



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2023**

KOUGA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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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 2023

General Information

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2023

H Hendricks	Executive Mayor
C Borman	Executive Deputy Mayor, Local Economic Development and Tourism
B Williams	Speaker
T Jantjies	Corporate Service
C Borman	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
E-mail: registry@ec108.org.za

MUNICIPAL MANAGER

Mr. C. du Plessis

CHIEF FINANCIAL OFFICER

Mr. R Lorgat

KOUGA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

General Information (Continued)

LEGAL FORM

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

The Objects of Local Government are:

to provide democratic and accountable government for local communities;

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

to promote social and economic development;

to promote a safe and healthy environment; and

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

JURISDICTION

Greater Kouga area which includes:

Humansdorp

St Francis Bay, Cape St Francis, Oyster Bay

Hankey, Jeffreys Bay, Lorie

Patensie, Thornhill

KOUGA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Approval of Annual Financial Statements

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	Gunuzza	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.



Mr. C du Plessis
Municipal Manager

31 August 2023

Date

KOUGA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Report of the Auditor General

- Insert Audit Report -

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

	Note	Actual	
		2023 R	2022 Restated R
ASSETS			
Current Assets		275 109 068	176 519 236
Inventories	1.	18 598 035	17 049 849
Receivables from Exchange Transactions	2.	77 030 108	63 984 559
Statutory Receivables from Exchange Transactions	3.	45 422 024	52 205 682
Statutory Receivables from Non-Exchange Transactions	4.	29 014 533	15 275 873
Cash and Cash Equivalents	5.	104 935 019	27 850 560
Lease Receivables	9.	109 349	152 713
Non Current Assets		2 316 886 828	2 329 633 441
Property, Plant and Equipment	6.	2 053 675 835	2 066 155 216
Intangible Assets	7.	602 549	869 781
Investment Property	8.	262 608 444	262 608 444
Total Assets		2 591 995 896	2 506 152 677
LIABILITIES			
Current Liabilities		250 068 234	190 834 590
Consumer Deposits	10.	29 060 072	23 672 925
Payables from Exchange Transactions	11.	126 219 323	105 579 188
Unspent Conditional Grants and Receipts	12.	28 993 833	-
Lease Payables	13.	11 342 009	10 508 192
Employee Benefit Liabilities	14.	8 555 397	7 443 566
Provisions	15.	45 897 600	43 630 719
Non Current Liabilities		240 949 963	233 860 842
Lease Payables	13.	24 202 066	21 944 356
Employee Benefit Liabilities	14.	106 638 259	105 496 394
Provisions	15.	110 109 638	106 420 092
Total Liabilities		491 018 197	424 695 432
Total Assets and Liabilities		2 100 977 699	2 081 457 245
NET ASSETS		2 100 977 699	2 081 457 245
Accumulated Surplus / (Deficit)	16.	2 100 977 699	2 081 457 245
Total Net Assets		2 100 977 699	2 081 457 245

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	Note	Actual	
		2023	2022
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions		685 597 965	469 598 717
Property Rates	17.	259 514 398	224 326 475
Fines, Penalties and Forfeits	18.	132 921 224	5 881 345
Licences and Permits	19.	9 872 124	9 593 213
Transfers and Subsidies	20.	279 561 123	228 023 067
Interest, Dividends and Rent on Land Earned	25.	3 729 096	1 774 617
Revenue from Exchange Transactions		590 924 109	555 679 980
Service Charges	21.	547 618 751	521 290 057
Sales of Goods and Rendering of Services	22.	9 188 788	9 602 709
Income from Agency Services	23.	2 677 528	2 559 892
Rental from Fixed Assets	24.	2 570 123	3 094 059
Interest, Dividends and Rent on Land Earned	25.	27 669 391	15 328 365
Operational Revenue	26.	1 199 528	3 804 898
Total Revenue		1 276 522 074	1 025 278 697
EXPENDITURE			
		1 257 001 617	1 082 359 170
Employee Related Costs	27.	355 768 121	343 042 304
Remuneration of Councillors	28.	13 700 137	13 394 816
Depreciation and Amortisation	29.	101 358 180	89 252 403
Impairment Losses	30.	228 881 516	68 567 093
Interest, Dividends and Rent on Land	31.	8 058 566	4 587 292
Bulk Purchases	32.	291 888 014	295 222 161
Contracted Services	33.	87 316 841	75 039 055
Inventory Consumed	34.	91 081 828	93 045 884
Transfers and Subsidies Paid	35.	708 750	458 000
Operating Leases	36.	6 813 840	5 789 222
Operational Costs	37.	70 111 959	83 686 278
Loss on Disposal of Property, Plant and Equipment	38.	1 313 865	10 274 662
Total Expenditure		1 257 001 617	1 082 359 170
SURPLUS / (DEFICIT) FOR THE YEAR		19 520 457	(57 080 473)

KOUGA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R
2022		
Balance at 30 June 2021	2 140 988 009	2 140 988 009
Correction of Error (Note 40)	(2 450 284)	(2 450 284)
Restated Balance	2 138 537 725	2 138 537 725
Surplus / (Deficit) for the year	(57 080 473)	(57 080 473)
<i>Surplus / (Deficit) as per prior 2021/22 AFS</i>	<i>(30 796 199)</i>	<i>(30 796 199)</i>
<i>Revenue & Expenditure Correction of Error (Note 40.)</i>	<i>(26 284 274)</i>	<i>(26 284 274)</i>
Balance at 30 June 2022	2 081 457 245	2 081 457 245
2023		
Surplus / (Deficit) for the year	19 520 454	19 520 454
Balance at 30 June 2023	2 100 977 699	2 100 977 699

KOUGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

	Note	Actual 2023 R	Actual 2022 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	17.	252 083 085	222 910 709
Transfers and Subsidies	20.	308 554 956	221 824 411
Service Charges	21.	484 425 663	481 764 674
External Interest	25.	6 824 262	3 224 544
Other Receipts	26.	45 769 253	29 121 224
VAT Received	4.	6 783 658	-
Payments			
Employee Related Costs	27.	(350 791 962)	(332 334 550)
Remuneration of Councillors	28.	(13 700 137)	(13 394 816)
External Interest	31.	(3 926 240)	(790 277)
Suppliers Paid	34.	(470 268 353)	(453 333 726)
Other Payments	37.	(77 802 761)	(90 882 229)
VAT Paid	4.	-	(4 455 469)
NET CASH FLOWS FROM OPERATING ACTIVITIES	41.	<u>187 951 424</u>	<u>63 654 495</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	6.	(113 965 764)	(128 498 239)
Purchase of Intangible Assets	7.	-	-
Proceeds / (Payments) on Disposal of Property, Plant and Equipment	6.	5 715	13 557 118
Proceeds on Disposal of Intangible Assets		1 557	-
Proceeds on Disposal of Investment Property		-	37 000
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(113 958 492)</u>	<u>(114 904 121)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in Finance Leases (Leases Paid)	13.	3 091 527	31 834 047
Decrease in Borrowings (Loans Repaid)	15.	-	(6 128 308)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>3 091 527</u>	<u>25 705 739</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>77 084 459</u>	<u>(25 543 887)</u>
Cash and Cash Equivalents at Beginning of Period	5.	27 850 560	53 394 447
Cash and Cash Equivalents at End of Period	5.	104 935 019	27 850 560

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

30 June 2023

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
FINANCIAL POSITION							
Current Assets							
Inventories	12 570 366	5 038 934	17 609 300	18 598 035	988 735	105.61	147.95
Receivables from Exchange Transactions	51 383 711	(1 323 564)	50 060 147	77 030 108	26 969 961	153.88	149.91
Statutory Receivables from Exchange Transactions	39 404 762	9 593 161	48 997 923	45 422 024	(3 575 899)	92.70	115.27
Statutory Receivables from Non-Exchange Transactions	24 090 629	(3 469 773)	20 620 856	29 014 533	8 393 677	140.70	120.44
Cash and Cash Equivalents	5 438 792	4 476 180	9 914 972	104 935 019	95 020 047	1 058.35	1 929.38
Operating Lease Receivables	107 590	45 123	152 713	109 349	(43 364)	71.60	101.63
Non-Current Assets							
Property, Plant and Equipment	1 989 453 099	87 334 613	2 076 787 712	2 053 675 835	(23 111 877)	98.89	103.23
Intangible Assets	1 889 848	(1 480 184)	409 664	602 549	192 885	147.08	31.88
Investment Property	262 645 444	0	262 645 444	262 608 444	(37 000)	99.99	99.99
Long-term Receivables	13 000	(13 000)	0	0	0	0.00	0.00
Total Assets	2 386 997 241	100 201 490	2 487 198 731	2 591 995 896	104 797 165	104.21	108.59
Current Liabilities							
Consumer Deposits	20 774 255	2 898 670	23 672 925	29 060 072	5 387 147	122.76	139.89
Provisions	38 274 788	3 235 797	41 510 585	54 452 997	12 942 412	131.18	142.27
Payables from Exchange Transactions	95 168 239	(18 428 379)	76 739 860	126 219 323	49 479 463	164.48	132.63
Unspent Conditional Grants and Receipts	987 171	(987 171)	0	28 993 833	28 993 833	0.00	2 937.06
Lease Payables	0	12 169 022	12 169 022	11 342 009	(827 013)	93.20	0.00
Non-Current Liabilities							
Lease Payables	0	16 043 214	16 043 214	24 202 066	8 158 852	150.86	0.00
Employee Benefit Liabilities	99 163 499	5 148 844	104 312 343	106 638 259	2 325 916	102.23	107.54
Non-current Provisions	92 212 000	30 791 284	123 003 284	110 109 638	(12 893 646)	89.52	119.41
Total Liabilities	346 579 952	50 871 281	397 451 233	491 018 197	93 566 964	123.54	141.68
Total Assets and Liabilities	2 040 417 289	49 330 209	2 089 747 498	2 100 977 699	11 230 201	100.54	102.97
Net Assets (Equity)							
Accumulated Surplus / (Deficit)	2 040 704 286	40 864 975	2 081 569 261	2 100 977 699	19 408 438	100.93	102.95
Total Net Assets	2 040 704 286	40 864 975	2 081 569 261	2 100 977 699	19 408 438	100.93	102.95

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

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
Receivables from Exchange Transactions:

The receivables from exchange transactions relate to the trading service and customer service debtors for waste management, electricity, water and waste water management. The debtors increased by 53.79% compared to the approved final budget, the increase is due to high water consumption and lower than anticipated collection rate of 86.71% (95% collection rate was approved by Council in the 2022/23 Adjustments Budget).

Statutory Receivables from Non-Exchange Transactions

Statutory receivables from non-exchange transactions mostly relate to property rates by usage and the traffic fines issued/oustanding. Statutory receivables from non-exchange is 29.34% more than anticipated, compared to the final budget and the variance is mainly due to the outstanding traffic fines issued.

VAT Receivable

VAT Receivable is 13.01% lower than anticipated, compared to the final budget. The variance is influenced by the vat output tax and vat input tax recognised during the financial year.

Cash and Cash Equivalents:

The cash and cash equivalents is R 95 million more than anticipated, compared to the final budget amount of R 9 million. The cash position of R 104,935 million at end of 30 June 2023, is largely influenced by the unspent conditional grants of R 28 million, underspending in bulk electricity budget by R 34 million, employee related cost budget by R 44 million and other various operating budget line items.

Operating Lease Receivables

Operating lease receivables relate to the operating lease agreement entered into by the municipality. The variance is due to GRAP application in terms of straight lining methodology for revenue recognition.

Intangible Assets:

Intangible assets recognised during the 2022/23 financial year is higher than anticipated, compared to the final budgeted amount.

Consumer Deposits:

Consumer deposits relate to deposits paid by consumers for water, electricity, building plans and for rental of municipal properties. The variance is 22.76% more than the anticipated budget amount.

Provisions

The current provisions are R 12.9 million more than anticipated, compared to the final budgeted amount. The variance is mainly due to the landfill sites' provision which was not adequately budgeted for.

Payables from Exchange Transactions

Payables from exchange transactions are R 47 million more than the projected budget amount of R 76 million. The final budget amount only includes projected trade creditors and the variance is largely influenced by the R 30 million for advanced payments, R 7 million for retentions and R 28 million for other payables.

Unspent Conditional Grants and Receipts

The Municipality is not allowed to budget for unspent conditional grants in terms of Municipal Finance Management Act and the Division of Revenue Act.

Lease Payables (Non-Current Liabilities)

Lease payables are R 8 million more than the final budget amount of R 16 million and the variance is mainly due to additional finance lease recognition during the 2022/23 financial year.

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

30 June 2023

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
FINANCIAL PERFORMANCE							
Revenue from Non-exchange Transactions							
Property Rates	240 848 623	(4 102 093)	236 746 530	259 514 398	22 767 868	109.62	107.75
Fines, Penalties and Forfeits	1 841 957	4 641 825	6 483 782	132 921 224	126 437 442	2 050.06	7 216.30
Licences and Permits	8 396 509	0	8 396 509	9 872 124	1 475 615	117.57	117.57
Transfers and Subsidies	213 654 420	65 816 141	279 470 561	279 561 123	90 562	100.03	130.85
Surcharges and Taxes	0	0	0	0	0	0.00	0.00
Interest, Dividends and Rent on Land Earned	1 729 056	934 781	2 663 837	3 729 096	1 065 259	139.99	215.67
Revenue from Exchange Transactions							
Service Charges	586 819 565	(26 318 828)	560 500 737	547 618 751	(12 881 986)	97.70	93.32
Sales of Goods and Rendering of Services	8 003 252	1 402 085	9 405 337	9 188 788	(216 549)	97.70	114.81
Income from Agency Services	5 351 604	(1)	5 351 603	2 677 528	(2 674 075)	50.03	50.03
Rental from Fixed Assets	2 968 180	(103 245)	2 864 935	2 570 123	(294 812)	89.71	86.59
Interest, Dividends and Rent on Land Earned	14 787 405	5 711 632	20 499 037	27 669 391	7 170 354	134.98	187.11
Operational Revenue	4 295 061	21 179 388	25 474 449	1 199 528	(24 274 921)	4.71	27.93
Total Revenue	1 088 695 632	69 161 685	1 157 857 317	1 276 522 074	118 664 757	110.25	117.25
Expenditure							
Employee Related Costs	391 318 457	17 864 395	409 182 852	355 768 121	(53 414 731)	86.95	90.92
Remuneration of Councillors	14 364 405	0	14 364 405	13 700 137	(664 268)	95.38	95.38
Depreciation and Amortisation	103 850 144	(2)	103 850 142	101 358 180	(2 491 962)	97.60	97.60
Impairment Losses	42 068 693	(1 201 052)	40 867 641	228 881 516	188 013 875	560.06	544.07
Interest, Dividends and Rent on Land	0	2 875 190	2 875 190	8 058 566	5 183 376	280.28	0.00
Bulk Purchases	325 900 000	0	325 900 000	291 888 014	(34 011 986)	89.56	89.56
Contracted Services	93 374 834	7 913 358	101 288 192	87 316 841	(13 971 351)	86.21	93.51
Inventory Consumed	74 648 403	16 031 870	90 680 273	91 081 828	401 555	100.44	122.01
Transfers and Subsidies Paid	400 000	325 000	725 000	708 750	(16 250)	97.76	177.19
Operating Leases	21 979 166	(15 044 210)	6 934 956	6 813 840	(121 116)	98.25	31.00
Operational Costs	96 005 325	(14 335 363)	81 669 962	70 111 959	(11 558 003)	85.85	73.03
Loss on Disposal of Property, Plant and Equipment	0	0	0	1 313 865	1 313 865	0.00	0.00
Total Expenditure	1 163 909 427	14 429 186	1 178 338 613	1 257 001 617	78 663 004	106.68	108.00
Surplus/(Deficit for the Year)	(75 213 795)	54 732 499	(20 481 296)	19 520 457	40 001 753	-	-

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Financial Performance: Explanation of Variances between Approved Budget and Actual

below:

Fines, Penalties and Forfeits:

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 is slightly higher than anticipated in the 2022/23 final budget.

Interest, Dividends and Rent on Land Earned (Revenue from Non-Exchange Transactions)

The interest, dividends and rent on land earned relate to the property rates interest recognised which is high than budgeted for. The variance is due to the increase in consumer debtors for property rates by usage as result of implementation of supplementary valuation roll during the 2022/23 financial year.

Income from Agency Services

Income from Agency Services is commission or management fees received specifically relating to agency services provided by municipalities on behalf of Department of Transport for the administration of road ordinances - issue of driver's licenses and vehicle registrations. The revenue recognised is significantly lower than anticipated, compared to the final budgeted amount.

Rental from Fixed Assets

This relates to the rental of municipal buildings, community halls and other municipal facilities. The revenue is influenced by the extent of rental agreements and the revenue recognised is slightly lower than anticipate.

Interest, Dividends and Rent on Land Exchange (Exchange Transactions)

This relates to interest earned on outstanding debtors (for water, waste management, electricity and waste water management debtors) and is largely influenced by an increase on overdue water debtors. Please refer to Note. 2 for the detailed breakdown of outstanding consumer debtors.

Operational Revenue:

Operational revenue is mainly influenced by a budgeted amount of R 23,085 million for housing projects refund which never materialised.

Impairment Losses:

Impairment losses mostly relate to allowance for bad debts 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

This relates to finance costs for the finance lease. The variance of R 5,183 million relates to the interest raised for the landfill site provision which was not budgeted for.

Operational Costs

Operational costs comprise of various line items relating to the daily operations of the municipality and the budget is sightly underspent.

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.

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

30 June 2023

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
CAPITAL EXPENDITURE PER VOTE							
Corporate Services	1 020 000	720 000	1 740 000	2 393 369	653 369	137.55	234.64
Executive and Council	750 000	472 819	1 222 819	330 441	(892 378)	27.02	44.06
Financial Services	710 000	270 000	980 000	283 569	(696 431)	28.94	39.94
Infrastructure and Engineering	35 567 488	60 655 462	96 222 950	88 479 754	(7 743 196)	91.95	248.77
Planning, Development and Tourism	-	2 416 985	2 416 985	19 065	(2 397 920)	0.79	0.00
Community Services	1 638 000	10 806 085	12 444 085	17 373 869	4 929 784	139.62	1 060.68
Total Capital Expenditure	39 685 488	75 341 351	115 026 839	108 880 067	(6 146 772)	94.66%	1 628.08

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

Corporate services reflects a 137.55% capital expenditure, compared to the approved budget.

Executive and Council:

The Executive and Council reflects a 27.02% capital expenditure compared to the approved budget. The variance is mostly influenced by the rollover of some capital projects to be implemented in the 2023/24 financial year and the rollovers were approved by Council on 22 August 2023.

Financial Services

Financial services reflects a 28.94% of capital expenditure, compared to the approved budget. Some capital projects were approved by Council to be rolled over to the 2023/24 financial year for implementation.

