



KANNALAND
MUNISIPALITEIT | MUNICIPALITY

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

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

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KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

General Information

MEMBERS OF THE MAYORAL COMMITTEE AS AT 30 JUNE 2021

Executive Mayor

Mr M Barry

Deputy Executive Mayor

Mr PJ Antonie

Speaker

Mr W Meshoa

AUDITOR-GENERAL

Private Bag X1, Chempet, Montague Gardens, Cape Town, 7442
Western Cape

BANKERS

Standard Bank

1 Van Riebeeck St, Ladismith, 6655
Ladismith, 6655

REGISTERED OFFICE

32 Church Street
Ladismith
6655

PO Box 30
Ladismith
6655

Tel: (028) 551 8000
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ACTING MUNICIPAL MANAGER

Mr I Avontuur

ACTING CHIEF FINANCIAL OFFICER

Miss C Claasen


AUDITOR-GENERAL
SOUTH AFRICA
Asking to build the future
12 March 2022

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

General Information (Continued)

LEGAL FORM

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

The Objects of Local Government are:

- to provide democratic and accountable government for local communities;
- to ensure the provision of services to communities in a sustainable manner;
- to promote social and economic development;
- to promote a safe and healthy environment; and
- to encourage the involvement of communities and community organisations in the matters of local government

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

JURISDICTION

Greater Kannaland area which includes:

Ladismith
Calitzdorp, Van Wyksdorp and Zoar



KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Approval of Annual Financial Statements

MEMBERS OF THE KANNALAND MUNICIPALITY

Ward	Representative	
1	Ald Donson	J
2	Clr Meshoa	WP
3	Clr Barry	M
4	Clr Theron	A
Proportional	Clr Antonie	PJ
Proportional	Clr Johnson	J
Proportional	Clr Ruiters	HD

APPROVAL OF FINANCIAL STATEMENTS

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

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

Mr I Avontuur
Acting Municipal Manager

30 September 2021
Date


AUDITOR-GENERAL
SOUTH AFRICA
Asing'eni-Isiphelele
12 March 2022

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Report of the Auditor General

- Insert Audit Report -



KANNALAND MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

		Actual	
	Note	2021 R	2020 Restated R
ASSETS			
Current Assets		58 081 771	54 992 015
Inventories	2.	3 237 046	2 443 038
Receivables from Exchange Transactions	3.	4 139 408	6 841 148
Receivables from Non-exchange Transactions	4.	224 533	224 216
Statutory Receivables from Non-Exchange Transactions	5.	1 616 771	2 936 791
Cash and Cash Equivalents	7.	48 804 724	42 487 533
Lease Receivables	11.	59 289	59 289
Non-Current Assets		326 271 615	323 461 550
Property, Plant and Equipment	8.	324 993 512	322 061 218
Intangible Assets	9.	27 894	35 844
Investment Property	10.	1 250 210	1 364 487
Total Assets		384 353 386	378 453 565
LIABILITIES			
Current Liabilities		102 583 896	98 711 683
Consumer Deposits	12.	1 118 645	1 027 382
Payables from Exchange Transactions	13.	59 942 006	60 053 115
Payables from Non-exchange Transactions	14.	600 772	227 336
Unspent Conditional Grants and Receipts	15.	30 900 003	27 212 759
VAT Payable	16.	2 266 859	3 276 132
Lease Payables	17.	12 927	12 927
Borrowings	18.	446 424	573 019
Employee Benefit Liabilities	19.	920 000	706 000
Provisions	20.	6 376 260	5 623 013
Non-Current Liabilities		46 125 471	39 479 645
Borrowings	18.	417 749	863 466
Employee Benefit Liabilities	19.	12 191 000	10 887 000
Provisions	20.	33 516 722	27 729 179
Total Liabilities		148 709 367	138 191 328
Total Assets and Liabilities		235 644 019	240 262 237
NET ASSETS		235 644 019	240 262 237
Reserves	21.	469 512	-
Accumulated Surplus / (Deficit)	22.	235 174 507	240 262 237
Total Net Assets		235 644 019	240 262 237

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

		Actual	
	Note	2021 R	2020 Restated R
REVENUE			
Revenue from Non-exchange Transactions		82 413 132	85 932 512
Property Rates	23.	19 336 694	16 753 467
Fines, Penalties and Forfeits	24.	141 591	7 428 269
Licences and Permits	25.	-	63 871
Transfers and Subsidies	26.	62 159 165	61 672 932
Interest, Dividends and Rent on Land Earned	31.	775 682	13 973
Revenue from Exchange Transactions		94 532 068	92 560 194
Licences and Permits	25.	217 217	100 474
Service Charges	27.	87 940 601	86 194 600
Sales of Goods and Rendering of Services	28.	473 386	1 329 789
Income from Agency Services	29.	1 083 022	828 120
Rental from Fixed Assets	30.	570 247	528 462
Interest, Dividends and Rent on Land Earned	31.	3 915 961	3 431 886
Operational Revenue	32.	331 634	146 863
Total Revenue		176 945 200	178 492 706
EXPENDITURE			
		182 032 930	169 368 885
Employee Related Costs	33.	66 795 557	58 338 545
Remuneration of Councillors	34.	3 183 979	3 145 693
Depreciation and Amortisation	35.	10 855 001	12 775 112
Impairment Losses	36.	22 200 438	26 687 403
Interest, Dividends and Rent on Land	37.	3 044 931	5 912 412
Bulk Purchases	38.	44 276 763	40 766 711
Contracted Services	39.	8 021 647	8 068 820
Inventory Consumed	40.	5 536 169	2 457 844
Transfers and Subsidies Paid	41.	245 659	96 240
Operating Leases	42.	669 512	483 302
Operational Costs	43.	17 153 353	10 546 036
Loss on Disposal of Property, Plant and Equipment	44.	49 922	90 769
Total Expenditure		182 032 930	169 368 885
SURPLUS / (DEFICIT) FOR THE YEAR		(5 087 730)	9 123 821
Refer to Budget Statement for explanation of budget variances			

