

K O U G A

l o c a l m u n i c i p a l i t y

Good Governance through Service Excellence

Kouga Local Municipality
(Demarcation code EC108)
Audited Annual Financial Statements
for the year ended 30 June 2024

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

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Kouga Local Municipality

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General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government:
Municipal Structures Act (Act 117 of 1998) read with section 155 (1)
of the Constitution of the republic of South Africa (Act 108 of 1996)

Nature of business and principal activities

The objective of the municipality is to provide

- democratic and accountable government for local communities,
- the provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner,
- to promote social and economic development,
- and to promote a safe and healthy environment to encourage the involvement of communities and community organisations in the matters of local government.

Executive mayor and chairperson of mayoral committee

Portfolio

Executive Mayor and Chairperson of Mayoral committee H Borman

Deputy Executive Mayor and MMC (Electro and Mechanical T Jantjies
Services)

Speaker B Williams

MMC (Corporate and Communication Services) J Alexander

MMC (Finance and Economic Development) L Maree

MMC (Civil and Water Services) R Foley

MMC (Planning and Development) S Ruth

MMC (Community and Safety Services) D Benson

Kouga Local Municipality

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General Information

Council members

Ward	Surname	Initials
1	Ntshota	N
2	Murray	H
3	Gertenbach	W
4	Alexander	J
5	Nicholls	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	Jantjies	T
Proportional	Bornman	H
Proportional	Williams	B
Proportional	van Niekerk	M
Proportional	Benson	D
Proportional	Ruth	S
Proportional	Dhludhlu	B
Proportional	Stuurman	G
Proportional	Gunuza	V
Proportional	Ntengwane	N
Proportional	Valgee	M
Proportional	Oliphant	P
Proportional	Nkilishane	L
Proportional	Petersen	W
Proportional	van der Linde	W

Accounting Officer Mr. C. du Plessis

Chief Financial Officer (CFO) Mr. R Lorgat

Telephone (042) 200 2200

Fax (042) 293 4204

Demarcation code EC108

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education and Training Authority
MSIG	Municipal System Improvement Grant
NDPG	Neighbourhood Development And Partnership Grant
SRAC	Sports, Recreation, Arts and Culture

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the audited annual financial statements and related financial information included in this report.

It is the responsibility of the Accounting Officer to ensure that the audited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the audited annual financial statements and was given unrestricted access to all financial records and related data.

The audited annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I, as the Accounting Officer (accounting authority) acknowledges that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

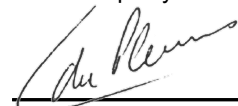
I have reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 31 to these audited annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The audited annual financial statements set out on pages 6 to 110, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis and which I have signed on behalf of the municipality on 31 August 2024:



Mr. C. du Plessis
Accounting Officer

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand thousand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	143,658,806	104,935,011
Trade and other receivables from exchange transactions	3	73,436,804	86,150,341
Receivables from non-exchange transactions	4	26,651,119	29,014,521
Inventories	5	22,449,513	18,598,030
Deposits	6	893,543	893,543
Operating leases	7	105,634	109,349
Total Current Assets		267,195,419	239,700,795
Non-Current Assets			
Investment property	8	250,793,547	251,673,471
Property, plant and equipment	9	2,061,615,773	2,057,692,765
Intangible assets	10	418,609	602,549
Total Non-Current Assets		2,312,827,929	2,309,968,785
Total Assets		2,580,023,348	2,549,669,580
Liabilities			
Current Liabilities			
Lease liabilities	11	11,144,269	12,168,692
Employee benefits	12	53,426,901	44,587,920
Consumer deposits	13	31,660,112	29,060,071
Trade and other payables from exchange transactions	14	158,677,344	146,630,488
Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent	15	38,790,886	28,993,831
Provision	16	1,000,001	1,147,461
Total Current Liabilities		294,699,513	262,588,463
Non-Current Liabilities			
Lease liabilities	11	12,231,114	23,375,382
Employee benefits	12	111,627,299	106,638,259
Provision	16	119,432,936	118,827,256
Total Non-Current Liabilities		243,291,349	248,840,897
Total Liabilities		537,990,862	511,429,360
Net Assets		2,042,032,486	2,038,240,220
Community Wealth / Equity			
Accumulated surplus		2,036,273,402	2,038,240,233
Reserves and funds	17	5,759,077	-
Total Community Wealth / Equity		2,042,032,479	2,038,240,233

* See Note 57

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2024	2023 Restated*
Revenue			
Exchange Revenue			
Services charges – Electricity	18	380,375,534	306,476,963
Services charges – Waste Management	18	57,487,680	61,945,030
Services charges – Waste water management	18	59,633,132	61,796,904
Services charges – Water	18	109,872,623	117,399,855
Sales of goods and rendering of services	19	7,442,497	9,188,788
Agency services	20	3,615,485	2,677,528
Interest earned from receivables	24	21,854,451	20,845,130
Interests earned from bank and investments	21	12,962,398	6,824,262
Rental from fixed assets	22	3,549,568	2,613,486
Licences or permits	26	2,368,147	2,676,798
Operational revenue	28	11,653,624	1,199,527
Total Exchange Revenue		670,815,139	593,644,271
Non-Exchange Revenue			
Property rates	23	280,202,653	259,514,386
Interest on receivables	24	5,519,180	3,729,096
Fines, penalties and forfeits	25	40,083,846	101,635,779
Licences or permits	26	7,421,091	7,195,326
Transfers and subsidies	27	301,769,197	279,561,122
Remeasurements on employee benefits	29	6,627,000	10,912,779
Increase in net-realisable value	30	691,432	(424,835)
Total Non-Exchange Revenue		642,314,399	662,123,653
Total Revenue		1,313,129,538	1,255,767,924
Expenditure			
Employee related cost	31	398,877,525	364,305,742
Remuneration of councillors	32	14,975,750	13,700,138
Bulk purchases	33	351,702,171	291,888,014
Inventory consumed	34	102,598,768	91,081,830
Debt impairment	35	87,368,874	88,658,561
Depreciation and amortisation	36	100,860,229	101,289,976
Impairment loss / (reversal) of impairment	37	1,678,698	23,428,417
Finance costs	38	10,037,689	8,058,566
Contracted services	39	93,766,055	87,297,768
Transfers and subsidies	40	920,000	708,750
Operating leases	41	7,529,614	6,813,840
Operational cost	42	74,446,017	70,890,251
Contribution to provision	43	(52,760)	(778,290)
Loss on disposal of fixed and intangible assets	44	1,768,784	1,313,866
Irrecoverable debts written off	45	62,859,860	87,459,401
Total Expenditure		1,309,337,274	1,236,116,830
Surplus for the year		3,792,264	19,651,094

* See Note 57

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

	Capital replacement reserve	Accumulated surplus	Total net assets
Opening balance as previously reported as at 1 July 2022	-	2,081,457,240	2,081,457,240
Adjustments			
Correction of errors	-	(62,868,108)	(62,868,108)
Balance at 01 July 2022 as restated*	-	2,018,589,132	2,018,589,132
Surplus for the year	-	19,651,094	19,651,094
Transfers to / from accumulated surplus for the year	-	7	7
Total changes	-	19,651,101	19,651,101
Restated* Balance at 01 July 2023	-	2,038,240,213	2,038,240,213
Surplus for the year	-	3,792,264	3,792,264
Transfers to / from accumulated surplus for the year	-	2	2
Transfer of contribution to the capital replacement reserve from accumulated surplus	5,759,077	(5,759,077)	-
Total changes	5,759,077	(1,966,811)	3,792,266
Balance at 30 June 2024	5,759,077	2,036,273,402	2,042,032,479
Note(s)	17		

* See Note 57

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand thousand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Taxation		313,401,241	317,687,600
Service charges and Operational revenue		542,526,475	421,621,636
Transfers and Subsidies		293,566,252	322,110,382
Interest		12,962,398	6,824,262
Payments			
Employees and remuneration of councillors		(393,398,257)	(362,359,082)
Suppliers		(619,472,064)	(514,744,863)
Finance charges		(5,662,861)	(3,926,240)
Net cash from(used) operating activities	46	143,923,184	187,213,695
Cash flows from investing activities			
Payments			
Purchase of property, plant and equipment		(92,914,690)	(113,220,765)
Net cash flows from investing activities		(92,914,690)	(113,220,765)
Cash flows from financing activities			
Receipts			
Finance lease receipts		-	3,091,527
Increase in consumer deposits		-	-
Increase in other liabilities		-	-
Payments			
Finance lease payments		(12,284,697)	-
Net cash flows from financing activities		(12,284,697)	3,091,527
Net increase/(decrease) in cash		38,723,797	77,084,457
Cash and cash equivalents at year begin		104,935,011	27,850,553
		143,658,808	104,935,010

* See Note 57

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actuals

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2024								
Financial performance								
Property rates	281,487,795	-	281,487,795	281,487,795	280,202,653	(1,285,142)	100 %	100 %
Service Charges	621,866,972	(19,433,526)	602,433,446	602,433,446	607,368,969	4,935,523	101 %	98 %
Investment revenue	4,598,161	7,075,507	11,673,668	11,673,668	12,962,399	1,288,731	111 %	282 %
Transfers recognised - Operational	190,883,480	6,846,193	197,729,673	197,729,673	198,629,696	900,023	100 %	104 %
Other own revenue	60,120,631	160,292,793	220,413,424	220,413,424	103,507,885	(116,905,539)	47 %	172 %
Total revenue (excluding capital transfers and contributions)	1,158,957,039	154,780,967	1,313,738,006	1,313,738,006	1,202,671,602	(111,066,404)	92 %	104 %
Employee costs	(447,813,268)	5,557,109	(442,256,159)	(442,256,159)	(398,877,527)	43,378,632	90 %	89 %
Remuneration of councillors	(15,140,069)	-	(15,140,069)	(15,140,069)	(14,975,747)	164,322	99 %	99 %
Depreciation and asset impairment	(109,662,969)	-	(109,662,969)	(109,662,969)	(100,860,228)	8,802,741	92 %	92 %
Interest	(2,089,744)	(3,660,142)	(5,749,886)	(5,749,886)	(10,037,689)	(4,287,803)	175 %	480 %
Materials and bulk purchases	(458,625,797)	327,426,865	(131,198,932)	(131,198,932)	(454,300,940)	(323,102,008)	346 %	99 %
Transfers and grants	(924,282)	(200,000)	(1,124,282)	(1,124,282)	(920,000)	204,282	82 %	100 %
Other expenditure	(234,060,303)	(498,598,378)	(732,658,681)	(732,658,681)	(322,046,710)	410,611,971	44 %	138 %
Total expenditure	(1,268,316,432)	(169,474,546)	(1,437,790,978)	(1,437,790,978)	(1,302,018,841)	135,772,137	91 %	103 %
Surplus/(Deficit)	(109,359,393)	(14,693,579)	(124,052,972)	(124,052,972)	(99,347,239)	24,705,733	80 %	91 %
Contributions recognised - capital and contributed assets	75,560,927	19,077,635	94,638,562	94,638,562	103,139,503	8,500,941	109 %	136 %
Surplus (Deficit) after capital transfers and contributions	(33,798,466)	4,384,056	(29,414,410)	(29,414,410)	3,792,264	33,206,674	(13)%	(11)%
Surplus/(Deficit) for the year	(33,798,466)	4,384,056	(29,414,410)	(29,414,410)	3,792,264	33,206,674	(13)%	(11)%

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actuals

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial position								
Total current assets	154,622,058	59,239,893	213,861,951	213,861,951	266,447,686	52,585,735	125 %	172 %
Total non-current assets	2,302,442,215	34,942,086	2,337,384,301	2,337,384,301	2,312,827,918	(24,556,383)	99 %	100 %
Total current liabilities	(154,258,500)	(69,670,568)	(223,929,068)	(223,929,068)	(243,291,350)	(19,362,282)	109 %	158 %
Total non current liabilities	(255,034,978)	(718,928)	(255,753,906)	(255,753,906)	(293,951,778)	(38,197,872)	115 %	115 %
Community and wealth	2,047,770,795	23,792,483	2,071,563,278	2,071,563,278	2,042,032,476	(29,530,802)	99 %	100 %
Capital expenditure and funds sources								
Total capital expenditure	(79,342,839)	(50,817,785)	(130,160,624)	(130,160,624)	(92,914,692)	37,245,932	71 %	117 %
Transfers recognised - capital	(65,882,839)	(22,632,239)	(88,515,078)	(88,515,078)	-	88,515,078	- %	- %
Internally generated funds	(13,460,000)	(28,185,546)	(41,645,546)	(41,645,546)	-	41,645,546	- %	- %
Total sources of capital funds	(79,342,839)	(50,817,785)	(130,160,624)	(130,160,624)	-	130,160,624	- %	- %
Cash flows								
Net cash from (used) operating	86,486,589	(5,427,303)	81,059,286	81,059,286	113,137,082	32,077,796	140 %	131 %
Net cash from (used) investing	(79,342,839)	(50,817,785)	(130,160,624)	(130,160,624)	(62,255,719)	67,904,905	48 %	78 %
Net cash from (used) financing	(10,090,505)	(2,078,188)	(12,168,693)	(12,168,693)	(12,168,690)	3	100 %	121 %
Net increase/(decrease) in cash and cash equivalents	(2,946,755)	(58,323,276)	(61,270,031)	(61,270,031)	38,712,673	99,982,704	(63)%	(1,314)%
Cash and cash equivalents at the beginning of the year	8,542,313	96,392,695	104,935,008	104,935,008	104,935,019	(11)	100 %	1,228 %
Cash and cash equivalents at year end	5,595,558	38,069,419	43,664,977	43,664,977	143,647,692	(99,982,715)	329 %	2,567 %

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Budget and actuals variance explanations:

Investment Revenue:

The interest earned on external investments is largely influenced by the municipality's investment portfolio, currently amounts to R143 659 000. The investment amount of R 143 659 000 includes call accounts amounting to R 38 683 000 for the unspent conditional grants.

Operational Revenue:

The other revenue is largely influenced by the land sale amounting to R 2,029 million and the recognition of revenue amounting to R 18 000 000 for land donations received from the Department of Human Settlement for housing projects.

Employee related Costs:

Employee related costs expenditure is largely influenced by the unfilled funded vacancies amounting to R 45 610 000

Interest:

Interest cost relates to post retirement benefits for pension and medical that was higher than anticipated

Inventory consumed and bulk purchases

Inventory consumed relates to materials and supplies which were lower than anticipated

Transfers and Subsidies:

Transfers and subsidies relate to grant-in-aid given by the municipality to various non-profit organisations, in line with the Council approved grant-in-aid policy.

Other Expenditure:

Other expenditure variance relates mostly to ICT expenditure that was partly implemented within the current financial period

Transfers recognised - capital

Capital transfers recognised relates to Capital grants received. There are 2 grants, WSIG and DOHS, that was not fully spent. Rollover applications were done pending approval from National Treasury

Internally generated funds:

Several internally funded Capital projects was approved in the Adjustments Budget. These projects, although not fully spent are committed and Council has approved the unspent amount to be rolled over on 23 August 2024.