Infrastructure and Engineering:

The infrastructure and engineering reflects a 90.05% of capital expenditure, compared to the approved budget. Some capital projects are being rolled over to the 2023/24 financial year for the implementation and include Upgrading/Improvement of Sport Facilities within Kouga, Mini Fresh Food and Craft Markets in Jbay & Hankey, New bypass Sewer Rising Main and Pump Stations Jbay, Construct emergency overflow pond Koraal Sewer pump station, Piped Reticulation - St Francis Bay, Construct emergency overflow pond Koraal Sewer pump station and Upgrade Loerie sewer pump station.

Planning, Development and Tourism:

The Planning, Development and Tourism reflects a 0.79% of capital expenditure, compared to the approved budget. The capital project which relates to the Implementation of the Jeffreys Bay Precinct plan amounting to R 2 Million was rolled over to the 2023/24 Financial year for implementation.

Community Services:

The Community Services reflects a 139.62% of capital expenditure, compared to the approved budget. The variance is mainly influenced by the finance lease vehicles recognised during the 2022/23 financial year.

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

30 June 2023

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
CASH FLOW							
Cash Flows from/(used in) Operating Activities							
Receipts							
Property Rates	230 448 795	(3 008 945)	227 439 850	252 083 085	24 643 235	110.84	109.39
Transfers and Subsidies	213 654 420	57 400 000	271 054 420	308 554 956	37 500 536	113.84	144.42
Service Charges	652 478 158	(23 561 474)	628 916 684	484 425 663	(144 491 021)	77.03	74.24
External Interest and Dividends Received	2 810 789	246 534	3 057 323	6 824 262	3 766 939	223.21	242.79
Other Receipts	57 444 576	43 591 540	101 036 116	45 769 253	(55 266 863)	45.30	79.68
VAT Receivable / Payable	0	0	0	6 783 658	6 783 658	0.00	0.00
Payments							
Employee Related Costs	(391 318 457)	(18 060 485)	(409 378 942)	(350 791 962)	58 586 980	0.86	0.00
Remuneration of Councillors	(14 364 405)	0	(14 364 405)	(13 700 137)	664 268	0.95	0.00
External Interest and Dividends Paid	0	(2 875 189)	(2 875 189)	(3 926 240)	(1 051 051)	1.37	0.00
Suppliers Paid	(710 134 555)	(4 011 611)	(714 146 166)	(470 268 353)	243 877 813	0.66	0.00
Other Payments	0	0	0	(77 802 761)	(77 802 761)	0.00	0.00
Cash Flows from/(used in) Investing Activities							
Purchase of Property, Plant and Equipment	(39 685 488)	(75 341 349)	(115 026 837)	(113 965 764)	1 061 073	0.99	0.00
Proceeds on Disposal of Property, Plant and Equipment	0	0	0	5 715	5 715	0.00	0.00
Proceeds on Disposal of Intangible Assets	0	0	0	1 557	1 557	0.00	0.00
Cash Flows from/(used in) Financing Activities							
Increase in Long-term Loans (Loans Taken-on)	0	(12 169 021)	(12 169 021)	0	12 169 021	0.00	0.00
Cash and Cash Equivalents at Beginning of the Year	4 104 959		27 850 595	27 850 560	110 449 099	100.00	678.46
Cash and Cash Equivalents at End of the Year	5 438 792		8 542 312	104 935 019			

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

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 services charges cash inflow was significantly lower by R 146 million, compared to the budgeted amount. This variance was largely influenced by the electricity revenue which was 15% lower compared to the budgeted amount and lower collection rate of 86.71%, compared to the Council approved collection rate of 95% in the 2022/23 adjustments budget.

External Interest and Dividends Received

The external interest and dividends received relates to the interest earned on cash and investments and is mainly influenced by the municipality's investment portfolio. The municipality ended the 2022/23 financial year with the closing cash and investments amounting to R 104 million.

Other Receipts

Other receipts reflect a 86.57% of the budgeted amount and are slightly lower than anticipated.

Employee Related Costs

Employee related costs reflect 85% of the budgeted amount and are slightly lower than anticipated. The variance is mainly due to the budgeted vacancies not yet filled.

External Interest and Dividends Paid

External interest and dividend paid related to the finance costs for the finance lease. The finance costs paid is higher than anticipated due to additional finance lease assets recognised during the 2022/23 financial year.

Suppliers Paid and Other Payments

Suppliers paid and other payments reflect a 82% compared to the budgeted amount and the budget is slightly underspent due to overall underspending of the operating budget.

Increase in long-term loans

The increase in long-term loans relate to the additional finance lease recognised during the 2022/23 financial year and was not budgeted for. The municipality entered into a finance lease for new vehicles in 2021/22 and some vehicles were only delivered during the 2022/23 financial year.

KOUGA LOCAL MUNICIPALITY

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

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

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.

1.2.4 Impairment of Statutory Receivables

Accounting Policy 5.2. 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.

KOUGA LOCAL MUNICIPALITY

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

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.

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.

KOUGA LOCAL MUNICIPALITY

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

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. 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.

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.

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

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 2022 to 30 June 2023.

KOUGA LOCAL MUNICIPALITY

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

3. INVENTORIES

3.1 Recognition and Initial Measurement

Inventories comprises of 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.

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. 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 of the Inventories recognised as an expense in the period in which the reversal occurs.

KOUGA LOCAL MUNICIPALITY

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

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 or Financial Liabilities 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
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.

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
Consumer Deposits	
Finance Lease Liabilities	
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Unspent Conditional Grants	Financial Liabilities at Amortised Cost

KOUGA LOCAL MUNICIPALITY

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

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

4.4 Impairment of Financial Assets

Financial Assets are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

4.4.1 Financial Assets at Amortised Cost

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

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

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

4.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

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.

KOUGA LOCAL MUNICIPALITY

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

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.

5.1 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

5.2 Other Statutory Receivables

5.2.1 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.

5.2.2 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.

5.2.3 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.

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

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

5.24 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
	Buildings			Community	
	Improvements	30		Community Facilities	30
				Recreational Facilities	15 - 20
	Infrastructure			Other	
	Electricity	15 - 30		Computer Equipment	3 - 7
	Roads and Paving	10 - 30		Emergency Equipment	5 - 15
	Sanitation	10 - 20		Furniture and Fittings	10
	Sewerage / Solid Waste	10 - 20		Office Equipment	3 - 7
	Water	15 - 20		Plant and Equipment	2 - 7
	Landfill Sites	10 - 20		Transport Assets	7 - 15

KOUGA LOCAL MUNICIPALITY

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

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.

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
	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. Management took a decision that the residual values on Investment properties will be equal to the cost on initial recognition, as the properties held, are appreciating.

The gain or loss arising on the disposal of an Investment Property is recognised in Surplus or Deficit.

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

8.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position):

- (a) on disposal (including disposal through a non-exchange transaction); or
- (b) when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

9. 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.

KOUGA LOCAL MUNICIPALITY

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

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.

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.

KOUGA LOCAL MUNICIPALITY

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

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.

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.

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. 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

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 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.

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.

KOUGA LOCAL MUNICIPALITY

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

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.

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.

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

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

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

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

15. REVENUE RECOGNITION

15.1 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.

15.2 Revenue from Non-exchange Transactions

15.2.1 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.

15.2.2 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.

15.2.3 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.

KOUGA LOCAL MUNICIPALITY

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

15.2.4 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

15.2.5 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.

15.2.6 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.

15.2.7 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.

15.2.8 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.

15.3 Revenue from Exchange Transactions

15.3.1 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.

KOUGA LOCAL MUNICIPALITY

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

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

15.3.2 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.

15.3.3 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.

15.3.4 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.

15.3.5 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. 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.

KOUGA LOCAL MUNICIPALITY

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

17. 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).

18. 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.

19. 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.

20. 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.

KOUGA LOCAL MUNICIPALITY

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21. 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.

22. 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.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

24. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements.

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

KOUGA LOCAL MUNICIPALITY

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

25. SEGMENT REPORTING

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

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

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

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

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

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

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

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

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	R	R
1. INVENTORIES		
Materials and Supplies	17 404 498	16 251 171
Water - At Cost	1 193 537	798 678
Total Inventories	<u>18 598 035</u>	<u>17 049 849</u>

1.1 Allocation for Cash Flow

Suppliers Paid:-

Inventory - Opening Balance	17 049 849	12 570 366
Inventory - Closing Balance	(18 598 036)	(17 049 849)
Adjustment for Non-cash Transactions: Realisable Value Adjustment	(424 835)	97 142
Total Inventory allocated to Suppliers Paid	<u>(1 973 022)</u>	<u>(4 382 341)</u>
Total Inventory allocated to Cash Flow	<u>(1 973 022)</u>	<u>(4 382 341)</u>

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. Adjustment of Inventory to Net Realisable Value was required.

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross	Allowance for	Net
	Balances	Impairment	Balances
	R	R	R
As at 30 June 2023			
Service Debtors:	375 970 409	309 228 603	66 741 806
Electricity	56 507 111	24 044 709	32 462 402
Refuse	91 662 728	86 660 443	5 002 285
Sewerage	60 207 132	54 904 029	5 303 103
Other Service Charges	5 720 358	5 720 457	(99)
Water	161 873 080	137 898 965	23 974 115
Other Debtors	3 712 009	-	3 712 009
Prepayments and Advances	4 165 478	22 000	4 143 478
Control, Clearing and Interface Accounts	1 539 272	-	1 539 272
Deposits for Land	893 543	-	893 543
Total Receivables from Exchange Transactions	<u>386 280 711</u>	<u>309 250 603</u>	<u>77 030 108</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Gross Balances R	Allowance for Impairment R	Net Balances R
As at 30 June 2022			
Service Debtors:	285 223 419	229 938 538	55 284 881
Electricity	52 792 349	21 350 024	31 442 325
Refuse	71 667 244	70 095 820	1 571 424
Sewerage	45 727 373	41 707 929	4 019 444
Other Service Charges	6 605 573	6 372 701	232 872
Water	108 430 880	90 412 064	18 018 816
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
Total Receivables from Exchange Transactions	293 945 097	229 960 538	63 984 559

2.1 Allocation for Cash Flow

Service Charges:-

	2023 R	2022 R
Service Debtors - Opening Balance	55 284 881	49 585 971
Service Debtors - Closing Balance	(66 741 806)	(55 284 881)
Service Debtors: Allowance for Impairment - Opening Balance	229 938 538	180 492 826
Service Debtors: Allowance for Impairment - Closing Balance	(309 228 603)	(229 938 538)
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	(90 746 990)	(55 144 622)

Other Receipts:-

Receivables from Exchange Transactions: Gross - Opening Balance	293 945 097	235 786 735
Receivables from Exchange Transactions: Gross - Closing Balance	(386 280 711)	(293 945 097)
Less Cash Flow for:-		
Service Charges	90 746 990	55 144 622
Suppliers Paid	420 710	131 069
Profit on Sale of Land	197 947	2 790 000
Total Receivables from Exchange Transactions allocated to Other Receipts	(969 967)	(92 671)

Suppliers Paid:-

Prepayments and Advances - Opening Balance	3 722 768	3 591 699
Prepayments and Advances - Closing Balance	(4 143 478)	(3 722 768)
Prepayments and Advances: Allowance for Impairment - Opening Balance	22 000	22 000
Prepayments and Advances: Allowance 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 **(420 710)** **(131 069)**

Total Receivables from Exchange Transactions allocated to Profit on Sale of Land (Other Receipts) **(197 947)** **(2 790 000)**

Total Receivables from Exchange Transactions allocated to Cash Flow **(92 335 614)** **(58 158 362)**

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

2.2 Ageing of Receivables from Exchange Transactions

As at 30 June 2023

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	32 118 104	2 208 876	2 588 935	19 591 196	56 507 111
Less: Allowance for Impairment	-	-	-	-	24 044 709
Net Balances	32 118 104	2 208 876	2 588 935	19 591 196	32 462 402
Refuse:					
Gross Balances	5 787 345	2 109 607	3 485 116	80 280 659	91 662 728
Less: Allowance for Impairment	-	-	-	-	86 660 443
Net Balances	5 787 345	2 109 607	3 485 116	80 280 659	5 002 285
Sewerage:					
Gross Balances	6 274 582	2 185 140	3 348 393	48 399 017	60 207 132
Less: Allowance for Impairment	-	-	-	-	54 904 029
Net Balances	6 274 582	2 185 140	3 348 393	48 399 017	5 303 103
Other Service Charges:					
Gross Balances	(22 348)	22 953	34 156	5 685 596	5 720 358
Less: Allowance for Impairment	-	-	-	-	5 720 457
Net Balances	(22 348)	22 953	34 156	5 685 596	(99)
Water:					
Gross Balances	27 437 867	6 426 149	13 094 665	114 914 399	161 873 080
Less: Allowance for Impairment	-	-	-	-	137 898 965
Net Balances	27 437 867	6 426 149	13 094 665	114 914 399	23 974 115
Other Debtors:					
Gross Balances	3 712 009	-	-	-	3 712 009
Net Balances	3 712 009	-	-	-	3 712 009
Prepayments and Advances:					
Gross Balances	4 165 478	-	-	-	4 165 478
Less: Allowance for Impairment	-	-	-	-	22 000
Net Balances	4 165 478	-	-	-	4 143 478
Control, Clearing and Interface Accounts:					
Gross Balances	1 539 272	-	-	-	1 539 272
Net Balances	1 539 272	-	-	-	1 539 272
Deposits for Land					
Gross Balances	893 543	-	-	-	893 543
Net Balances	893 543	-	-	-	893 543

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

As at 30 June Receivables of R304 374 859 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	12 952 726	22 551 264	268 870 868	304 374 859
Less: Allowance for Impairment	-	-	-	-
Net Balances	12 952 726	22 551 264	268 870 868	304 374 859

As at 30 June 2022

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	15 822 719	15 276 527	2 726 861	18 966 242	52 792 349
Less: Allowance for Impairment	-	-	-	-	21 350 024
Net Balances	15 822 719	15 276 527	2 726 861	18 966 242	31 442 325

Refuse:					
Gross Balances	13 162 818	4 198 872	1 847 848	52 457 706	71 667 244
Less: Allowance for Impairment	-	-	-	-	70 095 820
Net Balances	13 162 818	4 198 872	1 847 848	52 457 706	1 571 424

Sewerage:					
Gross Balances	9 894 520	3 974 169	1 534 200	30 324 484	45 727 373
Less: Allowance for Impairment	-	-	-	-	41 707 929
Net Balances	9 894 520	3 974 169	1 534 200	30 324 484	4 019 444

Other Service Charges:					
Gross Balances	264 882	1 777 317	162 506	4 400 868	6 605 573
Less: Allowance for Impairment	-	-	-	-	6 372 701
Net Balances	264 882	1 777 317	162 506	4 400 868	232 872

Water:					
Gross Balances	32 943 533	8 476 633	2 174 744	64 835 970	108 430 880
Less: Allowance for Impairment	-	-	-	-	90 412 064
Net Balances	32 943 533	8 476 633	2 174 744	64 835 970	18 018 816

Other Debtors:					
Gross Balances	3 514 062	-	-	-	3 514 062
Net Balances	3 514 062	-	-	-	3 514 062

Prepayments and Advances:					
Gross Balances	3 744 768	-	-	-	3 744 768
Less: Allowance for Impairment	-	-	-	-	22 000
Net Balances	3 744 768	-	-	-	3 722 768

Control, Clearing and Interface Accounts:					
Gross Balances	569 305	-	-	-	569 305
Net Balances	569 305	-	-	-	569 305

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Deposits for Land

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

As at 30 June Receivables of R213 134 947 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	33 703 518	8 446 159	170 985 270	213 134 947
Less: Allowance for Impairment	-	-	-	-
Net Balances	33 703 518	8 446 159	170 985 270	213 134 947

2023
R

2022
R

2.3 Reconciliation of the Allowance for Impairment

Balance at beginning of year	229 960 537	180 514 827
Impairment Losses recognised	84 125 824	54 281 468
Amounts written off as uncollectable	(4 835 758)	(4 835 757)
Balance at end of year	309 250 603	229 960 538

2.3.1 Allocation for Cash Flow

Allowance for Impairment at Beginning of Year	229 960 537	180 514 826
Movement in Non-cash Transactions:-		
Impairment Recognised	84 125 824	219 785 198
Impairment Reversed	-	(165 503 730)
Total Receivables from Exchange Transactions Impairment allocated to Non-cash Transactions	84 125 824	54 281 468
Movement in Service Charges:-		
Amounts Written-off	(4 835 758)	(4 835 757)
Total Receivables from Exchange Transactions Impairment allocated to Service Charges	(4 835 758)	(4 835 757)
Allowance for Impairment at End of Year	309 250 603	229 960 537

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Allowance 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 Allowance 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 allowance has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively. Furthermore, it is management's expert opinion and generally accepted practice within the industry not to impair government debt between different government entities, and National Treasury could be approached to engage in the matters if required.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

3. STATUTORY RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Allowance for Impairment R	Net Balances R
As at 30 June 2023			
VAT Receivable	45 422 024	-	45 422 024
Total Statutory Receivables from Exchange Transaction	45 422 024	-	45 422 024
As at 30 June 2022			
VAT Receivable	52 205 682	-	52 205 682
Total Statutory Receivables from Exchange Transaction	52 205 682	-	52 205 682
		2023 R	2022 R

3.1 Allocation for Cash Flow

VAT Receivable:

VAT Received	6 783 658	-
VAT Paid	-	(4 455 469)
Total VAT allocated to Cash Flow	6 783 658	(4 455 469)

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

4. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Allowance for Impairment R	Net Balances R
As at 30 June 2023			
Property Rates	61 280 471	48 604 832	12 675 639
Fines	116 258 117	104 016 081	12 242 036
Accrued Income	4 096 858	-	4 096 858
Total Statutory Receivables from Non-Exchange Transactions	181 635 446	152 620 913	29 014 533
As at 30 June 2022			
Property Rates	50 368 249	39 237 678	11 130 571
Fines	32 589 670	32 052 115	537 555
Accrued Income	3 607 747	-	3 607 747
Total Statutory Receivables from Non-Exchange Transactions	86 565 666	71 289 793	15 275 873

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 R	2022 R
4.1 Allocation for Cash Flow		
Property Rates:-		
Property Rates Debtors - Opening Balance	11 130 571	10 555 665
Property Rates Debtors - Closing Balance	(12 675 639)	(11 130 571)
Property Rates Debtors: Allowance for Impairment - Opening Balance	39 237 678	36 870 387
Property Rates Debtors: Allowance for Impairment - Closing Balance	(48 604 832)	(39 237 678)
	<u>(10 912 222)</u>	<u>(2 942 197)</u>
Other Receipts:		
Fines Debtors - Opening Balance	537 555	1 473 500
Fines Debtors - Closing Balance	(12 242 036)	(537 555)
Fines Debtors: Allowance for Impairment - Opening Balance	32 052 115	30 754 158
Fines Debtors: Allowance for Impairment - Closing Balance	(104 016 081)	(32 052 115)
Accrued Income - Opening Balance	3 607 747	-
Accrued Income - Closing Balance	(4 096 858)	(3 607 746)
	<u>(84 157 558)</u>	<u>(3 969 758)</u>
Total Statutory Receivables from Non-Exchange Transactions allocated to Cash Flow	<u>(95 069 780)</u>	<u>(6 911 955)</u>

