMUNERATION OF COUNCILLORS

Executive Mayor	679 359	893 853
Deputy Mayor	544 449	-
Speaker	532 267	715 079
Executive Committee Members	2 182 262	4 022 282
Total for All Other Councillors	9 456 478	7 149 152
<b>Total Councillors' Remuneration</b>	<b>13 394 816</b>	<b>12 780 365</b>

#### 30.1 Allocation for Cash Flow:

Total Councillors' Remuneration	13 394 816	12 780 365
Adjustment for Non-cash Transactions:-	-	-
<b>Total Councillors' Remuneration allocated to Cash Flow</b>	<b>13 394 816</b>	<b>12 780 365</b>

#### 30.2 Calculation of Cash Flow:

Remuneration of Councillors Expenditure	Note 30.1	13 394 816	12 780 365
<b>Total Payments for Employee Related Costs</b>		<b>13 394 816</b>	<b>12 780 365</b>

#### 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.

### 31. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	91 119 431	80 942 416
Amortisation: Intangible Assets	-	-
<b>Total Depreciation and Amortisation</b>	<b>91 119 431</b>	<b>80 942 416</b>

### 32. IMPAIRMENT LOSSES

Impairment Losses on Fixed Assets	8 958 114	182 593
Impairment Losses on Financial Assets	29 778 246	32 152 045
Fair Value Adjustment	(97 142)	(39 808)
<b>Total Impairment Losses</b>	<b>38 639 218</b>	<b>32 294 830</b>



## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 32.1 Allocation for Cash Flow:

Total Impairment Losses		38 639 218	32 294 830
Adjustment for Non-cash Transactions:		(38 639 218)	(32 294 830)
Impairment Losses on Fixed Assets	Note 32.2	(8 958 114)	(182 593)
Impairment Losses on Financial Assets	Note 32.3	(29 778 246)	(32 152 045)
Realisable Value Adjustment - Inventories		97 142	39 808
<b>Total Impairment Losses allocated to Service Charges</b>		<b>-</b>	<b>-</b>

#### 32.2 Impairment Losses on Fixed Assets

<b>Impairment Losses</b>		8 958 114	182 593
Property, Plant and Equipment		8 958 114	182 593
		<b>8 958 114</b>	<b>182 593</b>

#### 32.3 Impairment Losses on Financial Assets

<b>Impairment Losses</b>		192 897 186	27 277 221
Other Receivables from Non-exchange Revenue		23 982 474	(386 913)
Trade and Other Receivables from Exchange Transactions		168 914 712	27 664 134
<b>Bad Debts Written Off</b>		8 552 538	4 874 824
<b>Reversal of Impairment Losses</b>		(171 671 478)	-
Other Receivables from Non-exchange Revenue		(24 907 490)	-
Trade and Other Receivables from Exchange Transactions		(146 763 988)	-
		<b>29 778 246</b>	<b>32 152 045</b>

#### 32.4 Fair Value Adjustment

Inventory		(97 142)	(39 808)
		<b>(97 142)</b>	<b>(39 808)</b>

#### 33. INTEREST, DIVIDENDS AND RENT ON LAND PAID

Interest Paid:		4 662 497	3 422 272
Borrowings		247 384	1 238 024
Finance Leases		577 095	149 733
Interest costs non-current Provisions		3 797 013	1 996 987
Overdue Accounts		41 005	37 528
Total Interest Expense		4 662 497	3 422 272
<b>Total Interest, Dividends and Rent on Land Paid</b>		<b>4 662 497</b>	<b>3 422 272</b>

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 33.1 Allocation for Cash Flow:

##### Non-cash Transactions:-

Interest Paid	3 797 013	1 996 987
Total Interest, Dividends and Rent on Land Paid allocated to Non-cash Transactions	3 797 013	1 996 987

##### External Interest and Dividends Paid:-

Interest Paid	865 483	1 425 285
Total Interest, Dividends and Rent on Land Paid allocated to External Interest and Dividends Paid	865 483	1 425 285

##### Total External Interest and Dividends Paid allocated to Cash Flow

	4 662 496	3 422 272
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#### 33.2 Calculation of Cash Flow:

Interest, Dividends and Rent on Land Paid Expenditure	Note 33.1	865 483	1 425 285
Total Payments for External Interest and Dividends Paid		865 483	1 425 285

#### 34. BULK PURCHASES

Electricity	295 222 161	254 057 835
Total Bulk Purchases	295 222 161	254 057 835

##### 34.1 Allocation for Cash Flow:

Total Bulk Purchases	295 222 161	254 057 835
Adjustment for Non-cash Transactions:-	-	-
Total Bulk Purchases allocated to Suppliers Paid	295 222 161	254 057 835

#### 35. CONTRACTED SERVICES

Outsourced Services	33 798 187	28 832 017
Consultants and Professional Services	9 385 276	8 533 561
Contractors	31 855 592	58 419 896

##### Total Contracted Services

	75 039 055	95 785 474
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##### 35.1 Allocation for Cash Flow:

Total Contracted Services	75 039 055	95 785 476
Adjustment for Non-cash Transactions:-	(5 047 525)	(490 484)

##### Total Contracted Services allocated to Suppliers Paid

	69 991 530	95 294 992
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## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 35.2 Outsourced Services

Animal Care	473 780	400 000
Burial Services	161 456	179 285
Business and Advisory	12 577 301	9 871 486
Call Centre	182 100	-
Catering Services	478 548	137 352
Cleaning Services	438 163	349 791
Clearing and Grass Cutting Services	1 642 067	2 667 492
Connection/Dis-connection	709 635	-
Drivers Licence Cards	512 947	514 922
Fire Services	456 780	97 526
Illegal Dumping	177 446	2 131 689
Internal Auditors	324 950	25 300
Litter Picking and Street Cleaning	1 089 370	-
Medical Services [Medical Health Services & Support]	1 009 809	1 099 804
Personnel and Labour	8 011 746	6 196 304
Professional Staff	419 571	157 600
Refuse Removal	81 630	-
Security Services	4 910 721	4 914 140
Traffic Fines Management	9 020	68 437
Transport Services	131 147	20 889
	<b>33 798 187</b>	<b>28 832 017</b>

#### 35.3 Consultants and Professional Services

Business and Advisory	2 654 256	2 039 195
Infrastructure and Planning	1 498 584	2 566 790
Laboratory Services	375 686	342 700
Legal Cost	4 856 750	3 584 876
	<b>9 385 276</b>	<b>8 533 561</b>

#### 35.4 Contractors

Artists and Performers	31 172	-
Building	47 833	-
Catering Services	1 773	2 058
Employee Wellness	222 713	174 707
Event Promoters	264 185	-
Interior Decorator	381	-
Maintenance of Buildings and Facilities	5 897 524	5 639 907
Maintenance of Equipment	432 344	446 568
Maintenance of Infrastructure	24 954 443	52 155 338
Pest Control and Fumigation	3 224	1 318
	<b>31 855 592</b>	<b>58 419 896</b>

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**36. INVENTORY CONSUMED**

Consumables	14 646 376	8 544 370
Materials and Supplies	19 188 859	18 785 953
Water	59 210 649	44 344 534

<b>Total Inventory Consumed</b>	<b>93 045 884</b>	<b>71 674 857</b>
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**36.1 Allocation for Cash Flow:**