Total current assets:

Current assets variance relates to the higher than anticipated cash balance at year end. The municipality closed with a cash balance of R100 million more than anticipated. Overdue debtors also increased by approximately R53 million

Total current liabilities:

The variance in current liabilities largely relates to VAT that was restated to show the separation of output, input as well as the control account separately. This was previously offset with the control account which is not in line with GRAP 108.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

Basis of preparation

These audited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The audited annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these audited annual financial statements, is disclosed below:

1. Summary of significant accounting policies

These standards, interpretations and guidelines issued by the Accounting Standards Board are indicated as follows:

Reference	Description
GRAP Framework	Framework for the Preparation and Presentation of Financial Statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures (Revised)
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 100	Discontinued Operations
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources
IGRAP 1	Applying The Probability Test On Initial Recognition Of Revenue
IGRAP 2	Changes in Existing Decommissioning Restoration and Similar Liabilities
IGRAP 3	Determining Whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 12	Jointly Controlled Entities – Non-Monetary Contributions

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

Additional content (continued)

IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IGRAP 17	Service Concession Arrangements where Grantor Controls Significant Residual Interest
IGRAP 18	Recognition and Derecognition of Land
IGRAP 19	Liabilities to Pay Levies
IGRAP 20	Accounting for Adjustments to Revenue
IGRAP 21	The Effect of Past Decisions on Materiality
Directive 1	Deletion of Transitional Provisions in Standards of GRAP
Directive 3	Amended Transitional Provisions for High Capacity Municipalities
Directive 4	Amended Transitional Provisions for Medium and Low Capacity Municipalities
Directive 5	GRAP Reporting Framework
Directive 7	The Application of Deemed Cost
Directive 11	Changes in Measurement Bases following Initial Adoption of Standards of GRAP
Guideline	Accounting for Arrangements Undertaken i.t.o the National Housing Programme
Guideline	Accounting for Landfill Sites
Guideline	The Application of Materiality to Financial Statements

The cash flow statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an effective date have not been determined by the Minister of Finance.

1.1 New standards and interpretations

1.1 Standards, amendments to standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:

	Effective date: Years beginning on or after	Expected impact:
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact of the interpretation is not material.
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the audited annual financial statements.
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	The impact of the interpretation is not material.
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	The impact of the improvements are not material.
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	The impact of the standard is not material.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.1 New standards and interpretations (continued)

- | | | |
|--|---------------|--|
| <ul style="list-style-type: none">GRAP 1 (amended): Presentation of Financial Statements (Materiality) | 01 April 2023 | The impact of the amendments are not material. |
|--|---------------|--|

1.2 Standards, amendments to standards and interpretations issued, but not yet effective

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:

Effective date: Years beginning on or after

Expected impact:

- | | | |
|--|---|---|
| <ul style="list-style-type: none">GRAP 2023: Improvements to the Standards of GRAP 2023GRAP 1 (amended): Presentation of Financial Statements (Going Concern)GRAP 103 (as revised): Heritage AssetsGRAP 105: Transfer of Functions Between Entities Under Common ControlGRAP 106: Transfer of Functions Between Entities Not Under Common ControlGRAP 107: MergersiGRAP 22: Foreign Currency Transactions and Advance ConsiderationGRAP 104 (as revised): Financial Instruments | <ul style="list-style-type: none">To be determinedTo be determinedTo be determinedTo be determinedTo be determinedTo be determined01 April 202501 April 2025 | <ul style="list-style-type: none">Unlikely there will be a material impactUnlikely there will be a material impactUnlikely there will be a material impactUnlikely there will be a material impactUnlikely there will be a material impactUnlikely there will be a material impactUnlikely there will be a material impactImpact is currently being assessed |
|--|---|---|

1.2 Presentation currency

These audited annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest thousand (R'000).

1.3 Going concern assumption

These audited annual financial statements were prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted 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 prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 01 July 2023 to 30 June 2024.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the audited annual financial statements in determining whether a difference between the budgeted and actual amount is material.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.6 Current year comparatives

When the presentation or classification of items in the audited annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

1.7 Significant judgements and estimates

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Significant judgements and estimates (continued)

1.7.1 Judgements

The following are the critical judgements, apart from those involving estimations, that the 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 the audited annual financial statements:

Materiality

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the decisions that users make on the basis of these audited annual financial statements.

In preparation of the audited annual financial statements materiality has been considered in:

- Deciding what to report in the audited annual financial statements and how to present it.
- Assessing the effect of omissions, misstatements and errors on the audited annual financial statements.

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof has been developed. These thresholds are used to make decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items, transactions and events), and used as a margin of error or framework within which to assess misstatements and errors.

The municipality has also considered whether certain transactions or balances may be qualitatively material based on the inherent characteristics thereof, even though the transaction or balance is quantitatively immaterial, if:

- The item, transaction or event relates to legal or regulatory requirements.
- Related party transactions.
- The regularity or frequency with which an item, transaction or event occurs.
- The item, transaction or event results in the reversal of a trend.
- The item, transaction or event is likely to result in a change in accounting policy.
- The commencement of a new function, or the reduction or cessation of an existing function.
- The degree of estimation or judgement that is needed to determine the value of an item, transaction or event.
- An item, transaction or event that affects the going concern assumption of the municipality.

Lease classification – municipality as lessor

The municipality has entered into commercial property leases on its investment property portfolio. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Lease classification – municipality as lessee

The municipality has entered into a number of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the municipality.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The municipality has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

Classification of property as held for strategic purposes

The municipality classifies vacant land that is earmarked for future development in terms of the municipality's Spatial Development Framework, as property, plant and equipment, rather than investment property.

Criteria for the classification of properties as investment property rather than property, plant and equipment, when classification is difficult

All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as investment property.

Land held for currently undetermined future use

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Significant judgements and estimates (continued)

Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment property. The rental revenue generated is incidental to the purposes for which the property is held.

Determination of repairs and maintenance costs

Repairs and maintenance is based on management's own judgement of costs incurred in cost centres responsible for the maintenance and repair of municipality owned assets. This includes internal charges (inter departmental charges) such as internal transport costs, charged out to the different departments.

Componentisation of infrastructure assets

All infrastructure assets, acquired before the adoption of GRAP where the acquisition cost could not be obtained, with significant components relating to different useful lives are unbundled into their components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market replacement cost of each component, depreciated for age and condition and recalculated to deemed cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP. All infrastructure assets acquired after the adoption of GRAP with significant components relating to different useful lives are unbundled into their components based on the actual expenditure incurred.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Significant judgements and estimates (continued)

1.7.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Classification of financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

Impairment of financial assets

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) 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 was performed per service-identifiable categories across all classes of debtors.

The calculation in respect of the impairment of fine receivables (receivables from non-exchange transactions) is based on an assessment of the past payment history of fines per category.

- 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. z

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- 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.

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

Impairment of property, plant and equipment, intangible assets, heritage assets and inventory

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Significant judgements and estimates (continued)

The Accounting Policies on impairment of cash and non-cash generating assets as well as inventory describes 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 the impairment of property, plant and equipment, intangible assets and heritage assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-cash generating assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognised as finance cost in the Statement of financial performance.

Revenue recognition

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions.

In particular, in regard to revenue from exchange revenue - when goods are sold, whether the management 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. In regard to revenue from non-exchange transactions - significant estimations were made to the initial recognition and measurement of revenue on fines, on the estimated reductions on initial recognition and measurement. Based on past experience, of the amount of revenue the municipality is entitled to collect was calculated as -% of the value of the fines issued, whereas it was estimated that -% of the value of the fines issued were impaired. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Budget information

Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the audited annual financial statements.

1.8 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.9 Inventory

Inventory consist of consumables and materials and supplies, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 Inventory (continued)

Cost of inventory comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventory are identified and written down to their estimated net realisable values estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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.

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, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of financial position.

The basis of determining the cost of water purchased and not yet sold at Statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.10 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

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

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Investment property (continued)

Subsequent measurement – cost model

Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 5 - 50 year period. All useful lives of investment properties are reviewed annually on an indicator basis.

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.11 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Property, plant and equipment (continued)

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Subsequent measurement – cost model

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

Subsequently all property, plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

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

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Property, plant and equipment (continued)

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation rates are based on the following estimated useful lives:

• Land	Indefinite
• Other assets - Buildings	30
• Electrical infrastructure	15 - 30
• Roads infrastructure	10 - 30
• Sanitation infrastructure	10 - 20
• Solid waste infrastructure	10 - 20
• Storm water infrastructure	20
• Water Supply infrastructure	15 - 20
• Community Assets - Facilities	30
• Community assets - Recreational Facilities	15 - 20
• Landfill site	
• Computer equipment	3 - 7
• Furniture and office equipment	10
• Machinery and Equipment	2 - 7
• Transport assets	7 - 15

The estimated useful life, residual values and depreciation method are assessed at each reporting date on an indicator basis.

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, 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..

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of property, plant and equipment.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the Cash flow statement.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or surplus when the compensation becomes receivable.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Property, plant and equipment (continued)

Site rehabilitation and restoration costs

Where the municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As the related asset is measured using the cost model: -

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.12 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

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).

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 5 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of financial performance.

1.13 Borrowing costs

Borrowing costs are interest and other expenses incurred by an municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.14 Impairment of property, plant and equipment, investment property, intangible assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

Impairment of cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

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 best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

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

A 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.

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 any such indication exists, the municipality estimates the recoverable service amount of the asset.

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 cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal.

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1.14 Impairment of property, plant and equipment, investment property, intangible assets (continued)

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.

A 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.

1.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

1.15.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104, the municipality classifies financial assets at amortised cost. Financial assets at amortised cost relates to a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

The municipality has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial asset	Classification in terms of GRAP 104
Finance lease receivables	Financial assets at amortised cost
Long-term receivables	Financial assets at amortised cost
Current portion of long-term receivables	Financial assets at amortised cost
Receivables from exchange transactions (except Statutory receivables)	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost
Short term Investments	Financial assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The municipality classifies all financial liabilities at amortised cost.

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1.15 Financial instruments (continued)

The municipality has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability at amortised cost
Current portion of long-term liabilities	Financial liability at amortised cost
Payables from exchange transactions	Financial liability at amortised cost
Consumer deposits	Financial liability at amortised cost
Finance lease liabilities	Financial liability at amortised cost
Payables from non-exchange transactions	Financial liability at amortised cost

1.15.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instruments is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instruments not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instruments are added or deducted from the fair value, as appropriate on initial recognition.

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

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.

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 assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Subsequent measurement – Financial liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred.

Financial liabilities classified at amortised cost and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of financial performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

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Accounting Policies

1.15 Financial instruments (continued)

1.15.3 Impairment of financial assets

Receivables from exchange transactions

Receivables from exchange transactions are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

1.15.4 Derecognition

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 assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

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

1.16 Provisions

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

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

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

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Accounting Policies

1.16 Provisions (continued)

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

Environmental rehabilitation provisions

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

1.17 Employee benefits

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

Short-term employee benefits

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

The 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.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of financial position.

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.

Bonus provisions

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

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.

Post-employment benefits: Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

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 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 by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of financial performance.

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1.17 Employee benefits (continued)

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 has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

1.18 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Municipality as lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of financial position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Municipality as lessor

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

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

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.

1.19 Statutory receivables

1.19.1 Identification

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

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivable due to/from SARS
- Property Rates debtors
- Traffic fine debtors

1.19.2 Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;

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Accounting Policies

1.19 Statutory receivables (continued)

- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when 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 entity and the transaction amount can be measured reliably.

1.19.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

The municipality measures statutory receivables 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.

1.19.4 Impairment

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

Rates debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Traffic fine debtors are reviewed collectively considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.19.5 Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers control of the statutory receivable and substantially all the risks and rewards of ownership of the asset to another entity; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

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Accounting Policies

1.19 Statutory receivables (continued)

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.20 Revenue

Revenue, excluding value-added taxation where applicable, 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.

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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

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Accounting Policies

1.20 Revenue (continued)

1.20.1 Revenue from exchange transactions

Service charges

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 each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

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

Pre-paid electricity

Revenue from the sale of electricity pre-paid 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.

Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated surplus/ (deficit) to the Housing development fund or the Insurance reserve.

Traffic 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.

Income from agency services

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

Housing rental and instalments

Finance income from the sale of housing by way of instalment sale agreements or finance leases is recognised on a time proportion basis.

Sale of goods

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

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

Kouga Local Municipality

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Accounting Policies

1.20 Revenue (continued)

1.20.2 Revenue from non-exchange transactions

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 proportion 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.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Transfers and subsidies

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

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Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.20 Revenue (continued)

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.21 Transfers and subsidies – non-exchange expenditure

The municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the audited annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.22 Related parties and related party transactions

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, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

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

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.23 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the audited annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the audited annual financial statements.

1.24 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..

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Accounting Policies

1.25 Material losses

he 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).

The self-insurance reserve is based on recognised insurance industry principles. To determine the level of capacity required, an agreed methodology has been adopted and is consistently applied annually based on the following methodology:

1.26 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.

1.27 Principal-agent arrangements

The municipality is party to a principal-agent arrangement for Department of Transport. In terms of the arrangement the municipality is the agent and is responsible for collect monies on their behalf..

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.27 Principal-agent arrangements (continued)

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.28 Value Added Tax

Value added taxation

The municipality is registered with the South African Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

VAT is an indirect tax based on consumption of goods and services in the economy. Revenue is raised for the government by requiring certain traders or vendors to register and to charge VAT on taxable supplies of goods or services. The essential characteristics of VAT are:

- it is charged at each stage of the production and distribution process;
- the taxable person (vendor) may deduct the tax paid during the preceding stages; and
- the burden of the tax is on the final consumer.

The municipality renders goods and services to consumers, it is responsible to collect taxes from its consumers for the goods and services provided. The municipality (VAT vendor) is a deemed debtor to the national government when collecting and remitting VAT.

The municipality is registered to declare VAT transactions on the cash basis to SARS. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis and VAT is settled between the VAT vendor and SARS, based on the cash collected by the municipality and the cash paid by the municipality. VAT Receivable due/from SARS:

In accordance with GRAP 108, the VAT Receivable to/from SARS is considered to be a statutory arrangement, as this is based on legislation, being the VAT Act.

Taking into account that the VAT due/from to the national government by the municipality (VAT vendor) results in a deemed debtor-creditor relationship, it is therefore considered to be a receivable or payable from exchange transaction.

VAT Accrual:

In accordance with GRAP, the municipality recognises transactions on an accrual basis of accounting. Therefore, the transaction between the municipality and customer includes the provision of goods or services in cash or credit; and the levying and/or collection of VAT by the municipality from the customer.

Similarly, the transaction between the municipality and the supplier includes the supply of goods or services in cash or credit; and the obligation to recognise VAT by the supplier to the municipality from the customer.

The VAT accrual accounts therefore does not represent amounts to be received or paid to SARS, but rather amounts that are associated with transactions that are yet to be settled. As a result, the accrual transactions are considered to be contractual in nature, and therefore do not meet the definition of a statutory arrangement. As there is no transaction to "settle" with a specific counterparty at this point, the municipality considers the offsetting of the amounts as inappropriate, and has separately disclosed these transactions in the notes to the annual financial statements.

Input VAT Accrual represents amounts that are yet to be claimed from SARS, subject to settlement of the outstanding creditors by the municipality. This therefore shall be disclosed as a receivable from exchange transaction in accordance with GRAP 9.

Output VAT Accrual represents amounts that are yet to be paid to SARS, subject to collection from outstanding debtors of the municipality. This shall be accounted for as a trade and other payables in accordance with GRAP 19.

1.29 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.29 Unauthorised expenditure (continued)

- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.30 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.31 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 recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.32 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the audited annual financial statements where applicable.

1.33 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.33 Contingent assets and contingent liabilities (continued)

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

1.34 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

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
2. Cash and cash equivalents		
2.1 Cash and cash equivalents		
The cash and cash equivalents consist of the following:		
Call deposits and investments		
Deposit taking institutions	117,412,305	83,334,265
Cash at bank		
Bank account	26,246,080	21,600,325
Cash on hand	421	421
Total cash and cash equivalents	143,658,806	104,935,011

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 7.00 % to 9.00% (2023: 7.00 % to 9.00 %) per annum.