4.2 Ageing of Statutory Receivables from Non-Exchange Transactions

As at 30 June 2023

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates (Including Services Debtors):					
Gross Balances	21 636 872	2 815 463	857 492	35 970 644	61 280 471
Less: Allowance for Impairment	-	-	-	-	48 604 832
Net Balances	21 636 872	2 815 463	857 492	35 970 644	12 675 639
Fines:					
Gross Balances	116 258 117	-	-	-	116 258 117
Less: Allowance for Impairment	-	-	-	-	104 105 761
Net Balances	116 258 117	-	-	-	12 152 356

As at 30 June Receivables of R39 643 599 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	2 815 463	857 492	35 970 644	39 643 599
Less: Allowance for Impairment	-	-	-	
Net Balances	2 815 463	857 492	35 970 644	39 643 599

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

As at 30 June 2022

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates (Including Services Debtors):					
Gross Balances	2 953 223	10 981 751	1 170 645	35 262 630	50 368 249
Less: Allowance for Impairment					32 237 678
Net Balances	2 953 223	10 981 751	1 170 645	35 262 630	18 130 571
Fines:					
Gross Balances	32 589 670	-	-	-	32 589 670
Less: Allowance for Impairment	32 052 115	-	-	-	32 052 115
Net Balances	537 555	-	-	-	537 555

As at 30 June Receivables of R47 415 026 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	10 981 751	1 170 645	35 262 630	47 415 026
Less: Allowance for Impairment	-	-	-	-
Net Balances	10 981 751	1 170 645	35 262 630	47 415 026

2023
R

2022
R

4.3 Reconciliation of Allowance for Impairment

Balance at Beginning of year	71 289 793	67 624 545
Impairment Losses Recognised	81 579 307	28 667 422
Impairment Losses Reversed	-	(24 753 987)
Amounts Written-off as uncollectable	(248 188)	(248 187)

Balance at end of year	152 620 912	71 289 793
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4.3.1 Allocation for Cash Flow

Allowance for Impairment at Beginning of Year	71 289 793	67 624 545
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Movement in Non-cash Transactions:-

Impairment Recognised	81 579 307	28 667 422
Impairment Reversed	-	(24 753 987)

Total Non-exchange Transactions Impairment allocated to Non-cash Transactions	81 579 307	3 913 435
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Movement in Property Rates:-

Amounts Written-off	(248 187)	(248 187)
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Total Receivables from Non-exchange Transactions Impairment allocated to Property Rates	(248 187)	(248 187)
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Movement in Other Receipts:-

Amounts Written-off	(1)	-
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Total Receivables from Non-exchange Transactions Impairment allocated to Other Receipts	(1)	-
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Allowance for Impairment at End of Year	152 620 912	71 289 793
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KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The Allowance for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Allowance for Impairment was calculated after assessing each individual receivable for Property rates, and calculating the recoverability ratio based on the specific collection rate, a grouping of the rest of the financial assets of similar nature and risk ratings and assessing the recoverability.

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.

5. CASH AND CASH EQUIVALENTS

Current Investments	83 334 266	9 802 828
Bank Accounts	21 600 332	18 047 311
Cash on Hand	421	421
Total Bank, Cash and Cash Equivalents	104 935 019	27 850 560

5.1 Allocation for Cash Flow:

Increase / (Decrease) in Cash Equivalents:-

Cash and Cash Equivalents - Opening Balance	27 850 559	53 394 447
Cash and Cash Equivalents - Closing Balance	(104 935 019)	(27 850 559)
Total Cash and Cash Equivalents allocated to Increase / (Decrease) in Cash Equivalents	(77 084 460)	25 543 888
Total Cash and Cash Equivalents allocated to Cash Flow	(77 084 460)	25 543 888

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

5.2 Current Investment Deposits

Call Deposits	83 334 266	9 802 828
Total Current Investment Deposits	83 334 266	9 802 828

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 6.00 % to 8.00% (2022: 3.00 % to 8.00 %) per annum.

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

5.3 Bank Accounts

Cash in Bank	21 600 332	18 047 311
Total Bank Accounts	21 600 332	18 047 311

The Municipality has the following operational bank accounts:

Primary Bank Account

Cash book balance at beginning of year	18 047 311	12 904 130
Cash book balance at end of year	<u>21 600 332</u>	<u>18 047 311</u>

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

Bank statement balance at beginning of year	4 850 118	7 082 227
Bank statement balance at end of year	<u>15 413 743</u>	<u>4 850 118</u>

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

Bank statement balance at beginning of year	13 197 193	5 795 584
Bank statement balance at end of year	<u>3 874 471</u>	<u>13 197 193</u>

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

Bank statement balance at beginning of year	-	26 319
Bank statement balance at end of year	<u>780</u>	<u>-</u>

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

5.4 Cash and Cash Equivalents

Cash Floats and Advances	421	421
Total Cash on hand in Cash Floats, Advances and Equivalents	421	421

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

6. PROPERTY, PLANT AND EQUIPMENT

30 June 2023

Reconciliation of Carrying Value

Description	Land	Buildings	Infrastructure	Landfill Sites	Community	Other	Transport Assets	Leased Assets	Work in Progress	Total
	R	R	R	R	R	R	R	R	R	R
Carrying values at 01 July 2022	215 558 377	46 583 835	1 529 025 119	26 160 062	35 876 047	18 116 649	59 158 675	660 766	135 015 686	2 066 155 216
Cost	215 558 377	50 938 775	2 327 245 293	77 204 173	44 541 785	53 632 587	95 329 866	2 039 160	135 015 686	3 001 505 702
- Completed Assets	215 558 377	50 938 775	2 327 245 293	77 204 173	44 541 785	53 632 587	95 329 866	2 039 160	-	2 866 490 016
- Under Construction	-	-	-	-	-	-	-	-	135 015 686	135 015 686
Accumulated Impairment Losses	-	(879 000)	(2 576 527)	-	(8 037 000)	(391 915)	(36 480)	-	-	(11 920 922)
Accumulated Depreciation	-	(3 475 940)	(795 643 647)	(51 044 111)	(628 738)	(35 124 023)	(36 134 711)	(1 378 394)	-	(923 429 564)
Acquisition of Assets										
- Cost	-	-	324 660	-	-	5 299 985	16 911 772	-	-	22 536 417
- Capital Under Construction	-	-	-	-	-	-	-	-	91 429 347	91 429 347
Decommissioning and other Liabilities	(4 221 595)	-	-	4 300 382	-	-	-	-	-	78 787
Depreciation	-	(600 926)	(80 656 139)	(5 235 495)	(609 704)	(4 782 994)	(8 874 539)	(203 379)	-	(100 963 176)
Carrying value of Disposals:	-	-	(1 187 229)	-	-	(124 493)	(4 367)	(3 491)	-	(1 319 580)
- Cost	-	-	(2 960 585)	-	-	(4 064 151)	(108 700)	(98 715)	-	(7 232 151)
- Accumulated Impairment Losses	-	-	-	-	-	391 047	-	-	-	391 047
- Accumulated Depreciation	-	-	1 773 356	-	-	3 548 611	104 333	95 224	-	5 521 524
Impairment (losses)/reversals	-	(1 291 942)	(20 224 906)	-	(612 032)	(1 055 649)	-	-	-	(23 184 529)
Capital under Construction - Completed	-	-	-	-	-	-	-	-	-144 275 375.00	(144 275 375)
Transfer to Cost - Completed	-	925 945	134 633 584	-	7 659 196	-	-	-	-	143 218 725
Carrying values at 30 June 2023	211 336 782	45 616 912	1 561 915 089	25 224 949	42 313 507	17 453 498	67 191 541	453 896	82 169 658	2 053 675 832
Cost	211 336 782	51 864 720	2 459 242 952	81 504 555	52 200 981	54 868 421	112 132 938	1 940 445	82 169 658	3 107 261 452
- Completed Assets	211 336 782	51 864 720	2 459 242 952	81 504 555	52 200 981	54 868 421	112 132 938	1 940 445	-	3 025 091 794
- Under Construction	-	-	-	-	-	-	-	-	82 169 658	82 169 658
Accumulated Impairment Losses	-	(2 170 942)	(22 801 433)	-	(8 649 032)	(1 056 517)	(36 480)	-	-	(34 714 404)
Accumulated Depreciation	-	(4 076 866)	(874 526 430)	(56 279 606)	(1 238 442)	(36 358 406)	(44 904 917)	(1 486 549)	-	(1 018 871 216)

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note

The council resolution dated 30 May 2023 indicated that residential erven (41) with a carrying value of R 12 201 000 to be disposed off through a tender process

The tender process will be completed within the next two financial years.

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

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
Carrying values at 01 July 2021	238 306 377	46 800 128	1 589 425 177	13 793 293	33 060 139	17 297 020	25 578 517	921 673	76 808 015	2 041 990 339
Cost	238 306 377	50 571 346	2 312 315 085	59 176 217	34 876 061	50 546 716	57 225 835	2 039 160	76 808 015	2 881 864 812
- Completed Assets	238 306 377	50 571 346	2 312 315 085	59 176 217	34 876 061	50 546 716	57 225 835	2 039 160	-	2 805 056 797
- Under Construction	-	-	-	-	-	-	-	-	76 808 015	76 808 015
Accumulated Impairment Losses	-	(879 000)	(68 413)	-	(1 587 000)	(503 144)	(36 480)	-	-	(3 074 037)
Accumulated Depreciation	-	(2 892 218)	(722 821 495)	(45 382 924)	(228 922)	(32 746 552)	(31 610 838)	(1 117 487)	-	(836 800 436)
Acquisition of Assets										
- Cost	-	-	-	254 799	(254 800)	5 700 400	38 219 007	-	-	43 919 406
- Capital Under Construction	-	-	-	-	-	-	-	-	84 065 354	84 065 354
Decommissioning and other Liabilities	-	-	-	17 773 157	-	-	-	-	-	17 773 157
Depreciation	-	(583 722)	(72 822 152)	(5 661 187)	(399 816)	(4 277 273)	(4 631 068)	(260 907)	-	(88 636 125)
Carrying value of Disposals:	(22 748 000)	(472 500)	-	-	-	(603 498)	(7 781)	-	-	(23 831 779)
- Cost	(22 748 000)	(472 500)	-	-	-	(2 614 529)	(114 976)	-	-	(25 950 005)
- Accumulated Impairment Losses	-	-	-	-	-	111 229	-	-	-	111 229
- Accumulated Depreciation	-	-	-	-	-	1 899 802	107 195	-	-	2 006 997
Impairment (losses)/reversals	-	-	(2 508 114)	-	(6 450 000)	-	-	-	-	(8 958 114)
Capital under Construction - Completed	-	-	-	-	-	-	-	-	(25 857 683)	(25 857 683)
Transfer to Cost - Completed	-	839 929	14 930 208	-	9 920 524	-	-	-	-	25 690 661
Carrying values at 30 June 2022	215 558 377	46 583 835	1 529 025 119	26 160 062	35 876 047	18 116 649	59 158 675	660 766	135 015 686	2 066 155 216
Cost	215 558 377	50 938 775	2 327 245 293	77 204 173	44 541 785	53 632 587	95 329 866	2 039 160	135 015 686	3 001 505 702
- Completed Assets	215 558 377	50 938 775	2 327 245 293	77 204 173	44 541 785	53 632 587	95 329 866	2 039 160	-	2 866 490 016
- Under Construction	-	-	-	-	-	-	-	-	135 015 686	135 015 686
Accumulated Impairment Losses	-	(879 000)	(2 576 527)	-	(8 037 000)	(391 915)	(36 480)	-	-	(11 920 922)
Accumulated Depreciation	-	(3 475 940)	(795 643 647)	(51 044 111)	(628 738)	(35 124 023)	(36 134 711)	(1 378 394)	-	(923 429 564)

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 R	2022 R
6. PROPERTY, PLANT AND EQUIPMENT (Continued)		
6.1 Allocation for Cash Flow		
Property, Plant and Equipment at Beginning of Year	2 066 155 213	2 041 990 337
Property, Plant and Equipment	1 931 139 527	1 965 182 323
Construction Work-in-Progress	135 015 686	76 808 014
Movement in Non-cash Transactions:-		
Depreciation for the Year	(100 963 178)	(88 636 125)
Impairment for the Year	(23 184 529)	(8 958 114)
Decommissioning, Restoration and Other Liabilities	78 787	17 773 157
Donated Assets	-	-
Revaluation	-	-
Total Property, Plant and Equipment allocated to Non-cash Transactions	<u>(124 068 920)</u>	<u>(79 821 082)</u>
Purchase of Property, Plant and Equipment:-		
Acquisition of Property, Plant and Equipment	22 536 417	44 432 885
Acquisitions	22 536 417	43 919 405
Correction of Error	-	-
Decommissioning, Restoration and Other Liabilities	-	513 480
Acquisition of Construction Work-in-Progress	91 429 347	84 065 354
Total Property, Plant and Equipment allocated to Purchase of Property, Plant and Equipment	<u>113 965 764</u>	<u>128 498 239</u>
Disposal of Property, Plant and Equipment:-		
Carrying Value of Disposals	(1 319 580)	(23 831 780)
Total Property, Plant and Equipment allocated to Proceeds on Disposal of Property, Plant and Equipment	<u>(1 319 580)</u>	<u>(23 831 780)</u>
Transfer of Property, Plant and Equipment:-		
Work in Progress Completed: Transferred In	143 218 724	25 690 661
Work in Progress Completed: Transferred Out	-	-
Total Property, Plant and Equipment allocated to Suppliers Paid	<u>(1 056 651)</u>	<u>(167 022)</u>
Property, Plant and Equipment at End of Year	<u>2 053 675 826</u>	<u>2 066 668 692</u>
Proceeds on Disposal of Property, Plant and Equipment:-		
Disposals as per Reconciliation of Property, Plant and Equipme Note 6.1	1 319 580	23 831 780
Gains / Losses on Disposal of Property, Plant and Equipment Note 38.	(1 313 865)	(10 274 662)
Total Proceeds on Disposal of Property, Plant and Equipment allocated to Cash Flow	<u>5 715</u>	<u>13 557 118</u>

6.2 Assets pledged as security

No assets have been pledged as security.

6.3 Property, Plant and Equipment rented out

For certain Property Plant and Equipment a portion is being rented out. Due to the insignificance of this portion relative to the whole, judgement has been made that this does not fit the recognition criteria as Investment Property.

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

6.4 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R23 184 529 (2022: R8 958 114) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 30..

The main reasons for the impairment are vandalism of Municipal assets and the components being obsolete. This was impaired to the extent of the components usefulness.

Buildings	1 291 942	-
Community Assets	612 032	6 450 000
Infrastructure	20 224 906	2 508 114
Other Assets	1 055 649	-
Total Impairment of Property, Plant and Equipment	23 184 529	8 958 114

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
30 June 2023		
Other Assets	124 493	(124 493)
Transport Assets	4 367	(4 367)
Totals for Lost Property, Plant and Equipment	128 860	(128 860)
	Carrying Value of Lost Assets R	Surplus / Deficit on Compensation R
30 June 2022		
Buildings	472 500	(472 500)
Other Assets	603 498	(603 498)
Transport Assets	7 781	(7 781)
Totals for Lost Property, Plant and Equipment	1 083 779	(1 083 779)

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 R	2022 R
6.7 Expenditure incurred for Repairs and Maintenance		
The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:		
Electrical Infrastructure	8 177 746	5 906 174
- Contracted Services	2 998 657	1 102 395
- Inventory Consumed	4 931 469	4 729 428
- Other Operational Costs	247 620	74 351
Information and Communication Infrastructure	-	164 163
- Contracted Services	-	164 163
- Other Operational Costs	-	-
Rail Infrastructure	-	695 607
- Contracted Services	-	695 607
Roads Infrastructure	12 860 522	11 131 682
- Contracted Services	10 657 062	9 850 312
- Inventory Consumed	2 203 460	1 281 370
Sanitation Infrastructure	4 558 732	2 518 419
- Contracted Services	2 914 405	1 450 152
- Inventory Consumed	1 158 161	843 071
- Other Operational Costs	486 166	225 196
Storm Water Infrastructure	876 028	1 115 443
- Contracted Services	382 089	137 228
- Inventory Consumed	493 939	544 264
- Other Operational Costs	-	433 951
Water Supply Infrastructure	5 193 280	9 189 071
- Contracted Services	1 149 288	943 773
- Inventory Consumed	2 835 917	3 085 412
- Other Operational Costs	1 208 075	5 159 886
Community Assets	3 227 864	3 139 741
- Contracted Services	2 280 568	2 501 807
- Inventory Consumed	947 296	637 934
Machinery and Equipment	593 850	665 913
- Contracted Services	318 470	537 176
- Inventory Consumed	275 380	128 737
Other Assets - Buildings	3 712 478	3 063 141
- Contracted Services	3 351 450	2 653 232
- Inventory Consumed	359 038	409 909
- Other Operational Costs	1 990	-
Transport Assets	8 471 963	9 161 435
- Contracted Services	6 869 150	7 638 441
- Inventory Consumed	1 602 813	1 476 204
- Other Operational Costs	-	46 790
Total Expenditure related to Repairs and Maintenance Projects	47 672 463	46 750 789

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

7. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	602 549	869 781
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The movement in Intangible Assets is reconciled as follows:

Software Purchased:

Carrying values at 01 July	869 781	1 294 964
Cost	2 153 379	2 153 379
Accumulated Amortisation	(1 283 598)	(858 415)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(267 232)	(425 183)
Purchased	(267 232)	(425 183)
Disposals:	-	-
Carrying values at 30 June	602 549	869 781
Cost	2 153 379	2 153 379
Accumulated Amortisation	(1 550 830)	(1 283 598)

7.1 Allocation for Cash Flow

Intangible Assets at Beginning of Year	869 781	1 294 964
Movement in Non-cash Transactions:-		
Amortisation for the Year	(265 675)	(425 184)
Total Intangible Assets allocated to Non-cash Transactions	(265 675)	(425 184)
Purchase of Intangible Assets:-		
Acquisition of Intangible Assets	-	-
Total Intangible Assets allocated to Purchase of Intangible Assets	-	-
Disposal of Intangible Assets:-		
Carrying Value of Disposals	(1 557)	-
Total Intangible Assets allocated to Proceeds on Disposal of Intangible Assets	(1 557)	-
Transfer of Intangible Assets:-		
Carrying Value of Transfers	34 801	-
Total Intangible Assets allocated to Suppliers Paid	34 801	-
Intangible Assets at End of Year	637 350	869 780

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 29.).