Total Inventory Consumed	93 045 884	71 674 858
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Adjustment for Non-cash Transactions:-	-	-
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<b>Total Inventory Consumed allocated to Suppliers Paid</b>	<b>93 045 884</b>	<b>71 674 858</b>
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**36.2 Calculation of Cash Flow:**

Expenditure for Inventory Consumed	Note 36.1	93 045 884	71 674 858
Expenditure for Contracted Services	Note 35.1	69 991 530	95 294 992
Expenditure for Bulk Purchases	Note 34.1	295 222 161	254 057 835
Cash Flow from Inventories	Note 1.1	4 382 341	2 849 322
Cash Flow from Exchange Receivables	Note 2.1	131 069	474 511
Cash Flow from Exchange Payables	Note 11.1	(9 272 239)	57 036 743

<b>Total for Suppliers Paid</b>	<b>453 500 746</b>	<b>481 388 261</b>
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**37. TRANSFERS AND SUBSIDIES PAID**

<b>Operational Grants</b>	458 000	761 000
Monetary Allocations	458 000	761 000

<b>Total Transfers and Subsidies Paid</b>	<b>458 000</b>	<b>761 000</b>
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**37.1 Allocation for Cash Flow:**

Total Transfers and Subsidies Paid	458 000	761 000
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Adjustment for Non-cash Transactions:-	-	-
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<b>Total Transfers and Subsidies Paid allocated to Other Payments</b>	<b>458 000</b>	<b>761 000</b>
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**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**38. OPERATING LEASES**

Furniture and Office Equipment	2 196 632	1 979 168
Machinery and Equipment	-	15 132
Other Assets	3 592 590	4 556 663
<b>Total Operating Leases</b>	<b>5 789 222</b>	<b>6 550 963</b>

**38.1 Allocation for Cash Flow:**

Total Operating Leases	5 789 222	6 550 963
Adjustment for Non-cash Transactions:-	-	-
<b>Total Operating Leases allocated to Other Payments</b>	<b>5 789 222</b>	<b>6 550 963</b>

**38.2 Leasing Arrangements**

**The Municipality as Lessee:**

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

**38.3 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	-	-
<b>Total Operating Lease Arrangements</b>	<b>6 510 115</b>	<b>6 699 738</b>

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

Minimum lease payments	6 510 115	6 699 738
<b>Total Operating Lease Expenses</b>	<b>6 510 115</b>	<b>6 699 738</b>

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 39. OPERATIONAL COSTS

Included in General Expenses are the following:

Achievements and Awards	1 105 116	1 084 110
Advertising, Publicity and Marketing	2 678 642	1 544 894
Bank Charges, Facility and Card Fees	984 769	707 900
Bargaining Council	3 422 255	2 947 746
Commission	5 243 275	5 533 247
Communication	4 063 664	2 227 272
Contribution to Provisions	475 750	413 478
Courier and Delivery Services	-	2 599
Deeds	-	13 438
External Audit Fees	4 394 028	4 320 105
External Computer Service	7 502 717	6 952 116
Hire Charges	26 852 270	33 487 369
Insurance Underwriting	3 278 004	4 834 029
Licences	621 543	727 041
Management Fee	5 719 854	5 407 345
Printing, Publications and Books	1 075 737	941 801
Professional Bodies, Membership and Subscription	7 260	14 930
Registration Fees	1 938 972	1 695 092
Remuneration to Ward Committees	2 640 793	3 407 166
Resettlement Cost	143 629	59 775
Search Fees	113 982	85 350
Signage	342 913	301 050
Skills Development Fund Levy	3 290 416	1 685 716
Storage of Files (Archiving)	267 317	542 246
Supplier Development Programme	-	41 509
Travel and Subsistence	1 755 824	580 009
Uniform and Protective Clothing	3 079 626	3 174 022
Vehicle Tracking	728 644	656 135
Workmen's Compensation Fund	1 794 647	1 079 991
<b>Total Operational Costs</b>	<b>83 521 647</b>	<b>84 467 481</b>

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 39.1 Allocation for Cash Flow:

Total Operational Costs	83 521 650	84 467 479
Adjustment for Non-cash Transactions:-	-	-
<b>Total Operational Costs allocated to Other Payments</b>	<b>83 521 650</b>	<b>84 467 479</b>

#### 39.2 Calculation of Cash Flow:

Expenditure for Operational Costs	Note 39.1	83 521 650	84 467 479
Expenditure for Operating Leases	Note 38.1	5 789 222	6 550 963
Expenditure for Transfers and Subsidies Paid	Note 37.1	458 000	761 000
Cash Flow from Exchange Payables	Note 11.1	6 200	(60 627)
Cash Flow from Non-exchange Payables	Note 12.1	751 430	(515 689)
Variance on Impairment (Provision for VAT on Receivables)		1 511 217	(20 632 596)
Other Non-cash Transactions		-	(87 270)
<b>Total for Other Payments</b>		<b>92 228 814</b>	<b>70 573 461</b>

#### 39.3 Travel and Subsistence

<b>Domestic</b>		<b>1 080 440</b>	<b>423 815</b>
Accommodation		610 044	110 989
Food and Beverage (Served)		87 789	78 949
Transport without Operator		293 365	229 529
Transport with Operator		89 242	4 348
<b>Foreign</b>		<b>111 579</b>	<b>-</b>
Accommodation		-	-
Daily Allowance		111 579	-
<b>Non-employees</b>		<b>563 805</b>	<b>156 194</b>
		<b>1 755 824</b>	<b>580 009</b>

No other extra-ordinary expenses were incurred.

#### 40. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Property, Plant and Equipment		(10 273 046)	(1 989 467)
<b>Total Gains on Disposal of Capital Assets</b>		<b>-</b>	<b>-</b>
<b>Total Losses on Disposal of Capital Assets</b>		<b>10 273 046</b>	<b>1 989 467</b>

#### 40.1 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	(10 273 046)	(1 989 467)
Total Gains on Disposal of Capital Assets allocated to Property, Plant and Equipment		(10 273 046)	(1 989 467)
<b>Total Gains / (Losses) on Disposal of Capital Assets allocated to Cash Flow</b>		<b>(10 273 046)</b>	<b>(1 989 467)</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	2022 R	2021 R
<b>41. RECLASSIFICATION OF ANNUAL FINANCIAL STATEMENTS</b>		
<b>41.1 Reclassification of Accumulated Surplus</b>		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.		
The effect of the changes are as follows:		
		<b>Accumulated Surplus</b>
<b>Balance published as at 30 June 2020</b>		<b>2 235 831 838</b>
Correction of Error:-		
Adjustment for Provision for Rehabilitation of Landfill Site	(14 908 234)	
Adjustment for Acc. Depreciation of Landfill Site Asset	1 260 175	
Correction of Error 2021 AFS	(21 642)	
Provision for Impairment of Debt - Exchange	(23 117 596)	
Provision for Impairment of Debt - Non-Exchange	(13 473 958)	
Restatement of Land previously not recognised	365 440	
Rounding Variances	7	
Total for Correction of Error	-	(49 895 808)
<b>Restated Balance as at 30 June 2020</b>		<b>2 185 936 030</b>
Transactions incurred for the Year 2020/21		(44 973 152)
Correction of Error:-		
Correction of Error 2021 AFS	-	
Provision for Impairment of Debt - Exchange	(232 956)	
Provision for Impairment of Debt - Non-Exchange	(567 056)	
Unwinding of interest on the provision - Papiessfontein Landfill Site	(327 981)	
Capitalising of change in estimate - Papiessfontein Landfill Site	(90 200)	
Correction of Land Purchased	360 000	
Correction of Receivables for Land Purchased	(360 000)	
Restatement of Prepaid Electricity	1 243 327	
Rounding Variances	(3)	
Total for Correction of Error	-	25 131
<b>Restated Balances as at 30 June 2021</b>		<b><u>2 140 988 009</u></b>



## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 41.2 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 2020/21 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
Property Rates	210 204 641	-	-	210 204 641
Fines, Penalties and Forfeits	3 308 088	-	-	3 308 088
Licences and Permits - Non-exchange	10 227 056	-	-	10 227 056
Transfers and Subsidies	213 768 325	-	-	213 768 325
Interest, Dividends & Rent on Land Non-Exchange	1 700 447	-	-	1 700 447
Service Charges	469 218 623	-	1 243 327	470 461 950
Sales of Goods and Rendering of Services	8 159 245	-	-	8 159 245
Income from Agency Services	1 411 573	-	-	1 411 573
Rental from Fixed Assets	2 346 673	-	-	2 346 673
Interest, Dividends & Rent on Land Exchange	12 473 289	-	-	12 473 289
Operational Revenue	1 051 658	-	-	1 051 658
	<b>933 869 618</b>	<b>-</b>	<b>1 243 327</b>	<b>935 112 945</b>

#### 41.3 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 2020/21 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
Employee Related Costs	335 334 008	-	-	335 334 008
Remuneration of Councillors	12 780 365	-	-	12 780 365
Depreciation and Amortisation	80 852 216	-	90 200	80 942 416
Impairment Losses	31 494 818	-	800 012	32 294 830
Interest, Dividends and Rent on Land	3 094 292	-	327 980	3 422 272
Bulk Purchases	254 057 835	-	-	254 057 835
Contracted Services	95 785 475	-	-	95 785 474
Inventory Consumed	71 674 857	-	-	71 674 857
Transfers and Subsidies Paid	761 000	-	-	761 000
Operating Leases	6 550 963	-	-	6 550 963
Operational Costs	84 467 481	-	-	84 467 481
Loss on Disposal of PPE	1 989 467	-	-	1 989 467
	<b>978 842 777</b>	<b>-</b>	<b>1 218 192</b>	<b>980 060 968</b>

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 41.4 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 2020/21 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
<b>Current Assets</b>				
Inventories	12 570 366	-	-	12 570 366
Receivables from Exchange Transactions	68 813 789	-	(23 710 553)	45 103 236
Receivables from Non-exchange Transactions	-	-	-	-
Statutory Receivables from Non-exchange Transactions	23 992 061	-	(14 041 013)	9 951 048
VAT Receivable	47 750 213	-	-	47 750 213
Cash and Cash Equivalents	53 394 447	-	-	53 394 447
Lease Receivables	107 590	-	-	107 590
Long-term Receivables	-	-	-	-
<b>Non-Current Assets</b>				
Property, Plant and Equipment	2 054 701 795	-	1 985 619	2 056 687 414
Intangible Assets	1 294 963	-	-	1 294 963
Investment Property	262 645 444	-	-	262 645 444
Long-term Receivables	-	-	-	-
<b>Current Liabilities</b>				
Consumer Deposits	(20 774 255)	-	-	(20 774 255)
Payables from Exchange Transactions	(88 884 733)	-	1 243 327	(87 641 406)
Payables from Non-exchange Transactions	(751 430)	-	-	(751 430)
Unspent Conditional Grants and Receipts	(6 198 656)	-	-	(6 198 656)
Lease Payables	(618 501)	-	-	(618 501)
Borrowings	(6 128 308)	-	-	(6 128 308)
Employee Benefit Liabilities	(7 872 752)	-	-	(7 872 752)
Provisions	(27 574 289)	-	-	(27 574 289)
<b>Non-Current Liabilities</b>				
Lease Payables	-	-	-	-
Employee Benefit Liabilities	(101 796 699)	-	-	(101 796 699)
Provisions	(73 834 000)	-	(15 326 416)	(89 160 416)
<b>Net Assets</b>				
Accumulated Surplus / (Deficit)	(2 190 837 045)	-	49 849 036	(2 140 988 009)
	-	-	-	-

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 41.5 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 2020/21 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
<b>Receipts</b>				
Property Rates	208 762 881	-	-	208 762 881
Transfers and Subsidies	193 039 803	-	-	193 039 803
Service Charges	437 835 548	-	1 243 329	439 078 877
External Interest and Dividends Received	4 192 018	-	-	4 192 018
Other Receipts	26 690 556	-	1	26 690 557
<b>Payments</b>				
Employee Related Costs	(317 988 179)	-	(1 243 327)	(319 231 506)
Remuneration of Councillors	(12 780 365)	-	-	(12 780 365)
External Interest and Dividends Paid	(1 425 286)	-	1	(1 425 285)
Suppliers Paid	(481 748 261)	-	360 000	(481 388 261)
Other Payments	(70 573 459)	-	(1)	(70 573 460)
VAT Paid	(3 589 221)	-	-	(3 589 221)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(17 583 965)</b>	<b>-</b>	<b>360 003</b>	<b>(17 223 962)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Property, Plant and Equipment	(60 284 470)	-	(360 003)	(60 644 473)
Purchase of Intangible Assets	(976 994)	-	-	(976 994)
Proceeds on Disposal of Property, Plant and Equipment	57 425	-	-	57 425
Decrease / (Increase) in Long-term Receivables	13 000	-	-	13 000
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(61 191 039)</b>	<b>-</b>	<b>(360 003)</b>	<b>(61 551 042)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase in Finance Leases (Leases Taken-on)	-	-	-	-
Decrease in Finance Leases (Leases Redeemed)	(645 618)	-	-	(645 618)
Increase in Borrowings (Loans Taken-on)	-	-	-	-
Decrease in Borrowings (Loans Redeemed)	(8 961 981)	-	-	(8 961 981)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(9 607 599)</b>	<b>-</b>	<b>-</b>	<b>(9 607 599)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(88 382 603)</b>	<b>-</b>	<b>-</b>	<b>(88 382 603)</b>
Cash and Cash Equivalents at Beginning of Period	141 777 050	-	-	141 777 050
Cash and Cash Equivalents at End of Period	53 394 447	-	-	53 394 447

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**42. 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:

**42.1 Reclassification of Revenue**

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

	<b>Service Charges</b>
<b>Balance previously reported</b>	<b>469 218 623</b>
Correction of Errors:-	
Restatement of Prepaid Electricity	1 243 327
<b>Restated Balance now reported</b>	<b><u>470 461 950</u></b>

**Service Charges:**

The **prior year amounts** for Service Charges have been restated for the correction of unused Prepaid Electricity at year-end.

**42.2 Reclassification of Expenditure**

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	<b>Depreciation and Amortisation</b>	<b>Impairment Losses</b>	<b>Interest, Dividends and Rent on Land</b>
<b>Balance previously reported</b>	<b>80 852 216</b>	<b>31 494 818</b>	<b>3 094 292</b>
Correction of Errors:-			
Depreciation due to Recognition of Papiessfontein Landfill Site	90 200	-	-
Interest due to Recognition of Papiessfontein Landfill Site	-	-	327 980
Correction of Provision for Impairment of Bad Debt	-	800 012	-
<b>Restated Balance now reported</b>	<b><u>80 942 416</u></b>	<b><u>32 294 830</u></b>	<b><u>3 422 272</u></b>

**Depreciation and Amortisation:**

The **prior year amounts** for Depreciation & Amortisation and Property, Plant & Equipment have been restated to correctly disclose depreciation for Papiessfontein Landfill Site which was not previously recognised.