INVESTEC	8.00%
STANDARD BANK	7.75%
ABSA 4088960791	8.11%
ABSA 9078617359	5.25%
ABSA 9379304142	8.90%
ABSA 9379302548	8.90%
NEDBANK	8.10%
RMB - MIG 1	7.90%
RMB - MIG 2	7.90%
RMB - MIG 3	7.90%
RMB - INEP	7.90%
RMB - FMG	7.90%
RMB - HOUSING	7.90%
RMB - KOUGA GENERAL	7.90%
RMB - KOUGA INVESTMENT	7.90%

Call deposits and investments by financial institution

Institution	Account number	Account type		
Standard Bank	588563250001	Call deposit accounts	26,516,585	17,575,390
ABSA	9379302548 / 9078617359	Call deposit accounts	1,609,158	17,594,066
ABSA	9379304142 /4088960791	Call deposit accounts	21,186,208	-
INVESTEC	1400138616500	Call deposit accounts	19,595,267	17,580,054
INVESTEC	1400138616501	Call deposit accounts	3,176,214	-
NEDBANK	37881037199	Call deposit accounts	22,593,060	17,580,746
RMB-MIG2	CDS-X021904708	Call deposit accounts	3,123,054	-
RMB-MIG3	CDS-X021904710	Call deposit accounts	54	7,592,728
RMB-HOUSING	CDS-X021904715	Call deposit accounts	35,415	2
RMB-GENERAL	CDS-X021904716	Call deposit accounts	19,577,290	5,411,279
Total investments			117,412,305	83,334,265

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand		2024	2023
2. Cash and cash equivalents (continued)			
2.2 Bank accounts			
The municipality has the following bank accounts:			
First National Bank Limited	Account Type - Cheque Account Branch: Account Number 52540020791	10,314,022	15,413,737
First National Bank Limited	Account Type - Cheque Account Branch: Account Number 52540033504	8,553,426	3,874,471
First National Bank Limited	Account Type - Cheque Account Branch: Account Number 6268213591	3,833	779
First National Bank Limited	Account Type - Cheque Account Branch: Account Number 63022194441	7,374,799	2,311,338
Total		26,246,080	21,600,325
3. Trade and other receivables from exchange transactions			
Trade service and consumer service debtors			
	3.1		
Electricity		34,037,393	32,462,402
Waste management		1,622,323	5,002,283
Waste water management		1,763,501	5,303,103
Water		13,534,303	23,974,116
Service charges		19,800	43,265
		50,977,320	66,785,169
Other receivables from exchange transactions			
	3.2		
VAT Receivable - Due from SARS		2,299,644	831,979
Debtors relating to the sale of auctioned assets		3,962,205	2,987,947
Input VAT Accrual on Outstanding Creditors		11,237,866	9,138,432
Merchandising, jobbing and contracts		1	724,064
Prepayments and advances		3,781,228	4,143,478
Property rental debtors		28,997	-
Control, Clearing and Interface Accounts		1,149,543	1,539,272
		22,459,484	19,365,172
Total trade and other receivables from exchange transactions		73,436,804	86,150,341

3.1 Trade service and consumer service debtors

The average credit period for trade service and consumer service debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of trade service and consumer service debtors.

The management of the municipality is of the opinion that the carrying value of trade service and consumer service debtors approximate their fair values.

The fair value of trade service and consumer service debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and trade service and consumer service debtors as well as the current payment ratio's of the municipality's trade service and consumer service debtors.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

2024

2023

3. Trade and other receivables from exchange transactions (continued)

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Trade service and consumer service debtors from exchange transactions						
Electricity	82,315,351	(48,277,958)	34,037,393	56,507,111	(24,044,709)	32,462,402
Waste management	103,836,482	(102,214,159)	1,622,323	91,662,726	(86,660,443)	5,002,283
Waste water management	63,560,637	(61,797,136)	1,763,501	60,207,133	(54,904,030)	5,303,103
Water	179,709,941	(166,175,638)	13,534,303	161,873,081	(137,898,965)	23,974,116
Service charges	6,433,245	(6,413,445)	19,800	5,763,722	(5,720,457)	43,265
Total trade service and consumer service debtors from exchange transactions	435,855,656	(384,878,336)	50,977,320	376,013,773	(309,228,604)	66,785,169

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

3. Trade and other receivables from exchange transactions (continued)

3.1.1 Ageing of trade service and consumer service debtors

2024

	Not due		Past due			
	Total	Current	30 days	60 days	90 days	120 days
Trade service and consumer service debtors from exchange transactions						
Total by debt type						
Electricity	82,315,351	47,843,147	5,648,997	2,914,932	1,971,445	23,936,830
Waste management	103,836,482	6,365,107	2,392,728	1,924,221	1,696,648	91,457,778
Waste water management	63,560,637	6,184,475	2,208,126	1,648,180	1,341,613	52,178,243
Water	179,709,941	22,666,904	5,355,541	5,080,764	3,742,623	142,864,109
Service charges	6,433,245	471,574	25,015	12,764	31,719	5,892,173
Total by debt type	435,855,656	83,531,207	15,630,407	11,580,861	8,784,048	316,329,133

2023

	Not due		Past due			
	Total	Current	30 days	60 days	90 days	120+ days

Trade service and consumer service debtors from exchange transactions

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

3. Trade and other receivables from exchange transactions (continued)

Total by debt type

Electricity	56,507,111	15,243,374	16,874,729	2,208,875	1,439,679	1,149,254	19,591,200
Waste management	91,662,726	866,145	4,921,199	2,109,607	1,802,048	1,683,068	80,280,659
Waste water management	60,207,133	1,241,581	5,040,844	2,185,140	1,769,403	1,578,989	48,391,176
Water	161,873,081	17,924,240	9,513,628	6,426,149	6,937,790	6,156,874	114,914,400
Service charges	5,763,722	4,933	16,083	22,953	22,621	11,535	5,685,597
Total by debt type	376,013,773	35,280,273	36,366,483	12,952,724	11,971,541	10,579,720	268,863,032

3.1.2 Impairment reconciliation of trade service and consumer service debtors

	2024				2023		
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Closing balance
Trade service and consumer service debtors from exchange transactions							
Electricity	(24,044,709)	(48,277,958)	24,044,709	(48,277,958)	(21,350,024)	(2,694,685)	(24,044,709)
Waste management	(86,660,443)	(102,214,159)	86,660,443	(102,214,159)	(70,095,820)	(16,564,623)	(86,660,443)
Waste water management	(54,904,030)	(61,797,136)	54,904,030	(61,797,136)	(41,707,929)	(13,196,101)	(54,904,030)
Water	(137,898,965)	(166,175,638)	137,898,965	(166,175,638)	(90,412,064)	(47,486,901)	(137,898,965)
Service charges	(5,720,458)	(6,413,444)	5,720,457	(6,413,445)	(6,372,701)	652,244	(5,720,457)
Total trade service and consumer service debtors	(309,228,605)	(384,878,335)	309,228,604	(384,878,336)	(229,938,538)	(79,290,066)	(309,228,604)

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

2024

2023

3. Trade and other receivables from exchange transactions (continued)

3.1.3 Credit quality of trade service and consumer service debtors

The Municipality deems outstanding debt less than 90 days to be receivables that are not considered for impairment, on the following basis:

- The Municipality has a stringent customer care, credit control and debt collection policy which is actively implemented by the Municipality.
- This includes monitoring of debtors accounts, implementation of physical disconnections where necessary, as well as incentive payment programmes.
- Therefore the Municipality views debt outstanding for less than 90 days being a fair reflection of the credit quality.

3.2 Other receivables from exchange transactions

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Other receivables from exchange transactions from exchange transactions						
VAT Receivable - Due from SARS	2,299,644	-	2,299,644	831,979	-	831,979
Debtors relating to the sale of auctioned assets	3,962,205	-	3,962,205	2,987,947	-	2,987,947
Input VAT Accrual on Outstanding Creditors	11,237,866	-	11,237,866	9,138,432	-	9,138,432
Merchandising, jobbing and contracts	1	-	1	724,064	-	724,064
Prepayments and advances	3,803,228	(22,000)	3,781,228	4,165,478	(22,000)	4,143,478
Property rental debtors	28,997	-	28,997	-	-	-
Control, Clearing and Interface Accounts	1,149,543	-	1,149,543	1,539,272	-	1,539,272
Total	22,481,484	(22,000)	22,459,484	19,387,172	(22,000)	19,365,172

3.2.1 Credit quality of other receivables from exchange transactions other receivables from exchange transactions

The Municipality deems outstanding debt less than 90 days to be receivables that are not considered for impairment, on the following basis:

- The Municipality has a stringent customer care, credit control and debt collection policy which is actively implemented by the Municipality.
- This includes monitoring of debtors accounts, implementation of physical disconnections where necessary, as well as incentive payment programmes.
- Therefore the Municipality views debt outstanding for less than 90 days being a fair reflection of the credit quality.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

4. Receivables from non-exchange transactions

Consumer receivables

Property rates

4.1

5,365,560 12,675,639

Other receivables

Accrued income

Fines

4.1

3,378,394 4,096,846

17,907,165 12,242,036

21,285,559 16,338,882

Total receivables

26,651,119 29,014,521

Current assets

26,651,119 29,014,521

4.1 Receivables from non-exchange transactions

Consumer receivables

Property rates

Other receivables

Accrued income

Fines

Total

2024			2023		
Gross	Impairment	Total	Gross	Impairment	Total
76,159,323	(70,793,763)	5,365,560	61,280,470	(48,604,831)	12,675,639
3,378,394	-	3,378,394	4,096,846	-	4,096,846
134,664,313	(116,757,148)	17,907,165	116,258,117	(104,016,081)	12,242,036
138,042,707	(116,757,148)	21,285,559	120,354,963	(104,016,081)	16,338,882
214,202,030	(187,550,911)	26,651,119	181,635,433	(152,620,912)	29,014,521

4.1.1 Ageing of receivables from non-exchange transactions

2024

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

4. Receivables from non-exchange transactions (continued)

	Not due		Past due			
	Total	Current	30 days	60 days	90 days	120 days
Consumer receivables						
Property rates	76,159,323	15,707,365	4,521,234	3,178,661	2,173,560	50,578,503
Other receivables						
Accrued income	3,378,394	3,378,394	-	-	-	-
Fines	134,664,313	134,664,313	-	-	-	-
	138,042,707	138,042,707	-	-	-	-
Total	214,202,030	153,750,072	4,521,234	3,178,661	2,173,560	50,578,503

2023

	Not due		Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables							
Property rates	61,280,470	595,146	13,231,693	2,502,444	1,735,268	1,258,904	41,957,015
Other receivables							
Accrued income	4,096,846	4,096,846	-	-	-	-	-
Fines	116,258,117	116,258,117	-	-	-	-	-
	120,354,963	120,354,963	-	-	-	-	-
Total	181,635,433	120,950,109	13,231,693	2,502,444	1,735,268	1,258,904	41,957,015

Statutory receivables:

Property rates and traffic fines are considered to be statutory receivables, and are reported at the amounts indicated in the above mentioned tables.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

4. Receivables from non-exchange transactions (continued)

Transactions arises from statute

Traffic fines are issued to offenders in terms of the Administrative of Road Traffic Offences (AARTO Act) and Criminal Procedures Act, by the way of notices to offenders which specify the value of the fine that must be paid.

Property rates is charged in terms of the Municipal Property Rates Act.

Determination of transaction amount

Traffic Fines are determined in terms of Schedule 3 of the AARTO Regulations 2008 indicates the charge codes and descriptions, penalties and their discounts, and demerit points

Interest or other charges levied/charged

No interest is charged on outstanding fines, and any additions are further applied by the court is paid by the offender to the municipality then paid to the court.

Interest on property rates is raised on overdue accounts at xxx% per annum in accordance with the National Credit Act, in respect of arrears arising after 1 November 2016. Arrear accounts arising before 31 October 2016 is charged interest at a rate of xxxx% per annum.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

4. Receivables from non-exchange transactions (continued)

4.1.2 Impairment reconciliation of receivables from non-exchange transactions

	2024				2023		
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Closing balance
Consumer receivables							
Property rates	(48,604,832)	(70,793,762)	48,604,831	(70,793,763)	(39,237,678)	(9,367,153)	(48,604,831)
Other receivables							
Fines	(104,016,081)	(12,741,067)	-	(116,757,148)	(32,052,115)	(71,963,966)	(104,016,081)
Total	(152,620,913)	(83,534,829)	48,604,831	(187,550,911)	(71,289,793)	(81,331,119)	(152,620,912)

Basis used to access and test whether a statutory receivable is impaired:

Traffic fines

The Municipality account for traffic fines impairment in accordance with iGRAP 1. Management considered receivables individually that may be impaired as well as groups of similar receivables that may be impaired. Management takes into account expired warrants for individual impairment. The Municipality assesses the average collection rate in the determination of the group impairment percentage to be considered.

Property rates

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.

4.1.3 Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates:

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand		2024	2023
5. Inventories			
Materials and supplies		20,785,014	17,404,494
Water	5.1	1,664,499	1,193,536
Total Inventories		22,449,513	18,598,030

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.

5.1 Water

Opening balance	1,193,536	798,678
System input volume	35,117,321	40,754,722
Authorised consumption	(34,646,358)	(40,359,864)
Closing balance	1,664,499	1,193,536

6. Deposits

Deposits	893,543	893,543
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7. Operating leases

Operating leases	105,634	109,349
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7.1 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	109,349	152,713
Operating Lease Revenue effected	(3,715)	(43,364)
	105,634	109,349

The Municipality as Lessor : Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 99 years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

7.2 Amounts receivable under Operating Leases

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

Up to 1 year	406,032	385,711
2 to 5 years	981,521	793,966
	1,387,553	1,179,677

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
8. Investment property		
8.1 Reconciliation of carrying value		
Opening carrying value		
Cost	251,673,471	262,608,444
Carrying value of disposals / transfers		
Cost	(879,924)	-
Other movements	-	(10,934,973)
Closing carrying value	250,793,547	251,673,471
Cost	250,793,547	251,673,471

No Investment property had been pledged as security for any liabilities of the municipality.

The municipality has not depreciated its assets, due to the residual value of the investment property assets equalling the cost of the assets, as assessed at the end of the financial year..

The prior year comparatives have been restated, please refer to note 57 for more detail information .