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.

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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.

8. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation	262 608 444	262 608 444
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	262 608 444	262 645 444
Cost	262 608 444	262 645 444
Acquisitions during the Year	-	-
Cost	-	-
Carrying values at 30 June	262 608 444	262 608 444
Cost	262 608 444	262 608 444

8.1 Allocation for Cash Flow

Investment Property at Beginning of Year	262 608 444	262 645 444
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Movement in Non-cash Transactions:-

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

Acquisition of Investment Property	-	-
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Total Investment Property allocated to Purchase of Investment Property	-	-
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Investment Property at End of Year	262 608 444	262 608 444
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Gains / (Losses) in Fair Value of Investment Property:-

Fair Value Adjustments	-	-
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Total Investment Property allocated to Gains or Losses	-	-
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Proceeds on Disposal of Investment Property:-

Disposals as per Reconciliation of Investment Property	Note 8.1	-	37 000
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Gains / Losses on Disposal of Investment Property	Note 38.	-	-
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Total Proceeds on Disposal of Investment Property allocated to Cash Flow	-	37 000
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Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	2 026 351	2 263 717
Direct Operating Expenses - incurred which did not generate rental revenue	118 352	-

Investment Property had been pledged as security for any liabilities of the municipality as indicated below:

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 2023

	2023 R	2022 R
9. LEASE RECEIVABLES		
Current Lease Receivables	109 349	152 713
Non-current Lease Receivables	-	-
Total Lease Receivables	109 349	152 713
9.1 Operating Lease Receivables		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	152 713	107 590
Operating Lease Revenue effected	(43 364)	45 123
Total Operating Lease Receivables	109 349	152 713
9.1.1 Allocation for Cash Flow		
Other Receipts:-		
Operating Lease Receivables - Opening Balance	152 713	107 590
Operating Lease Receivables - Closing Balance	(109 349)	(152 713)
Total Operating Lease Receivables allocated to Other Receipts	43 364	(45 123)
Total Operating Lease Receivables allocated to Cash Flow	43 364	(45 123)
9.1.2 Leasing Arrangements		
The Municipality as Lessor:		
Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 99 years, with an option to extend.		
All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.		
9.1.3 Amounts receivable under Operating Leases		
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:		
Up to 1 year	385 711	360 075
2 to 5 years	793 966	1 311 975
Total Operating Lease Arrangements	1 696 824	1 672 050

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R43 364 (2022: decrease of R-45 123) in current year income.

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	R	R
10. CONSUMER DEPOSITS		
Electricity	14 301 679	12 906 149
Water	2 987 483	2 219 214
Other Deposits:-	11 770 910	8 547 562
- Land Sales	11 569 970	8 371 633
- Rental Properties	104 940	79 929
- Wayleave	96 000	96 000
Total Consumer Deposits	29 060 072	23 672 925
10.1 Allocation for Cash Flow		
Service Charges:-		
Consumer Deposits: Trading Services - Opening Balance	(15 125 363)	(13 905 923)
Electricity	(12 906 149)	(11 881 426)
Water	(2 219 214)	(2 024 497)
Consumer Deposits: Trading Services - Closing Balance	17 289 162	15 125 363
Electricity	14 301 679	12 906 149
Water	2 987 483	2 219 214
Total Consumer Deposits allocated to Service Charges	2 163 799	1 219 440
Other Receipts:-		
Consumer Deposits: Other Services - Opening Balance	(8 547 562)	(6 868 333)
Consumer Deposits: Other Services - Closing Balance	11 770 911	8 547 563
Total Consumer Deposits allocated to Other Receipts	3 223 349	1 679 230
Total Consumer Deposits allocated to Cash Flow	5 387 148	2 898 670
Consumer Deposits - Electricity and Water		
Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.		
No interest is paid on Consumer Deposits held.		
11. PAYABLES FROM EXCHANGE TRANSACTIONS		
Other Payables	28 811 223	12 871 829
Retentions	7 067 757	3 382 568
Salary Related Payables	1 143 348	1 059 452
Trade Creditors	59 159 892	64 404 854
Advance Payments	30 037 103	23 860 485
Total Payables from Exchange Transactions	126 219 323	105 579 188

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

11.1 Allocation for Cash Flow

Service Charges:-

Advance Payments	6 176 618	6 059 786
Control, Clearing and Interface Accounts: Prepaid Electricity	828 969	1 071 949
Total Payables from Exchange Transactions allocated to Service Charges	7 005 587	7 131 735

Other Receipts:-

Control, Clearing and Interface Accounts: Licensing and Registration	520 578	48 466
Unallocated Deposits	10 576 396	1 266 182
Total Payables from Exchange Transactions allocated to Other Receipts	11 096 974	1 314 648

Employee Related Costs:-

Control, Clearing and Interface Accounts: Salary Clearing and Control	(4 363)	-
Long Service Award	139 049	143 768
PAYE Deductions	(55 153)	81 593
Total Payables from Exchange Transactions allocated to Employee Related Costs	79 533	225 361

Suppliers Paid:-

Auditor-General of South Africa	(64 534)	6 772
Bulk Water	20 252	(947 686)
Control, Clearing and Interface Accounts: Goods Received / Invoices Received	4 056 693	-
Electricity Bulk Purchase	1 327 769	5 024 165
Payables and Accruals	(6 528 449)	5 504 266
Retentions	3 685 189	(315 279)
Total Payables from Exchange Transactions allocated to Suppliers Paid	2 496 920	9 272 238

Other Payments:-

Control, Clearing and Interface Accounts: Cash and Bank	(38 878)	(6 201)
Total Payables from Exchange Transactions allocated to Other Payments	(38 878)	(6 201)

Total Payables from Exchange Transactions allocated to Cash Flow

	20 640 136	17 937 781
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KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

National Government	5 894 953	-
Provincial Government	23 098 880	-
Total Unspent Conditional Grants and Receipts	28 993 833	-

12.1 Allocation for Cash Flow

Transfers and Subsidies:-

Unspent Conditional Grants and Receipts - Opening Balance	-	(6 198 656)
Unspent Conditional Grants and Receipts - Closing Balance	28 993 833	-

Total Unspent Conditional Grants and Receipts allocated to Transfers and Subsidies	28 993 833	(6 198 656)
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Total Unspent Conditional Grants and Receipts allocated to Cash Flow	28 993 833	(6 198 656)
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The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 20 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.

13. LEASE PAYABLES

Current Lease Payables	11 342 009	10 508 192
Non-current Lease Payables	24 202 066	21 944 356

Total Lease Payables	35 544 075	32 452 548
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13.1 Finance Lease Payables

Finance Lease Liability	35 544 075	32 452 548
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Total Non-current Lease Payables	35 544 075	32 452 548
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Less: Current Portion transferred to Current Lease Payables:-	(11 342 009)	(10 508 192)
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Non-Current Portion of Finance Lease Payables	24 202 066	21 944 356
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13.1.1 Allocation for Cash Flow

13.1.1.1 Current Portion:-

Movement in Current Portion of Finance Lease Payables:-

Opening Balance	(10 508 192)	(618 501)
Closing Balance	11 342 009	10 508 192

Total Movement in Current Portion of Finance Lease Payables	833 817	9 889 691
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Adjustment for Non-cash Transactions:	422 045	696 860
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- Transfer from Non-current Finance Lease Payables	422 045	696 860
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- Other Non-cash Transactions	-	-
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Total Current Portion allocated to Repayment of Borrowings	1 255 862	10 586 551
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KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

13.1.1.2 Non-current Portion:-

Movement in Non-current Finance Lease Payables:-

Non-current Finance Lease Payables - Opening Balance	(21 944 356)	-
Non-current Finance Lease Payables - Closing Balance	24 202 066	21 944 356
Total Movement in Non-current Finance Lease Payables	2 257 710	21 944 356
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	1 835 665	21 247 496
Total Long-term Liabilities allocated to Cash Flow	3 091 527	31 834 047

13.1.2 Summary of Arrangements

The Municipality as Lessee:

Finance Leases relate to vehicles with lease terms not more than 3 years (2022: 3 years). The effective interest rate on Finance Leases is between 1% and 19% (2022: 1% and 19%).

The municipality has options to purchase the vehicles 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	
	2023 R	2022 R	2023 R	2022 R
Amounts payable under borrowings:				
Within one year	14 736 609	14 167 024	12 168 693	11 599 108
In the second to fifth years, inclusive	25 403 817	18 285 524	23 375 382	20 853 440
Over five years	-	-	-	-
	40 140 426	32 452 548	35 544 074	32 452 548
Less: Future Finance Obligations	4 596 351	7 164 268		
Present Value of Minimum Lease Obligations	35 544 074	25 288 281	35 544 074	32 452 548
Less: Amounts due for settlement within 12 months (Current Portion)			(12 168 693)	(11 599 108)
Borrowings due for settlement after 12 months (Non-current Portion)			23 375 382	20 853 440

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

- Vehicles

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Included in these classes are the following significant leases:

(i) Various Vehicles, New Plant and Office Equipment	R 35 544 074	R 32 452 548
- Instalments are payable monthly in arrears		
- Average period outstanding	24 months	32 months
- Average effective interest rate, based on prime	13,5%	19.00%
- Average monthly instalment	R 1 481 003	R 1 014 142

14. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities	115 193 656	112 939 960
Post-retirement Health Care Benefits Liability	95 726 999	92 123 834
Post-retirement Pension Benefits Liability	50 080	52 695
Long Service Awards Liability	17 286 000	18 958 334
Performance Bonus	2 130 577	1 805 097
Less: Current Portion of Employee Benefit Liabilities	8 555 397	7 443 566
Post-retirement Health Care Benefits Liability	3 736 000	3 253 911
Post-retirement Pension Benefits Liability	8 820	9 414
Long Service Awards Liability	2 680 000	2 375 144
Performance Bonus	2 130 577	1 805 097
Non-Current Portion of Employee Benefit Liabilities	106 638 259	105 496 394

14.1 Allocation for Cash Flow

14.1.1 Current Portion

Provisions at Beginning of Year	7 443 566	7 872 752
Movement in Non-cash Transactions:-		
Defined Benefit Obligations	-	3 253 911
Post Retirement Pension	(594)	(11 835)
Long Service Awards Liability	304 856	402 144
Performance Bonus	325 480	(929 406)
Total Provisions allocated to Non-cash Transactions	629 742	2 714 814
Movement in Employee Related Costs:-		
Actual Benefit Payments	(3 144 000)	(3 144 000)
Reductions (Outflow of Economic Benefits)	-	-
Total Provisions allocated to Employee Related Costs	(3 144 000)	(3 144 000)
Provisions at End of Year	4 929 308	7 443 566

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

14.1.2 Non-current Portion

Employee Benefit Liabilities at Beginning of Year	105 496 394	101 796 699
 Movement in Non-cash Transactions:-		
Long-service Awards	1 002 783	3 194 000
Post Retirement Health Care	6 857 076	5 631 870
Post Retirement Pension	6 799	(56 654)
 Total Employee Benefit Liabilities allocated to Non-cash Transactions	<u>7 866 658</u>	<u>8 769 216</u>
 Movement in Employee Related Costs:-		
Long-service Awards: Reductions (Outflow of Economic Benefits)	(2 979 973)	(1 794 810)
Post Retirement Health Care: Actual Employer Benefit Payments	-	(3 274 711)
Post Retirement Pension Payment	-	-
 Total Employee Benefit Liabilities allocated to Employee Related Costs	<u>(2 979 973)</u>	<u>(5 069 521)</u>
 Employee Benefit Liabilities at End of Year	<u>110 383 079</u>	<u>105 496 394</u>

14.2 Current Portion of Employee Benefit Liabilities

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

	Performance Bonus R	Medical Aid R	Pension Fund R	Long-term Service R
30 June 2023				
Opening Balance	1 805 097	3 736 000	8 820	2 375 144
Current service cost	325 481	-	-	2 680 000
Actual employer benefit payments	-	-	-	-
Reversals	-	-	-	(2 375 144)
 Balance at end of year	<u>2 130 578</u>	<u>3 736 000</u>	<u>8 820</u>	<u>2 680 000</u>
	Performance Bonus R	Medical Aid R	Pension Fund R	Long-term Service R
30 June 2022				
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)
 Balance at end of year	<u>1 805 097</u>	<u>3 253 911</u>	<u>9 414</u>	<u>2 375 144</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 2023

14.3 Post-retirement Health Care Benefits Liability

Opening Balance	88 869 923	89 626 999
Interest Cost	11 583 601	9 038 000
Current Service Cost	3 811 110	6 757 911
Actual Employer Benefit Payments	-	(6 397 911)
Actuarial Loss/ (Gain) recognised in the year	(8 537 635)	(6 901 165)
Balance at end of Year	95 726 999	92 123 834
Transfer to Current Provisions	3 736 000	3 253 911
Total Post-retirement Health Care Benefits Liability	91 990 999	88 869 923

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 2023 by Arch Actuarial Consulting. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

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

In-service Members (Employees)	429	424
In-service Non-members (Employees)	343	-
Continuation Members (Retirees, widowers and orphans)	81	78
Total Members	853	502

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

In-service Members	51 875 999	51 568 834
Continuation Members	43 851 000	40 555 000
Total Liability	95 726 999	92 123 834

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 2023 is estimated to be R3 811 110, whereas the cost for the ensuing year is estimated to be R3 736 000 (30 June 2022: R3 504 000 and R3 811 110 respectively)."

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

Discount Rate	12.48%	12.80%
Health Care Cost Inflation Rate	8.09%	9.31%
Net Effective Discount Rate	4.06%	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 2023

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

Opening Balance	92 123 834	89 626 999
Interest Cost	11 583 601	9 038 000
Current Service Cost	3 811 110	3 504 000
Benefits Paid	(3 253 910)	(3 144 000)
Actuarial Losses / (Gains)	(8 537 635)	(6 901 165)
Total Recognised Benefit Liability	95 727 000	92 123 834

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

Present Value of Fund Obligations	95 727 000	92 123 834
Total Benefit Liability	95 727 000	92 123 834

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

Current service cost	3 811 110	6 757 911
Interest cost	11 583 601	9 038 000
Actuarial losses / (gains)	(8 537 635)	(6 901 165)
Total Post-retirement Benefit included in Employee Related Costs (Note 27.)	6 857 076	8 894 746

The history of fair values are as follows:

	2023 R	2022 R	2021 R	2020 R	2019 R
Present Value of Defined Benefit Obligation	95 727 000	92 123 834	89 626 999	83 222 393	86 379 999
Deficit	95 727 000	92 123 834	89 626 999	83 222 393	86 379 999
Experienced adjustments on Plan Liabilities	(9 109 000)	(9 109 000)	(1 919 000)	2 356 040	41 820

	2023 R	2022 R
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The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	18 027 552	18 027 552
Effect on the defined benefit obligation	110 146 000	106 203 313

Decrease:

Effect on the aggregate of the current service cost and the interest cost	13 254 634	13 254 634
Effect on the defined benefit obligation	83 894 000	80 533 893

The municipality expects to make a contribution of R3,736,000 (2022: R3,253,000) to the Defined Benefit Plans during the next financial year.

Refer to Note 46., "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 2023

14.4 Post-retirement Pension Benefits Liability

Opening Balance	43 281	130 149
Interest Cost	4 425	8 800
Current Service Cost	-	-
Actual Employer Benefit Payments	-	(20 800)
Actuarial Loss/ (Gain) recognised in the year	2 374	(65 454)
 Balance at end of Year	 50 080	 52 695
 Transfer to Current Provisions	 8 820	 9 414
 Total Post-retirement Pension Benefits Liability	 41 260	 43 281

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 2023 by Arch Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

Discount Rate	10.03%	9.26%
Health Care Cost Inflation Rate	0.00%	0.00%
Net Effective Discount Rate	10.03%	9.26%
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	43 282	157 862
Interest Cost	4 425	8 800
Current Service Cost	-	-
Actual Employer Benefit Payments	-	(20 800)
Actuarial Loss/ (Gain) recognised in the year	2 374	(102 580)
 Total Recognised Benefit Liability	 50 081	 43 282

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

Present value of fund obligations	50 081	43 282
 Total Benefit Liability	 50 081	 43 282

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

Interest cost	4 425	8 800
Actuarial losses / (gains)	(65 454)	(65 454)
 Total Post-retirement Benefit included in Employee Related Costs (Note)	 (61 029)	 (56 654)

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The history of experienced adjustments is as follows:

	2023 R	2022 R	2021 R	2020 R	2019 R
Obligation	41 260	43 281	157 862	179 207	715 000
Deficit	41 260	43 281	157 862	179 207	715 000
Experienced adjustments on Plan Liabilities	8 965	7 899	(1 189)	622 911	Unknown
				2023 R	2022 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	4 667
Effect on the defined benefit obligation	47 920	49 952

Decrease:

Effect on the aggregate of the current service cost and the interest cost	4 156	4 156
Effect on the defined benefit obligation	52 420	54 774

14.5 Long Service Awards Liability

Opening Balance	18 958 334	17 157 000
Current Service Cost and Interest Cost	6 362 783	5 569 144
Payments Made	(2 979 973)	(1 794 810)
Other Reductions	(2 680 000)	-
Actuarial Gain/(Loss)	(2 375 144)	(1 973 000)
Balance at end of Year	<u>17 286 000</u>	<u>18 958 334</u>
Transfer to Current Provisions	2 680 000	2 375 144
Total Long Service Awards Liability	<u>14 606 000</u>	<u>16 583 190</u>

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 2023 by Arch Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 772 (2022: 798) employees were eligible for Long-service Awards.

The Current-service Cost and Interest Cost for the year ending 30 June 2023 is estimated to be R6 362 783, whereas the cost for the ensuing year is estimated to be R (30 June 2023: R5 569 144 and R6 362 783 respectively).