**Impairment Losses:**

The **prior year amounts** for Impairment Losses has been restated due to the implementation of a revised methodology to calculate the provision for bad debt, and to improve on the accuracy of the bad debt calculation.

**Interest, Dividends and Rent on Land:**

The **prior year amounts** for Interest, Dividends and Rent on Land have been restated to correctly disclose Interest on the Provision for

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**42.3 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:

	<b>Receivables from Exchange Transactions</b>	<b>Statutory Receivables from Non-exchange Transactions</b>	<b>Payables from Exchange Transactions</b>
<b>Balances previously published per AFS as at 30 June 2020</b>	<b>67 929 097</b>	<b>28 004 397</b>	<b>143 107 331</b>
Correction of Errors:-			
Correction of Provision for Impairment of Bad Debt	(23 117 596)	(13 473 958)	-
<b>Balances now published per AFS as at 30 June 2020</b>	<b>44 811 501</b>	<b>14 530 439</b>	<b>143 107 331</b>
Transactions incurred for the Year 2020/21	884 692	(4 012 335)	(54 222 598)
Correction of Errors:-			
Correction of Provision for Impairment of Bad Debt	(232 956)	(567 055)	-
Correction of Land Purchased	(360 000)	-	-
Restatement of Prepaid Electricity	-	-	(1 243 327)
<b>Balances now published per AFS as at 30 June 2021</b>	<b>45 103 237</b>	<b>9 951 049</b>	<b>87 641 406</b>

**Receivables from Exchange Transactions:**

The **prior year amounts** for Receivables from Exchange Transactions has been restated due to the implementation of a revised methodology to

**Statutory Receivables from Non-Exchange Transactions:**

The **prior year amounts** for Statutory Receivables from Non-Exchange Transactions has been restated due to the implementation of a revised

**Payables from Exchange Transactions:**

The **prior year amounts** for Payables from Exchange Transactions have been restated for the correction of unused Prepaid Electricity at year-end.

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	Property, Plant and Equipment	Provisions	Accumulated Surplus / (Deficit)
<b>Balances previously published per AFS as at 30 June 2020</b>	<b>2 077 137 455</b>	<b>72 316 640</b>	<b>2 235 831 837</b>
Correction of Errors:-			
Correction of Landfill Site Depreciation, previously double counted	1 260 177	-	1 260 177
Recognitions of Rehabilitation Provision for Papiessfontein Landfill Site	-	14 908 235	(14 908 235)
Provision for Impairment of Debt - Exchange	-	-	(23 117 596)
Provision for Impairment of Debt - Non-Exchange	-	-	(13 473 958)
Land Recognised	365 440	-	365 440
Rounding Errors	(3)	-	(2)
<b>Balances now published per AFS as at 30 June 2020</b>	<b>2 078 763 069</b>	<b>87 224 875</b>	<b>2 185 957 663</b>
Transactions incurred for the Year 2020/21	(22 435 659)	1 517 360	(44 994 792)
Correction of Errors:-			
Change in Estimate for newly recognised Papiessfontein Landfill Site	-	418 181	(418 181)
Correction of Provision for Impairment of Bad Debt	-	-	(800 011)
Correction of Error 2021 AFS	-	-	-
Capitalisation from WIP to Completed Assets	(86 091 995)		
Capitalisation from to Completed Assets from WIP	86 091 995		
Correction of Land Purchased	360 000	-	-
Restatement of Prepaid Electricity	-	-	1 243 327
Rounding Errors	4	-	3
<b>Balances now published per AFS as at 30 June 2021</b>	<b>2 056 687 414</b>	<b>89 160 416</b>	<b>2 140 988 009</b>

**Property, Plant and Equipment:**

Property, Plant and Equipment was restated due to Accumulated Depreciation on Landfill Sites that was previously double counted, and has now been corrected.

Furthermore, Property, Plant and Equipment has also been restated to correctly recognise Land that was purchased and not capitalised.

Property, Plant and Equipment has also been restated for Land owned by the municipality, not previously recognised.

**Non-Current Provisions**

The Provision for Rehabilitation of Landfill Sites have been restated due to the recognition of Papiessfontein Landfill Site.

**Accumulated Surplus:**

Accumulated Surplus has been restated to correctly show the effect of all other corrections in prior years, as per the detail indicated above.

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**42.4 Restatement of Disclosures**

**42.4.1 Related Parties**

The disclosure note for Related Parties has been amended to correctly disclose the full impact of Related Party Transactions, as follows:

<b>Description</b>	<b>Prior Year 2020/21 Audited</b>	<b>Restated Amount 2020/21</b>	<b>Correction of Error</b>
Purchases from Related parties	3 511 058	2 961 562	<u>(549 496)</u>
			<u><b>(549 496)</b></u>

The detail is as follows. There were no related party at the time of disclosure.

<b>COMPANY NAME</b>	<b>VALUE OF WORK</b>	<b>EMPLOYEE NAME</b>	<b>DEPARTMENT</b>	<b>NATURE OF RELATIONSHIP</b>
Martinash Trading (Pty) Ltd	R 445,995.80	J. Savage	Finance- Income	Director was employed at Income KLM from 01/09/1994 until 27/08/2010
Arviclox	R 13,800.00	K. Papa	Community Services	Director was employed at KLM until 30 January 2020
Sys Smart (Pty) Ltd	R 29,900.00	D. Van Vuuren	HR-OHS	Son in law of director
Sheljesh Trading	R 59,800.00	S. Harmse	Community Services	Director was employed at KLM until 09 September 2019

**2022**  
**R**

**2021**  
**R**

**43. CHANGE IN ACCOUNTING ESTIMATES**

**43.1 Landfill Site estimate:**

The value of the Papiestfontein Landfill site, and subsequently the calculation of the Rehabilitation of the Landfill Site has be recalculated. The impact of the revised estimates are as follows:

Increase in Provision for Rehabilitation of Landfill Site	-	418 181
Increase in Cost of Assets	-	90 200
(Increase) in Accumulated Depreciation	-	(90 200)

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**44. CASH GENERATED BY OPERATIONS**