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

9. Property, plant and equipment

9.1 Summary

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	233,939,041	-	233,939,041	216,596,877	-	216,596,877
Transport Assets	115,106,543	(52,806,466)	62,300,077	112,132,941	(44,936,083)	67,196,858
Electrical Infrastructure	277,304,977	(92,531,249)	184,773,728	265,287,873	(84,706,758)	180,581,115
Water Supply Infrastructure	564,797,732	(170,815,669)	393,982,063	543,600,745	(149,825,635)	393,775,110
Sanitation Infrastructure	666,900,138	(231,007,414)	435,892,724	650,455,347	(209,249,999)	441,205,348
Solid Waste Infrastructure	73,259,019	(59,559,524)	13,699,495	77,028,161	(55,950,119)	21,078,042
Machinery and Equipment	15,506,602	(9,592,395)	5,914,207	14,598,084	(8,087,693)	6,510,391
Furniture and Office Equipment	29,068,420	(23,297,497)	5,770,923	29,955,502	(23,247,109)	6,708,393
Computer Equipment	11,794,184	(8,132,587)	3,661,597	10,377,349	(6,746,576)	3,630,773
Roads Infrastructure	1,030,540,610	(462,331,482)	568,209,128	1,002,143,978	(431,390,507)	570,753,471
Storm water Infrastructure	76,123,663	(23,970,157)	52,153,506	75,816,061	(22,154,983)	53,661,078
Community Assets	64,847,870	(10,557,112)	54,290,758	58,285,727	(9,887,475)	48,398,252
Other Assets - Buildings	53,882,185	(6,853,659)	47,028,526	53,844,774	(6,247,717)	47,597,057
Total	3,213,070,984	(1,151,455,211)	2,061,615,773	3,110,123,419	(1,052,430,654)	2,057,692,765

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Disposals	Transfers received and Donated assets recognised	Transfers made	Decommissioning, rehabilitation and restoration changes	Depreciation	Impairment loss/ reversal	Total
Land	216,596,877	-	(657,836)	18,000,000	-	-	-	-	233,939,041
Transport Assets	67,196,856	4,367,795	(33,175)	-	-	-	(9,210,198)	(21,201)	62,300,077
Electrical Infrastructure	186,934,757	5,663,463	-	8,889,528	(8,889,528)	-	(7,186,053)	(638,439)	184,773,728
Water Supply Infrastructure	393,775,110	21,196,987	-	24,056,951	(24,056,951)	-	(20,533,862)	(456,172)	393,982,063
Sanitation Infrastructure	434,851,708	22,798,431	-	-	-	-	(21,464,625)	(292,790)	435,892,724
Solid Waste Infrastructure	21,078,042	-	-	-	-	(3,769,142)	(3,609,405)	-	13,699,495
Machinery and Equipment	6,510,391	1,013,917	(11,351)	-	-	-	(1,578,030)	(20,720)	5,914,207
Furniture and Office Equipment	6,708,391	913,380	(105,384)	-	-	-	(1,680,588)	(64,876)	5,770,923
Computer Equipment	3,630,773	1,504,327	(33,568)	-	-	-	(1,421,729)	(18,206)	3,661,597
Roads Infrastructure	570,753,471	28,549,234	(42,144)	5,941,095	(5,941,095)	-	(30,885,139)	(166,294)	568,209,128
Storm water Infrastructure	53,661,078	307,602	-	-	-	-	(1,815,174)	-	52,153,506
Community Assets	48,398,252	6,562,143	-	9,399,056	(9,399,056)	-	(669,637)	-	54,290,758
Other Assets - Buildings	47,597,057	37,411	-	-	-	-	(605,942)	-	47,028,526
Total	2,057,692,763	92,914,690	(883,458)	66,286,630	(48,286,630)	(3,769,142)	(100,660,382)	(1,678,698)	2,061,615,773

Reconciliation of property, plant and equipment – 2023

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

9. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Decommissioning, rehabilitation and restoration changes	Depreciation	Impairment loss/ reversal	Total
Land	216,596,877	-	-	-	-	-	-	-	216,596,877
Transport Assets	59,163,990	16,911,774	(4,367)	-	-	-	(8,874,539)	-	67,196,858
Electrical Infrastructure	188,485,150	485,086	-	1,394,437	(1,394,437)	-	(7,168,580)	(1,220,541)	180,581,115
Water Supply Infrastructure	372,609,508	45,053,128	-	71,419,164	(71,419,164)	-	(19,090,261)	(4,797,265)	393,775,110
Sanitation Infrastructure	447,990,852	29,227,969	-	34,044,876	(34,044,876)	-	(21,829,793)	(14,183,680)	441,205,348
Solid Waste Infrastructure	26,166,546	-	-	-	-	78,787	(5,167,291)	-	21,078,042
Machinery and Equipment	7,434,752	974,592	(82,025)	1,056,651	(1,056,651)	-	(1,569,248)	(247,680)	6,510,391
Furniture and Office Equipment	8,008,713	1,591,448	(27,839)	-	-	-	(2,055,960)	(807,969)	6,708,393
Computer Equipment	3,332,764	1,677,294	(18,120)	-	-	-	(1,361,165)	-	3,630,773
Roads Infrastructure	589,305,889	13,241,115	(1,187,229)	27,775,107	(27,775,106)	-	(30,582,866)	(23,439)	570,753,471
Storm water Infrastructure	55,645,718	-	-	-	-	-	(1,984,640)	-	53,661,078
Community Assets	45,561,629	4,058,359	-	7,659,196	(7,659,196)	-	(609,704)	(612,032)	48,398,252
Other Assets	49,489,925	-	-	925,945	(925,945)	-	(600,926)	(1,291,942)	47,597,057
Total	2,069,792,313	113,220,765	(1,319,580)	144,275,376	(144,275,375)	78,787	(100,894,973)	(23,184,548)	2,057,692,765

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

9. Property, plant and equipment (continued)

The prior year comparatives have been restated, please refer to note 57 for more detail information

No Assets pledged as security.

Property , Plant and Equipment leased by the municipality:

.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.

Impairment of Property, plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R1 678 698 (2023: R23 184 529) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance. 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.

Delayed projects

No delayed projects have been identified for disclosure in the annual financial statements

9.2 Property, plant and equipment under construction

2024

	Electrical infrastructure	Water Infrastructure	Community assets	Roads Infrastructure	Sanitation Infrastructure	Storm water Infrastructure	Total
Reconciliation of Work-in-Progress 2024							
Opening balance	14,749,475	35,999,992	4,102,150	559,419	26,758,621	-	82,169,657
Additions/Capital expenditure	5,744,209	21,196,987	6,562,143	28,549,234	22,650,208	10,435	84,713,216
Transferred to completed items	(8,889,527)	(24,056,951)	(9,399,055)	(5,941,095)	-	-	(48,286,628)
Total	11,604,157	33,140,028	1,265,238	23,167,558	49,408,829	10,435	118,596,245

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

9. Property, plant and equipment (continued)

2023

	Electrical Infrastructure	Water Infrastructure	Community assets	Roads Infrastructure	Sanitation Infrastructure	Total
Reconciliation of Work-in-Progress 2023						
Opening balance	9,790,292	58,651,304	9,685,583	15,093,410	41,483,470	134,704,059
Additions/Capital expenditure	6,353,640	48,767,852	4,058,359	13,241,115	19,320,027	91,740,993
Impairment	(1,220,541)	(4,797,265)	-	(23,439)	(14,183,680)	(20,224,925)
Transferred to completed items	(1,394,437)	(71,419,164)	(9,641,792)	(27,775,106)	(34,044,876)	(144,275,375)
Total	13,528,954	31,202,727	4,102,150	535,980	12,574,941	61,944,752

9.3 Maintenance of property, plant and equipment

2024

The following maintenance costs were incurred:

	Infrastructure assets	Community assets	Machinery and equipment	Transport assets	Other assets	Total
Preventative maintenance	7,703,884	3,264,197	516,857	10,320,826	3,266,948	25,072,712
Corrective maintenance	28,703,993	-	141,915	-	450,634	29,296,542
Total	36,407,877	3,264,197	658,772	10,320,826	3,717,582	54,369,254

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

9. Property, plant and equipment (continued)

2023

The following maintenance costs were incurred:

	Infrastructure assets	Community assets	Machinery and equipment	Transport assets	Other assets	Total
Preventative maintenance	16,677,289	3,227,863	356,843	8,471,963	255,078	28,989,036
Corrective maintenance	14,989,020	-	237,007	-	3,457,400	18,683,427
Total	31,666,309	3,227,863	593,850	8,471,963	3,712,478	47,672,463

9.3.1 Maintenance of property, plant and equipment by nature and type of expenditure

2024

	Infrastructure assets	Community assets	Machinery and equipment	Transport assets	Other assets	Total
Direct costs						
Contracted Services	12,760,370	2,201,563	426,456	8,007,673	3,068,390	26,464,452
Inventory Consumed	16,938,451	1,062,634	232,315	2,313,153	649,192	21,195,745
Operational Cost	6,709,055	-	-	-	-	6,709,055
Total	36,407,876	3,264,197	658,771	10,320,826	3,717,582	54,369,252

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

9. Property, plant and equipment (continued)

2023

	Infrastructure assets	Community assets	Machinery and equipment	Transport assets	Other assets	Total
Direct costs						
Contracted Services	18,101,501	2,280,568	318,470	6,869,150	3,351,450	30,921,139
Inventory Consumed	11,622,946	947,296	275,380	1,602,813	359,038	14,807,473
Operational Cost	1,941,861	-	-	-	1,990	1,943,851
	31,666,308	3,227,864	593,850	8,471,963	3,712,478	47,672,463

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand		2024	2023
10. Intangible assets			
10.1 Reconciliation of carrying value			
2024			
		Computer software	Total
Opening carrying value as at 01 July 2023			
Cost		2,117,022	2,117,022
Accumulated depreciation and impairment		(1,514,473)	(1,514,473)
		602,549	602,549
Amortisation	36	(201,030)	(201,030)
Carrying value of disposals / transfers			
Cost		17,090	17,090
Closing carrying value as at 30 June 2024		418,609	418,609
2023			
		Computer software	Total
Opening carrying value as at 01 July 2022			
Cost		2,153,380	2,153,380
Accumulated depreciation and impairment		(1,283,599)	(1,283,599)
		869,781	869,781
Correction of prior period errors		(36,358)	(36,358)
Amortisation	36	(265,675)	(265,675)
		(302,033)	(302,033)
Carrying value of disposals / transfers			
Cost		34,801	34,801
Closing carrying value as at 30 June 2023		602,549	602,549
2022			
Cost		2,151,823	2,151,823
Accumulated amortisation and impairment		(1,549,274)	(1,549,274)
		602,549	602,549
11. Lease liabilities			
Finance lease liabilities	11.1	23,375,383	35,544,074
Less: Transferred to current liabilities		(11,144,269)	(12,168,692)
Total non-current liabilities		12,231,114	23,375,382
11.1 Obligation under finance leases			
The municipality as lessee			

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand		2024	2023
11. Lease liabilities (continued)			
The obligations under finance leases are as follow:			
Total future minimum lease payments			
Payable within 1 year		13,982,669	14,736,608
Payable within 2 to 5 years		13,821,451	25,403,817
Total minimum lease payments		27,804,120	40,140,425
Less: Future finance charges		(4,428,737)	(4,596,351)
Total		23,375,383	35,544,074
Present value of minimum lease payments			
Payable within 1 year		11,144,269	12,168,692
Payable within 2 to 5 years		12,231,114	23,375,382
Total		23,375,383	35,544,074
Current liability		11,144,269	12,168,692
Non-current liability		12,231,114	23,375,382
12. Employee benefits			
Non-current employee benefits			
Post employment health care benefits	12.1	97,024,999	91,990,999
Ex-Gratia pension benefits	12.2	40,300	41,260
Long-service awards	12.5	14,562,000	14,606,000
		111,627,299	106,638,259
Current employee benefits			
Post employment health care benefits	12.1	4,505,000	3,736,000
Ex-Gratia pension benefits	12.2	8,810	8,820
Bonus	12.3	1,332,661	2,130,578
Leave	12.4	44,559,430	36,032,522
Long-service awards	12.5	3,021,000	2,680,000
		53,426,901	44,587,920
Total		165,054,200	151,226,179

12.1 Post employment health care benefits

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 2024 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 Post Employee Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follow:

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
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12. Employee benefits (continued)

	Number	
In-service members (Employees)	438	429
Continuation members (Retirees)	82	81
In-service Non members (Employees)	319	343
Total members	839	853

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

In-service members (Employees)	45,741,000	51,875,999
Continuation members (Retirees)	55,788,999	43,851,000
Total liability	101,529,999	95,726,999
Current	4,505,000	3,736,000
Non-current	97,024,999	91,990,999

12.1.1 Defined benefit plan

Movements in the present value of the defined benefit obligation

Opening Balance	95,726,999	91,641,745
Service cost - current service cost	3,815,000	7,547,110
Interest cost	11,720,000	11,583,601
Actual employer benefit payments	(3,736,000)	(6,507,822)
Remeasurements - Actuarial loss/ (gain) recognised in the year	(5,996,000)	(8,537,635)
Present value of fund obligation at the end of the year	101,529,999	95,726,999

The Current-service Cost for the year ending 30 June 2024 is estimated to be R3 815 000, whereas the cost for the ensuing year is estimated to be R4 079 000 (30 June 2023: R 3 8 11000 and R 3 815000 respectively)."

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

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

Discount rate	12.25%	12.48%
Health care cost inflation rate	6.22%	8.09%
Net effective discount rate	4.21%	4.06%
Expected Retirement Age -Females	62	62
Expected Retirement Age - Males	62	62

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

- "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."
- The Actuaries used the nominal and real zero curves as at 30 June 2024 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

Mortality rates

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
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12. Employee benefits (continued)

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables.

Normal retirement age

The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be x years.

Amounts recognised in the statement of financial position

The amounts recognised in the statement of financial position is as follows:

Present value of unfunded obligations	101,529,999	95,726,999
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Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:

Service cost - Current service cost	3,815,000	7,547,110
Interest cost	11,720,000	11,583,601
Remeasurements - Actuarial loss/ (gain) recognised in the year	(5,996,000)	(8,537,635)
Total post-retirement benefit included in employee related costs	31 9,539,000	10,593,076

History of experienced adjustments

	2020	2021	2022	2023	2024
Present value of defined benefit obligation	83,222,393	89,626,999	92,123,834	95,727,000	101,530,000

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

	+1% Increase	Increase
Effect on the defined benefit obligation	116,518,000	110,146,000
Effect on the aggregate of the interest cost and current service cost	18,174,000	18,027,552

The municipality expects to make a contribution of R 113 273 000 to the Defined Benefit Plan during the next financial year.

Refer to note 56 Retirement Benefit Information to the audited annual financial statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

12.2 Ex-Gratia pension benefits

12.2.1 Post-retirement Pension Benefits Liability

Movements in the present value of the defined benefit obligation

Opening Balance	50,080	52,246
Interest cost	13,400	13,245
Actual employer benefit payments	(17,630)	(17,785)
Remeasurements - Actuarial (Gains) / Losses recognised	3,260	2,374
Closing balance	49,110	50,080
Current	8,810	8,820
Non-current	40,300	41,260

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
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12. Employee benefits (continued)

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.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2024 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.

	Number	
In-service members (Employees)	5	5
In-service members (Employees)	49,110	50,080
Lump sum benefit	49,110	50,080

The interest-cost for the next year is estimated to be R4 590.00 -. The actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

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

Lump sum valuation

Discount rate	9.79 %	10.03 %
Net effective discount rate	9.79 %	10.03 %

Mortality rates

Mortality before retirement has been based on the PA (90) mortality tables. These are the most commonly used tables in the industry. It was assumed that female spouses would be five years younger than their male spouses and vice versa.

Normal retirement age

The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 62 years.

Amounts recognised in the statement of financial position

The amounts recognised in the statement of financial position are as follow:

Present value of funded obligations	49,110	50,080
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Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:

Interest cost	13,400	13,245
Remeasurements - Actuarial (gains) / losses recognised	3,260	2,374
Total post-retirement benefit included in employee related costs	16,660	15,619

History of experienced adjustments

The effect of a 1% movement in the assumed rate of pension increase inflation is as follow:

Kouga Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
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12. Employee benefits (continued)

	1% Decrease	1% Increase
Effect on the interest cost	4,340	4,425
Effect on the defined benefit obligation	49,110	50,080

The municipality expects to make a contribution of R 49 110 to the Defined Benefit Plan during the next financial year.

Refer to note 56 Retirement Benefit Information to the audited annual financial statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

12.3 Bonus

12.3.1 Provision for bonus

Movements in the present value of the defined benefit obligation

Opening Balance	2,130,577	1,805,097
Additional provisions raised	(797,916)	325,481
Closing balance	1,332,661	2,130,578
Current	1,332,661	2,130,578

12.4 Leave

12.4.1 Leave employee obligation

Movements in the present value of the leave obligation

Opening Balance	36,032,523	33,508,919
Additional provisions raised	8,526,907	2,523,603
Closing balance	44,559,430	36,032,522
Current	44,559,430	36,032,522

12.5 Long-service awards

12.5.1 Provision for long-service awards

Movements in the present value of the employee benefit obligation

Opening Balance	17,286,000	18,958,334
Additional provisions raised	4,859,000	4,582,153
Increases (Passage of Time/Discounted Rate)	1,770,000	1,780,630
Reductions (Payments, remeasurement etc.)	(6,332,000)	(2,680,000)
Reversals	-	(5,355,117)
Closing balance	17,583,000	17,286,000
Current	3,021,000	2,680,000
Non-current	14,562,000	14,606,000

Long-service award

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.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
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12. Employee benefits (continued)

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2024 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, 757 (2023: 772) employees were eligible for Long-service Awards.