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

	Total Funds & Reserves	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R	R
2020			
Balance at 30 June 2019	-	245 244 186	245 244 186
Change in Accounting Policy (Note 46)	-	-	-
Correction of Error (Note 47)	-	(14 105 768)	(14 105 768)
Restated Balance	-	231 138 419	231 138 419
Surplus / (Deficit) as per prior 2019/20 AFS		10 903 714	10 903 714
Change in Accounting Policy (Note 46)		-	-
Correction of Error (Note 47)		(1 779 895)	(1 779 895)
Restated Surplus / (Deficit) for the year	-	9 123 818	9 123 818
Restated Balance at 30 June 2020	-	240 262 237	240 262 237
2021			
Restated Balance	-	240 262 237	240 262 237
Surplus / (Deficit) for the year	-	(5 087 730)	(5 087 730)
Other Transfers to/from Accumulated Surplus		-	-
Balance at 30 June 2021	469 512	235 174 507	235 644 019

KANNALAND MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	Note	Actual 2021 R	2020 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	23.	17 580 275	12 991 159
Transfers and Subsidies	26.	65 812 583	74 235 068
Service Charges	27.	76 097 556	63 903 498
External Interest Received	31.	1 150 490	1 013 609
Other Receipts	32.	2 427 033	9 286 166
VAT Received	6.	-	5 500 478
Payments			
Employee Related Costs	33.	(66 619 016)	(64 419 526)
Remuneration of Councillors	34.	(3 183 979)	(3 145 693)
External Interest Paid	37.	(493 890)	545 263
Suppliers Paid	40.	(57 730 084)	(36 774 165)
Other Payments	43.	(10 576 968)	(12 392 770)
VAT Paid	16.	(1 009 272)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	49.	<u>23 454 729</u>	<u>50 743 088</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8.	(16 565 226)	(19 385 305)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(16 565 226)</u>	<u>(19 385 305)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in Finance Leases (Leases Redeemed)	17.	-	4 900
Decrease in Borrowings (Loans Redeemed)	18.	(572 312)	(504 172)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(572 312)</u>	<u>(499 271)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>6 317 191</u>	<u>30 858 511</u>
Cash and Cash Equivalents at Beginning of Financial Year	7.	42 487 533	11 629 022
Cash and Cash Equivalents at End of Financial Year	7.	48 804 724	42 487 533

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

30 June 2021

Description	Original Budget	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
FINANCIAL POSITION							
Current Assets							
Inventories	(2 989 963)	(2 900 504)	(2 900 504)	3 237 046	6 137 550	-112%	-108%
Receivables from Exchange Transactions	(17 825 587)	(23 678 180)	(23 678 180)	4 139 408	27 817 588	-17%	-23%
Receivables from Non-exchange Transactions	-	-	-	224 533	224 533		
Statutory Receivables from Non-Exchange Transactions	(28 558 620)	(41 506 139)	(41 506 139)	1 616 771	43 122 910	-4%	-6%
Cash and Cash Equivalents	134 752 132	149 228 458	149 228 458	48 804 724	(100 423 734)	33%	36%
Operating Lease Receivables	-	-	-	59 289	59 289		
Long-term Receivables	-	(12 927)	(12 927)	-	12 927	0%	
Non-Current Assets							
Property, Plant and Equipment	382 571 193	370 494 892	370 494 892	324 993 512	(45 501 380)	88%	85%
Intangible Assets	15 050	8 040	8 040	27 894	19 854	347%	185%
Investment Property	1 488 659	1 364 483	1 364 483	1 250 210	(114 273)	92%	84%
Long-term Receivables	(8 072)	-	-	-	-		0%
Total Assets	469 444 792	452 998 123	452 998 123	384 353 386	(68 644 737)	84,85	81,87
Current Liabilities							
Consumer Deposits	964 206	1 027 381	1 027 381	1 118 645	91 264	109%	116%
Provisions	2 653 643	647 912	647 912	6 376 260	5 728 348	984%	240%
Payables from Exchange Transactions	148 028 992	119 167 064	119 167 064	59 942 006	(59 225 058)	50%	40%
Payables from Non-exchange Transactions	180 453	-	-	600 772	600 772		333%
Unspent Conditional Grants and Receipts	14 050 625	-	-	30 900 003	30 900 003		220%
VAT Payable	(33 845 092)	-	-	2 266 859	2 266 859		-7%
Lease Payables	-	-	-	12 927	12 927		0%
Borrowings	(446 362)	(950 534)	(950 534)	446 424	1 396 958	-47%	0%
Non-Current Liabilities							
Borrowings	1 141 229	1 094 709	1 094 709	417 749	(676 960)	38%	37%
Employee Benefit Liabilities	-	-	-	13 111 000	13 111 000		
Non-current Provisions	32 352 052	33 231 989	33 231 989	33 516 722	284 733	101%	104%
Total Liabilities	165 079 746	154 218 521	154 218 521	148 709 367	(5 509 154)	96,43	90,08
Total Assets and Liabilities	304 365 046	298 779 602	298 779 602	235 644 019	(63 135 583)	78,87	77,42
Net Assets (Equity)							
Reserves	(1 427 447)	(1 479 779)	-	469 512	469 512		-33%
Accumulated Surplus / (Deficit)	251 727 132	259 750 545	298 779 602	235 174 507	(63 605 095)	79%	93%
Total Net Assets	250 299 685	258 270 766	298 779 602	235 644 019	(63 135 583)	78,87	94,14

Financial Position: Explanation of Variances between Approved Budget and Actual

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

Inventories:

Variances are due to incorrect use of contra items on the statement of financial position while compiling the budget and the incorrect treatment of water purchases and treatment as an inventory item. mSCOA balance sheet budgeting still remains a challenge for municipalities.