Surplus / (Deficit) for the Year	(30 796 199)	(44 948 023)
<b>Adjustment for Non-cash Transactions included in Surplus / (Deficit):</b>		
Employee Related Costs	Refer Note 29.1 7 051 376	23 157 944
Depreciation and Amortisation	Refer Note 48.2 91 119 432	80 942 416
Impairment Losses	Refer Note 32.1 38 639 218	32 294 830
Interest, Dividends and Rent on Land	Refer Note 33.1 3 797 013	1 996 987
Contracted Services	Refer Note 35.1 5 047 525	490 484
<b>Adjustment for Cash Transactions not included in Surplus / (Deficit):</b>		
Exchange Receivables: Bad Debts Written-off	Refer Note 2.3.1 (4 835 758)	(4 307 073)
Statutory Exchange Receivables: Bad Debts Written-off	Refer Note 3.3.1 (248 188)	(567 750)
Transfer of Property, Plant and Equipment	Refer Note 6.1 -	-
Expenditure from Current Employee Benefit Liabilities	Refer Note 16.1.1 (3 144 000)	(3 154 774)
Expenditure from Non-current Employee Benefit Liabilities	Refer Note 16.1.2 (5 069 521)	(2 773 765)
Expenditure from Non-current Provisions	Refer Note 17.2 -	-
<b>Adjustment for Non-cash Transactions included in Working Capital:</b>		
Inventories	Refer Note 1.1 97 142	39 808
Decrease/(Increase) in Impairment of Exchange Receivables	Refer Note 2.3 (26 940 971)	(38 493 108)
Decrease/(Increase) in Impairment of Statutory Non-exchange Receivables	Refer Note 3.3 3 757 889	(9 416 710)
<b>Adjustment for Transactions included in Surplus / (Deficit) directly recognised in Cash Flow:</b>		
Gains / (Losses) on Disposal of Capital Assets	Refer Note 40.1 10 273 046	1 989 467
Variance on Impairment (Provision for VAT on Receivables)	(1 511 217)	20 632 596
Minor Variance on Depreciation	(191 095)	(90 200)
Minor Variance on Other Non-cash Transactions	-	90 275
Minor Rounding Errors	(2)	1
<b>Operating Surplus before Working Capital Changes</b>	<b>87 045 690</b>	<b>57 883 405</b>
Decrease/(Increase) in Inventories	(4 479 483)	(2 889 130)
Decrease/(Increase) in Receivables from Exchange Transactions	(31 217 390)	(291 736)
Decrease/(Increase) in Receivables from Non-exchange Transactions	-	-
Decrease/(Increase) in Statutory Receivables from Non-exchange Transactions	(10 669 845)	4 579 391
Decrease/(Increase) in VAT Receivable	(2 693 011)	(3 589 221)
Decrease/(Increase) in Operating Lease Receivables	(45 123)	63 697
Increase/(Decrease) in Consumer Deposits	2 898 670	2 698 391
Increase/(Decrease) in Payables from Exchange Transactions	17 937 782	(55 465 927)
Increase/(Decrease) in Payables from Non-exchange Transactions	(751 430)	515 689
Increase/(Decrease) in Unspent Conditional Grants and Receipts	(6 198 656)	(20 728 521)
<b>Cash Generated by / (Utilised in) Operations</b>	<b>51 827 204</b>	<b>(17 223 962)</b>



**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**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	37 528	27 485
Fruitless and Wasteful Expenditure Current Year	41 005	37 528
Expenditure investigated and approved by Council	(37 528)	(27 485)
Fruitless and Wasteful Expenditure awaiting condonement	<u>41 005</u>	<u>37 528</u>

Incident	Disciplinary Steps / Criminal Proceedings
Interest and penalties on late payment of trade creditors. - R37 528 (2021: R27 485)	Currently None - subject to possible future investigation

**45.3 Irregular Expenditure**

	2022 R	2021 R
Reconciliation of Irregular Expenditure:		
Opening Balance:	1 340 531	4 809 197
Irregular Expenditure Current Year:	382 748	261 222
Condoned/Written-off by Council:	(1 340 531)	(3 729 888)
Irregular Expenditure awaiting condonation	<u>382 748</u>	<u>1 340 531</u>

**Current Year:**

Incident	Deviation
Incorrect calculation of order - R2 000 (2021: R0)	Still to be investigated.
Invalid Deviation. - R0 (2021: R261 222)	Still to be investigated.
Tax Non Compliance - R380 748 (2021: R0)	Still to be investigated.

2022 R	2021 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	3 553 325	3 422 255
Amount Paid - current year	(3 553 325)	(3 422 255)
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

**46.1.2 Pension and Medical Aid Deductions**

Opening Balance	-	-
Current Year Contributions	73 235 595	73 272 224
Amount Paid - current year	(73 235 595)	(73 272 224)
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

**KOUGA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**46.1.3 Audit Fees**

Opening Balance	20 511	3 774
Current year Audit Fees	5 053 132	4 322 780
Amount Paid - current year	(5 073 643)	(4 306 043)

**Balance Unpaid (included in Creditors)**

<u>-</u>	<u>20 511</u>
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**46.1.4 PAYE, Skills Development Levy and UIF**

Opening Balance	-	-
Current year Payroll Deductions	51 817 634	47 968 445
Amount Paid - current year	(51 817 634)	(47 968 445)

**Balance Unpaid (included in Creditors)**

<u>-</u>	<u>-</u>
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**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.

50 443 224	47 750 213
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**46.1.6 Councillor's arrear Consumer Accounts**

During the financial year under review three Councillors (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:

<b>30 June 2022</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Councillor Diyamani M	25 444	1 751	23 694
Councillor Valgee	3 052	616	2 436
Councillor August H	11 047	-	11 047
<b>Total Councillor Arrear Consumer Accounts</b>	<u><b>39 543</b></u>	<u><b>2 367</b></u>	<u><b>37 177</b></u>
<b>30 June 2021</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Councillor Februarie ER	21 060	21 060	
<b>Total Councillor Arrear Consumer Accounts</b>	<u><b>21 060</b></u>	<u><b>21 060</b></u>	<u><b>-</b></u>

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 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.

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 2022

Department	Tenderer	Reason	Amount
Finance	Various (22)	"Various reason like impracticality/emergency/ single provider /urgency"	1 890 697
Infrastructure & Engineering	Various (72)	"Various reason like impracticality/emergency/ single provider /urgency"	27 164 981
Corporate Services	Various (13)	"Various reason like impracticality/emergency/ single provider /urgency"	797 194
Office of MM	Various (17)	"Various reason like impracticality/emergency/ single provider /urgency"	912 932
Community Services	Various (20)	"Various reason like impracticality/emergency/ single provider /urgency"	6 640 990
Planning, Development & Tourism	Various (67)	"Various reason like impracticality/emergency/ single provider /urgency"	454 491
<b>Total:</b>			<u><u>37 861 285</u></u>

#### 30 June 2021

Department	Tenderer	Reason	Amount
Finance	Various (9)	Various reasons like impracticality/ urgency/ Continuity and alignment	5 329 657
Infrastructure & Engineering	Various (154)	Various reasons like impracticality/ urgency/ Preferred supplier	6 786 342
Corporate Services	Various (17)	Various reasons like impracticality/ urgency/ Sole Supplier	1 266 685
Office of MM	Various (46)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	151 027
Community Services	Various (17)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	12 741 681
Planning, Development & Tourism	Various (14)	Impracticality	1 153 872
<b>Total:</b>			<u><u>27 429 263</u></u>

#### 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
<b>30 June 2022</b>	Unaccounted Electricity Losses	<u>14 903 131</u>	<u>1.4146</u>	<u>21 081 969</u>
<b>30 June 2021</b>	Unaccounted Electricity Losses	<u>14 656 036</u>	<u>1.3717</u>	<u>20 103 685</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.