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

Discount rate	10.83	11.08%
Consumer Price Inflation (CPI)	4.98	6.47%
Normal salary increase rate CPI+1	5.98	CPI+1%
Net effective discount rate	4.57	4.33%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The Actuaries used the nominal and real zero curves as at 30 June 2024 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

Amounts recognised in the statement of financial position

The amounts recognised in the statement of financial position are as follow:

Present value of funded obligations	17,583,000	17,286,000
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Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:

Current service cost	1,881,000	1,902,153
Interest cost	1,745,000	1,780,630
Total expense included in employee related costs	3,626,000	3,682,783

	2024	2023	2022	2021	2020
The history of experienced adjustments is as follows:					
Present Value of Defined Benefit Obligation	17,583,000	17,286,000	18,958,334	17,175,000	16,490,264

The effect of a 1% movement in the withdrawal rates are as follow on the ensuing years assumptions:

	1% Decrease	1% Increase
Effect on the defined benefit obligation	16,802,000	18,429,000
Effect on the aggregate of the current service cost	3,418,000	3,816,000
Effect on the aggregate of the interest cost	3,639,000	3,580,000

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
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12. Employee benefits (continued)

The municipality expects to make a contribution of R 18,188,000 to the employee benefit obligation during the next financial year.

13. Consumer deposits

Building plans	13,237,017	11,569,970
Electricity	15,141,518	14,301,679
Rental properties	51,073	104,939
Water	3,134,504	2,987,483
Wayleave	96,000	96,000
Total	31,660,112	29,060,071

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.

14. Trade and other payables from exchange transactions

Bulk purchases	14.1	46,288,423	36,611,854
Retentions	14.2	6,457,381	7,067,757
Control and clearing accounts		4,876,730	4,987,422
Other payables	14.3	99,938,283	96,814,405
Statutory payables	14.4	1,116,527	1,149,050
Total		158,677,344	146,630,488

Current	158,677,344	146,630,488
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14.1 Bulk purchases

Bulk water	1,836,559	1,566,903
Bulk electricity	44,451,864	35,044,951
Total	46,288,423	36,611,854

14.2 Retentions

Retentions	6,457,381	7,067,757
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14.3 Other payables

Output VAT Accrual	50,660,320	45,770,304
Auditor-General of South Africa	-	13,428
Output VAT Accrual - Provision for Doubtful Debt Impairment	(35,205,471)	(25,337,207)
Payables and accruals	36,381,303	26,545,886
Unallocated deposits	20,727,613	19,784,891
Advance payments	27,374,518	30,037,103
Total	99,938,283	96,814,405

14.4 Statutory payables

Compensation commission (COID)	1,116,527	1,149,050
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Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

15. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent

		2024				2023			
		Opening balance	Funds received	Transfer to revenue	Closing balance	Opening balance	Funds received	Transfer to revenue	Closing balance
Capital									
Monetary Allocations	15.1	25,735,689	79,941,780	(66,886,583)	38,790,886	2	125,225,205	(99,489,519)	25,735,688
Operational									
Monetary Allocations	15.2	3,258,143	9,634,400	(12,892,543)	-	-	9,689,550	(6,431,407)	3,258,143
Total		28,993,832	89,576,180	(79,779,126)	38,790,886	2	134,914,755	(105,920,926)	28,993,831

15.1 Unspent capital monetary allocations

		2024				2023			
		Opening balance	Funds received	Transfer to revenue	Closing balance	Opening balance	Funds received	Transfer to revenue	Closing balance
National Government									
Integrated National Electrification Programme Grant		2,894,953	4,089,000	(6,297,650)	686,303	-	8,100,000	(5,205,047)	2,894,953
Municipal Disaster Relief Grant		3,000,000	10,550,000	(3,169,259)	10,380,741	-	3,000,000	-	3,000,000
Municipal Infrastructure Grant		-	33,124,600	(33,124,600)	-	-	34,096,450	(34,096,450)	-
Water Services Infrastructure Grant		-	30,000,000	(22,832,114)	7,167,886	-	54,339,469	(54,339,469)	-
Total		5,894,953	77,763,600	(65,423,623)	18,234,930	-	99,535,919	(93,640,966)	5,894,953
Provincial Government									
Eastern Cape: Human Settlements		19,840,736	2,178,180	(1,462,960)	20,555,956	2	25,689,286	(5,848,553)	19,840,735
Total unspent capital monetary allocations		25,735,689	79,941,780	(66,886,583)	38,790,886	2	125,225,205	(99,489,519)	25,735,688

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

15. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

15.2 Unspent operational monetary allocations

	2024			2023		
	Opening balance	Funds received	Transfer to revenue	Opening balance	Funds received	Closing balance
National Government						
Energy Efficiency and Demand Side Management Grant	-	4,000,000	(4,000,000)	-	-	-
Expanded Public Works Programme Integrated Grant	-	2,321,000	(2,321,000)	-	1,175,000	(1,175,000)
Local Government Financial Management Grant	-	1,570,000	(1,570,000)	-	1,720,000	(1,720,000)
Municipal Infrastructure Grant	-	1,743,400	(1,743,400)	-	1,794,550	(1,794,550)
Total	-	9,634,400	(9,634,400)	-	4,689,550	(4,689,550)
Provincial Government						
Eastern Cape	3,258,143	-	(3,258,143)	-	5,000,000	(1,741,857)
Total unspent operational monetary allocations	3,258,143	9,634,400	(12,892,543)	-	9,689,550	(6,431,407)

16. Provision

Landfill Sites	16.1	119,432,937	118,827,257
Environmental Cleanup Provision	16.2	1,000,000	1,147,460
Total		120,432,937	119,974,717
Current		1,000,001	1,147,461
Non-current		119,432,936	118,827,256

Environmental - 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.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
16. Provision (continued)		
16.1 Landfill Sites		
Opening Balance	118,827,256	114,616,144
Additional provisions raised	4,374,823	12,928,730
Reversals	(3,769,142)	(8,717,617)
Closing balance	119,432,937	118,827,257
Current	1	1
Non-current	119,432,936	118,827,256
16.2 Environmental Cleanup Provision		
Opening Balance	1,147,460	1,925,750
Reductions (Payments, remeasurement etc.)	(147,460)	(778,290)
Closing balance	1,000,000	1,147,460
Current	1,000,000	1,147,460
17. Reserves and funds		
Capital Replacement Reserve	5,759,077	-
<p>The Capital Replacement Reserve relates to setting aside funds for future capital replacement of assets. Where development charges are realised, these funds are recognised as revenue, and thereafter used to fund the capital replacement reserve by transferring these funds from Accumulated Surplus to the Capital Replacement Reserve.</p> <p>Distributions from the Capital Replacement Reserve can be made when it is in accordance with the requirements of the municipality's accounting policy.</p> <p>Refer to Statement of Changes in Net Assets for more detail and the movement on Reserves.</p>		
18. Services charges		
Electricity		
Exchange – Consumption	380,375,534	306,476,963
Waste management		
Exchange – Consumption	57,487,680	61,945,030
Waste water management		
Exchange – Consumption	59,633,132	61,796,904
Water		
Exchange – Consumption	109,872,623	117,399,855
Total	607,368,969	547,618,752
Exchange	607,368,969	547,618,752

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
19. Sales of goods and rendering of services		
Advertisements	1,182	-
Application Fees for Land Usage	247,051	328,204
Building Plan Approval	4,349,602	4,777,237
Camping Fees	-	13,082
Cemetery and Burial	360,771	372,034
Cleaning and Removal	3,152	14,817
Encroachment Fees	-	166
Fire Services	15,964	14,855
Legal Fees	1,872,408	1,935,325
Photo copies, Faxes and Telephone charges	13,251	8,503
Removal of Restrictions	542,552	534,283
Sale of Goods	-	1,006,522
Scrap, Waste & Other Goods	1,067	926
Valuation Services	35,497	182,834
Total	7,442,497	9,188,788

20. Agency services

Provincial	3,615,485	2,677,528
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The Municipality entered into an agreement with the Eastern Cape Department of Transport, to collect process and collect driver licenses on behalf of the Department. The municipality act as an agent to this transaction in accordance with GRAP 109, Principal agent arrangements.

A fee of 19% plus VAT of the total revenue collected is payable to the Municipality by deducting the fee amount from the funds collected on a daily basis.

21. Interests earned from bank and investments

Bank accounts	4,760,796	2,909,170
Short-term investments and call accounts	8,201,602	3,915,092
Total	12,962,398	6,824,262

22. Rental from fixed assets

Market related	233,129	177,496
Non-market related	3,316,439	2,435,990
Total	3,549,568	2,613,486

22.1 Rental by asset class

Market related

Property, plant and equipment	233,129	177,496
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Non-market related

Property, plant and equipment	830,634	409,639
Investment property	2,485,805	2,026,351
	3,316,439	2,435,990

Total	3,549,568	2,613,486
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22.2 Rental by type

Market related

Property, plant and equipment

Kouga Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
22. Rental from fixed assets (continued)		
Community assets		
• Straight-lined operating	233,129	177,496
Non-market related		
Property, plant and equipment		
Other assets		
• Straight-lined operating	830,634	409,639
Investment property		
Straight-lined operating	2,485,805	2,026,351
Total	3,549,568	2,613,486

23. Property rates

Agricultural property	9,132,294	8,842,964
Business and commercial properties	27,961,580	26,424,579
Industrial properties	5,765,735	4,785,831
Public benefit organisations	152,263	205,427
Public service purposes properties	3,165,126	2,521,575
Residential properties	201,319,256	184,820,828
Special rating area	11,975,454	10,234,532
Vacant land	20,730,945	21,678,650
Total	280,202,653	259,514,386

Valuation as at 30 June 2024

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 2023/07/01. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,007380 c/R (2022/23: 0,009685 c/R)

Business Properties: 0,009225 c/R (2022/23: 0,0121063 c/R)

Agricultural Properties: 0,001845 c/R (2022/23: 0,0024213 c/R)

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.

24. Interest earned from receivables

Exchange receivables	24.1	21,854,451	20,845,130
Non-exchange receivables	24.2	5,519,180	3,729,096
Total		27,373,631	24,574,226

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand		2024	2023
24. Interest earned from receivables (continued)			
24.1 Interest earned from exchange receivables			
Consumer receivables			
Electricity		2,427,684	1,750,339
Water		8,549,530	9,145,804
Waste water management		3,642,948	3,359,119
Waste management		6,937,631	6,260,552
Service charges		296,658	329,316
		21,854,451	20,845,130
24.2 Interest earned from non-exchange receivables			
Consumer receivables			
Property rates		5,519,180	3,729,096
25. Fines, penalties and forfeits			
Fines	25.1	40,083,846	101,635,779
25.1 Fines			
Traffic fines			
Service provider fines		32,008,054	93,990,455
Municipal fines		7,582,175	7,284,632
		39,590,229	101,275,087
Other fines			
Building fines		455,349	339,756
Overdue books		1,918	936
Pound fees		36,350	20,000
		493,617	360,692
Total		40,083,846	101,635,779
26. Licences or permits			
Exchange revenue	26.1	2,368,147	2,676,798
Non-exchange revenue	26.2	7,421,091	7,195,326
Total		9,789,238	9,872,124
26.1 Licenses and permits - Exchange revenue			
Road and transport		2,229,189	2,486,571
Trading		138,958	190,227
Total		2,368,147	2,676,798
26.2 Licenses and permits - Non-exchange revenue			
Boat		6,804,732	6,570,297
Health certificates		12,306	10,785
Road and transport		604,053	614,244
Total		7,421,091	7,195,326

Kouga Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand thousand		2024	2023
27. Transfers and subsidies - Revenue			
Operational			
Monetary allocations	27.1	198,629,694	177,338,705
Capital			
Allocations in-kind		18,000,000	-
Monetary allocations	27.2	85,139,503	102,222,417
Total transfers and subsidies: Capital		103,139,503	102,222,417
Total		301,769,197	279,561,122

27.1 Monetary allocations: Operational

District municipalities	3,171,100	3,028,720
Foreign government and international organisations	10,053	2,471,449
National governments	9,634,400	4,704,679
National revenue fund	180,505,998	163,292,000
Private enterprises	-	50,000
Provincial government	5,308,143	3,791,857
Total	198,629,694	177,338,705

27.2 Monetary allocations: Capital

District municipalities	1,775,560	2,732,898
National government	65,573,623	93,640,966
Provincial governments	17,790,320	5,848,553
Total	85,139,503	102,222,417

National Revenue - Equitable share

Current year receipts	180,506,000	163,292,000
Conditions met - transferred to revenue	(180,506,000)	(163,292,000)
	-	-

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

National: Expanded Public Works Programme Grant

Current year receipts	2,321,000	1,175,000
Conditions met - transferred to revenue	(2,321,000)	(1,175,000)
	-	-

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

National: Financial Management Grant

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
27. Transfers and subsidies - Revenue (continued)		
Current year receipts	1,720,000	1,720,000
Conditions met - transferred to revenue	(1,720,000)	(1,720,000)
	-	-

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.

National: Municipal Infrastructure Grant

Current year receipts	34,868,000	35,891,000
Conditions met - transferred to revenue	(34,868,000)	(35,891,000)
	-	-

The Municipal Infrastructure Grant (MIG) - Capital portion R33 124 600 (2023:R 34 096 450) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure

The operational MIG R1 743 400 (2023: R1 794 550)

National: Water Services Infrastructure Grant

Current year receipts	30,000,000	54,339,469
Conditions met - transferred to revenue	(22,832,114)	(54,339,469)
	7,167,886	-

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

National: Municipal Disaster Response Grant

Balance unspent at beginning of the year	3,000,000	-
Current year receipts	10,550,000	3,000,000
Conditions met - transferred to revenue	(3,169,259)	-
	10,380,741	3,000,000

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

National: Integrated National Electrification Programme Grant

Balance unspent at beginning of the year	2,894,953	-
Current year receipts	4,089,000	8,100,000
Conditions met - transferred to revenue	(6,297,650)	(5,205,047)
	686,303	2,894,953

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

District: Capital

Balance unspent at beginning of the year	-	2,732,898
Conditions met - transferred to revenue	-	(2,732,898)
	-	-

Conditions still to be met - remain liabilities (see note 15)

Provincial: Library

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
27. Transfers and subsidies - Revenue (continued)		
Current year	2,050,000	2,050,000
Conditions met - transferred to revenue	(2,050,000)	(2,050,000)
	-	-
Additional text		
Provincial: Department of Human Settlement (Houses) Grant		
Balance unspent at beginning of the year	19,840,728	25,689,286
Current year receipts	2,178,180	-
Conditions met - transferred to revenue	(1,462,960)	(5,848,553)
	20,555,948	19,840,733
<p>The grant is for the building of low cost housing within the KOUGA area. The municipality is an 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.</p>		
<p>Conditions still to be met - remain liabilities (see note 15).</p>		
Provincial: Department of Economic development, Environment Affairs and Tourism		
Balance unspent at beginning of the year	3,258,143	-
Current year receipts	-	5,000,000
Conditions met - transferred to revenue	-	(1,741,857)
	(3,258,143)	-
	-	3,258,143
<p>The purpose of the grant is for the implementation of the EPWP Cleansing Project - Kouga Working on Waste</p>		
Provincial: Efficiency and Demand Side Management Grant		
Current year receipts	4,000,000	-
Conditions met - transferred to revenue	(4,000,000)	-
	-	-
Allocation in-kind: Infrastructure		
Land donation received	18,000,000	-
Private Enterprise: Mayors Charity Fund		
ABSA	-	50,000
Foreign Government and International Organisations: BMZ		
Current year receipts	-	2,471,449
Conditions met - transferred to revenue	-	(2,471,449)
	-	-
District: Operational		

Kouga Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
27. Transfers and subsidies - Revenue (continued)		
Current year receipts	-	3,028,720
Conditions met - transferred to revenue	-	(3,028,720)
	-	-
28. Operational revenue		
Commission	304,208	350,808
Discounts and Early Settlements	1,833	190
Insurance Refund	-	28,748
Sale of Property	4,965,315	-
Skills Development Levy Refund	454,415	686,203
Staff and Councillors Recoveries	168,776	105,072
Development Charges	5,759,077	28,506
Total	11,653,624	1,199,527
29. Remeasurements on employee benefits		
Gains recognised on long service and post retirement medical aid	6,627,000	10,912,779
30. Increase in net-realisable value		
Inventory	-	(424,835)
Water	691,432	-
Total	691,432	(424,835)
Additional text		
31. Employee related cost		