Receivables from Exchange Transactions:

Variances are due to incorrect use of contra items on the statement of financial position while compiling the budget.

Receivables from Non-exchange Transactions

Variances are due to incorrect use of contra items on the statement of financial position while compiling the budget.

Statutory Receivables from Non-Exchange Transactions

Variances are due to incorrect use of contra items on the statement of financial position while compiling the budget.

VAT Receivable:

No budget provision was made for VAT Receivable.

Cash and Cash Equivalents:

The Cash and Cash Equivalents is influenced by the Capital Projects rollover to 2020/21 financial year and the unspent Conditional Grants - It appears expenditure in terms of grants were not accounted for and that the BS budget was budgeting for unspent grants at year end.

Operating Lease Receivables:

No Budget provision was made for Operating Lease Receivables.

Property, Plant and Equipment:

The municipality did not spent the full capital budget and accumulated depreciation was added (R34.3 million) and not deducted in the budget document.

Intangible Assets:

Opening balance was not carried forward during budgeting.

Long-term Receivables:

Variances are due to incorrect use of contra items on the statement of financial position while compiling the budget.

Consumer Deposits:

Budget only contained the amount carried forward. Very difficult to budget for consumer deposits as it is completely unpredictable in a Kannaland context.

Provisions:

This amount relates to Employee Related Benefits and Rehabilitation of landfill sites and was not correctly accounted for within the budget.

Employee Benefit Liabilities:

The municipality did not budget for this item and prior year balance was not carried forward.

Payables from Non-exchange Transactions:

National Treasury (NT) Budget Template not aligned to GRAP and does not provide for Payables from Non-exchange Transactions.

Reserves:

Municipality to advise. Appears to be incidental and the municipality's unfunded budget does not allow for contributions to reserves. - the final budget however does have an entry under reserves

Unspent Conditional Grants and Receipts:

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

Long-term Liabilities:

Budget provision included the current portion of the long-term liabilities

Non-current Provisions:

Variances are due to incorrect use of contra items on the statement of financial position while compiling the budget.

Accumulated Surplus/(Deficit):

mSCOA issues and all the variances as explained above contributes to this particular variance.


 KANNALAND MUNICIPALITY
 12 March 2022

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

30 June 2021

Description	Original Budget	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE							
Revenue from Non-exchange Transactions							
Property Rates	19 539 980	22 820 500	22 820 500	19 336 694	- 3 483 806	85%	99%
Fines, Penalties and Forfeits	7 384 420	6 354 450	6 354 450	141 591	- 6 212 859	2%	2%
Licences and Permits	50 000	65 100	65 100	-	65 100	0%	0%
Transfers and Subsidies	103 123 370	80 217 790	80 217 790	62 159 165	- 18 058 625	77%	60%
Surcharges and Taxes	-	-	-	-	-	-	-
Interest, Dividends and Rent on Land Earned	1 521 800	1 531 150	1 531 150	775 682	- 755 468	51%	51%
Revenue from Exchange Transactions							
Licences and Permits	-	150 000	150 000	217 217	67 217	145%	-
Service Charges	92 033 360	88 166 770	88 166 770	87 940 601	- 226 169	100%	96%
Sales of Goods and Rendering of Services	185 400	411 740	411 740	473 386	61 646	115%	255%
Rental from Fixed Assets	17 160	567 420	567 420	570 247	2 827	100%	3323%
Interest, Dividends and Rent on Land Earned	4 045 210	4 737 990	4 737 990	3 915 961	- 822 029	83%	97%
Operational Revenue	179 940	126 270	126 270	331 634	205 364	263%	184%
Total Revenue	229 080 640	206 174 180	206 174 180	176 945 200	- 29 228 980	85,82	77,24
Expenditure							
Employee Related Costs	58 317 410	60 997 365	60 997 365	66 795 557	5 798 192	110%	115%
Remuneration of Councillors	3 578 460	3 394 050	3 394 050	3 183 979	- 210 071	94%	89%
Depreciation and Amortisation	12 231 200	12 221 730	12 221 730	10 855 001	- 1 366 729	89%	89%
Impairment Losses	11 923 050	13 538 193	13 538 193	22 200 438	8 662 245	164%	186%
Interest, Dividends and Rent on Land	227 490	180 970	180 970	3 044 931	2 863 961	1683%	1338%
Bulk Purchases	42 693 228	42 763 228	42 763 228	44 276 763	1 513 535	104%	104%
Contracted Services	15 682 040	18 470 592	18 470 592	8 021 647	- 10 448 945	43%	51%
Inventory Consumed	6 206 670	11 876 620	11 876 620	5 536 169	- 6 340 451	47%	89%
Transfers and Subsidies Paid	470 000	470 000	470 000	245 659	- 224 341	52%	52%
Operating Leases	206 600	702 950	702 950	669 512	- 33 438	95%	324%
Operational Costs	11 650 152	13 151 752	13 151 752	17 153 353	4 001 601	130%	147%
Loss on Disposal of Property, Plant and Equipment	-	-	-	49 922	1 843 760	-	-
Total Expenditure	163 186 300	177 767 450	177 767 450	182 032 930	6 059 318	102,40	111,55
Surplus/(Deficit for the Year)	65 894 340	28 406 730	28 406 730	(5 087 730)	(35 288 299)	-	-

Financial Performance: Explanation of Variances between Approved Budget and Actual

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

Property Rates

The budget amount did not include the subsidised poverty alleviation allowance. The allowance is based on no property rates levied on improved residential properties below R70 000.

Operational Revenue:

Commission on 3rd party deductions and collection charges were not sufficiently budgeted for with the majority of the revenue only realizing within the last quarter of the financial year and could not have been foreseen at the time of the budget.