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
<b>Volumes in kWh/year:</b>		
System Input Volume	204 055 009	208 493 305
Billed Consumption	176 908 577	177 157 805
Unaccounted	27 146 432	31 335 500
Normal distribution losses - 8% of electricity purchases	12 243 301	16 679 464
	<u>14 903 131</u>	<u>14 656 036</u>
Percentage Distribution Loss	7.30%	7.03%

#### Water:

		Lost Units	Tariff	Value
<b>30 June 2022</b>	Unaccounted Water Losses	<u>4 116 740</u>	<u>10.2100</u>	<u>42 031 915</u>
<b>30 June 2021</b>	Unaccounted Water Losses	<u>3 556 208</u>	<u>9.6300</u>	<u>34 246 283</u>

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

	2022	2021
<b>Volumes in Kl/year:</b>		
System Input Volume	7 634 866	7 243 049
Billed Consumption	3 518 126	3 686 841
Distribution Loss	<u>4 116 740</u>	<u>3 556 208</u>
Percentage Distribution Loss	53.92%	49.10%

#### 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:-

Infrastructure	72 807 293	76 618 933
Community	-	2 800 000
Other	30 053 290	5 760 028

##### Total Capital Commitments

This expenditure will be financed from:  
Internal and Grant funding

	<u>102 860 583</u>	<u>85 178 961</u>
	<u>102 860 583</u>	<u>85 178 961</u>

The Capital Commitments are VAT inclusive.

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 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	-	-
Receivables from Exchange Transactions	Electricity	35 243 210	21 458 840
Receivables from Exchange Transactions	Refuse	4 188 021	3 431 055
Receivables from Exchange Transactions	Sewerage	5 977 732	3 111 750
Receivables from Exchange Transactions	Other Service Charges	403 936	943 701
Receivables from Exchange Transactions	Water	21 808 049	10 471 952
Receivables from Exchange Transactions	Other Debtors	3 514 062	724 062
Receivables from Exchange Transactions	Prepayments and Advances	3 722 768	3 591 699
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	569 305	476 634
Receivables from Exchange Transactions	Deposits for Land	893 543	893 543
Cash and Cash Equivalents	Call Deposits	9 802 827	40 489 896
Cash and Cash Equivalents	Bank Balances	18 047 311	12 904 130
Cash and Cash Equivalents	Cash Floats and Advances	421	421
<b>Total Financial Assets</b>		<b><u>104 171 185</u></b>	<b><u>98 497 683</u></b>

##### 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	30 276 849	618 501
Payables from Exchange Transactions	Other Payables	16 913 522	10 491 432
Payables from Exchange Transactions	Retentions	3 382 568	3 697 847
Payables from Exchange Transactions	Salary Related Payables	1 059 452	834 091
Payables from Exchange Transactions	Trade Creditors	60 363 161	54 817 337
Payables from Non-exchange Transactions	Transfers and subsidies	-	751 430
Unspent Conditional Grants and Receipts	National Government	-	5 962 915
Unspent Conditional Grants and Receipts	Provincial Government	-	235 741
Current Finance Lease Obligations	Current Finance Lease Obligations	7 463 613	618 501
Current Borrowings	Development Bank of South Africa	-	6 128 308
<b>Total Financial Liabilities</b>		<b><u>119 459 165</u></b>	<b><u>84 156 103</u></b>

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

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 48.2 Capital Risk Management

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 18. and the Statement of Changes in Net Assets.

#### Gearing Ratio

	2022 R	2021 R
The gearing ratio at the year-end was as follows:		
Debt	37 740 462	7 365 310
Cash and Cash Equivalents	(9 803 248)	(40 490 317)
Net Debt	<u>27 937 214</u>	<u>(33 125 007)</u>
Equity	<u>2 110 191 805</u>	<u>2 140 988 009</u>
<b>Net debt to equity ratio</b>	<u><b>1.32%</b></u>	<u><b>-1.55%</b></u>

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.

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 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.

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 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**

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 2022 would have increased / decreased by R101 555 (30 June 2021: R243 963). 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.



## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### **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.

	<b>2022</b>	<b>2021</b>
	<b>R</b>	<b>R</b>
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Receivables from Exchange Transactions	293 945 098	235 786 736
Bank, Cash and Cash Equivalents	27 850 559	53 394 447
<b>Maximum Credit and Interest Risk Exposure</b>	<b>321 795 657</b>	<b>289 181 183</b>

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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	97.03%	97.58%
- Other Debtors	1.20%	0.31%
- Prepayments and Advances	1.27%	1.53%
- Other Minor Classes	0.50%	0.58%
<b>Total Credit Risk</b>	<b>100.00%</b>	<b>100.00%</b>

#### Bank and Cash Balances

Current Investments	9 802 827	40 489 896
Bank Accounts	18 047 311	12 904 130
Cash on Hand	421	421
<b>Total Bank and Cash Balances</b>	<b>27 850 559</b>	<b>53 394 447</b>

#### 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:

#### Receivables from Exchange Transactions

Counterparties without external credit rating:-

High	50 165 203	15 752 151
Medium	12 824 756	4 027 044
Low	-	-
<b>Total Receivables from Exchange Transactions</b>	<b>62 989 959</b>	<b>19 779 195</b>

#### 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 2022**

**48. FINANCIAL INSTRUMENTS (Continued)**

**48.7 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
<b>30 June 2022</b>								
Non-interest Bearing		0.00%	81 718 703	81 718 703	-	-	-	-
Fixed Interest Rate Instruments			37 740 462	37 740 462	-	-	-	-
			<b>119 459 165</b>	<b>119 459 165</b>	-	-	-	-
<b>30 June 2021</b>								
Non-interest Bearing		0.00%	76 790 793	76 790 793	-	-	-	-
Fixed Interest Rate Instruments			7 365 310	7 365 310	-	-	-	-
			<b>84 156 103</b>	<b>84 156 103</b>	-	-	-	-

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

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
<b>30 June 2022</b>								
Non-interest Bearing		0.00%	76 321 047	76 314 047	3 000	3 000	1 000	-
Variable Interest Rate Instruments		7.94%	27 850 138	27 850 138	-	-	-	-
			<b>104 171 185</b>	<b>104 164 185</b>	<b>3 000</b>	<b>3 000</b>	<b>1 000</b>	-
<b>30 June 2021</b>								
Non-interest Bearing		0.00%	45 103 657	45 093 657	3 000	3 000	4 000	-
Variable Interest Rate Instruments		4.30%	53 394 026	53 394 026	-	-	-	-
			<b>98 497 683</b>	<b>98 487 683</b>	<b>3 000</b>	<b>3 000</b>	<b>4 000</b>	-

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.

**48.8 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**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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**2022**  
**R**

**2021**  
**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 455 049 (2021: R30 459 117) 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.

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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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.

#### **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%).

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### **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;

#### **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: 111.70%)

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	2022	2021
N Hendricks	Official	Daughter of councillor H Hendricks	45 389	
B Moos	Official	Daughter of councillor D Benson	108 502	
N Moos	Official	Son in law: Councillor D Benson	211 299	
M Moodley	Official	Husband of Director: Corporate & Digital Services K Moodley	31 827	
D Rossouw	Official	Husband Manager: Administration & Auxiliary Services M Rossouw	108 523	

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 50.2 Purchases from Related Parties