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
31. Employee related cost (continued)		
31.1 Municipal staff costs		
Basic salary	237,516,655	219,610,585
Bonuses	1,281,225	348,479
Service-related benefits	60,294,329	54,955,317
Allowances	12,442,593	11,650,640
Bargaining council	188,512	179,444
Group life insurance	11,417,502	11,037,723
Medical	19,117,195	17,776,601
Pension	33,515,834	31,574,591
Post-retirement benefit: Medical	11,799,522	12,143,174
Post-retirement benefit: Pension	4,590	(4,989)
Post-retirement benefit: Other benefits	9,454,907	3,226,413
Unemployment insurance	1,844,661	1,807,764
Total	398,877,525	364,305,742

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
31. Employee related cost (continued)		
Service-related benefits - Breakdown		
Acting and Post Related Allowances	6,265,489	6,469,594
Bonus	15,627,662	14,536,948
Long Service Award	1,321,699	1,250,932
Standby Allowance	9,656,346	8,898,586
Overtime	21,261,241	19,088,049
Leave Pay	6,161,892	4,711,208
	60,294,329	54,955,317
Remuneration of Section 57 Employees		
Remuneration of the Municipal Manager: C Du Plessis		
Annual Remuneration	1,758,714	1,705,252
Travel allowance	96,000	96,000
Company Contributions to UIF, Medical and Pension Funds	27,770	66,024
Subsistence and Travel	14,633	2,430
Performance Bonus	231,402	-
	2,128,519	1,869,706
Remuneration of the Chief Financial Officer: R Lorgat		
Annual Remuneration	1,441,923	1,393,749
Travel allowance	120,000	120,000
Subsistence and Travel	49,378	27,992
Company Contributions to UIF, Medical and Pension Funds	25,551	63,196
Cellphone allowance	17,427	9,588
Performance Bonus	289,629	-
	1,943,908	1,614,525
Remuneration of the Director: Community Services - N Machalesi		
Annual Remuneration	1,381,923	1,333,749
Travel allowance	180,000	180,000
Company Contributions to UIF, Medical and Pension Funds	25,609	63,053
Performance Bonus	324,836	-
	1,912,368	1,576,802
Remuneration of Director: AME- K Moodley (Contract expired 30 September 2022)		
Annual Remuneration	-	359,630
Travel allowance	-	24,000
Company Contributions to UIF, Medical and Pension Funds	577	26,387
Leave encashment - contract expired	-	74,118
Back Pay	15,951	-
	16,528	484,135
Remuneration of Deputy Municipal Manager: D Dejager		
Annual Remuneration	1,381,923	1,317,690
Travel allowance	180,000	180,000
Company Contributions to UIF, Medical and Pension Funds	26,753	48,550

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
31. Employee related cost (continued)		
Cellphone allowance	12,000	12,000
Acting allowance	22,041	21,890
Performance Bonus	405,268	-
	2,027,985	1,580,130
Remuneration of Director Technical Services: C De Kock -Start 1 Jan 2023		
Annual Remuneration	1,441,923	686,168
Travel allowance	120,000	60,000
Subsistence and Travel	18,980	11,993
Company Contributions to UIF, Medical and Pension Funds	23,152	23,272
Performance Bonus	67,155	-
	1,671,210	781,433
Remuneration of Acting Director: IPD - T. Madatt		
Annual Remuneration	539,106	-
Acting allowance	62,706	62,706
Travel allowance	75,000	-
Subsistence and Travel	3,100	-
Company Contributions to UIF, Medical and Pension Funds	11,583	-
	691,495	62,706
Remuneration of Acting Director: Corporate Services -M Rossouw		
Acting allowance	174,086	174,086
Remuneration of Director: Planning, Development and Tourism - F Mabusela- Resigned 31 January 2023		
Annual Remuneration	-	765,530
Travel allowance	-	105,000
Leave encashment - Contract expired	-	52,940
Company Contributions to UIF, Medical and Pension Funds	-	43,848
Subsistence and Travel	-	16,261
	-	983,579
Remuneration of Acting Director: PDT -L Opperman - Period: April 2023 to September 2023		
Acting allowance	28,745	30,521
Remuneration of Acting Director: PDT-K Cakata - Period 3-16 November 2022		
Acting allowance	-	13,298
Remuneration of Acting Director: Planning and Development - L Ramakuwela - Period 1 October 2023 - 30 June 2024		
Acting allowance	86,294	-

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand		2024	2023
32. Remuneration of councillors			
Executive Mayor	32.1	998,986	924,256
Chief whip	32.2	792,280	740,126
Speaker	32.3	842,114	1,392,233
Deputy executive mayor	32.4	748,083	-
Executive committee	32.5	3,164,517	2,929,615
All other councillors	32.6	8,429,770	7,713,908
Total		14,975,750	13,700,138
32.1 Executive Mayor			
Allowances and service related benefits			
Basic salary		710,466	694,092
Cell phone allowance		51,697	-
Motor vehicle allowance		236,823	230,164
		998,986	924,256
32.2 Chief whip			
Allowances and service related benefits			
Basic salary		557,002	555,998
Cell phone allowance		49,608	-
Motor vehicle allowance		185,670	184,128
		792,280	740,126
32.3 Speaker			
Allowances and service related benefits			
Basic salary		594,380	1,208,105
Cell phone allowance		49,608	-
Motor vehicle allowance		198,126	184,128
		842,114	1,392,233
32.4 Deputy executive mayor			
Allowances and service related benefits			
Basic salary		523,857	-
Cell phone allowance		49,608	-
Motor vehicle allowance		174,618	-
		748,083	-
32.5 Executive committee			
Allowances and service related benefits			
Basic salary		2,230,760	2,266,598
Cell phone allowance		190,164	-
Motor vehicle allowance		743,593	663,017
		3,164,517	2,929,615

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
32. Remuneration of councillors (continued)		
MMC (Corporate and Communication Services) - J Alexander		
Basic Salary	505,034	-
Cellphone allowance	49,608	-
Motor vehicle allowance	168,345	-
	722,987	-
MMC (Finance and Economic Development) - L Maree		
Basic Salary	557,002	518,106
Cellphone allowance	49,608	44,400
Motor vehicle allowance	185,669	151,362
	792,279	713,868
MMC (Civil and Water Services) - R Forley		
Basic Salary	502,682	-
Cellphone allowance	49,608	-
Motor vehicle allowance	167,561	-
	719,851	-
MMC (Planning and Development) - S Ruth		
Basic Salary	557,002	518,106
Cellphone allowance	49,608	44,400
Motor vehicle allowance	185,669	151,362
	792,279	713,868
MMC (Electro and Mechanical Services) - T Jantjies		
Basic Salary	109,040	518,106
Cellphone allowance	11,317	44,400
Motor vehicle allowance	36,349	151,362
	156,706	713,868
MMC (Community and Safety Services) - D Benson		
Basic Salary	1	518,106
Cellphone allowance	1	44,400
Motor vehicle allowance	1	151,362
	3	713,868
MMC - WP Gertenbach		
Basic Salary	-	194,174
Cellphone allowance	-	44,400
Motor vehicle allowance	-	57,568
	-	296,142

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
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32. Remuneration of councillors (continued)

32.6 All other councillors

Allowances and service related benefits

Basic salary	5,380,972	4,580,692
Cell phone allowance	1,098,614	1,328,300
Motor vehicle allowance	1,824,465	1,804,916
Total	8,304,051	7,713,908

Social contributions

Medial aid benefits	125,719	-
Total	8,429,770	7,713,908

In kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, and Mayoral Committee members are employed full-time. Each is provided with an office, administrative and secretarial support at the cost of the Council.

The Executive Mayor and Deputy Mayor and other full-time Mayoral Committee members have access to Council owned vehicles for ceremonial and official functions.

Councillors receive a total cost to company package as determined by the Notice for 'Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils', issued in terms of Remuneration of Public Office Bearers Act, 1998.

33. Bulk purchases

Electricity: Eskom	351,702,171	291,888,014
Total	351,702,171	291,888,014

33.1 Electricity losses

	2024		2023	
	KHW	Amount	KHW	Amount
Units purchased	185,371,161	302,154,992	180,601,760	255,479,250
Units sold	(158,122,856)	(257,740,255)	(152,244,539)	(215,365,125)
Total loss	27,248,305	44,414,737	28,357,221	40,114,125

Comprising of:

Technical losses	14,829,693	24,172,400	14,448,141	20,438,340
Non-technical losses	12,418,612	20,242,337	13,909,081	19,675,786
Total	27,248,305	44,414,737	28,357,222	40,114,126

Percentage loss:

Technical losses	8.00 %	8.00 %	8.00 %	8.00 %
Non-technical losses	6.70 %	6.70 %	7.70 %	7.70 %
Total	14.70 %	14.70 %	15.70 %	15.70 %

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
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33. Bulk purchases (continued)

Reasons for the losses

Losses occurred because of the following reasons:

- 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.

Action taken

The municipality has taken the following actions to mitigate against the reoccurrence of such losses:

- Faulty meters are replaced as soon as they are reported.

33.2 Water losses

Volume in Kl/year:

System Input Volume	7,505,393	6,490,281
Billed Consumption	(4,503,106)	(4,580,573)
Distribution losses in kl	3,002,287	1,909,708

Unaccounted water losses in rand value at a tariff of R 11.36 is R 34 105 980 (2023: tariff of R 10.21 is R 19 498 119).
Percentage Distribution Loss 39.8% (2023: 29.42%)

Reasons for the losses

Losses occurred because of the following reasons:

- 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.

Action taken

Council has approved a water loss reduction plan on 28 February 2024 to address water losses, and it is monitored and reported on quarterly.

34. Inventory consumed

Consumables	27,631,708	26,664,112
Materials and supplies	32,643,287	21,906,730
Water	42,323,773	42,510,988
Total	102,598,768	91,081,830

35. Debt impairment

Trade and other receivables from exchange transactions	3	65,179,944	79,291,388
Property Rates	4	22,188,930	9,367,173
Total		87,368,874	88,658,561

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand		2024	2023
36. Depreciation and amortisation			
Amortisation			
Intangible assets	10.1	201,030	265,675
Depreciation			
Property, plant and equipment		100,659,199	101,024,301
Total		100,860,229	101,289,976
37. Impairment loss / (reversal) of impairment			
Property, plant and equipment		1,678,698	23,428,417
38. Finance costs			
Interest	38.1	10,037,689	8,058,566
38.1 Interest cost			
Finance leases	11.1	5,658,872	3,814,241
Interest costs non-current provisions	16	4,374,823	4,132,326
Overdue accounts	14.3	3,994	111,999
Total		10,037,689	8,058,566
39. Contracted services			
Consultants and professional services	39.1	26,109,828	20,654,428
Contractors	39.2	29,495,704	33,313,770
Outsourced services	39.3	38,160,523	33,329,570
Total		93,766,055	87,297,768
39.1 Consultants and professional services			
Business advisory services			
Accounting and auditing		2,261,820	2,393,734
Actuaries		16,900	15,000
Air pollution		125,550	-
Project management		12,615,712	10,221,438
Research and advisory		141,955	131,659
Total business advisory services		15,161,937	12,761,831
Laboratory services			
Water		1,910,941	1,607,584
Legal services			
Collection		952,112	922,645
Legal advice and litigation		4,441,778	3,557,433
Total legal services		5,393,890	4,480,078
Engineering services			
Civil engineering		231,000	124,129
Electrical engineering		2,497,348	616,438
Total engineering services		2,728,348	740,567

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
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39. Contracted services (continued)

Infrastructure and planning services

Ecological infrastructure and planning	914,712	414,395
Land and quantity surveyors infrastructure and planning	-	621,830
Town planner infrastructure and planning	-	28,143

Total infrastructure and planning services	914,712	1,064,368
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Total consultants and professional services	26,109,828	20,654,428
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39.2 Contractors

General services

Artists and performers	1,990	90,125
Catering services	105,328	2,392
Employee wellness	18,269	305,378
Event promoters	84,511	97,945
Pest control and fumigation	28,235	9,050

Total general services	238,333	504,890
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Maintenance services

Maintenance of buildings and facilities	5,411,477	6,252,557
Maintenance of equipment	478,466	335,763
Maintenance of unspecified assets	23,367,428	26,220,560

Total maintenance service	29,257,371	32,808,880
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Total contractor	29,495,704	33,313,770
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39.3 Outsourced services

Business and advisory services

Project Management	6,119,233	5,427,220
Qualification Verification	274,311	881,760
Research and Advisory	114,967	17,900
Valuer	970,405	3,132,663

Total business and advisory services	7,478,916	9,459,543
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General services

Alien Vegetation Control	368,110	-
Animal Care	478,500	483,372
Burial Services	60,595	11,950
Catering Services	575,905	729,644
Cleaning Services	654,830	368,720
Clearing and Grass Cutting Services	1,276,711	1,832,556
Drivers Licence Cards	522,901	1,516,691
Illegal Dumping	310,300	-
Internal Auditors	27,800	29,095
Litter Picking and Street Cleaning	58,801	400,670
Medical Services [Medical Health Services & Support	1,093,916	946,943
Personnel and Labour	13,360,210	10,179,767
Professional Staff	75,050	382,201
Traffic Fines Management	3,806,825	1,888,870
Transport Services	96,684	204,093

Total general services	22,767,138	18,974,572
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Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand		2024	2023
39. Contracted services (continued)			
Trading services			
Connection/Dis-connection: Electricity		97,581	-
Connection/Dis-connection: Restricted water flow		1,480	-
Security Services		7,815,408	4,895,455
Total trading services		7,914,469	4,895,455
Total outsourced services		38,160,523	33,329,570
40. Transfers and subsidies - Expenditure			
Operational			
Allocations in-kind	40.1	320,000	325,000
Monetary allocations	40.2	600,000	383,750
Total transfers and subsidies: Operational		920,000	708,750
40.1 Allocations in-kind: Operational			
Households		320,000	325,000
40.2 Monetary allocations: Operational			
Households		600,000	383,750
41. Operating leases			
Computer Equipment		390,135	-
Furniture and Office Equipment		3,165,524	3,033,058
Other Assets		3,973,955	3,780,782
Total		7,529,614	6,813,840

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
42. Operational cost		
Achievements and Awards	1,517,388	3,831,001
Advertising, Publicity and Marketing	2,525,819	3,156,571
Bank Charges, Facility and Card Fees	1,182,230	1,108,359
Bargaining Council	3,553,325	3,553,325
Commission	4,373,887	4,947,593
Communication	4,042,563	4,541,464
Courier and Delivery Services	5,826	4,990
External Audit Fees	4,525,739	3,995,409
External Computer Service	12,068,983	7,379,652
Hire Charges	10,843,719	8,255,063
Insurance Underwriting	4,814,181	4,627,983
Licences	1,025,726	1,029,439
Management Fee	7,057,282	6,348,420
Municipal Services	37,589	-
Printing, Publications and Books	11,313	977,805
Professional Bodies, Membership and Subscription	10,872	13,886
Registration Fees	1,828,116	1,762,833
Remuneration to Ward Committees	2,058,000	2,962,848
Resettlement Cost	37,790	133,628
Search Fees	144,824	52,491
Signage	377,255	453,756
Skills Development Fund Levy	3,740,458	3,473,065
Storage of Files (Archiving)	83,555	53,307
Supplier Development Programme	-	24,300
Travel Agency and Visa's	-	2,925
Travel and Subsistence	2,003,679	1,993,097
Uniform and Protective Clothing	3,647,070	3,335,801
Vehicle Tracking	865,981	893,729
Workmen's Compensation Fund	2,062,847	1,977,511
Total	74,446,017	70,890,251
43. Contribution to provision		
Land fill site	94,700	-
Environmental clean-up	(147,460)	(778,290)
Total	(52,760)	(778,290)
44. Loss on disposal of fixed and intangible assets		
Property, plant and equipment	1,768,784	1,313,866
45. Irrecoverable debts written off		
Property rates	62,859,860	76,492,736
Service Charges	-	7,037,076
Fines	-	3,929,589
Total	62,859,860	87,459,401

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
46. Net cash from/(used) operating activities		
Surplus for the year	3,792,264	19,651,094
Adjustments for:		
Depreciation and amortisation	100,860,229	101,289,976
(Gains) / Losses on disposal of assets	1,768,784	1,313,866
Fair value adjustment - Inventory	(691,432)	424,835
Finance cost - Refuse site	4,374,823	4,132,326
Debt impairment	87,368,874	88,658,561
Straightlining - operating leases	3,715	43,364
Contribution to defined benefit obligations included in employee cost	22,168,590	25,488,954
Impairment loss	1,678,698	23,428,417
Bad debt written off	62,859,860	87,459,401
Contribution to refuse site provision	(52,760)	(778,290)
Remeasurements on employee benefits - actuarial gains and losses	(6,627,000)	(10,912,779)
Donation of assets	(18,000,000)	-
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(19,825,528)	(54,386,987)
(Increase) / Decrease in inventory	(3,160,051)	(1,973,016)
(Increase) / Decrease in receivables from exchange transactions	(115,326,265)	(165,198,372)
Increase / (Decrease) in trade and other payables	12,046,856	30,478,096
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	9,797,055	42,549,260
Increase / (Decrease) in Consumer deposits	2,600,041	5,387,145
Increase / (Decrease) in Employee benefit obligation	(1,713,569)	(9,842,156)
Net cash flows from operating activities	143,923,184	187,213,695
47. Contingent liabilities		
Peter John France & Gerald Jack Friedman Trustees of The Rental Company Trust	4,000,000	4,000,000
Claim against the municipality for damages resulting from alleged contract breach - failure to sufficiently maintain heavy equipment leased Nelson Mandela Bay Municipality	41,000,000	41,000,000
Claim against the municipality in respect of water consumption. Tshepega Civil Engineering (Pty) Ltd	1,950,346	1,950,346
Claim against the municipality for monies owed for professional services rendered		
H Goeda	250,000	250,000
Claim against the municipality for alleged damages, unlawful, wrongful assault, arrest & detention		
48. Contingent assets		
Insurance claim for lost damaged asset	1,663,594	325,134
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 will be recovered.		