Fines, Penalties and Forfeits:

The fines relating to Traffic infringements are minimal as the municipality only did spot fines there were no camera fines. Vendor contract (TMT) came to an end before the start of the financial year.

Licences and Permits Non-exchange:

To be moved to exchange transactions - no material difference.

Transfers and Subsidies:

Transfers and Subsidies recognised are lower than forecasted due to not all grant conditions being met (Unspent conditional grants).

Surcharges and Taxes

NT Budget Template not aligned to GRAP and does not provide for Surcharges and Taxes.

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

The actuals are lower than anticipated mostly due to council's decision to alleviate economic pressure, interest were only levied for 8 months of the financial year.

Licences and Permits Exchange:

No material deviation

Sales of Goods and Rendering of Services:

Sales of Goods and Rendering of Services were more than the forecast due to the unpredictability of activity due to Covid-19. Prior year actuals were significantly impacted and were the foundation of the budget.

Interest, Dividends and Rent on Land Earned: Exchange Transactions

This interest relates to interest earned on bank and investments and interest charged on outstanding debtors. The actuals are lower than anticipated mostly due to council's decision to alleviate economic pressure, interest were only levied for 8 months of the financial year.

Remuneration of councillors:

There was no annual increase on councillors remuneration and the section 79 position was only filled for 9 months and not the full financial year.

Employee related costs:

The municipality did not budget for the actuarial gains and interest charges relating to post retirement benefits.

Impairment Losses:

Collection rate not realizing as envisaged, partly due to the economic impact of Covid-19 and bad debt not being written-off timeously, accumulating interest charges on indigent and prescription debt.

Depreciation and amortisation:

Municipal capital expenditure did not realize as planned with less assets acquired and put into operation.

Interest, Dividends and Rent on Land:

The variance is due to interest charged on Overdue Creditors, Finance Lease and Landfill sites not budgeted for. Vast majority of interest on creditors relates to Eskom arrears.

Bulk Purchases

The 4% deviation from the budget was caused by a combination of factors including "Time of Use", the combination of Mini-Flex and Multi-Flex bulk purchases.

Contracted Services:

The municipality spent less on contracted services than forecasted due to expenditure only incurred in terms of available revenue. Items of interest should be that no vendor was appointed for traffic services, legal cost was much lower and delays in the valuation process caused some of the expenses to be carried forward to the 2021/22 financial year.

Transfers and Subsidies Paid:

The municipality makes contributions to the Local Economic Development of Kannaland through the Tourism bodies established in the jurisdiction and payment is limited to submission of appropriate documentation. Tourism was significantly impacted by Covid-19.

Inventory Consumed

Due to financial constraints the municipality limits spending to only essentials and therefore actuals that were significantly lower than forecasted.

Operational Costs

The operational costs actuals were much higher than anticipated due to the contribution to the provision of landfill sites not budgeted for. The full amount (contribution to the provision) have been offset by savings on other operational expenditure that were only incurred in line with available funding.

Loss on Disposal of Property, Plant and Equipment:

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

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

30 June 2021

Description	Original Budget	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
CASH FLOW							
Cash Flows from/(used in) Operating Activities							
Receipts							
Property Rates	25 529 707	(20 635 342)	(20 635 342)	17 580 275	38 215 617	-85%	69%
Transfers and Subsidies	29 336 245	(36 286 558)	(36 286 558)	65 812 583	102 099 141	-181%	224%
Service Charges	88 086 280	(86 922 587)	(86 922 587)	76 097 556	163 020 143	-88%	86%
External Interest and Dividends Received	10 630	(8 080)	(8 080)	1 150 490	1 158 570	-14239%	10823%
Other Receipts	4 080 852	(4 920 150)	(4 920 150)	2 427 033	7 347 183	-49%	59%
Payments							
Employee Related Costs	(67 023 572)	(60 997 365)	(60 997 365)	(66 619 016)	(5 621 651)	109%	99%
Remuneration of Councillors	(3 578 460)	(3 394 050)	(3 394 050)	(3 183 979)	210 071	94%	89%
External Interest and Dividends Paid	(227 490)	(180 970)	(180 970)	(493 890)	(312 920)	273%	217%
Suppliers Paid	(66 213 710)	(73 110 440)	(73 110 440)	(57 730 084)	15 380 356	79%	87%
Other Payments	(13 817 752)	(14 324 702)	(14 324 702)	(10 576 968)	3 747 734	74%	77%
VAT Receivable / Payable	-	-	-	(1 009 272)	(1 009 272)		
Cash Flows from/(used in) Investing Activities							
Purchase of Property, Plant and Equipment	(69 244 110)	(65 990 565)	(65 990 565)	(16 565 226)	49 425 339	25%	24%
Purchase of Intangible Assets	-	-	-	-	-		
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-		
Cash Flows from/(used in) Financing Activities							
Increase in Long-term Loans (Loans Taken-on)	(640 572)	(2 621 068)	(2 621 068)	(572 312)	2 048 756	22%	89%
Decrease in Short-term Loans (Loans Repaid)	-	-	-	-	-		
Cash and Cash Equivalents at Beginning of the Year	-	42 487 533	42 487 533	42 487 533	375 709 068	100,00	0,00
Cash and Cash Equivalents at End of the Year	(73 701 952)	326 904 344	(29 358 910)	48 804 724			

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

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

Property Rates

There was an incorrect treatment of the poverty allowance that was not deducted during the budget process. The credit entry is an mSCOA system entry.

Service Charges

The receipts for service charges are lower than anticipated due to the municipality being too ambitious in their budget pertaining to the collection rate and with the situation being exaggerated by the Covid-19 pandemic.

Transfers and Subsidies

The actual receipts are higher than budgeted for and this can be attributed to a system error relating to the contra-accounts not being updated during the adjustment budget.