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

Company Name	Related Person	Municipal Capacity	Nature of relationship	Purchases for the Year	Purchases for the Year
Central Bridge Trading 436 CC	Z. Tshume	Official	Wife of the director		132 608
2326 Random Solutions	T. Madatt	Official	Uncle of directors	35 400	77 300
Amahle Waste Recycling	NI Dela (Emp 1959)	Ward Committee Member	NI Dela is the director/owner of the company	-	76 950
Unomtha Catering	Z Gxuluwe	Official	Daughter of the director	25 780	-
Mesrazest	J Hammond	Official	Brother in Law of Director	2 340 594	1 713 646
Infraforce Africa (Pty) Ltd	E. Sekula	Official	Owner was employed at KLM	-	154 560
Mgqandu & Coco Trading	C. Mgqandu	Official	Husband of Director	11 880	55 400
Premier Attraction 528 CC t/a ZIS Distrib	R. Lorgat	Official	Cousin of the director	750 346	550 057
GGs Engineering	J. Nhlangulela	Official	Director was employed at KLM	-	126 341
Malubongwe General Trading (Pty) Ltd	H. U. Geleba	Official	Director	-	26 400
RE Le Grange t/a RL Trading	J Hammond	Official	Brother in law of sole prop	20 000	19 300
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	77 530	
Zemog Projects	S. Khuzwayo	Official	Cousin of Director	85 138	
Liefies Bakes	R. Koela	Official	Spouse of Director	66 555	
BD Human Enterprises	B. Human	Official	Councillor : PR	3 295	
Magnus Ventus General Dealer	W van der Linde	Official	Spouse of director	132 577	
<b>Total Purchases</b>				<b>3 549 095</b>	<b>2 961 562</b>

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

Remuneration of Directors, Municipal Manager and Councillors are disclosed within notes 29 and 30 respectively.

## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 51. CONTINGENT LIABILITIES

##### 51.1 Court Proceedings:

52 971 346

51 356 057

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: Finalized	-	3 600 000
(ii) Peter John France & Gerald Jack Friedman Trustees of The Rental Company Trust: Claim defended on behalf of Kouga. Currently preparing for trial.	4 000 000	4 000 000
(iii) Nelson Mandela Bay Metropolitan Municipality alleged claim in respect of Water Consumption. NMBM instituted action against Kouga Municipality in respect of an alleged claim of approximately R41 million in respect of water consumption.	41 000 000	41 000 000
(iv) Various claims arising from alleged negligence by the Municipality due to damages sustained by the F	-	47 711
(v) Tshepega Civil Engineers (Pty) Ltd / KOUGA Local Municipality Claims for monies owed for professional services rendered	1 950 346	1 950 346
(vi) Various claims due to municipal administrative matters under dispute or investigation:	-	508 000
(vii) Alleged Damages Incurred: H Goeda 51.2 Unlawful and wrongful assault and arrest & detention	250 000	250 000
(viii) Labour matter - Claim for non payment of travelling allowance	11 000	-
(ix) Labour matter - claim for Automatic Unfair Dismissal	5 760 000	-

#### 52. CONTINGENT ASSETS

##### 52.1 Insurance Claims:

180 967

1 764 237

##### (i) Lost / Damaged Assets:

180 967

1 764 237

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 R180 967 (2021: R1 764 237) will be recovered.



## KOUGA LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 53. EVENTS AFTER THE REPORTING DATE

##### 53.1 Vandalisation of sports field, Kwanomzamo:

It has come to the attention of management that sports field located in Hlonyane Street, Kwanomzamo has been vandalized during the month of September 2022.

After investigating the matter vandalism and theft are evident to the following infrastructure:

- Plumbing
- Roofs
- Ceilings
- Broken doors and windows
- Security Gates
- Electrical infrastructure

Due to an all-round price increase on construction materials because of fuel prices, repairs due to vandalism can be anticipated to be around R500 000 to R700 000.

##### 53.2 Vandalisation of sports field, Hankey:

It has come to the attention of management that sports field located in Weston , Hankey has been vandalised and one of its sidewalls collapsed.

Management is not sure what the reason was for the collapsed wall and will investigate the matter.

Management does not have any estimate on how much it will cost to repair the building.

#### 54. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 42).

#### 55. GOING CONCERN ASSESSMENT

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

- (i) On 30 May 2022 the Council adopted the 2022/2023 to 2024/25 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 2022**

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**56. 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:**

<b>WARD</b>	<b>AREA</b>
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	- Loerie, Thornhill, Longmore, Mondplaas and surrounds
Ward 8	- Upper Wavecrest, Kabeljous and surrounds
Ward 9	- Hankey Town, Centerton, Phillipville, Kleifontein 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 2022**

**56.1 Segmental Analysis of Financial Performance**

Year Ended 30 June 2022

Description	Executive and Council	Finance and Administration	Internal Audit	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
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>REVENUE</b>																	
<b>Revenue from Non-exchange Transactions</b>																	
Property Rates	-	224 326 476	-	-	-	-	-	-	-	-	-	-	-	-	-	-	224 326 476
Fines, Penalties and Forfeits	-	5 696 291	-	18	-	-	-	-	-	185 036	-	-	-	-	-	-	5 881 345
License and Permits	-	-	-	-	-	4 799 763	-	90 953	1 364 816	-	3 337 681	-	-	-	-	-	9 593 213
Transfers and Subsidies	354 406	91 185 938	-	2 050 000	1 638 000	-	987 171	2 888 420	-	1 670 650	1 423 000	14 073 743	19 423 026	47 422 062	31 394 496	-	214 510 912
Surcharges and Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest, Dividends and Rent on Land Earned	-	1 774 617	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 774 617
<b>Revenue from Exchange Transactions</b>																	
Service Charges	-	-	-	-	-	-	-	-	-	-	-	327 234 203	54 525 598	56 405 147	83 125 109	-	521 290 057
Sales of Goods and Rendering of Services	144 936	2 973 646	-	418 534	16 182	18 718	-	-	37 063	5 690 263	20 251	-	283 115	-	-	-	9 602 708
Income from Agency Services	-	-	-	-	-	-	-	-	-	-	2 559 892	-	-	-	-	-	2 559 892
Rental from Fixed Assets	-	-	-	-	-	2 263 717	-	-	-	830 342	-	-	-	-	-	-	3 094 059
Interest, Dividends and Rent on Land Earned	-	3 477 029	-	-	-	-	-	-	-	-	-	1 150 533	3 737 054	2 229 667	4 734 083	-	15 328 366
Operational Revenue	9 261	3 795 637	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 804 898
Gains on Other Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>508 603</b>	<b>333 229 634</b>	<b>-</b>	<b>2 468 552</b>	<b>1 654 182</b>	<b>7 082 198</b>	<b>987 171</b>	<b>2 979 373</b>	<b>1 401 879</b>	<b>8 376 291</b>	<b>7 340 824</b>	<b>342 458 479</b>	<b>77 968 793</b>	<b>106 056 876</b>	<b>119 253 688</b>	<b>-</b>	<b>1 011 766 543</b>
<b>EXPENDITURE</b>																	
Employee Related Costs	18 608 734	93 901 490	-	7 639 333	22 139 404	33 981 631	4 608 060	4 761 550	729 706	21 311 700	30 340 612	13 561 496	33 628 619	25 631 904	20 344 606	208 921	331 397 766
Remuneration of Councillors	13 394 816	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13 394 816
Depreciation and Amortisation	-	4 704 633	-	-	-	-	-	-	-	11 984 836	29 941 471	7 633 121	-	22 852 130	14 003 240	-	91 119 431
Impairment Losses	-	(134 043 752)	-	-	-	-	-	-	-	-	-	7 215 798	57 661 389	35 502 983	72 302 801	-	38 639 219
Interest, Dividends and Rent on Land	-	618 099	-	-	-	247 384	-	-	-	-	-	-	3 797 013	-	-	-	4 662 496
Bulk Purchases	-	-	-	-	-	-	-	-	-	-	-	295 222 161	-	-	-	-	295 222 161
Contracted Services	2 380 403	24 666 645	-	553 607	1 072 649	5 581 282	227 546	809 980	679 101	1 694 381	17 285 668	2 049 837	8 102 680	3 397 332	3 389 180	3 148 764	75 039 055
Inventory Consumed	643 228	2 721 799	-	578 346	518 209	3 180 730	74 071	191 305	998 645	656 272	2 892 020	5 997 092	4 127 108	4 363 494	66 089 823	13 743	93 045 885
Transfers and Subsidies Paid	-	-	-	-	-	250 000	-	-	-	-	-	-	-	-	-	-	208 000
Operating Leases	403 983	4 714 166	-	142 330	46 525	42 255	64 208	18 408	-	336 201	-	21 145	-	-	-	-	5 789 221
Operational Costs	14 042 614	22 702 390	19 603	747 445	1 401 106	7 261 802	175 239	114 493	160 992	896 694	1 486 827	10 528 495	13 350 539	9 715 763	772 567	145 081	83 521 650
Loss on Disposal of Property, Plant and Equipment	-	10 258 376	-	-	-	-	-	-	-	-	-	-	-	-	14 670	-	10 273 046
<b>Total Expenditure</b>	<b>49 473 778</b>	<b>30 243 846</b>	<b>19 603</b>	<b>9 661 061</b>	<b>25 177 893</b>	<b>50 545 084</b>	<b>5 149 124</b>	<b>5 895 736</b>	<b>2 568 444</b>	<b>36 880 084</b>	<b>81 946 598</b>	<b>342 229 145</b>	<b>120 667 348</b>	<b>101 463 606</b>	<b>176 916 887</b>	<b>3 724 509</b>	<b>1 042 562 746</b>
<b>Surplus/(Deficit) for the Year</b>	<b>(48 965 175)</b>	<b>302 985 788</b>	<b>(19 603)</b>	<b>(7 192 509)</b>	<b>(23 523 711)</b>	<b>(43 462 886)</b>	<b>(4 161 953)</b>	<b>(2 916 363)</b>	<b>(1 166 565)</b>	<b>(28 503 793)</b>	<b>(74 605 774)</b>	<b>229 334</b>	<b>(42 698 555)</b>	<b>4 593 270</b>	<b>(57 663 199)</b>	<b>(3 724 509)</b>	<b>(30 796 203)</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