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
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49. Related party disclosures

49.1 Nature of related party relationships

Related party	Nature of relationship
Close family member of key management	Various close family members of key management

49.2 Related party transactions

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

The municipality bought goods from the following companies, which are considered to be related.:

Key Management personnel and Councillors remuneration.

Remuneration of Key Management Personnel and Councillors is set in Note 31 & 32 of the Annual Financial Statements.

Expenditure

2326 random Solutions	Uncle of Directors	130,000	161,200
Unomtha catering	Daughter of the Director	-	12,330
Mesrazest	Brother in law of Directors	1,642,946	3,032,062
Mgqandu & Coco Trading	Husband of Director	18,000	9,800
Nemma Trading (Pty) Ltd	Husband of Director	-	56,000
Hammond YS t/a DC Struct	Brother in law of Director	-	188,470
Premier Attraction 528 CC t/a ZJS Distributors	Cousin of Director	993,640	537,469
Sys Smart (Pty) Ltd	Son in law of Director	24,700	22,750
Zemog Projects	Cousin of Directors	133,910	25,610
Liefies Bakes	Spouse of Directors	181,023	150,841
Magnus Ventus General Dealer	Spouse of Directors	800	45,306
Libistax (Pty) Ltd	Brother in law of Directors	1,188,865	-
Izwe lethu general Trading	Spouse of Director	26,300	-
		4,340,184	4,241,838

50. Unauthorised, irregular, fruitless and wasteful expenditure

50.1 Unauthorised expenditure

Opening balance as previously reported	92,827,502	-
Add: Unauthorised expenditure – current	-	92,827,502
Less: Amounts written-off – prior period	(92,827,502)	-
Closing balance	-	92,827,502

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 R92 827 502 as a result of the financial services vote being over spent.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
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50. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

50.2 Irregular expenditure

Opening balance as previously reported	382,748	382,748
Less: Amounts written-off – prior period	(382,748)	-
Closing balance	-	382,748
Incident	Disciplinary steps/criminal proceedings	
Incorrect calculation of order	-	2,000
Tax Non compliance	Still to be investigated	380,748
Total	-	382,748

50.3 Fruitless and wasteful expenditure

Opening balance as previously reported	111,999	41,005
Add: Fruitless and wasteful expenditure – current	-	111,999
Less: Amounts written-off – prior period	(111,999)	(41,005)
Closing balance	-	111,999
Incident		
Interest on late payments	-	111,999

Interest and penalties on late payments of trade creditors

51. Councillor's municipal accounts in arrears

Amount outstanding for more than 90 days

List the name of the councillor which at any time during the relevant financial year was in arrears for more than 90 days

Councillor Dayimani M	-	31,232
Councillor Valgee	11,724	10,086
Councillor Bornman	20,752	6,764
Councillor Mbuqu	26,112	74,339
Councillor Zana	3,032	-
Councillor August	38,321	-
Councillor Yali	645	-
Councillor Petersen	72,406	-
	172,992	122,421

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52. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the Municipal Supply Chain Regulations, any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

s36(1)(a)(i) - An emergency: Expenditure incurred in accordance with section 36 of the SCM Regulations in respect of an emergency.	18,434,283	27,626,858
s36(1)(a)(ii) - Goods and services procured or available from a single provider only: Expenditure incurred in accordance with section 36 of the SCM Regulations in respect of goods and services or available from a single provider only.	731,873	313,806
s36(1)(a)(v) - Exceptional case where it is impracticable or impossible to follow the official procurement process: Expenditure incurred in accordance to section 36 of the Regulations in respect of exceptional case where it is impractical or impossible to follow the official procurement processes.	22,015,704	39,591,028
s36(1)(b) - Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.	-	13,510
Total amount approved by the accounting officer and noted by council	41,181,860	67,545,202

All deviations considered by the Municipal Manager are processed in terms of the Supply Chain Management Regulations and the municipality's Supply Chain Management Policy. This process entails being assessed by the Supply Chain Management Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure..

53. ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION

	SALGA contributions	Audit fees	PAYE, Skills Development Levy and UIF	Pension and Medical Aid
As at 30 June 2024				
Opening balance	-	13,427	-	-
Subscription/fees	4,299,144	5,204,600	61,837,783	80,063,981
Amount paid – current year	(4,299,144)	(5,218,027)	(61,837,783)	(80,063,981)
Total amount approved by the accounting officer and noted by council	-	-	-	-
	SALGA contributions	Audit fees	PAYE, Skills Development Levy and UIF	Pension and Medical Aid
As at 30 June 2023				
Subscription/fees	3,974,035	4,594,721	54,910,692	76,557,025
Amount paid – current year	(3,974,035)	(4,581,293)	(54,910,692)	(76,557,025)
Total amount approved by the accounting officer and noted by council	-	13,428	-	-

54. Capital commitments

Commitments in respect of capital expenditure:

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54. Capital commitments (continued)		
Approved and contracted for:		
Infrastructure	112,151,163	83,057,754
Other movable assets	18,284,538	19,120,372
	130,435,701	102,178,126

All capital commitments are VAT inclusive.

55. Going concern

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

(i) On 30 May 2024 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

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56. 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.

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.

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

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

SALA Pension fund

The fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2021 stated that the net assets of the fund amounted to R12 238 000 000 (30 June 2018: R14 298 600 000), with funding levels of 85.5% (30 June 2018: 96%). The actuary recommended that the employers continue to contribute at the current rate of 19.18% of pensionable salary.

The actuaries are satisfied with the investment strategy of the fund. The nature of the assets is, in their opinion, suitable for the nature of the liabilities of the fund as defined in the rules of the fund. The matching of assets with the liabilities of the Fund is adequate, and the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

Defined Benefit Schemes

LA Retirement Fund (Previously Cape Joint Pension Fund)

The fund operates both as a defined benefit and defined contribution scheme. The contribution rate of the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2023 disclosed an actuarial valuation amounting to R1 338 791 000 (2022: R1 391 841 000), with a surplus of R226 285 000 (2022: R144 158 000), with a funding level of 120.3% (2022: 111.6%).

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56. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continued)

Defined Contribution Schemes

LA Retirement Fund (Previously Cape Joint Pension Fund)

The actuarial valuation report at 30 June 2023 indicated that the defined contribution scheme of the fund is in a sound financial position, with net assets amounting to R2 163 627 000 (2022: R1 976 184 000), net investment reserve of Rnil (2022: Rnil) and a funding level of 100% (2022: 100%).

Cape Joint Retirement Fund (CRF)

The most recent statutory valuation was performed as at 30 June 2023 revealed that the assets of the fund amounted to R42 710 035 000 (2022: R36 502 914 000), with funding levels of 120.1% and 100.2% (2022: 131.6% and 100.4%) the Pensions Account and the Share Account respectively. The contribution rate paid by the members (7.50%/9%) and the municipalities (19.50%/18%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund

The fund operates as a defined contribution scheme. The most recent statutory valuation performed as at 30 June 2018 revealed that the net assets of the fund amounted to R1 798 030 000 (2022: R1 480 549 000), with funding levels of 103.26% (2017: 101.31%). 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 2018, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

National Fund for Municipal Workers

The fund operates as a defined contribution fund 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 pensionable salary.

The most recent statutory valuation performed as at 30 June 2019 revealed that the net assets of the fund amounted to R17 107 067 000 (2018: R15 393 671 000), with funding levels of 100.40% (2018: 100.46%). The actuary certified that the assets of the fund are sufficient to cover 100.40% 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.

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 Municipal Workers Retirement Fund (Previously South African Municipal National Provident Fund)

The fund is a defined contribution scheme. Members contribute at a rate of not less than 75% 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 2021 stated that the assets of the fund amounted to R10 866 257 000 (2017: R7 720 948 000), with funding levels of 100% (2017: 102%).

The fund's assets exceeds the member liabilities as at 30 June 2021, by a margin of R130.4 million or 1.2%. In the valuation report the actuaries have chosen to allocate R100.3 million to the Risk Reserve, to allow for projected excess salary-multiple death and disability claims in the year following the valuation date (in excess of the contributions allocated toward these risk benefits over this period), while also leaving a reasonable margin against future claims variability. Accordingly there is a small positive balance in the Investments Reserve. The value of the assets is more than sufficient to cover the accrued liabilities (Members' Shares), and the required level of risk reserve in respect of the self-insured benefits, and the Fund is therefore financially sound.

57. Prior period adjustments

The following restatements and adjustments occurred which are set out below:

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57. Prior period adjustments (continued)

57.1 Adjustments of Statement of financial performance items

2023

	Note	Previously reported	Re-classification	Restated
Revenue				
Non-exchange revenue				
Property rates	1	259,514,386	-	259,514,386
Licences or permits	1	9,872,124	(2,676,798)	7,195,326
Transfers and subsidies	1	279,561,122	-	279,561,122
Fines, penalties and forfeits	1	132,921,224	(31,285,445)	101,635,779
Interest on receivables		3,729,096	-	3,729,096
Increase in net-realizable value		-	(424,835)	(424,835)
Fairvalue adjustment - Actuarial gains		-	10,912,779	10,912,779
		685,597,952	(23,474,299)	662,123,653
Exchange revenue				
Services charges - Electricity		-	306,476,963	306,476,963
Services charges		547,618,752	(547,618,752)	-
Services charges - Water		-	117,399,855	117,399,855
Services charges - Waste water management		-	61,796,904	61,796,904
Services charges - Waste management		-	61,945,030	61,945,030
Rental from fixed assets		2,570,122	43,363	2,613,485
Interest earned from current and non-current assets		-	6,824,262	6,824,262
Interest earned from receivables		-	20,845,130	20,845,130
Licences or permits		-	2,676,798	2,676,798
Agency services		2,677,528	-	2,677,528
Operational revenue		1,199,527	-	1,199,527
Sales of goods and rendering of services		9,188,788	-	9,188,788
Interest, dividend and rent on Land Earned		27,669,391	(27,669,391)	-
		590,924,108	2,720,162	593,644,270
Total revenue		1,276,522,060	(20,754,137)	1,255,767,923
Expenditure				
Employee related cost		355,768,121	8,537,621	364,305,742
Remuneration of councillors		13,700,138	-	13,700,138
Debt impairment		-	88,658,561	88,658,561
Depreciation, amortisation		101,358,180	(68,204)	101,289,976
Finance costs		8,058,566	-	8,058,566
Bulk purchases - Electricity		291,888,014	-	291,888,014
Inventory consumed		91,081,830	-	91,081,830
Contracted services		87,316,838	(19,073)	87,297,765
Transfers and subsidies		708,750	-	708,750
Operational cost		70,111,961	778,290	70,890,251
Operating leases		6,813,840	-	6,813,840
Irrecoverable debts written off		-	87,459,401	87,459,401
Contribution to provision		-	(778,290)	(778,290)
Impairment loss/(reversal) of impairment		228,881,516	(205,453,099)	23,428,417
Loss on disposal of assets		1,313,865	-	1,313,865
Total expenditure		1,257,001,619	(20,884,793)	1,236,116,826
Surplus for the year		19,520,441	130,656	19,651,097

Kouga Local Municipality

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57. Prior period adjustments (continued)

57.2 Adjustments of Statement of financial position items

2023

	Note	Previously reported	Correction of error effected prior to 1 July 2022	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents		104,935,011	-	-	104,935,011
Trade and other receivables from exchange transactions		77,030,107	65,070,877	(55,950,643)	86,150,341
Receivables from non-exchange transactions		-	-	29,014,521	29,014,521
Inventories		18,598,030	-	-	18,598,030
Statutory Receivables from exchange transactions		45,422,024	-	(45,422,024)	-
Statutory Receivables from non-exchange transactions		29,014,533	-	(29,014,533)	-
Deposits		-	-	893,543	893,543
Operating leases		109,349	-	-	109,349
		275,109,054	65,070,877	(100,479,136)	239,700,795
Non-current assets					
Investment property		262,608,444	(10,934,973)	-	251,673,471
Property, plant and equipment		2,053,675,844	4,016,930	-	2,057,692,774
Intangible assets		602,549	-	-	602,549
		2,316,886,837	(6,918,043)	-	2,309,968,794
Total assets		2,591,995,891	58,152,834	(100,479,136)	2,549,669,589
Net assets and liabilities					
Current liabilities					
Lease Liabilities		11,342,009	826,684	-	12,168,693
Consumer deposits		29,060,071	-	-	29,060,071
Payables from exchange transactions		126,219,323	58,738,114	(38,326,949)	146,630,488
Payables from non-exchange transactions		28,993,831	-	-	28,993,831
Provisions		45,897,600	-	(44,750,139)	1,147,461
Employee Benefits		8,555,397	-	36,032,523	44,587,920
		250,068,231	59,564,798	(47,044,565)	262,588,464
Non-current liabilities					
Lease liabilities		24,202,066	(826,684)	-	23,375,382
Provisions		110,109,639	-	8,717,618	118,827,257
Employee benefits		106,638,259	-	-	106,638,259
		240,949,964	(826,684)	8,717,618	248,840,898
Total net assets		2,100,977,696	(62,737,469)	-	2,038,240,227
Total net assets and liabilities		2,591,995,891	(3,999,355)	(38,326,947)	2,549,669,589

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57. Prior period adjustments (continued)

57.3 Reclassification

The following reclassifications adjustment occurred:

Statutory Receivables from exchange transactions

The municipality reclassified the VAT receivable and VAT payable as per the the GRAP 108 issued September 2022 as VAT receivable and payable were disclosed as a separate AFS line item but now will be consolidated as part of Receivables from exchanges and Payables from exchange transactions.