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

Discount Rate	11.08%	10.02%
Cost Inflation Rate	6.47%	6.65%
Net Effective Discount Rate	4.33%	2.20%
Expected Rate of Salary Increase	7.65%	7.65%
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	18 958 334	17 157 000
Interest Cost	-	-
Current Service Cost	(2 375 144)	(1 973 000)
Actuarial Loss/ (Gain) recognised in the year	3 682 783	5 569 144
Benefits Paid	(2 979 973)	(1 794 810)
Total Recognised Benefit Liability	17 286 000	18 958 334

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

Present value of fund obligations	17 286 000	18 958 334
Total Benefit Liability	17 286 000	18 958 334

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

Current service cost	6 362 783	5 569 144
Interest cost	-	-
Total Post-retirement Benefit included in Employee Related Costs (Note 27.)	6 362 783	5 569 144

The history of experienced adjustments is as follows:

	2023 R	2022 R	2021 R	2020 R
Present Value of Defined Benefit Obligation	17 286 000	18 958 334	17 157 000	16 490 264
Deficit	17 286 000	18 958 334	17 157 000	16 490 264
Experienced adjustments on Plan Liabilities	(632 777)	-	179 135	-
			2023 R	2022 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	3 648 131
Effect on the defined benefit obligation	18 127 000	18 003 663

Decrease:

Effect on the aggregate of the current service cost and the interest cost	3 720 419	3 720 419
Effect on the defined benefit obligation	16 510 000	20 014 386

The municipality expects to make a contribution of R1,973,000 (2022: R6 362 783) 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 2023

15. PROVISIONS

Current Provisions	45 897 600	43 630 719
Non-current Provisions	110 109 638	106 420 092
Total Provisions	<u>156 007 238</u>	<u>150 050 811</u>

15.1 Current Provisions

Current Portion of Non-Current Provisions:	45 897 600	43 630 719
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	8 717 618	8 196 051
Environmental Cleanup	1 147 460	1 925 750
Leave	36 032 522	33 508 918
Total Provisions	<u>45 897 600</u>	<u>43 630 719</u>

15.1.1 Allocation for Cash Flow

Provisions at Beginning of Year	43 630 719	27 574 289
Movement in Non-cash Transactions:-		
Provisions	1 745 312	16 056 431
Total Provisions allocated to Non-cash Transactions	<u>1 745 312</u>	<u>16 056 431</u>
Provisions at End of Year	<u>45 376 031</u>	<u>43 630 720</u>

The movement in Current Provisions is reconciled as follows:

Current Portion of Non-Current Provisions:

Staff Benefit Provisions:

Leave Provision

Opening Balance	33 508 918	22 500 013
Increases / Decreases	2 523 602	11 008 906
Balance at end of year	<u>36 032 520</u>	<u>33 508 919</u>

Other Operational Provisions:

	Environmental Cleanup	Decommissioning of Landfill Sites
	R	R
30 June 2023		
Opening Balance	1 925 750	8 717 618
Other Reductions	778 290	-
Balance at end of year	<u>2 704 040</u>	<u>8 717 618</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

Environmental Clean-up Illegal dumping of builders and other rubble is taking 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.

15.2 Non-current Provisions

Decommissioning, Restoration and Similar Liabilities: Landfill Sites	110 109 638	106 420 092
Total Non-current Provisions	<u>110 109 638</u>	<u>106 420 092</u>

15.2.1 Allocation for Cash Flow

Non-current Provisions at Beginning of Year	106 420 092	89 160 416
Movement in Non-cash Transactions:-		
Decommissioning, Restoration and Similar Liabilities	4 211 112	17 259 677
Total Non-current Provisions allocated to Non-cash Transactions	<u>4 211 112</u>	<u>17 259 677</u>
Total Non-current Provisions allocated to Suppliers Paid	<u>-</u>	<u>-</u>
Non-current Provisions at End of Year	<u>110 631 204</u>	<u>106 420 093</u>

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

	Decommissioning of Landfill Sites
	R
30 June 2023	
Opening Balance	105 898 525
Finance Charges	4 211 113
Increases (Passage of Time/Discounted Rate)	-
Balance at end of year	110 109 638
	Decommissioning of Landfill Sites
	R
30 June 2022	
Opening Balance	89 160 416
Finance Charges	17 259 677
Other Reductions	-
Balance at end of year	106 420 093

15.3 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 2023 by Bonakude Consulting (Pty) (Ltd). The provision is the best estimate of the net present value of future rehabilitation costs of the land-fill sites to restore the sites at the end of their useful lives. The payment dates of the total closure and rehabilitation are uncertain, but are currently expected to be between 2023 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.

LANDFILL SITES - USEFUL LIFE	Humansdorp	Hankey	Oyster Bay	JBAY (Open)	St. Francis (Open)
	Landfill Site	Landfill Site	Transfer Station	Transfer Station	Transfer Station
Remaining Useful Life 30 June 2023	28	7	0	-	0

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The following Landfill sites have closed:

St Francis - Site

Patensie - Site

Papiesfontein - Site

	Humansdorp	Hankey	Oyster Bay	JBAY (Open)	St. Francis (Open)
Closing Provision as at 30 June 2021	52 663 658	9 445 758	600 113	600 113	600 113
Interest cost at 2019 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)
Closing Provision as at 30 June 2022	69 596 087	9 114 887	509 600	509 600	254 800
Interest cost at 2020 weighted average - unwinding of interest	3 653 794	478 532	-	-	-
Change in PV in the future cash flows due to change in the discount rate	12 747	907 785	81 364	81 364	26 041
Closing Provision as at 30 June 2023	73 262 627	10 501 204	590 964	590 964	280 841
	Paradise Beach (JBAY)	Papiesfontein (Closed)	St. Francis (Closed)	Paradise Beach (JBAY)	Patensie
Closing Provision as at 30 June 2021	-	15 326 415	12 669 858	600 113	278 550
Interest cost at 2019 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
Closing Provision as at 30 June 2022	254 800	16 092 821	14 110 374	-	4 173 174
Interest cost at 2020 weighted average - unwinding of interest	-	-	-	-	-
Change in PV in the future cash flows due to change in the discount rate	26 041	1 873 616	844 045	-	447 378
Closing Provision as at 30 June 2023	280 841	17 966 437	14 954 420	-	4 620 552

16. ACCUMULATED SURPLUS

Accumulated Surplus / (Deficit) due to the results of Operations	2 100 977 699	2 081 457 245
Total Accumulated Surplus	2 100 977 699	2 081 457 245

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 2023

		2023 R	2022 R
17. PROPERTY RATES			
		Actual Levies	
Property Rates Levies		259 514 398	224 326 475
Total Property Rates		259 514 398	224 326 475
17.1 Allocation for Cash Flow:			
Total Property Rates		259 514 398	224 326 476
Adjustment for Non-cash Transactions:-		-	-
Total Property Rates allocated to Cash Flow		259 514 398	224 326 476
17.2 Calculation of Cash Flow:			
Property Rates Income	Note 17.1	259 514 398	224 326 476
Non-exchange Interest Earned	Note 25.1	3 729 096	1 774 617
Cash Flow from Non-exchange Receivables	Note 5.1	(10 912 222)	(2 942 197)
Amounts Written-off as Uncollectable	Note 4.3.1	(248 187)	(248 187)
Total Receipts for Property Rates		252 083 085	222 910 709
<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>A 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, equitable share recipients and Pensioners earning R15 000 and less per month, receives an additional R85,000 rebate on property value.</p>			
18. FINES, PENALTIES AND FORFEITS			
Traffic Fines:		132 560 532	5 696 291
Municipal		7 284 632	5 696 291
Service Provider		125 275 900	-
Other Fines:		360 692	185 054
Building		339 756	185 036
Overdue Books Fine		936	18
Pound Fees		20 000	-
Total Fines, Penalties and Forfeits		132 921 224	5 881 345

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

18.1 Allocation for Cash Flow:

Total Fines, Penalties and Forfeits	132 921 223	5 881 345
Adjustment for Non-cash Transactions:-	-	-
Total Fines, Penalties and Forfeits allocated to Other Receipts	132 921 223	5 881 345

19. LICENCES AND PERMITS

Boat	6 570 297	6 164 580
Health Certificates	10 785	6 272
Road and Transport:	3 100 815	3 337 680
Activities on Public Roads	15 540	12 321
Drivers Licence Application/Duplicate Drivers Licences	886 299	1 050 814
Drivers Licence Certificate	1 609 632	1 373 103
Learner Licence Application	425 361	597 999
Learners Certificate	29 739	118 611
Motor Vehicle Licence	-	79 099
Operators and Public Drivers Permits	134 244	105 733
Trading	190 227	84 681
Total Licences and Permits	9 872 124	9 593 213

19.1 Allocation for Cash Flow:

Total Licences and Permits	9 872 123	9 593 214
Adjustment for Non-cash Transactions:-	-	-
Total Licences and Permits allocated to Other Receipts	9 872 123	9 593 214

20. TRANSFERS AND SUBSIDIES RECEIVED

Capital Grants	102 222 418	74 142 587
Monetary Allocations	102 222 418	74 142 587
Operational Grants	177 338 705	153 880 480
Monetary Allocations	177 338 705	153 880 480
Total Transfers and Subsidies Received	279 561 123	228 023 067

20.1 Allocation for Cash Flow:

Total Transfers and Subsidies Received	279 561 123	228 023 067
Adjustment for Non-cash Transactions:	-	-
Total Transfers and Subsidies Received allocated to Cash Flow	279 561 123	228 023 067

20.2 Calculation of Cash Flow:

Government Grants and Subsidies Income	Note 20.1	279 561 123	228 023 067
Cash Flow from Unspent Government Grants	Note 12.1	28 993 833	(6 198 656)
Total Receipts for Government Grants and Subsidies		308 554 956	221 824 411

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

20.3 Summary of Grants:

20.3.1 Capital Grants

	Monetary Allocations	
	2023	2022
District Municipalities	2 732 898	1 638 000
National Governments	93 640 966	58 005 265
Provincial Government	5 848 553	14 499 322
Total Capital Grants Received	<u>102 222 417</u>	<u>74 142 587</u>

20.3.2 Operational Grants

	Monetary Allocations	
	2023	2022
District Municipalities	3 028 720	2 888 420
Foreign Government and International Organisations	2 471 449	354 406
National Governments	4 704 679	4 813 650
National Revenue Fund	163 292 000	143 774 003
ABSA	50 000	-
Provincial Government	3 791 857	2 050 000
Total Operational Grants Received	<u>177 338 705</u>	<u>153 880 479</u>

20.4 Detailed Summaries

20.4.1 Equitable Share

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	163 292 000	143 774 000
Transferred to Revenue	<u>(163 292 000)</u>	<u>(143 774 000)</u>
Unspent Balance at the End of the Year	<u>-</u>	<u>-</u>

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

20.4.2 National: EPWP Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1 175 000	1 423 000
Conditions Met - Transferred to Revenue	<u>(1 175 000)</u>	<u>(1 423 000)</u>
Unspent Balance at the End of the Year	<u>-</u>	<u>-</u>

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

20.4.3 National: FMG Grant

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

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

20.4.4 National: MIG Funds

Unspent Balance at the Beginning of the Year	-	5 962 915
Current Year Receipts	35 891 000	33 413 000
Conditions Met - Transferred to Revenue	(35 891 000)	(39 375 915)
Unspent Balance at the End of the Year	-	-

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.

20.4.5 National: WSIG Funds

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	54 339 469	-
Conditions Met - Transferred to Revenue	(54 339 469)	-
Unspent Balance at the End of the Year	-	-

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

20.4.6 National: Municipal Disaster Relief Grant for drought

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	3 000 000	12 500 000
Transferred to Revenue	-	(12 500 000)
Unspent Balance at the End of the Year	3 000 000	-

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

20.4.7 Integrated National Electrification Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	8 100 000	7 800 000
Conditions Met - Transferred to Revenue	(5 205 047)	(7 800 000)
Unspent Balance at the End of the Year	2 894 953	-

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

20.4.8 Provincial: Department Human Settlement (Houses)

Balance unspent at the beginning of the year	-	-
Current year receipts	25 689 286	13 512 151
Funds spent on behalf of the Department of Human Settlement	(5 848 553)	(13 512 151)
Balance at the End of the Year	19 840 733	-

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.

20.4.9 Provincial: Department of Economic Development, Environment Affairs and Tourism

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	5 000 000	13 512 151
Conditions Met - Transferred to Revenue	(1 741 857)	(13 512 151)
Unspent Balance at the End of the Year	3 258 143	-

The purpose of the grant is for the implementation of the EPWP Cleansing Project - Kouga Working on Waste.

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

21. SERVICE CHARGES

Sale of Electricity	306 476 961	327 234 203
Sale of Water	117 399 856	83 125 109
Refuse Removal	61 945 031	54 525 598
Sewerage and Sanitation Charges	61 796 903	56 405 147

Total Services Charges	547 618 751	521 290 057
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21.1 Allocation for Cash Flow:

Total Service Charges	547 618 752	521 290 057
Adjustment for Non-cash Transactions:-	-	-

Total Service Charges allocated to Cash Flow	547 618 752	521 290 057
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21.2 Calculation of Cash Flow:

Service Charges Income	Note 21.1	547 618 752	521 290 057
Exchange Interest Earned	Note 25.1	20 845 129	12 103 821
Cash Flow from Exchange Receivables	Note 2.1	(90 746 990)	(55 144 622)
Cash Flow from Consumer Deposits	Note 10.1	2 163 799	1 219 440
Cash Flow from Exchange Payables	Note 11.1	7 005 587	7 131 735
Exchange Receivables: Amounts written-off as uncollectable	Note 2.3.1	(4 835 758)	(4 835 757)
Bad Debt Written-off	Note 30.1	2 375 144	-

Total Receipts for Service Charges	484 425 663	481 764 674
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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.

22. SALES OF GOODS AND RENDERING OF SERVICES

Application Fees for Land Usage	328 203	300 062
Building Plan Approval	4 777 237	5 214 545
Camping Fees	13 082	55 781
Cemetery and Burial	372 034	416 510
Cleaning and Removal	14 817	283 115
Development Charges	-	20 251
Encroachment Fees	166	8 591
Fire Services	14 855	16 182
Photocopies and Faxes	8 504	44 958
Legal Fees	1 935 325	2 471 687
Removal of Restrictions	534 283	166 331
Sale of Goods	1 006 522	145 736
Scrap, Waste & Other Goods	926	313
Valuation Services	182 834	458 647

Total Sales of Goods and Rendering of Services	9 188 788	9 602 709
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22.1 Allocation for Cash Flow:

Total Sales of Goods and Rendering of Services	9 188 788	9 602 709
Adjustment for Non-cash Transactions:-	-	-

Total Sales of Goods and Rendering of Services allocated to Other Receipts	9 188 788	9 602 709
---	------------------	------------------

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

23. INCOME FROM AGENCY SERVICES

Commission on Vehicle Registration	2 677 528	2 559 892
Total Income from Agency Services	2 677 528	2 559 892

23.1 Allocation for Cash Flow:

Total Income from Agency Services	2 677 528	2 559 892
Adjustment for Non-cash Transactions:-	-	-
Total Income from Agency Services allocated to Other Receipts	2 677 528	2 559 892

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	(2 677 528)	(2 559 892)
Revenue due to the Principal	8 670 039	8 005 398

24. RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue

Investment Property	2 026 351	2 263 717
Other Fixed Assets:	543 772	830 342
Property Plant and Equipment	543 772	830 342

Total Rental of Facilities and Equipment	2 570 123	3 094 059
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24.1 Allocation for Cash Flow:

Total Rental of Facilities and Equipment	2 570 123	3 094 059
Adjustment for Non-cash Transactions:-	-	-
Total Rental of Facilities and Equipment allocated to Other Receipts	2 570 123	3 094 059

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 2023

25. INTEREST, DIVIDENDS AND RENT ON LAND EARNED

Non-exchange Receivables:

Outstanding Billing Debtors	3 729 096	1 774 617
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Total Non-exchange Interest, Dividends and Rent on Land Earned	<u>3 729 096</u>	<u>1 774 617</u>
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External Investments:

Bank Account	2 909 170	1 043 183
Investments	3 915 092	2 181 361

	<u>6 824 262</u>	<u>3 224 544</u>
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Outstanding Exchange Receivables:

Outstanding Billing Debtors	20 845 129	12 103 821
Electricity	1 750 339	1 150 533
Service Charges	329 316	252 484
Waste Management	6 260 551	3 737 054
Waste Water Management	3 359 119	2 229 667
Water	9 145 804	4 734 083

	<u>20 845 129</u>	<u>12 103 821</u>
--	--------------------------	--------------------------

Total Exchange Interest, Dividends and Rent on Land Earned	<u>27 669 391</u>	<u>15 328 365</u>
---	--------------------------	--------------------------

Total Interest, Dividends and Rent on Land Earned	<u>31 398 487</u>	<u>17 102 982</u>
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25.1 Allocation for Cash Flow:

Property Rates:-

Interest on Outstanding Non-exchange Receivables	3 729 096	1 774 617
--	-----------	-----------

Total Interest, Dividends and Rent on Land Earned allocated to Property Rates	<u>3 729 096</u>	<u>1 774 617</u>
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Service Charges:-

Interest on Outstanding Exchange Receivables	20 845 129	12 103 821
--	------------	------------

Total Interest, Dividends and Rent on Land Earned allocated to Service Charges	<u>20 845 129</u>	<u>12 103 821</u>
--	--------------------------	--------------------------

External Interest and Dividends Received:-

Interest on External Investments	6 824 262	3 224 544
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Total Interest, Dividends and Rent on Land Earned allocated to External Interest and Dividends Received	<u>6 824 262</u>	<u>3 224 544</u>
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Total External Interest and Dividends Received allocated to Cash Flow	<u>31 398 487</u>	<u>17 102 982</u>
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25.2 Calculation of Cash Flow:

External Interest and Dividends Income	6 824 262	3 224 544
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Total Receipts for Interest and Dividends Received	<u>6 824 262</u>	<u>3 224 544</u>
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KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

26. OPERATIONAL REVENUE

Commission	350 808	415 138
Discounts and Early Settlements	190	-
Development Charges	28 506	-
Insurance Refund	28 749	2 541 783
Skills Development Levy Refund	686 203	653 650
Staff Recoveries	105 072	194 327

Total Operational Revenue	1 199 528	3 804 898
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26.1 Allocation for Cash Flow:

Total Operational Revenue	1 199 528	3 804 898
Adjustment for Non-cash Transactions:-	-	-

Total Operational Revenue allocated to Other Receipts	1 199 528	3 804 898
--	------------------	------------------

26.2 Calculation of Cash Flow:

Income from Operational Revenue	Note 26.1	1 199 528	3 804 898
Income from Rental from Fixed Assets	Note 24.1	2 570 123	3 094 059
Income from Agency Services	Note 23.1	2 677 528	2 559 892
Income from Sales of Goods and Rendering of Services	Note 22.1	9 188 788	9 602 709
Income from Licences and Permits	Note 19.1	9 872 123	9 593 214
Income from Fines, Penalties and Forfeits	Note 18.1	132 921 223	5 881 345
Cash Flow from Exchange Receivables	Note 2.1	(1 167 914)	(2 882 671)
Cash Flow from Statutory Non-exchange Receivables	Note 4.1	(84 157 558)	(3 969 758)
Variance on Impairment (Provision for on Receivables)		(41 698 276)	(1 511 218)
Cash Flow from Operating Lease Receivables	Note 9.1	43 364	(45 123)
Cash Flow from Consumer Deposits	Note 10.1	3 223 349	1 679 230
Cash Flow from Exchange Payables	Note 11.1	11 096 974	1 314 648