Year Ended 30 June 2021

Description	Executive and Council	Finance and Administration	Internal Audit	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
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>REVENUE</b>																	
<b>Revenue from Non-exchange Transactions</b>																	
Property Rates	-	210 204 642	-	-	-	-	-	-	-	-	-	-	-	-	-	-	210 204 642
Fines, Penalties and Forfeits	-	3 063 146	-	318	-	-	-	-	-	195 624	49 000	-	-	-	-	-	3 308 088
Licences and Permits	-	-	-	-	-	4 694 089	-	17 108	1 078 920	-	4 436 938	-	-	-	-	-	10 227 055
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
Interest, Dividends and Rent on Land Earned	-	1 700 447	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 700 447
<b>Revenue from Exchange Transactions</b>																	
Service Charges	-	(16 979 139)	-	-	-	-	-	-	(419 472)	-	-	300 138 797	54 393 108	52 345 869	80 982 787	-	470 461 950
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	3 140 214	-	12 473 289
Operational Revenue	58 651	993 007	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 051 658
Gains on Other Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>926 058</b>	<b>315 579 353</b>	<b>-</b>	<b>2 427 412</b>	<b>1 529 477</b>	<b>5 799 732</b>	<b>-</b>	<b>2 862 608</b>	<b>747 107</b>	<b>7 589 459</b>	<b>6 951 511</b>	<b>311 929 846</b>	<b>74 049 413</b>	<b>96 238 288</b>	<b>108 482 682</b>	<b>-</b>	<b>935 112 946</b>
<b>EXPENDITURE</b>																	
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	-	4 348 234	-	-	-	-	-	-	-	8 001 969	30 106 668	5 908 220	-	21 870 504	10 706 821	-	80 942 416
Impairment Losses	-	36 683 141	-	-	-	-	-	-	(474 143)	-	-	424 334	(15 634 865)	4 216 129	7 080 234	-	32 294 830
Interest, Dividends and Rent on Land	-	187 261	-	-	-	1 238 024	-	-	-	-	-	-	1 996 987	-	-	-	3 422 272
Bulk Purchases	-	-	-	-	-	-	-	-	-	-	-	254 057 835	-	-	-	-	254 057 835
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	879 110	95 785 473
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)	-	-	-	-	6 550 964
Operational Costs	15 550 924	18 770 167	2 300	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	22 832	84 467 479
Loss on Disposal of Property, Plant and Equipment	-	2 046 618	-	-	-	-	-	-	-	-	-	-	-	-	(57 151)	-	1 989 467
<b>Total Expenditure</b>	<b>50 006 757</b>	<b>199 609 187</b>	<b>2 300</b>	<b>9 090 219</b>	<b>23 564 594</b>	<b>49 442 361</b>	<b>6 238 328</b>	<b>5 627 844</b>	<b>3 395 201</b>	<b>34 140 497</b>	<b>103 534 750</b>	<b>291 397 607</b>	<b>37 456 483</b>	<b>70 375 969</b>	<b>95 053 569</b>	<b>1 125 298</b>	<b>980 060 964</b>
<b>Surplus/(Deficit) for the Year</b>	<b>(49 080 699)</b>	<b>115 970 166</b>	<b>(2 300)</b>	<b>(6 662 807)</b>	<b>(22 035 117)</b>	<b>(43 642 629)</b>	<b>(6 238 328)</b>	<b>(2 765 236)</b>	<b>(2 648 094)</b>	<b>(26 551 038)</b>	<b>(96 583 239)</b>	<b>20 532 239</b>	<b>36 592 930</b>	<b>25 862 319</b>	<b>13 429 113</b>	<b>(1 125 298)</b>	<b>(44 948 018)</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**56.2 Segmental Analysis of Capital Expenditure**

Description	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget
	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER VOTE</b>						
Corporate Services	1 923 000	306 550	2 229 550	1 198 688	(1 030 862)	53.76
Executive and Council	2 740 000	280 000	3 020 000	2 283 622	(736 378)	75.62
Financial Services	2 460 000	1 256 440	3 716 440	3 781 739	65 299	101.76
Infrastructure and Engineering	45 230 000	30 764 045	75 994 045	65 983 153	(10 010 892)	86.83
Planning, Development and Tourism	1 170 000	735 425	1 905 425	855 269	(1 050 156)	44.89
Community Services	7 490 000	-	6 154 193	41 170 172	35 015 979	668.98
<b>Total Capital Expenditure</b>	<b>61 013 000</b>	<b>32 006 653</b>	<b>93 019 653</b>	<b>115 272 643</b>	<b>22 252 990</b>	<b>1 031.83</b>

**56.3 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:

**56.3.1 Receivables from Exchange and Non-Exchange Transactions**

Description	Finance and Administration	Energy Sources	Waste Management	Waste Water Management	Water Management
Receivables from Exchange Transactions					
Electricity	-	35 243 210	-	-	-
Refuse	-	-	4 188 021	-	-
Sewerage	-	-	-	5 977 732	-
Water	-	-	-	-	21 808 049
Statutory Receivables from Non-Exchange Transactions					
Property Rates	16 475 591	-	-	-	-