External Interest and Dividends Received

The actual receipts are higher than budgeted for and this can be attributed to a system error relating to the contra-accounts not being updated during the adjustment budget.

Other Receipts

The actual receipts are lower than budgeted for and this can be attributed to revenue from "fines, penalties & forfeits" not realizing with the municipality not renewing the speed camera contract and this being partially offset by a system error relating to the contra-accounts not being updated during the adjustment budget.

External Interest and Dividends Paid

The variance is due to interest charged on Overdue Creditors, Finance Leases and Landfill sites not sufficiently budgeted for.

Suppliers Paid

The budget for suppliers paid include the amounts budgeted for employee related, councillor remuneration and partially other payments. It should be noted that not all budgets for budgeted expenditure populated correctly. (See NT comments on Balance Sheet and Cash Flow Budget Schedule challenges - still need to elaborate.). Actual expenditure was only incurred in terms of available revenue.

Other Payments

See "Suppliers Paid"

VAT Receivable / Payable

No budget provision was made for VAT Receivable/Payable.

Purchase of Property, Plant and Equipment

The underspending of projects relate to various Capital Programmes, with the budget rollover to 2020/21 for implementation of the projects. The budget rollover was approved by Council on late by March 2021. This is also influenced the underspending of Conditional Grants.

KANNALAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. BASIS OF PRESENTATION

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

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

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

1.1 Presentation Currency

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

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements,

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

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

1.2.1 Revenue Recognition

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

- **Estimation of Meter Readings:**
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.
- **Estimation of unused Prepaid Metered Services:**
Estimates of unused consumption of prepaid metered services, based on the consumption history, are made at year-end. Sales for prepaid metered services are recognised as revenue upon receipt of payment for these services, except at year-end when estimates for unused consumption up to reporting date are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30 June. In respect of estimates of consumption between the last date of purchase and the reporting date, an accrual for payments received in advance is made based on the average monthly consumption of consumers. In the reporting date, an accrual is made based on the average monthly consumption of consumers.
- **Revenue for Traffic Fines:**
There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality. In the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

KANNALAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.2.2 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

1.2.3 Impairment of Financial Assets

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

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

1.2.4 Impairment of Statutory Receivables

Accounting Policy 5.4 on Impairment of Statutory Receivables describes the process followed to determine the value at which Statutory Receivables should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Statutory Receivables recorded during the year is appropriate.

1.2.5 Capitalisation of Capital Assets

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

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

As described in Accounting Policies 7.3, 8.2 and 9.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

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

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

Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value or Current Replacement Cost.

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

1.2.8 Defined Benefit Plan Liabilities

As described in Accounting Policy 15.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

KANNALAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.2.9 Provisions and Contingent Liabilities

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

1.2.10 Principals and Agent Arrangements

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

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

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

1.2.11 Budget Information

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

1.2.12 Segment Reporting

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

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

1.2.13 The effect of COVID-19

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

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

1.3 Materiality

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

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

1.4 Going Concern Assumption

The municipality was put under Provincial Intervention in terms of Section 139 of the Municipal Finance Management Act, Nr. 56 of 2003, to prepare an appropriate recovery plan for the municipality. A successful implementation of the recovery plan will ensure that the municipality remain a going concern.

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

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

KANNALAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.5 Standards, Amendments to Standards and Interpretations issued but not yet Effective

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

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

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

1.6 Utilisation of Transitional Provisions

GRAP 108 Statutory Receivables

GRAP 108 Statutory Receivables became effective on 1 April 2019 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.

The municipality is taking advantage of the transitional provisions by not fully classifying or measuring its Statutory Receivables in accordance with GRAP 108, and, therefore, no disclosures required by GRAP 108 has been made.

The estimate Statutory Receivables that exists in the municipality's books at year-end are those relating to Property Rates, Fines and VAT.

The municipality intends to fully apply the requirements of GRAP 108 by 30 June 2022.

2. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2020 to 30 June 2021.

3. INVENTORIES

3.1 Recognition and Initial Measurement

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

KANNALAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

3.2 Subsequent Measurement

3.2.1 Consumable Stores

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

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

3.2.2 Water Inventory

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

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

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

3.2.3 Unsold Properties

Unsold properties are valued at the lower of cost and net realisable value on a Weighted Average Method. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

3.2.4 Other Arrangements

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

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

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

4. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Trade and Other Receivables exclude Value Added Taxation, Prepayments and Operating Lease Receivables are classified as Financial Assets at Amortised Cost.

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

4.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

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

4.3 Initial and Subsequent Measurement

4.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an Effective Yield Basis.

4.3.2 Financial Liabilities:

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

4.4 Impairment of Financial Assets

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

4.4.1 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

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

- It is management's judgement that the accounts are not "lost events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the PFMA.
- Interest is charged on all outstanding balances at a rate of the banker's prime rate plus 1%.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

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

KANNALAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

4.5 Derecognition of Financial Assets

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

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

4.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

5. STATUTORY RECEIVABLES

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

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

- Assessment Rates
- Fines

5.1 Transitional Provisions

GRAP 108 Statutory Receivables became effective on 1 April 2019 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.

The municipality is taking advantage of the transitional provisions by not classifying or measuring its Statutory Receivables in accordance with GRAP 108, and, therefore, no disclosures required by GRAP 108 has been made.

The Statutory Receivables that exists in the municipality's books at year-end are those relating to Property Rates and Fines.

The municipality intends to fully apply the requirements of GRAP 108 by 30 June 2022.

5.2 Recognition and Initial Measurement

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

The municipality recognises Statutory Receivables when they arise.

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

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

- Assessment Rates are levied in terms of the stipulations contained in the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) at rates determined each year by Council.
- Fines are serviced in terms of the stipulations contained in the Criminal Procedures Act, 1977 (Act No. 51 of 1977) at rates published in the Government Gazette from time to time.

KANNALAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

5.3 Subsequent Measurement

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

5.4 Impairment

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

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

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

- Assessment Rates
- Fines

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

5.5 Derecognition

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

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

6. CONSTRUCTION CONTRACTS

Construction Contracts are those contracts entered between the municipality and a customer (or third party) whereby the municipality delivers a constructed asset in terms of an agreement with such party. The construction can be done by the municipality or through the use of a sub-contractor. The benefit of the constructed item (or group) of items must be received by such party and not the municipality.

Revenue from such contracts shall comprise the agreed value in terms of the contract plus any agreed variations to such contract on the conditions that these variations will result in an inflow of economic resources that can be measured reliably.

Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as agreed between the municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis.

The municipality assessed all of the contracts in place and found that all of the contracts pertained to Housing Arrangements as those described in ASB's Accounting for Arrangements Undertaken in terms of the National Housing Programme. All of these contracts for the municipality are fixed price contracts. Revenue and costs are therefore recognised with reference to the stage of completion provided that the conditions for contract revenue and contract costs are met and the stage of contract completion can be measured.

KANNALAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

In exceptional cases, if any, for a cost plus or cost based contract the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits or service potential associated with the contract will flow to the entity and the contract costs can be clearly identified and measured reliably.

An expected deficit on a construction contract shall be recognised as an expense immediately based on the stage of completion. Future losses are only accounted for when these losses are incurred in terms of the stage of completion. This implies that only the proportional loss of a contract would be recognised based on the percentage of completion.

As the percentage or stage of completion is an estimate at year-end, any subsequent changes to the estimate would be accounted for as a change in estimate in terms of the relevant municipal accounting policy.

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Initial Recognition and Measurement

Property, Plant and Equipment are initially recognised at cost.

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

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

7.2 Subsequent Measurement

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

7.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the Straight-line Method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

	Asset Class	Years		Asset Class	Years
	Buildings			Community	
	Improvements	5 - 140		Community Facilities	35 - 100
				Recreational Facilities	50
	Infrastructure			Other	
	Electricity	10 - 67		Computer Equipment	1 - 12
	Roads and Paving	3 - 100		Furniture and Office Equipment	1 - 35
	Sanitation	50		Plant and Equipment	1 - 30
	Sewerage / Solid Waste	10 - 110		Vehicles - General	1 - 26
	Water	6 - 115		Vehicles - Specialised	1 - 26

7.4 Land

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

7.5 Incomplete Construction Work

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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

7.6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

7.7 Finance Leases

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

7.8 Derecognition

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

8. INTANGIBLE ASSETS

8.1 Initial Recognition and Measurement

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

Intangible Assets are initially recognised at cost.

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

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

8.2 Subsequent Measurement, Amortisation and Impairment

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

Amortisation is charged on a Straight-line Method over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

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

	Asset Class	Years
	Computer Software Purchased	5 - 20

8.3 Derecognition

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

9. INVESTMENT PROPERTY

9.1 Initial Recognition and Measurement

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

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

9.2 Subsequent Measurement

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-line Method over the useful life of the property, which is estimated at 4 - 100 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

9.3 Derecognition

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

10. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets.

10.1 Impairment of Cash Generating Assets

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

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

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

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

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

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

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

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

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

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10.2 Impairment of Non-cash Generating Assets

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

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

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

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

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

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

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

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

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

11. 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.

12. PROVISIONS

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

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

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 Surplus or Deficit as a finance cost as it occurs.

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12.1 Provision for Environmental Rehabilitation

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

13. LEASES

13.1 The Municipality as Lessee

13.1.1 Finance Leases

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

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

13.1.2 Operating Leases

The municipality recognises operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

13.2 The Municipality as Lessor

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

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

14. BORROWING COSTS

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

15. EMPLOYEE BENEFIT LIABILITIES

15.1 Short-term Employee Benefits

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

15.1.1 Provision for Staff Leave

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

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

Accumulated leave is vesting.

KANNALAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

15.1.2 Staff Bonuses Accrued

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

15.1.3 Provision for Performance Bonuses

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

15.2 Post-employment Benefits

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

15.2.1 Defined Contribution Plans

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

15.2.2 Defined Benefit Plans

Post-retirement Health Care Benefits

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

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

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

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

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Provincially-administered Defined Benefit Plans

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

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Defined Benefit Pension Plans

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

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

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

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

16. REVENUE RECOGNITION

16.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

16.2 Revenue from Non-exchange Transactions

16.2.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

16.2.2 Fines

Fines constitute both spot fines and summonses

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

16.2.3 Government Grants and Receipts

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

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

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16.2.4 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

16.2.5 Other Donations and Contributions

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

16.2.6 Interest Earned

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

16.2.7 Rentals Received

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

16.2.8 Tariff Charges

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

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

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

16.3 Revenue from Exchange Transactions

16.3.1 Service Charges

Service Charges are levied in terms of approved tariffs.

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

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

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

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

16.3.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date. It is estimated that prepaid electricity is consumed within 5 to 7 days after date of purchase.

16.3.3 Rentals Received

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

16.3.4 Income from Agency Services

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

16.3.5 Interest Earned

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

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

16.3.6 Tariff Charges

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

16.3.7 Sale of Goods (including Land and Houses)

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

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

17. GRANTS-IN-AID

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

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

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

18. MATERIAL LOSSES

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

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

19. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003).

All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

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20. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure.

Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

21. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

22. COMMITMENTS

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP;
- 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.