Total Receipts for Other Revenue	45 769 253	29 121 224
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The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 17 to 25, 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 2023

	2023	2022
	R	R
27. EMPLOYEE RELATED COSTS		
Salaries and Wages:		
Basic	219 610 585	206 449 976
Long Service Awards	1 250 930	953 230
Bonuses	348 480	178 167
Leave Payments	4 711 208	5 631 168
Overtime	19 088 052	17 265 899
Allowances:		
Acting and Post Related Allowances	6 469 594	5 949 602
Bonus Allowance	14 536 946	14 465 934
Cellular and Telephone	30 438	101 653
Housing Benefits	722 353	782 294
Standby Allowance	8 898 587	7 725 438
Travel or Motor Vehicle	10 897 854	10 762 198
Social Contributions:		
Bargaining Council	179 445	166 786
Group Life Insurance	11 037 725	8 499 241
Medical	17 776 602	16 688 454
Pension	31 574 592	30 455 049
Unemployment Insurance	1 807 767	1 758 394
Post-retirement Benefits:		
Current Service Cost	557 199	3 504 000
Interest Cost	11 578 612	9 005 200
Actuarial Gains and Losses	(8 535 261)	(9 464 831)
Past Service Cost	-	-
Defined Contribution Fund Expenses	-	-
Leave Gratuity	2 523 603	11 008 906
Long Term Service Awards	702 810	1 155 546
Total Employee Related Costs	355 768 121	343 042 304
27.1 Allocation for Cash Flow:		
Employee Related Costs	355 768 120	343 042 306
Adjustment for Non-cash Transactions:	(11 020 598)	(18 695 916)
Total Employee Related Costs allocated to Cash Flow	344 747 522	324 346 390
27.2 Calculation of Cash Flow:		
Employee Related Costs Expenditure	344 747 522	324 346 390
Cash Flow from Exchange Payables	(79 533)	(225 361)
Cash Flow from Employee Benefit Liabilities	6 123 973	8 213 521
Total Payments for Employee Related Costs	350 791 962	332 334 550

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

27.3 Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager: C Du Plessis

Annual Remuneration	1 705 252	1 602 573
Car and Other Allowances	98 431	660 700
Company Contributions to UIF, Medical and Pension Funds	66 024	28 396
Total	1 869 707	2 291 669

Remuneration of the Chief Financial Officer: R Lorgat

Annual Remuneration	1 393 749	1 307 459
Car and Other Allowances	157 580	238 532
Company Contributions to UIF, Medical and Pension Funds	63 197	21 151
Total	1 614 525	1 567 142

Remuneration of the Director: Community Services - N Machalesi

Annual Remuneration	1 333 749	1 247 459
Car and Other Allowances	180 000	428 140
Company Contributions to UIF, Medical and Pension Funds	63 064	21 916
Total	1 576 813	1 697 515

Remuneration of Director: AME- K Moodley (Contract expired 30 September 2022)

Annual Remuneration	359 630	1 331 459
Car and Other Allowances	24 000	346 736
Company Contributions to UIF, Medical and Pension Funds	26 387	22 554
Leave Encashment-contract expired	74 118	
Total	484 135	1 700 749

Remuneration of Deputy Municipal Manager: D Dejager

Annual Remuneration	1 317 690	-
Car and Other Allowances	213 890	-
Company Contributions to UIF, Medical and Pension Funds	48 550	-
Total	1 580 131	-

Remuneration of Director LED: C De Kock 8036-Start 1 Jan 2023

Annual Remuneration	686 168	-
Car and Other Allowances	71 993	-
Company Contributions to UIF, Medical and Pension Funds	23 273	-
Total	781 434	-

Remuneration of Acting Director: IPD - T. Madatt

Annual Remuneration	-	-
Car and Other Allowances	62 706	-
Company Contributions to UIF, Medical and Pension Funds	-	-
Total	62 706	-

Remuneration of Acting Director: Corporate Services -M Rossouw

Annual Remuneration	-	-
Car and Other Allowances	174 086	-
Company Contributions to UIF, Medical and Pension Funds	-	-
Total	174 086	-

Remuneration of Director: Planning, Development and Tourism - F Mabusela- Resigned 31 January 2023

Annual Remuneration	765 530	1 247 459
Car and Other Allowances	121 262	377 538
Leave Encashment-Contract expire	52 940	
Company Contributions to UIF, Medical and Pension Funds	43 848	21 644
Total	983 579	1 646 641

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Remuneration of Acting Director: PDT -L Opperman

Period: April till June 2023

Acting Allowance

Total

30 521

-

30 521

-

Remuneration of Acting Director: PDT-K Cakata

Period: 3-16 November 2022

Acting Allowance

Total

13 298

-

13 298

-

Summary of Remuneration of Section 57 Employees:

All Managers

5 088 319

7 336 574

Total Remuneration of Section 57 Employees

5 088 319

7 336 574

28. REMUNERATION OF COUNCILLORS

Executive Mayor

920 656

893 853

Deputy Mayor

736 530

-

Speaker

736 530

715 079

Executive Committee Members

3 087 191

4 022 282

Total for All Other Councillors

8 219 229

7 763 603

Total Councillors' Remuneration

13 700 137

13 394 816

28.1 Allocation for Cash Flow:

Total Councillors' Remuneration

13 700 137

13 394 816

Adjustment for Non-cash Transactions:-

-

-

Total Councillors' Remuneration allocated to Cash Flow

13 700 137

13 394 816

28.2 Calculation of Cash Flow:

Remuneration of Councillors Expenditure

Note 28.1

13 700 137

13 394 816

Total Payments for Employee Related Costs

13 700 137

13 394 816

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.

29. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment

101 092 505

89 252 403

Amortisation: Intangible Assets

265 675

-

Total Depreciation and Amortisation

101 358 180

89 252 403

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

30. IMPAIRMENT LOSSES

Impairment Losses on Fixed Assets	23 428 418	8 958 114
Impairment Losses on Financial Assets	207 403 407	59 706 121
Fair Value Adjustment	(1 950 309)	(97 142)

Total Impairment Losses	228 881 516	68 567 093
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30.1 Allocation for Cash Flow:

Total Impairment Losses		228 881 516	68 567 093
Adjustment for Non-cash Transactions:		(231 256 660)	(68 567 093)
Impairment Losses on Fixed Assets	Note 30.2	(23 428 418)	(8 958 114)
Impairment Losses on Financial Assets	Note 30.3	(207 403 407)	(59 706 121)
Realisable Value Adjustment - Inventories		(424 835)	97 142

Total Impairment Losses allocated to Service Charges	(2 375 144)	-
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30.2 Impairment Losses on Fixed Assets

Impairment Losses		23 428 418		8 958 114
Property, Plant and Equipment		16 804 993		8 958 114
Construction Work-in-Progress		6 623 425		-
		23 428 418		8 958 114

30.3 Impairment Losses on Financial Assets

Impairment Losses		119 944 006		222 825 061
Other Receivables from Non-exchange Revenue		40 652 618		31 405 611
Trade and Other Receivables from Exchange Transactions		79 291 388		191 419 450

Bad Debts Written Off		87 459 401		8 552 538
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Reversal of Impairment Losses				(171 671 478)
Other Receivables from Non-exchange Revenue		-		(24 907 490)
Trade and Other Receivables from Exchange Transactions		-		(146 763 988)

		207 403 407		59 706 121
--	--	--------------------	--	-------------------

30.4 Fair Value Adjustment

Inventory		424 835		(97 142)
Long Service Awards		(2 375 144)		-
		(1 950 309)		(97 142)

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

31. INTEREST, DIVIDENDS AND RENT ON LAND PAID

Interest Paid:	8 058 566	4 587 292
Borrowings	-	247 384
Finance Leases	3 814 241	501 890
Interest costs non-current Provisions	4 132 326	3 797 013
Overdue Accounts	111 999	41 005
Total Interest Expense	8 058 566	4 587 292
Total Interest, Dividends and Rent on Land Paid	8 058 566	4 587 292

31.1 Allocation for Cash Flow:

Non-cash Transactions:-

Interest Paid	4 132 326	3 797 013
Total Interest, Dividends and Rent on Land Paid allocated to Non-cash Transactions	4 132 326	3 797 013

External Interest and Dividends Paid:-

Interest Paid	3 926 240	790 277
Total Interest, Dividends and Rent on Land Paid allocated to External Interest and Dividends Paid	3 926 240	790 277
Total External Interest and Dividends Paid allocated to Cash Flow	8 058 566	4 587 290

31.2 Calculation of Cash Flow:

Interest, Dividends and Rent on Land Paid Expenditure	Note 31.1	3 926 240	790 277
Total Payments for External Interest and Dividends Paid		3 926 240	790 277

32. BULK PURCHASES

Electricity	291 888 014	295 222 161
Total Bulk Purchases	291 888 014	295 222 161

32.1 Allocation for Cash Flow:

Total Bulk Purchases	291 888 014	295 222 161
Adjustment for Non-cash Transactions:-	-	-
Total Bulk Purchases allocated to Suppliers Paid	291 888 014	295 222 161

33. CONTRACTED SERVICES

Outsourced Services	33 329 570	33 798 187
Consultants and Professional Services	20 673 498	9 385 276
Contractors	33 313 773	31 855 592
Total Contracted Services	87 316 841	75 039 055

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

33.1 Allocation for Cash Flow:

Total Contracted Services	87 316 839	75 039 055
Adjustment for Non-cash Transactions:-	1 106 710	(5 047 525)
Total Contracted Services allocated to Suppliers Paid	88 423 549	69 991 530

33.2 Outsourced Services

Animal Care	483 372	473 780
Burial Services	11 950	161 456
Business and Advisory	9 459 543	12 577 301
Call Centre	-	182 100
Catering Services	729 643	478 548
Cleaning Services	368 720	438 163
Clearing and Grass Cutting Services	1 832 555	1 642 067
Connection/Dis-connection	-	709 635
Drivers Licence Cards	1 516 691	512 947
Fire Services	-	456 780
Illegal Dumping	-	177 446
Internal Auditors	29 095	324 950
Litter Picking and Street Cleaning	400 670	1 089 370
Medical Services [Medical Health Services & Support]	946 943	1 009 809
Personnel and Labour	10 179 767	8 011 746
Professional Staff	382 201	419 571
Refuse Removal	-	81 630
Security Services	4 895 455	4 910 721
Traffic Fines Management	1 888 870	9 020
Transport Services	204 095	131 147
	33 329 570	33 798 187

33.3 Consultants and Professional Services

Business and Advisory	12 761 830	2 654 256
Infrastructure and Planning	1 804 936	1 498 584
Laboratory Services	1 607 584	375 686
Legal Cost	4 499 148	4 856 750
	20 673 498	9 385 276

33.4 Contractors

Artists and Performers	90 125	31 172
Building	-	47 833
Catering Services	2 392	1 773
Employee Wellness	305 378	222 713
Event Promoters	97 945	264 185
Interior Decorator	-	381
Maintenance of Buildings and Facilities	6 252 558	5 897 524
Maintenance of Equipment	335 764	432 344
Maintenance of Infrastructure	26 220 561	24 954 443
Pest Control and Fumigation	9 050	3 224
	33 313 773	31 855 592

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

34. INVENTORY CONSUMED

Consumables	26 664 112	14 646 376
Materials and Supplies	21 906 728	19 188 859
Water	42 510 988	59 210 649

Total Inventory Consumed	91 081 828	93 045 884
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34.1 Allocation for Cash Flow:

Total Inventory Consumed	91 081 828	93 045 884
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Adjustment for Non-cash Transactions:-	-	-
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Total Inventory Consumed allocated to Suppliers Paid	91 081 828	93 045 884
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34.2 Calculation of Cash Flow:

Expenditure for Inventory Consumed	Note 34.1	91 081 828	93 045 884
Expenditure for Contracted Services	Note 33.1	88 423 549	69 991 530
Expenditure for Bulk Purchases	Note 32.1	291 888 014	295 222 161
Cash Flow from Inventories	Note 1.1	1 973 022	4 382 341
Cash Flow from Exchange Receivables	Note 2.1	420 710	131 069
Cash Flow from Property, Plant and Equipment	Note 6.1	(1 056 651)	(167 022)
Cash Flow from Exchange Payables	Note 11.1	(2 496 920)	(9 272 238)
Rounding Variances			1

Total for Suppliers Paid	470 268 353	453 333 726
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35. TRANSFERS AND SUBSIDIES PAID

Operational Grants	708 750	458 000
Allocations In-kind	325 000	-
Monetary Allocations	383 750	458 000

Total Transfers and Subsidies Paid	708 750	458 000
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35.1 Allocation for Cash Flow:

Total Transfers and Subsidies Paid	708 750	458 000
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Adjustment for Non-cash Transactions:-	-	-
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Total Transfers and Subsidies Paid allocated to Other Payments	708 750	458 000
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KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

36. OPERATING LEASES

Furniture and Office Equipment	3 033 058	2 196 632
Machinery and Equipment	-	-
Other Assets	3 780 782	3 592 590
Total Operating Leases	6 813 840	5 789 222

36.1 Allocation for Cash Flow:

Total Operating Leases	6 813 840	5 789 222
Adjustment for Non-cash Transactions:-	-	-
Total Operating Leases allocated to Other Payments	6 813 840	5 789 222

36.2 Leasing Arrangements

The Municipality as Lessee:

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

36.3 Amounts Payable under Operating Leases

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

Other Equipment:

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

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

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

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

37. OPERATIONAL COSTS

Included in General Expenses are the following:

Achievements and Awards	3 831 001	1 105 116
Advertising, Publicity and Marketing	3 156 572	2 678 642
Bank Charges, Facility and Card Fees	1 108 359	984 769
Bargaining Council	3 553 325	3 422 255
Commission	4 947 593	5 243 275
Communication	4 541 463	4 063 664
Contribution to Provisions	(778 290)	475 750
Courier and Delivery Services	4 990	-
External Audit Fees	3 995 409	4 394 028
External Computer Service	7 379 651	7 502 717
Hire Charges	8 255 063	27 016 901
Insurance Underwriting	4 627 984	3 278 004
Licences	1 029 438	621 543
Management Fee	6 348 420	5 719 854
Municipal Services	-	-
Printing, Publications and Books	977 804	1 075 737
Professional Bodies, Membership and Subscription	13 886	7 260
Registration Fees	1 762 832	1 938 972
Remuneration to Ward Committees	2 962 848	2 640 793
Resettlement Cost	133 628	143 629
Search Fees	52 491	113 982
Signage	453 753	342 913
Skills Development Fund Levy	3 473 067	3 290 416
Storage of Files (Archiving)	53 307	267 317
Supplier Development Programme	24 300	-
Travel Agency and Visa's	2 925	-
Travel and Subsistence	1 993 098	1 755 824
Uniform and Protective Clothing	3 335 801	3 079 626
Vehicle Tracking	893 730	728 644
Workmen's Compensation Fund	1 977 511	1 794 647

Total Operational Costs

	70 111 959	83 686 278
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37.1 Allocation for Cash Flow:

Total Operational Costs	70 111 961	83 686 281
Adjustment for Non-cash Transactions:-	-	-

Total Operational Costs allocated to Other Payments

	70 111 961	83 686 281
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37.2 Calculation of Cash Flow:

Expenditure for Operational Costs	Note 37.1	70 111 961	83 686 281
Expenditure for Operating Leases	Note 36.1	6 813 840	5 789 222
Expenditure for Transfers and Subsidies Paid	Note 35.1	708 750	458 000
Cash Flow from Exchange Payables	Note 11.1	38 878	6 201
Cash Flow from Non-exchange Payables	Note 12.1	-	751 430
Variance on Depreciation		129 327	191 093
Minor Rounding Errors		5	2

Total for Other Payments

	77 802 761	90 882 229
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KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

37.3 Travel and Subsistence

	1 537 600	1 080 440
Domestic		
Accommodation	744 819	610 044
Food and Beverage (Served)	138 368	87 789
Transport without Operator	501 919	293 365
Transport with Operator	152 494	89 242
Foreign		
Accommodation	-	-
Daily Allowance	124 033	111 579
Non-employees	331 466	563 805
	<u>1 993 099</u>	<u>1 755 824</u>

No other extra-ordinary expenses were incurred.

38. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Property, Plant and Equipment	(1 313 865)	(10 274 662)
Total Gains on Disposal of Capital Assets	<u>-</u>	<u>-</u>
Total Losses on Disposal of Capital Assets	<u>1 313 865</u>	<u>10 274 662</u>

38.1 Allocation for Cash Flow:

Disposal of Property, Plant and Equipment:

Gains on Disposal of Capital Assets	Note 6.1	-	-
Losses on Disposal of Capital Assets	Note 6.1	(1 313 865)	(10 274 662)
Total Gains on Disposal of Capital Assets allocated to Property, Plant and Equipment		<u>(1 313 865)</u>	<u>(10 274 662)</u>
Total Gains / (Losses) on Disposal of Capital Assets allocated to Cash Flow		<u>(1 313 865)</u>	<u>(10 274 662)</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 R	2022 R
39. RECLASSIFICATION OF ANNUAL FINANCIAL STATEMENTS		
39.1 Reclassification of Accumulated Surplus		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.		
The effect of the changes are as follows:		
		Accumulated Surplus
Balance published as at 30 June 2021		2 140 988 009
Correction of Error:-		
Adjustment of PPE for NCA WIP projects	(14 697 075)	
Adjustment of Intangible Assets for NCA WIP projects	1	
Adjustment for Receivables from Exchange Transactions for Impairment	10 168 673	
Adjustment for Statutory Receivables from Non-Exchange Transactions for Impairment	2 078 117	
Total for Correction of Error	-	(2 450 284)
Restated Balance as at 30 June 2021		2 138 537 725
Transactions incurred for the Year 2021/22		(30 796 199)
Correction of Error:-		
Adjustment of PPE for NCA WIP projects	15 701 380	
Adjustment of Intangible Assets for NCA WIP projects	-	
Adjustment for Receivables from Exchange Transactions for Impairment	(22 504 740)	
Adjustment for Statutory Receivables from Non-Exchange Transactions for Impairment	(7 423 137)	
Correction of Current Lease Payables	(3 044 579)	
Correction of Non-Current Lease Payables	868 880	
Restatement of Provisions	(11 644 539)	
Correction for VAT on Human Settlements Grant	1 762 455	
Rounding Variances	(1)	
Total for Correction of Error		(26 284 281)
Restated Balances as at 30 June 2022		<u><u>2 081 457 245</u></u>

39.2 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 2021/22 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2021/22
Property Rates	224 326 475	-	-	224 326 475
Fines, Penalties and Forfeits	5 881 345	-	-	5 881 345
Licences and Permits - Non-exchange	9 593 213	-	-	9 593 213
Transfers and Subsidies	214 510 912	-	13 512 155	228 023 067
Interest, Dividends & Rent on Land Non-Exchange	1 774 617	-	-	1 774 617
Service Charges	521 290 057	-	-	521 290 057
Sales of Goods and Rendering of Services	9 602 709	-	-	9 602 709
Income from Agency Services	2 559 892	-	-	2 559 892
Rental from Fixed Assets	3 094 059	-	-	3 094 059
Interest, Dividends & Rent on Land Exchange	15 328 365	-	-	15 328 365
Operational Revenue	3 804 898	-	-	3 804 898
	<u><u>1 011 766 542</u></u>	<u><u>-</u></u>	<u><u>13 512 155</u></u>	<u><u>1 025 278 697</u></u>

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

39.3 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 2021/22 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2021/22
Employee Related Costs	331 397 764	-	11 644 540	343 042 304
Remuneration of Councillors	13 394 816	-	-	13 394 816
Depreciation and Amortisation	91 119 431	-	(1 867 028)	89 252 403
Impairment Losses	38 639 218	-	29 927 875	68 567 093
Interest, Dividends and Rent on Land	4 662 497	-	(75 205)	4 587 292
Bulk Purchases	295 222 161	-	-	295 222 161
Contracted Services	75 039 055	-	1	75 039 055
Inventory Consumed	93 045 884	-	-	93 045 884
Transfers and Subsidies Paid	458 000	-	-	458 000
Operating Leases	5 789 222	-	-	5 789 222
Operational Costs	83 521 647	-	164 631	83 686 278
Loss on Disposal of PPE	10 273 046	-	1 616	10 274 662
	1 042 562 741	-	39 796 430	1 082 359 170

39.4 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 2021/22 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2021/22
Current Assets				
Inventories	17 049 849	-	-	17 049 849
Receivables from Exchange Transactions	76 320 626	-	(12 336 067)	63 984 559
Statutory Receivables from Exchange Transactions	-	-	52 205 682	52 205 682
Statutory Receivables from Non-exchange Transactions	20 620 893	-	(5 345 020)	15 275 873
VAT Receivable	50 443 224	-	(50 443 224)	-
Cash and Cash Equivalents	27 850 559	-	1	27 850 560
Lease Receivables	152 713	-	-	152 713
Non-Current Assets				
Property, Plant and Equipment	2 065 150 911	-	1 004 305	2 066 155 216
Intangible Assets	869 780	-	1	869 781
Investment Property	262 608 444	-	-	262 608 444
Current Liabilities				
Consumer Deposits	(23 672 925)	-	-	(23 672 925)
Payables from Exchange Transactions	(105 579 188)	-	-	(105 579 188)
Lease Payables	(7 463 613)	-	(3 044 579)	(10 508 192)
Employee Benefit Liabilities	(7 443 566)	-	-	(7 443 566)
Provisions	(31 986 180)	-	(11 644 539)	(43 630 719)
Non-Current Liabilities				
Lease Payables	(22 813 236)	-	868 880	(21 944 356)
Employee Benefit Liabilities	(105 496 394)	-	-	(105 496 394)
Provisions	(106 420 092)	-	-	(106 420 092)
Net Assets				
Accumulated Surplus / (Deficit)	(2 110 191 805)	-	28 734 560	(2 081 457 245)
	-	-	-	-

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

39.5 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 2021/22 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2021/22
Receipts				
Property Rates	222 910 709	-	-	222 910 709
Transfers and Subsidies	208 312 256	-	13 512 155	221 824 411
Service Charges	481 764 673	-	1	481 764 674
External Interest and Dividends Received	3 224 544	-	-	3 224 544
Other Receipts	30 632 442	-	(1 511 218)	29 121 224
Payments				
Employee Related Costs	(332 334 550)	-	-	(332 334 550)
Remuneration of Councillors	(13 394 816)	-	-	(13 394 816)
External Interest and Dividends Paid	(865 483)	-	75 206	(790 277)
Suppliers Paid	(453 500 746)	-	167 020	(453 333 726)
Other Payments	(92 228 814)	-	1 346 585	(90 882 229)
VAT Paid	(2 693 011)	-	(1 762 458)	(4 455 469)
NET CASH FLOWS FROM OPERATING ACTIVITIES	51 827 204	-	11 827 291	63 654 495
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	(114 495 250)	-	(14 002 989)	(128 498 239)
Purchase of Intangible Assets	-	-	-	-
Proceeds on Disposal of Property, Plant and Equipment	13 557 118	-	-	13 557 118
Proceeds on Disposal of Investment Property	37 000	-	-	37 000
Decrease / (Increase) in Long-term Receivables	-	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(100 901 132)	-	(14 002 989)	(114 904 121)
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in Finance Leases (Leases Redeemed)	29 658 348	-	2 175 699	31 834 047
Decrease in Borrowings (Loans Redeemed)	(6 128 308)	-	-	(6 128 308)
NET CASH FLOWS FROM FINANCING ACTIVITIES	23 530 040	-	2 175 699	25 705 739
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(25 543 888)	-	1	(25 543 887)
Cash and Cash Equivalents at Beginning of Period	53 394 447	-	-	53 394 447
Cash and Cash Equivalents at End of Period	27 850 559	-	1	27 850 560

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

40. 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:

40.1 Reclassification of Expenditure

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

	Employee Related Costs	Depreciation and Amortisation	Impairment Losses
Balance previously reported	331 397 764	91 119 431	38 639 218
Correction of Errors:-			
Adjustment to Provision for Leave	11 644 540	-	-
Adjustment for WIP Capitalisation	-	(1 867 028)	-
Adjustment to Provision for Bad Debt	-	-	29 927 875
Restated Balance now reported	343 042 304	89 252 403	68 567 093

Employee Related Costs:

The **prior year amounts** for Leave provision have been restated to correctly disclose the amount not previously recognised. The leave calculation was previously based on Basic salary and not total cost to company.

Depreciation and Amortisation:

The **prior year amounts** for has been restated due to the previous year's work in progress not accurately capitalised, and the depreciation effect thereof.

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

	Interest, Dividends and Rent on Land	Loss on Disposal of PPE
Balance previously reported	4 662 497	10 273 046
Correction of Errors:-		
Adjustment due to revised impairment of fines	(75 205)	-
Adjustment for Accurate alignment to Asset Register	-	1 616
Restated Balance now reported	4 587 292	10 274 662

Interest, Dividends and Rent on Land:

The **prior year amounts** for Impairment Losses and Receivables from Non-exchange Transactions have been restated to correctly disclose the impairment of Receivables for traffic fines in terms of the prescriptions of IGRAP 1, previously not accrued for.

Loss on Disposal of PPE:

The **prior year amounts** for Loss on Disposal of PPE has been amended slightly to ensure accurate and complete disclosure of movements as per the Asset Register.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

40.2 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:

	Receivables from Exchange Transactions	Statutory Receivables from Non-exchange Transactions
Balances previously published per AFS as at 30 June 2021	45 103 236	9 951 048
Correction of Errors:- Adjustment due to implementation of new methodology for Provision of Bad Debt	10 168 673	2 078 117
Balances now published per AFS as at 30 June 2021	55 271 909	12 029 165
Transactions incurred for the Year 2021/22	31 217 390	10 669 845
Correction of Errors:- Adjustment due to implementation of new methodology for Provision of Bad Debt	(22 504 740)	(7 423 137)
Balances now published per AFS as at 30 June 2022	63 984 559	15 275 873

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 calculate the provision

Statutory Receivables from Non-exchange Transactions:

The **prior year amounts** for Receivables from Non-Exchange Transactions has been restated due to the implementation of a revised methodology to calculate the provision for bad debt on these receivables, and to improve on the accuracy of the bad debt calculation.

	Property, Plant and Equipment	Lease Payables
Balances previously published per AFS as at 30 June 2021	2 056 687 414	618 501
Correction of Errors:- Adjustment for capitalisation of WIP	(14 697 075)	-
Balances now published per AFS as at 30 June 2021	2 041 990 339	618 501
Transactions incurred for the Year 2021/22	8 463 497	6 845 112
Correction of Errors:- Adjustment for capitalisation of WIP Adjustment for recognition of full lease amount	15 701 380 -	- 3 044 579
Balances now published per AFS as at 30 June 2022	2 066 155 216	10 508 192

Property, Plant and Equipment:

Property, Plant and Equipment was restated due to the prior year work in progress not capitalised.

Lease Payables:

The Lease Payable was restated due to the full lease amount not recognised in the prior year.

	Provisions	Lease Payables (Non-Current)
Balances previously published per AFS as at 30 June 2021	27 574 289	-
Correction of Errors:- None for the year ended 30 June 2021	-	-
Balances now published per AFS as at 30 June 2021	27 574 289	-
Transactions incurred for the Year 2021/22	4 411 891	22 813 236
Correction of Errors:- Adjustment for accurate calculation of Leave Provision Adjustment for Lease Payable	11 644 539 -	- (868 880)
Balances now published per AFS as at 30 June 2022	43 630 719	21 944 356

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Provisions:

The **prior year amounts** for Leave provision have been restated to correctly disclose the amount not previously recognised. The leave calculation was previously based on Basic salary and not total cost to company.

Lease Payables (Non-Current):

The Lease Payable was restated due to the full lease amount not recognised in the prior year.

	2023	2022
	R	R
41. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	19 520 457	(57 080 473)
Adjustment for Non-cash Transactions included in Surplus / (Deficit):		
Employee Related Costs	Refer Note 27.1 11 020 598	18 695 916
Depreciation and Amortisation	Refer Note 48.2 101 358 181	89 252 404
Impairment Losses	Refer Note 30.1 231 256 660	68 567 093
Interest, Dividends and Rent on Land	Refer Note 31.1 4 132 326	3 797 013
Contracted Services	Refer Note 33.1 (1 106 710)	5 047 525
Adjustment for Cash Transactions not included in Surplus / (Deficit):		
Exchange Receivables: Bad Debts Written-off	Refer Note 2.3.1 (4 835 758)	(4 835 757)
Statutory Exchange Receivables: Bad Debts Written-off	Refer Note 4.3.1 (248 188)	(248 187)
Transfer of Property, Plant and Equipment	Refer Note 6.1 1 056 651	167 022
Expenditure from Current Employee Benefit Liabilities	Refer Note 14.1.1 (3 144 000)	(3 144 000)
Expenditure from Non-current Employee Benefit Liabilities	Refer Note 14.1.2 (2 979 973)	(5 069 521)
Expenditure from Non-current Provisions	Refer Note 15.2 -	-
Adjustment for Non-cash Transactions included in Working Capital:		
Inventories	Refer Note 1.1 (424 835)	97 142
Decrease/(Increase) in Impairment of Exchange Receivables	Refer Note 2.3 (79 290 065)	(49 445 712)
Decrease/(Increase) in Impairment of Statutory Non-exchange Receivables	Refer Note 4.3 (81 331 119)	(3 665 249)
Adjustment for Transactions included in Surplus / (Deficit) directly recognised in Cash Flow:		
Gains / (Losses) on Disposal of Capital Assets	Refer Note 38.1 1 313 865	10 274 662
Variance on Impairment (Provision for VAT on Receivables)	(41 698 276)	(1 511 218)
Minor Variance on Depreciation	(129 327)	(191 093)
Minor Rounding Errors	(3)	(5)
Operating Surplus before Working Capital Changes	154 435 683	70 707 562
Decrease/(Increase) in Inventories	(1 548 186)	(4 479 483)
Decrease/(Increase) in Receivables from Exchange Transactions	(13 045 549)	(8 712 650)
Decrease/(Increase) in Receivables from Non-exchange Transactions	-	-
Decrease/(Increase) in Statutory Receivables from Non-exchange Transactions	(13 738 660)	(3 246 708)
Decrease/(Increase) in VAT Receivable	-	-
Decrease/(Increase) in Operating Lease Receivables	43 364	(45 123)
Increase/(Decrease) in Consumer Deposits	5 387 147	2 898 670
Increase/(Decrease) in Payables from Exchange Transactions	20 640 135	17 937 782
Increase/(Decrease) in Payables from Non-exchange Transactions Lease Payables	-	(751 430)
Increase/(Decrease) in Unspent Conditional Grants and Receipts	28 993 833	(6 198 656)
Cash Generated by / (Utilised in) Operations	187 951 425	63 654 495
	1.00	

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

42. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

42.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Unauthorised Expenditure Current Year:	92 827 502	-
Unauthorised Expenditure awaiting authorisation	<u>92 827 502</u>	<u>-</u>

The current year over-expenditure incurred by Financial Services during the year is attributable to the following categories:

- Non-cash	92 827 502	-
- Cash	-	-
	<u>92 827 502</u>	<u>-</u>

Analysed as follows:

Non-cash:-		
Impairment Losses	92 827 502	-
	<u>92 827 502</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	
- Financial Services - R92 827 502 (2022: R0)	Currently None - subject to possible future investigation

The Unauthorised Expenditure incurred during 2022/23 was as a result of non-cash items (Impairment of Debtors) and has been tabled to Council. The total Budget is exceeded by R72 516 228 as a result of the financial services vote being over spent.

42.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure:

Opening Balance	41 005	37 528
Fruitless and Wasteful Expenditure Current Year	111 999	41 005
Expenditure investigated and approved by Council	(41 005)	(37 528)
Fruitless and Wasteful Expenditure awaiting condonement	<u>111 999</u>	<u>41 005</u>

Incident	Disciplinary Steps / Criminal Proceedings
Interest and penalties on late payment of trade creditors. - R37 528 (2022: R27 485)	Currently None - subject to possible future investigation

42.3 Irregular Expenditure

	2023	2022
	R	R
Reconciliation of Irregular Expenditure:		
Opening Balance:	382 748	1 340 531
Irregular Expenditure Current Year:	-	382 748
Condoned/Written-off by Council:	-	(1 340 531)
Irregular Expenditure awaiting condonation	<u>382 748</u>	<u>382 748</u>

Prior Year:

Incident	Deviation
Incorrect calculation of order - 2023 R0 (2022: R2 000)	Still to be investigated.
Tax Non Compliance - R380 748 (2022: R0)	Still to be investigated.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 R	2022 R
43. ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION		
43.1 MUNICIPAL FINANCE MANAGEMENT ACT		
43.1.1 Contributions to Organised Local Government - SALGA		
Opening Balance	-	-
Council Subscriptions	3 974 035	3 422 255
Amount Paid - current year	(3 974 035)	(3 422 255)
Balance Unpaid (included in Creditors)	-	-
43.1.2 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current Year Contributions	76 557 025	73 272 224
Amount Paid - current year	(76 557 025)	(73 272 224)
Balance Unpaid (included in Creditors)	-	-
43.1.3 Audit Fees		
Opening Balance	-	3 774
Current year Audit Fees	4 594 721	4 322 780
Amount Paid - current year	(4 581 293)	(4 306 043)
Balance Unpaid (included in Creditors)	13 427	20 511
43.1.4 PAYE, Skills Development Levy and UIF		
Opening Balance	-	-
Current year Payroll Deductions	54 910 692	47 968 445
Amount Paid - current year	(54 910 692)	(47 968 445)
Balance Unpaid (included in Creditors)	-	-
43.1.5 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.	-	-

43.1.6 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:

30 June 2023	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Dayimani M	32 590	1 358	31 232
Councillor Valgee	12 518	2 432	10 086
Councillor Bornman	21 819	15 055	6 764
Councillor Mbuqu	108 572	34 233	74 339
Total Councillor Arrear Consumer Accounts	175 500	53 079	122 421
30 June 2022	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Dayimani M	25 444	1 751	23 694
Councillor Valgee	3 052	616	2 436
Councillor August H	11 047	-	11 047
Total Councillor Arrear Consumer Accounts	39 543	2 367	37 177

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

43.1.7 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 2023

Department	Tenderer	Reason	Amount
Finance	Various (17)	"Various reason like impracticality/emergency/ single provider /urgency"	2 415 908
Infrastructure & Engineering	Various (150)	"Various reason like impracticality/emergency/ single provider /urgency"	60 748 446
Corporate Services	Various (23)	"Various reason like impracticality/emergency/ single provider /urgency"	968 978
Office of MM	Various (16)	"Various reason like impracticality/emergency/ single provider /urgency"	1 758 825
Community Services	Various (17)	"Various reason like impracticality/emergency/ single provider /urgency"	1 166 078
Planning, Development & Tourism	Various (6)	"Various reason like impracticality/emergency/ single provider /urgency"	486 968
Total:			67 545 202

30 June 2022

Department	Tenderer	Reason	Amount
Finance	Various (22)	Various reasons like impracticality/ urgency/ Continuity and alignment	1 890 697
Infrastructure & Engineering	Various (72)	Various reasons like impracticality/ urgency/ Preferred supplier	27 164 981
Corporate Services	Various (13)	Various reasons like impracticality/ urgency/ Sole Supplier	797 194
Office of MM	Various (17)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	912 932
Community Services	Various (20)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	6 640 990
Planning, Development & Tourism	Various (67)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	454 491
Total:			37 861 285

43.1.8)(d)(i) of the MFMA

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

Electricity:

		Lost Units	Tariff	Value
30 June 2023	Unaccounted Electricity Losses	<u>13 909 080</u>	<u>1.4146</u>	<u>19 675 785</u>
30 June 2022	Unaccounted Electricity Losses	<u>14 903 131</u>	<u>1.4146</u>	<u>21 081 969</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.

	2023	2022
Volumes in kWh/year:		
System Input Volume	180 601 760	204 055 009
Billed Consumption	<u>152 244 539</u>	<u>176 908 577</u>
Unaccounted	28 357 221	27 146 432
Normal distribution losses - 8% of electricity purchases	<u>14 448 141</u>	<u>12 243 301</u>
	<u>13 909 080</u>	<u>14 903 131</u>
Percentage Distribution Loss	7.70%	7.30%

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Water:

		Lost Units	Tariff	Value
30 June 2023	Unaccounted Water Losses	1 909 708	10.2100	19 498 119
30 June 2022	Unaccounted Water Losses	4 116 740	10.2100	42 031 915

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.

	2023	2022
Volumes in Kl/year:		
System Input Volume	6 490 281	7 634 866
Billed Consumption	4 580 573	3 518 126
Distribution Loss	1 909 708	4 116 740
Percentage Distribution Loss	29.42%	53.92%

43.2 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.

44. COMMITMENTS FOR EXPENDITURE

44.1 Capital Commitments

- Approved and Contracted for:-

	102 178 126	102 860 583
Infrastructure	83 057 754	72 807 293
Community	-	-
Other	19 120 372	30 053 290
Total Capital Commitments	102 178 126	102 860 583
This expenditure will be financed from:		
Internal and Grant funding	102 178 126	102 860 583
	102 178 126	102 860 583

The Capital Commitments are VAT inclusive.