The Fact Sheet issued by the ASB further indicates that the VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts as yet. As there is no transaction to "settle" with a specific counterparty at this point, the requirements for set off are inappropriate. As a result, separate presentation of the VAT accrual "debit" and "credit" may be more appropriate

Trade and other receivables from exchange transactions

The municipality reclassified the VAT receivable and VAT payable as per the the GRAP 108 issued September 2022 as VAT receivable and payable were disclosed as a separate AFS line item but now will be consolidated as part of Receivables from exchanges and Payables from exchange transactions.

The Fact Sheet issued by the ASB further indicates that the VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts as yet. As there is no transaction to "settle" with a specific counterparty at this point, the requirements for set off are inappropriate. As a result, separate presentation of the VAT accrual "debit" and "credit" may be more appropriate.

Receivables from non-exchange

Property rates, fines and accrued income reclassified as receivables from non-exchange transactions of which they were previously reported as statutory receivables

Employee benefits - Current liability

Leave provision reclassified from provisions to employee benefits....

Provision - Current liability

Leave provision reclassified to employee benefits....

Trade and Other payables from exchange transactions

Output Tax provision for doubtful debts impairment and Output Tax accrual included as part of trade and other payables from exchange transactions .

The municipality reclassified the VAT receivable and VAT payable as per the the GRAP 108 issued September 2022 as VAT receivable and payable were disclosed as a separate AFS line item but now will be consolidated as part of Receivables from exchanges and Payables from exchange transactions.

The Fact Sheet issued by the ASB further indicates that the VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts as yet. As there is no transaction to "settle" with a specific counterparty at this point, the requirements for set off are inappropriate. As a result, separate presentation of the VAT accrual "debit" and "credit" may be more appropriate....

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58. Financial instruments

58.1 Classifications

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104, the municipality classifies financial assets at amortised cost. Financial assets at amortised cost relates to a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets

Amortised cost

Trade and other receivables from exchange transactions (except Statutory Receivables)	3	71,137,160	85,318,362
Deposits	6	893,543	893,543
Cash and cash equivalents	2	143,658,806	104,935,011
		215,689,509	191,146,916

Financial liabilities

Amortised cost

Consumer deposits	13	31,660,112	29,060,071
Trade and other payables from exchange transactions	14	158,677,344	146,630,488
Lease Liabilities	11	11,144,269	12,168,692
Non-current Lease liabilities	11	12,231,114	23,375,382
		213,712,839	211,234,633
Total financial instruments		1,976,670	(20,087,717)

58.2 Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Lease liability disclosed in Note 11, Cash and Cash Equivalents disclosed in Note 2; and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 17.

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58. Financial instruments (continued)

58.3 Financial risk management objectives

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

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

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

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

Further quantitative disclosures are included throughout these Annual Financial Statements.

58.4 Significant accounting policies

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.

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.

58.5 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

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58. Financial instruments (continued)

58.6 Interest rate risk

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 on financial assets consist mainly of fixed deposit investments and 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.

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 58.8 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 2024 would have increased / decreased by R165 981 (30 June 2023: R101 555). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

58.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

Liquidity and Interest Risk Table

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 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.

58.8 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 risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and 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

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58. Financial instruments (continued)

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.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Trade and other receivables from exchange transactions (excluding statutory receivables)	3	71,137,160	85,318,362
Bank and cash balances	2	143,658,806	104,935,011
Maximum credit and interest risk exposure		214,795,966	190,253,373

58.9 Other price risks

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

59. Budget information

The budget is approved on an accrual basis in accordance with the format of the MBRR schedules. The approved budget covers the period from 1 July 2023 to 30 June 2024.

The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance in accordance with GRAP. The amounts in the financial statements were realigned to a classification as per the MBRR schedules to be on the same basis as the final approved budget. The amounts of these adjustments are identified in the following table.

A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts presented in Statement of Financial Performance, Financial Position and Cash Flow Statement for the period ended 30 June 2024, due to presentation differences that have been identified, and is presented below. The financial statements and budget documents are prepared for the same period.

Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Kouga Local Municipality as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual Amounts.

Kouga Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
59.1. Statement of financial position		
Presentation of reconciling items:		
	Total Current Assets	Total Current Liabilities
Balance as reported per Statement of Budget and Actuals	266,447,685	(293,951,777)
Reconciliation items:		
VAT payable that has been netted of VAT receivable due from SARS	747,727	(747,727)
Balance as Statement of financial position	267,195,412	(294,699,504)

59.2. Statement of financial performance

Presentation of reconciling items

	Total Revenue	Total Expenditure
Amount reported per Statement of Comparison of Budget and Actuals amounts	1,202,671,603	(1,309,281,111)
Reconciling items:		
Transfers and subsidies - Capital reported as part of total revenue in transfers and subsidies	103,139,503	-
Gain recognised to revenue	-	(56,161)
Amount as reported on Financial Performance	1,305,811,106	(1,309,337,272)

60. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the Kouga jurisdiction. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the municipal jurisdiction were sufficiently similar to warrant aggregation.

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2024	2023
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60. Segment information (continued)

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Segment 1	Community and Social services
Segment 2	Energy sources
Segment 3	Planning and Development
Segment 4	Public Safety
Segment 5	Roads
Segment 6	Solid waste and Sanitation
Segment 7	Water Management

The reconciling items listed are items under the directorates that do not form part of the segments (not contributing directly to service delivery and revenue generation), namely:

- Finance and Administration
- Executive and council
- Internal audit

Kouga Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand thousand

60. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community and Social services	Energy sources	Planning and development	Public safety	Roads	Solid waste and Sanitation	Water management	Total
Revenue from exchange transactions								
Services charges - Electricity	-	380,375,534	-	-	-	-	-	380,375,534
Services charges - Waste water management	-	-	-	-	-	59,633,132	-	59,633,132
Services charges - Waste management	15,470,645	-	-	-	-	42,017,035	-	57,487,680
Services charges - Water	-	-	-	-	-	-	109,872,623	109,872,623
Sales of goods and rendering of services	363,400	-	5,147,706	15,964	-	3,152	-	5,530,222
Agency services	-	-	-	3,615,485	-	-	-	3,615,485
Interest earned from receivables	-	2,427,684	-	-	-	10,580,579	8,549,530	21,557,793
Licences or permits	138,958	-	-	2,229,189	-	-	-	2,368,147
Rental	2,479,677	-	1,028,077	-	-	-	-	3,507,754
Operational revenue - Exchange revenue	-	1,216,877	-	-	4,542,200	-	-	5,759,077
Revenue from non-exchange transactions								
Fines, penalties and forfeits	1,918	-	455,349	36,350	-	-	-	493,617
Licences or permits	6,817,038	-	-	604,053	-	-	-	7,421,091
Transfers and subsidies	11,480,132	14,014,085	37,533,720	1,775,560	5,490,259	58,224,789	37,680,061	166,198,606
Total segment revenue	36,751,768	398,034,180	44,164,852	8,276,601	10,032,459	170,458,687	156,102,214	823,820,761
Reconciling - Exchange Revenue	-	-	-	-	-	-	-	21,107,692
Reconciling - Non-exchange Revenue	-	-	-	-	-	-	-	468,201,085
Total revenue	-	-	-	-	-	-	-	1,313,129,538

Kouga Local Municipality

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Figures in Rand thousand

60. Segment information (continued)

	Community and Social services	Energy sources	Planning and development	Public safety	Roads	Solid waste and Sanitation	Water management	Total
Expenditure								
Employee related cost	49,394,914	16,228,084	29,463,194	36,172,365	22,891,452	62,945,028	25,387,125	242,482,162
Bulk purchases	-	351,702,171	-	-	-	-	-	351,702,171
Inventory consumed	5,565,589	12,305,071	305,254	1,543,016	7,845,063	18,534,769	50,454,901	96,553,663
Depreciation and amortisation	1,730,179	7,333,452	-	-	32,684,095	25,180,316	20,296,501	87,224,543
Impairment losses on PPE, IA and HA	28,224	638,439	5,767	-	-	292,790	631,451	1,596,671
Finance costs	-	-	-	-	-	-	-	-
Contracted services	11,369,358	12,158,768	6,981,814	1,898,275	9,606,754	10,313,057	2,822,042	55,150,068
Transfers and subsidies	320,000	-	600,000	-	-	-	-	920,000
Debt impairment	-	21,072,391	-	-	-	19,519,141	24,588,412	65,179,944
Irrecoverable debt written off	-	597,054	-	-	-	9,012,915	34,580,946	44,190,915
Operating leases	349,133	29,973	998,142	124,353	-	21,579	-	1,523,180
Operational cost	12,554,678	4,083,828	1,400,823	1,366,914	1,974,736	9,582,527	3,162,360	34,125,866
Contribution to provision	-	-	-	-	-	(147,460)	-	(147,460)
Loss on disposal of assets	56,161	-	-	-	-	-	-	56,161
Total segment expenditure	81,368,236	426,149,231	39,754,994	41,104,923	75,002,100	155,254,662	161,923,738	980,557,884
Reconciling - Contracted services	-	-	-	-	-	-	-	38,615,983
Reconciling - Contribution to provision	-	-	-	-	-	-	-	94,700
Reconciling - Depreciation and amortisation	-	-	-	-	-	-	-	13,635,686
Reconciling - Employee related cost	-	-	-	-	-	-	-	156,395,365
Reconciling - Finance costs	-	-	-	-	-	-	-	10,037,689
Reconciling - Impairment loss / (Reversal) of impairment	-	-	-	-	-	-	-	82,028
Reconciling - Inventory consumed	-	-	-	-	-	-	-	6,045,107
Reconciling - Irrecoverable debts written off	-	-	-	-	-	-	-	18,668,943
Reconciling - Loss on disposal of fixed assets and intangible assets	-	-	-	-	-	-	-	1,712,623
Reconciling - Operating leases	-	-	-	-	-	-	-	6,006,434
Reconciling - Operating cost	-	-	-	-	-	-	-	40,320,150
Reconciling - Remuneration of councillors	-	-	-	-	-	-	-	14,975,747
Reconciling - Debt impairment	-	-	-	-	-	-	-	22,188,930
Total expenditure	-	-	-	-	-	-	-	1,309,337,269
Total segment surplus/(deficit)	(44,616,468)	(28,115,051)	4,409,858	(32,828,322)	(64,969,641)	15,204,025	(5,821,524)	3,792,269

Kouga Local Municipality

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Figures in Rand thousand

60. Segment information (continued)

Capital expenditure

Capital expenditure	7,309,625	5,703,385	14,410	2,810,454	28,879,836	24,355,773	21,196,987	90,270,470
Reconciling - Capital acquisitions	-	-	-	-	-	-	-	2,644,220
	7,309,625	5,703,385	14,410	2,810,454	28,879,836	24,355,773	21,196,987	92,914,692

2023

	Community and Social services	Energy sources	Planning and development	Public safety	Roads	Solid waste and Sanitation	Water management	Total
Revenue from exchange transactions								
Services charges - Electricity	-	306,476,963	-	-	-	-	-	306,476,963
Services charges - Water	-	-	-	-	-	-	117,399,855	117,399,855
Services charges - Waste management	15,662,556	-	-	-	-	46,282,474	-	61,945,030
Services charges - Waste water management	-	-	-	-	-	61,796,904	-	61,796,904
Sales of goods and rendering of services	389,903	-	5,640,352	14,855	-	13,882	-	6,058,992
Rental	2,041,295	-	(1,270,271)	-	-	-	-	771,024
Interest earned from receivables	-	1,750,339	-	-	-	9,619,671	9,145,804	20,515,814
Operational revenue - Exchange revenue	-	-	-	-	28,506	-	-	28,506
Revenue from non-exchange transactions								
Licences or permits	190,227	-	-	2,486,571	-	-	-	2,676,798
Agency services	-	-	-	2,677,528	-	-	-	2,677,528
Fines, penalties and forfeits	936	-	339,756	20,000	-	-	-	360,692
Licences and permits	6,581,082	-	-	614,244	-	-	-	7,195,326
Transfers and subsidies	6,820,577	5,205,047	7,643,103	2,732,898	1,175,000	34,096,415	69,018,010	126,691,050
Total segment revenue	31,686,576	313,432,349	12,352,940	8,546,096	1,203,506	151,809,346	195,563,669	714,594,482
Reconciling - Exchange Revenue	-	-	-	-	-	-	-	13,296,857
Reconciling - Non-exchange Revenue	-	-	-	-	-	-	-	527,876,550
Total revenue	-	-	-	-	-	-	-	1,255,767,923

Kouga Local Municipality

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Figures in Rand thousand

60. Segment information (continued)

	Community and Social services	Energy sources	Planning and development	Public safety	Roads	Solid waste and Sanitation	Water management	Total
Expenditure								
Employee related cost	47,295,763	15,001,305	25,604,214	33,409,428	20,713,731	61,566,848	22,161,479	225,752,771
Debt impairment / write-off	-	-	-	-	-	-	-	-
Depreciation and amortisation	1,777,900	7,315,977	-	-	32,551,287	27,103,369	18,830,074	87,578,607
Debt impairment	-	2,694,685	-	-	-	29,109,802	47,486,901	79,291,388
Impairment losses on PPE, IA and HA	-	1,220,541	-	-	-	10,787,186	4,797,265	16,804,992
Finance costs	-	-	-	-	-	-	-	-
Bulk purchases	-	291,888,014	-	-	-	-	-	291,888,014
Inventory consumed	7,218,255	7,032,670	431,667	1,309,525	4,676,233	14,045,172	51,910,347	86,623,869
Contracted services	10,168,315	4,118,614	7,305,644	2,841,995	15,182,934	11,383,615	3,095,786	54,096,903
Transfers and subsidies	325,000	-	383,750	-	-	-	-	708,750
Operational cost	10,029,561	3,793,460	1,238,862	1,174,302	1,938,565	8,625,819	2,414,380	29,214,949
Operating leases	331,047	28,352	938,386	118,855	-	20,881	-	1,437,521
Loss on disposal of assets	(12,779)	-	-	-	-	-	-	(12,779)
Contribution to provision	-	-	-	-	-	(778,290)	-	(778,290)
Irrecoverable debt written off	-	278,791	-	-	-	6,417,462	4,270,412	10,966,665
Total segment expenditure	77,133,062	333,372,409	35,902,523	38,854,105	75,062,750	168,281,864	154,966,644	883,573,360
Reconciling - Contracted services	-	-	-	-	-	-	-	33,200,864
Reconciling - Debt impairment	-	-	-	-	-	-	-	9,367,173
Reconciling - Depreciation and amortisation	-	-	-	-	-	-	-	13,711,369
Reconciling - Employee Related Cost	-	-	-	-	-	-	-	138,552,984
Reconciling - Finance costs	-	-	-	-	-	-	-	8,058,566
Reconciling - Impairment loss / (Reversal) of impairment	-	-	-	-	-	-	-	6,623,425
Reconciling - Inventory consumed	-	-	-	-	-	-	-	4,457,960
Reconciling - Irrecoverable debts written off	-	-	-	-	-	-	-	76,492,736
Reconciling - Loss on disposal of fixed assets and intangibles	-	-	-	-	-	-	-	1,326,644
Reconciling - Operating leases	-	-	-	-	-	-	-	5,376,318
Reconciling - Operational cost	-	-	-	-	-	-	-	41,675,316
Reconciling - Remuneration of councillors	-	-	-	-	-	-	-	13,700,137
Total expenditure	-	-	-	-	-	-	-	1,236,116,852
Total segment surplus/(deficit)	(45,446,486)	(19,940,060)	(23,549,583)	(30,308,009)	(73,859,244)	(16,472,518)	40,597,025	19,651,071

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Figures in Rand thousand

60. Segment information (continued)

Capital expenditure

Acquisitions	4,397,140	9,093,079	(161,247)	-	13,241,115	24,715,717	43,080,881	94,366,685
Reconciling - Capital acquisitions	-	-	-	-	-	-	-	18,542,451
	4,397,140	9,093,079	(161,247)	-	13,241,115	24,715,717	43,080,881	112,909,136