23. RELATED PARTIES

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

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

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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25. EVENTS AFTER THE REPORTING DATE

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

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

26. SEGMENT REPORTING

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

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

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

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

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

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

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

27. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

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

	2021 R	2020 R
1. GENERAL INFORMATION		
Kannaland Municipality is a local municipality in Ladismith, Western Cape, and is one of seven local municipalities under the jurisdiction of the Garden Route District Municipality. The municipal area is situated in the western part of the Little Karoo and includes the towns of Ladismith, Calitzdorp and Zoar. The address of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).		
2. INVENTORIES		
Land	1 262 000	1 262 000
Materials and Supplies	1 890 058	1 096 051
Water - At Cost	84 988	84 988
Total Inventories	3 237 046	2 443 038

2.1 Allocation for Cash Flow

Suppliers Paid:-

Inventory - Opening Balance	2 443 038	2 024 977
Inventory - Closing Balance	(3 237 046)	(2 443 038)
Total Inventory allocated to Suppliers Paid	(794 007)	(418 062)
Total Inventory allocated to Cash Flow	(794 007)	(418 062)

The cost of Inventories recognised as an expense includes R5 536 169 (2020: R2 457 844).

Inventories of R0 (2020: R0) have been pledged as collateral for Liabilities as per Note 20.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Service Debtors:	79 060 081	75 620 840	3 439 241
Electricity	4 183 059	3 110 926	1 072 133
Refuse	22 311 205	21 733 239	577 965
Sewerage	20 232 076	19 601 258	630 818
Merchandising, Jobbing and Contracts	1 086 415	1 081 919	4 496
Other Service Charges	144 148	-	144 148
Water	31 103 178	30 093 498	1 009 680
Other Receivables	39 606	39 450	155
Control, Clearing and Interface Accounts	(903 185)	-	(903 185)
Deposits for Land	10 308	-	10 308
Receivables with Credit Balances	903 185	-	903 185
Exchange Payables with Debit Balances	689 704	-	689 704
Total Receivables from Exchange Transactions	79 799 699	75 660 291	4 139 408

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Service Debtors:	64 848 572	58 707 591	6 140 981
Electricity	3 796 771	2 596 528	1 200 243
Refuse	17 760 870	16 359 122	1 401 748
Sewerage	16 194 712	15 414 111	780 601
Merchandising, Jobbing and Contracts	1 086 415	1 663 231	(576 816)
Other Service Charges	44 778	-	44 778
Water	25 965 026	22 674 600	3 290 427
Other Receivables	39 606	39 450	155
Control, Clearing and Interface Accounts	(785 727)	-	(785 727)
Deposits for Land	10 308	-	10 308
Receivables with Credit Balances	785 727	-	785 727
Exchange Payables with Debit Balances	689 704	-	689 704
Total Receivables from Exchange Transactions	65 588 190	58 747 042	6 841 148

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

	2021 R	2020 R
3.1 Allocation for Cash Flow		
Service Charges:-		
Service Debtors - Opening Balance	6 140 981	2 717 655
Service Debtors - Closing Balance	(3 439 241)	(6 140 981)
Service Debtors: Provision for Impairment - Opening Balance	58 707 591	40 223 085
Service Debtors: Provision for Impairment - Closing Balance	(75 620 840)	(58 707 591)
Other Receivables - Opening Balance	155	521
Other Receivables - Closing Balance	(155)	(155)
Other Receivables: Provision for Impairment - Opening Balance	39 450	37 857
Other Receivables: Provision for Impairment - Closing Balance	(39 450)	(39 450)
Receivables with Credit Balances - Opening Balance	785 727	781 546
Receivables with Credit Balances - Closing Balance	(903 185)	(785 727)
Total Receivables from Exchange Transactions allocated to Service Charges	<u><u>(14 328 967)</u></u>	<u><u>(21 913 242)</u></u>
Other Receipts:-		
Receivables from Exchange Transactions: Gross - Opening Balance	65 588 190	44 173 129
Receivables from Exchange Transactions: Gross - Closing Balance	(79 799 699)	(65 588 190)
Less Cash Flow for:-		
Service Charges	14 328 967	21 913 242
Suppliers Paid	-	(493 999)
Total Receivables from Exchange Transactions allocated to Other Receipts	<u><u>117 458</u></u>	<u><u>4 182</u></u>
Suppliers Paid:-		
Prepayments and Advances - Opening Balance	10 308	504 308
Prepayments and Advances - Closing Balance	(10 308)	(10 308)
Exchange Payables with Debit Balances - Opening Balance	689 704	689 704
Exchange Payables with Debit Balances - Closing Balance	(689 704)	(689 704)
Total Receivables from Exchange Transactions allocated to Suppliers Paid	<u><u>-</u></u>	<u><u>493 999</u></u>
Total Receivables from Exchange Transactions allocated to Cash Flow	<u><u>(14 211 509)</u></u>	<u><u>(21 415 061)</u></u>

At 30 June 2021, the municipality is owed R1 213 681 (30 June 2020: R1 213 681) by National and Provincial Government.



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

3.2 Ageing of Receivables from Exchange Transactions

As at 30 June 2021

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	749 407	219 961	189 739	3 023 951	4 183 059
Less: Provision for Impairment	-	-	-	-	3 110 926
Net Balances	749 407	219 961	189 739	3 023 951	1 072 133
Refuse:					
Gross Balances	603 335	439 091	413 008	20 855 771	22 311 205
Less: Provision for Impairment	-	-	-	-	21 733 239
Net Balances	603 335	439 091	413 008	20 855 771	577 966
Sewerage:					
Gross Balances	580 370	389 417	366 536	18 895 753	20 232 076
Less: Provision for Impairment	-	-	-	-	19 601 257
Net Balances	580 370	389 417	366 536	18 895 753	630 819
Merchandising, Jobbing and Contracts:					
Gross Balances	62 946	41 777	33 539	948 153	1 086 415
Less: Provision for Impairment	-	-	-	-	1 081 919
Net Balances	62 946	41 777	33 539	948 153	4 496
Other Service Charges:					
Gross Balances	(0)	-	-	144 148	144 148
Less: Provision for Impairment	-	-	-	-	-
Net Balances	(0)	-	-	144 148	144 148
Water:					
Gross Balances	802 078	794 854	774 587	28 731 659	31 103 178
Less: Provision for Impairment	-	-	-	-	30 093 497
Net Balances	802 078	794 854	774 587	28 731 659	1 009 681
Other Receivables:					
Gross Balances	(0)	-	-	39 606	39 606
Less: Provision for Impairment	-	-	-	-	39 450
Net Balances	(0)	-	-	39 606	155
Control, Clearing and Interface Accounts:					
Gross Balances	-	-	-	689 704	689 704
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	689 704	689 704
Deposits for Land					
Gross Balances	10 308	-	-	-	10 308
Less: Provision for Impairment	-	-	-	-	-
Net Balances	10 308	-	-	-	10 308