45. FINANCIAL INSTRUMENTS

45.1 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	32 462 402	31 442 325
Receivables from Exchange Transactions	Refuse	5 002 285	1 571 424
Receivables from Exchange Transactions	Sewerage	5 303 103	4 019 444
Receivables from Exchange Transactions	Other Service Charges	(99)	232 872
Receivables from Exchange Transactions	Water	23 974 115	18 018 816
Receivables from Exchange Transactions	Other Debtors	3 712 009	3 514 062
Receivables from Exchange Transactions	Prepayments and Advances	4 143 478	3 722 768
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	1 539 272	569 305
Receivables from Exchange Transactions	Deposits for Land	893 543	893 543
Cash and Cash Equivalents	Call Deposits	83 334 266	9 802 828
Cash and Cash Equivalents	Bank Balances	21 600 332	18 047 311
Cash and Cash Equivalents	Cash Floats and Advances	421	421
Total Financial Assets		181 965 127	91 835 119

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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	24 202 066	21 944 356
Payables from Exchange Transactions	Other Payables	28 811 223	12 871 829
Payables from Exchange Transactions	Retentions	7 067 757	3 382 568
Payables from Exchange Transactions	Trade Creditors	59 159 892	64 404 854
Payables from Non-exchange Transactions	Transfers and subsidies	-	-
Unspent Conditional Grants and Receipts	National Government	3 000 000	-
Unspent Conditional Grants and Receipts	Provincial Government	23 098 880	-
Current Finance Lease Obligations	Current Finance Lease Obligations	11 342 009	10 508 192
Current Borrowings	Development Bank of South Africa	-	-
Total Financial Liabilities		156 681 827	113 111 799

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

45.2 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 16. and the Statement of Changes in Net Assets.

Gearing Ratio

	2023 R	2022 R
The gearing ratio at the year-end was as follows:		
Debt	35 544 075	32 452 548
Cash and Cash Equivalents	(83 334 687)	(9 803 249)
Net Debt	<u>(47 790 612)</u>	<u>22 649 299</u>
Equity	<u>2 100 977 699</u>	<u>2 081 457 245</u>
Net debt to equity ratio	<u>-2.27%</u>	<u>1.09%</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.

45.3 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.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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.

45.4 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 interest rates 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 45.8 to the Annual Financial Statements.

45.5 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 45.7 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.

45.5.1 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.

45.5.2 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 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.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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 45.8 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 2023 would have increased / decreased by R165 981 (30 June 2022: R101 555). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

45.6 Credit Risk Management

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

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

Investments/Bank, Cash and Cash Equivalents

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

Trade and Other Receivables

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

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

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 4 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 4 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 Assessment for Impairment of Consumer Debtors.

	2023	2022
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Receivables from Exchange Transactions	386 280 711	293 945 097
Bank, Cash and Cash Equivalents	104 935 019	27 850 560
Maximum Credit and Interest Risk Exposure	491 215 730	321 795 657

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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	97.33%	97.03%
- Other Debtors	0.96%	1.20%
- Prepayments and Advances	1.08%	1.27%
- Other Minor Classes	0.63%	0.50%
Total Credit Risk	100.00%	100.00%
Bank and Cash Balances		
Current Investments	83 334 266	9 802 828
Bank Accounts	21 600 332	18 047 311
Cash on Hand	421	421
Total Bank and Cash Balances	104 935 019	27 850 560

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	65 229 821	64 357 203
Medium	16 676 032	16 452 946
Low	-	-
Total Receivables from Exchange Transactions	81 905 852	80 810 150

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
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45. FINANCIAL INSTRUMENTS (Continued)

45.7 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
30 June 2023								
Non-interest Bearing		0.00%	121 137 752	121 137 752	-	-	-	-
Fixed Interest Rate Instruments			35 544 075	35 544 075	-	-	-	-
			156 681 827	156 681 827	-	-	-	-
30 June 2022								
Non-interest Bearing		0.00%	80 659 251	80 659 251	-	-	-	-
Fixed Interest Rate Instruments			32 452 548	32 452 548	-	-	-	-
			113 111 799	113 111 799	-	-	-	-

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
30 June 2023								
Non-interest Bearing		0.00%	77 030 529	77 023 529	3 000	3 000	1 000	-
Variable Interest Rate Instruments		10.28%	104 934 598	104 934 598	-	-	-	-
			181 965 127	181 958 127	3 000	3 000	1 000	-
30 June 2022								
Non-interest Bearing		0.00%	63 984 980	63 974 980	3 000	3 000	4 000	-
Variable Interest Rate Instruments		7.94%	27 850 139	27 850 139	-	-	-	-
			91 835 119	91 825 119	3 000	3 000	4 000	-

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

45.8 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 2023

2023
R

2022
R

46. 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 R31 574 592 (2022: R30 455 049) 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.

46.1 DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund (Defined Benefit Scheme):

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

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

Government Employees Pension Fund (GEPF):

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

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

Municipal Employees Pension Fund:

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

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

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

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

No further information could be obtained.

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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.

46.2 DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund (Defined Contribution Scheme):

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

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

Cape Joint Retirement Fund:

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

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

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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.

47. RELATED PARTY TRANSACTIONS

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

47.1 Compensation of Related Parties

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

Name of Related Person	Designation	Description of Related Party	2023	2022
N Hendricks	Official	Daughter of councillor H Hendricks	257 076	45 389
B Moos	Official	Daughter of councillor D Benson	115 366	108 502
N Moos	Official	Son in law: Councillor D Benson	156 231	211 299
M Moodley	Official	Husband of Director: Corporate & Digital Services K Moodley	246 511	31 827
D Rossouw	Official	Husband Manager: Administration & Auxiliary Services M Rossouw	135 522	108 523
J Madatt	Official	Spouse: Manager Electrical	487 587	0
JTA Alexander	Official	Son of Councilor J Alexander	111 600	0

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

47.2 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
2326 Random Solutions	T. Madatt	Official	Uncle of Directors	161 200	35 400
	T. Potgieter	Official	Husband of Director		
Unomtha Catering	Z. Gxuluwe	Official	Daughter of the Director	12 330	25 780
	B. Gxuluwe	Official	Husband of Director		
Mesrazest	J. Hammond	Official	Brother in Law of Director	3 032 062	2 340 594
Mgqandu & Coco Trading	C. Mgqandu	Official	Husband of Director	9 800	11 880
Premier Attraction 528 CC t/a ZIS Distributors	R. Lorgat	Official	Cousin of the Director	537 469	750 346
RE Le Grange t/a RL Trading	J. Hammond	Official	Brother in Law of Director	-	20 000
Sys Smart (Pty) Ltd	D. van Vuuren	Official	Director's son in law	22 750	77 530
Zemog Projects	S. Khuzwayo	Official	Cousin of Director	25 610	85 138
Liefies Bakes	R. Koela	Official	Director	150 841	66 555
BD Human Enterprises	B Human	Official	Councillor: PR	-	3 295
Magnus Ventus General Dealer	W. van der Linde	Official	Spouse of Director	45 306	132 577
Hammond YS t/a DC Struct	J. Hammond	Official	Brother in Law of Director	188 470	
Nemma Trading (PTY) Ltd	L.D. Norushu	Official	Husband of Director	56 000	
Total Purchases				4 241 837	3 549 095

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 27 and 28 respectively.

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

48. CONTINGENT LIABILITIES

48.1 Court Proceedings:

47 200 346

52 971 357

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) St Francis Bay (Ward 12) Concerned Residence Association
Application against Municipality to set the Kouga SRA aside

-

-

(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) Minister of Public Works
Eviction-Farm Ongegunde Vryheid

-

-

(v) Tshepega Civil Engineers (Pty) Ltd / KOUGA Local Municipality
Claims for monies owed for professional services rendered

1 950 346

1 950 346

(vi) Minister of Public Works
Aston Bay Caravan Park

-

-

(vii) Alleged Damages Incurred: H Goeda
48.2 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

(viii) K Gaba & A Jantjies / KLM & Others
Application by way of motion (October 2021) was brought against the Municipality for provision of alternative accommodation

-

-

(ix) Lokotsch Financial Derivative Trading (Pty) Ltd & Sedgfield Lokotsch vs Jbay Property and KLM
Notice of motion application against property owner of Erf 300 Cape St Francis - request to cease operating of a camp site

-

-

(x) The State vs KML and others
Warning statement for contravention of certain provisions of the National Environmental Management Act

-

-

(xi) Killarney Hotel CC & Delitrade CC
Notice of motion for review of an MPT decision

-

-

49. CONTINGENT ASSETS

49.1 Insurance Claims:

325 134

180 967

(i) Lost / Damaged Assets:

325 134

180 967

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 R325 134 (2022: R180 967) will be recovered.

KOUGA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

50. EVENTS AFTER THE REPORTING DATE

50.1 On 28 July 2023, Council approved a write-off for irregular expenditure amounting to R382 748 and fruitless and wasteful expenditure amounting R41,005 in accordance with section 32(2)(b) of the MFMA.

51. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 40).

52. GOING CONCERN ASSESSMENT

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

- (i) On 30 May 2023 the Council adopted the 2023/2024 to 2025/26 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 2023

53. SEGMENT REPORTING

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

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

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

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

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

The municipality operates within the following geographical areas:

WARD AREA

- Ward 1 - Oyster Bay, Sea Vista and surrounding farms
- Ward 2 - Pellsrus, Tokyo Sexwale, Lootspark
- Ward 3 - Lower Wavecrest
- Ward 4 - Kruisfontein, Gill Marcus, Die Berg and surrounding farms
- Ward 5 - Arcadia, Graslaagte, Johnson's Ridge and surrounds
- Ward 6 - Kwanomzamo
- Ward 7 - Loerie, Thornhill, Longmore, Mondplaas and surrounds
- Ward 8 - Upper Wavecrest, Kabeljous and surrounds
- Ward 9 - Hankey Town, Centerton, Phillipsville, 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 2023

53.1 Segmental Analysis of Financial Performance

Year Ended 30 June 2023

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
REVENUE																	
Revenue from Non-exchange Transactions																	
Property Rates	-	259 514 398	-	-	-	-	-	-	-	-	-	-	-	-	-	-	259 514 398
Fines, Penalties and Forfeits	-	132 560 532	-	936	-	-	-	-	-	339 756	20 000	-	-	-	-	-	132 921 224
License and Permits	-	-	-	-	-	6 570 297	-	201 012	-	-	3 100 815	-	-	-	-	-	9 872 124
Transfers and Subsidies	2 521 449	150 348 587	-	2 050 000	2 732 898	-	5 848 553	3 028 720	1 741 857	1 794 550	1 175 000	5 205 047	-	34 096 450	69 018 011	-	279 561 122
Surcharges and Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest, Dividends and Rent on Land Earned	-	3 729 096	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 729 096
Revenue from Exchange Transactions																	
Service Charges	-	-	-	-	-	-	-	-	15 662 557	-	-	306 476 961	46 282 474	61 796 903	117 399 856	-	547 618 751
Sales of Goods and Rendering of Services	-	3 129 797	-	375 887	14 855	14 017	-	-	-	5 640 351	-	-	13 882	-	-	-	9 188 789
Income from Agency Services	-	-	-	-	-	-	-	-	-	-	2 677 528	-	-	-	-	-	2 677 528
Rental from Fixed Assets	-	1 842 462	-	-	-	2 041 295	-	-	-	(1 313 634)	-	-	-	-	-	-	2 570 123
Interest, Dividends and Rent on Land Earned	-	7 153 577	-	-	-	-	-	-	-	-	-	1 750 339	6 260 551	3 359 119	9 145 804	-	27 669 390
Operational Revenue	96 629	1 074 393	-	-	-	-	-	-	-	-	28 506	-	-	-	-	-	1 199 528
Gains on Other Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	14 363	-	-	-	-	-	-	-	-	-	-	14 363
Total Revenue	2 618 078	559 352 842	-	2 426 823	2 747 753	8 639 972	5 848 553	3 229 732	17 404 414	6 461 023	7 001 849	313 432 347	52 556 907	99 252 472	195 563 671	-	1 276 536 436
EXPENDITURE																	
Employee Related Costs	20 546 958	109 323 836	-	7 016 045	23 854 802	31 906 752	4 517 315	5 840 370	2 419 086	20 672 322	29 878 623	15 405 665	35 740 608	26 060 214	22 224 780	360 743	355 768 119
Remuneration of Councillors	13 700 137	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13 700 137
Depreciation and Amortisation	-	13 711 369	-	-	-	1 777 900	-	-	-	-	32 551 287	7 315 977	5 235 495	21 936 078	18 830 074	-	101 358 180
Impairment Losses	-	121 818 471	-	-	-	14 363	-	-	-	-	-	4 194 018	20 494 212	25 820 238	56 554 579	-	228 895 881
Interest, Dividends and Rent on Land	-	8 058 566	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8 058 566
Bulk Purchases	-	-	-	-	-	-	-	-	-	-	-	291 888 014	-	-	-	-	291 888 014
Contracted Services	1 571 127	31 619 713	29 095	296 256	1 269 219	4 747 801	421 262	839 235	4 302 882	1 488 940	16 737 852	4 118 616	6 908 707	4 474 909	3 095 786	5 395 440	87 316 840
Inventory Consumed	990 384	3 466 196	1 380	497 880	979 347	3 996 693	138 886	223 443	2 802 473	291 983	4 704 174	7 032 670	5 860 719	8 184 452	51 910 347	799	91 081 826
Transfers and Subsidies Paid	-	-	-	-	-	325 000	-	-	-	-	-	-	-	-	-	383 750	708 750
Operating Leases	521 325	4 854 993	-	241 998	52 392	56 968	121 465	32 081	-	816 921	66 463	28 352	20 881	-	-	-	6 813 839
Operational Costs	17 589 972	24 043 163	42 167	177 887	774 984	7 749 069	191 477	211 073	1 909 303	952 436	2 320 114	3 793 459	1 466 881	6 380 648	2 414 380	94 948	70 111 961
Loss on Disposal of Property, Plant and Equipment	-	1 340 344	-	-	-	1 585	-	-	-	-	-	-	-	-	(13 700)	-	1 328 229
Total Expenditure	54 919 903	318 236 651	72 642	8 230 066	26 930 744	50 576 131	5 390 405	7 146 202	11 433 744	24 222 602	86 258 513	333 776 771	75 727 503	92 856 539	155 016 246	6 235 680	1 257 030 342
Surplus/(Deficit) for the Year	(52 301 825)	241 116 191	(72 642)	(5 803 243)	(24 182 991)	(41 936 159)	458 148	(3 916 470)	5 970 670	(17 761 579)	(79 256 664)	(20 344 424)	(23 170 596)	6 395 933	40 547 425	(6 235 680)	19 506 094

KOUGA LOCAL MUNICIPALITY
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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
REVENUE																	
Revenue from Non-exchange Transactions																	
Property Rates	-	224 326 476	-	-	-	-	-	-	-	-	-	-	-	-	-	-	224 326 476
Fines, Penalties and Forfeits	-	5 696 291	-	18	-	-	-	-	-	185 036	-	-	-	-	-	-	5 881 345
Licences and Permits	-	-	-	-	-	4 799 763	-	90 953	1 364 816	-	3 337 681	-	-	-	-	-	9 593 213
Transfers and Subsidies	354 406	91 185 941	-	2 050 000	1 638 000	-	14 499 322	2 888 420	-	1 670 650	1 423 000	14 073 743	19 423 026	47 422 062	31 394 496	-	228 023 066
Interest, Dividends and Rent on Land Earned	-	1 774 617	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 774 617
Revenue from Exchange Transactions																	
Service Charges	-	-	-	-	-	-	-	-	-	-	-	317 993 422	54 525 598	53 366 451	44 968 382	-	470 853 853
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	508 603	333 236 572	-	2 468 552	1 654 182	7 082 198	14 499 322	2 979 373	1 401 879	8 376 291	7 340 824	333 217 698	77 968 793	103 018 180	81 096 961	-	974 849 428
EXPENDITURE																	
Employee Related Costs	18 608 734	105 546 030	-	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	343 042 306
Remuneration of Councillors	13 394 816	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13 394 816
Depreciation and Amortisation	-	4 881 389	-	-	-	(246 244)	-	-	-	11 936 346	29 941 471	5 622 789	-	23 113 412	14 003 240	-	89 252 403
Impairment Losses	-	(137 187 323)	-	-	-	-	-	-	-	-	-	17 163 324	63 786 509	41 199 534	83 598 115	-	68 560 159
Interest, Dividends and Rent on Land	-	542 894	-	-	-	247 384	-	-	-	-	-	-	3 797 013	-	-	-	4 587 291
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	458 000
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	14 037 412	22 707 593	19 603	747 445	1 401 106	7 261 802	175 239	114 493	160 992	896 694	1 486 733	10 528 495	13 350 539	9 880 487	772 567	145 081	83 686 281
Loss on Disposal of Property, Plant and Equipment	-	10 266 927	-	-	-	-	-	-	-	-	-	-	-	-	14 670	-	10 281 597
Total Expenditure	49 468 576	38 860 120	19 603	9 661 061	25 177 893	50 298 840	5 149 124	5 895 736	2 568 444	36 831 594	81 946 504	350 166 339	126 792 468	107 586 163	188 212 201	3 724 509	1 082 359 175
Surplus/(Deficit) for the Year	(48 959 973)	294 376 452	(19 603)	(7 192 509)	(23 523 711)	(43 216 642)	9 350 198	(2 916 363)	(1 166 565)	(28 455 303)	(74 605 680)	(16 948 641)	(48 823 675)	(4 567 983)	(107 115 240)	(3 724 509)	(107 509 747)

KOUGA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

53.2 Segmental Analysis of Capital Expenditure

Description	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER VOTE								
Corporate Services	1 020 000	720 000	1 740 000	2 393 369	653 369	653 369	137.55	234.64
Executive and Council	750 000	472 819	1 222 819	330 441	-	(892 378)	27.02	44.06
Financial Services	710 000	270 000	980 000	283 569	-	(696 431)	28.94	39.94
Infrastructure and Engineering	35 567 488	60 655 462	96 222 950	88 479 754	-	(7 743 196)	91.95	248.77
Planning, Development and Tourism	-	2 416 985	2 416 985	19 065	1 025 822	(2 397 920)	0.79	42.44
Community Services	1 638 000	10 806 085	12 444 085	17 373 869	4 929 784	4 929 784	139.62	1 060.68
Total Capital Expenditure	39 685 488	75 341 351	115 026 839	108 880 067	6 608 975	(6 146 772)	425.87	1 670.53

53.3 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:

53.3.1 Receivables from Exchange and Non-Exchange Transactions

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
Receivables from Exchange Transactions																	
Electricity	-	-	-	-	-	-	-	-	-	-	-	32 462 402	-	-	-	-	32 462 402
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	5 002 285	-	-	-	5 002 285
Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	5 303 103	-	-	5 303 103
Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23 974 115	-	23 974 115
Statutory Receivables from Non-Exchange Transactions																	
Property Rates	-	12 675 639	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12 675 639
Total																	79 417 544

53.3.2 Property, Plant and Equipment

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
Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-