As at 30 June Receivables of R2 775 489 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	2 808 443	1 885 100	1 777 409	73 328 747	79 799 699
Less: Provision for Impairment	-	-	-	-	75 660 291
Net Balances	2 808 443	1 885 100	1 777 409	73 328 747	4 139 408

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

As at 30 June 2020

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	701 433	295 378	212 588	2 587 372	3 796 771
Less: Provision for Impairment					2 596 528
Net Balances	701 433	295 378	212 588	2 587 372	1 200 243
Refuse:					
Gross Balances	655 503	513 928	462 493	16 128 946	17 760 870
Less: Provision for Impairment	-	-	-	-	16 359 122
Net Balances	655 503	513 928	462 493	16 128 946	1 401 748
Sewerage:					
Gross Balances	576 941	446 581	373 835	14 797 355	16 194 712
Less: Provision for Impairment	-	-	-	-	15 414 111
Net Balances	576 941	446 581	373 835	14 797 355	780 601
Merchandising, Jobbing and Contracts:					
Gross Balances	62 209	41 178	29 930	953 098	1 086 415
Less: Provision for Impairment	-	-	-	-	1 663 231
Net Balances	62 209	41 178	29 930	953 098	(576 816)
Other Service Charges:					
Gross Balances		-	-	44 778	44 778
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	44 778	44 778
Water:					
Gross Balances	2 793 852	799 630	780 482	21 591 062	25 965 026
Less: Provision for Impairment	-	-	-	-	22 674 600
Net Balances	2 793 852	799 630	780 482	21 591 062	3 290 427
Other Receivables:					
Gross Balances	-	-	-	39 606	39 606
Less: Provision for Impairment	-	-	-	-	39 450
Net Balances	-	-	-	39 606	155
Control, Clearing and Interface Accounts:					
Gross Balances	689 704	-	-	-	689 704
Less: Provision for Impairment	-	-	-	-	-
Net Balances	689 704	-	-	-	689 704
Deposits for Land					
Gross Balances	10 308	-	-	-	10 308
Less: Provision for Impairment	-	-	-	-	-
Net Balances	10 308	-	-	-	10 308

As at 30 June Receivables of R 2 339 319,03 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	5 489 949	2 096 694	1 859 330	56 142 217	65 588 190
Less: Provision for Impairment	-	-	-	-	58 747 042
Net Balances	5 489 949	2 096 694	1 859 330	56 142 217	6 841 148

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

	2021 R	2020 R
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	58 747 042	40 260 941
Impairment Losses recognised	16 913 249	18 420 934
Impairment Losses reversed	-	-
Amounts written off as uncollectible	-	65 166
Balance at end of year	<u>75 660 291</u>	<u>58 747 042</u>

	2021 R	2020 R
3.3.1 Allocation for Cash Flow		
Provision for Impairment at Beginning of Year	58 747 042	40 260 941
Movement in Non-cash Transactions:-		
Impairment Recognised	16 913 249	18 420 934
Impairment Reversed	-	-
Total Receivables from Exchange Transactions Impairment allocated to Non-cash Transactions	<u>16 913 249</u>	<u>18 420 934</u>
Movement in Service Charges:-		
Amounts Written-off	-	65 166
Total Receivables from Exchange Transactions Impairment allocated to Service Charges	<u>-</u>	<u>65 166</u>
Provision for Impairment at End of Year	<u>75 660 291</u>	<u>58 747 042</u>

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Insurance Claims	(455 461)	-	(455 461)
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	224 533	-	224 533
Receivables with Credit Balances	455 461	-	455 461
Total Receivables from Non-exchange Transactions	<u>224 533</u>	<u>-</u>	<u>224 533</u>

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Insurance Claims	(46 883)	-	(46 883)
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	224 216	-	224 216
Receivables with Credit Balances	46 883	-	46 883
Total Receivables from Non-exchange Transactions	<u>224 216</u>	<u>-</u>	<u>224 216</u>

	2021 R	2020 R
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4.1 Allocation for Cash Flow

Other Receipts:-		
Receivables from Non-exchange Transactions - Opening Balance	177 333	177 333
Receivables from Non-exchange Transactions - Closing Balance	230 928	(177 333)
Receivables with Credit Balances - Opening Balance	46 883	46 883
Receivables with Credit Balances - Closing Balance	(455 461)	(46 883)
Less Cash Flow for:-		
Other Payments	317	0
Total Receivables from Non-exchange Transactions allocated to Other Receipts	<u>(0)</u>	<u>0</u>
Other Payments:-		
Receivables for Unauthorised, Irregular, Fruitless and Wasteful Expenditure - Opening Balance	224 216	224 216
Receivables for Unauthorised, Irregular, Fruitless and Wasteful Expenditure - Closing Balance	(224 533)	(224 216)
Total Receivables from Non-exchange Transactions allocated to Other Payments	<u>(317)</u>	<u>(0)</u>
Total Receivables from Non-exchange Transactions allocated to Cash Flow	<u>(317)</u>	<u>(0)</u>

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

5. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Property Rates	27 427 851	25 812 220	1 615 631
Fines	8 579 976	8 578 836	1 140
Total Statutory Receivables from Non-Exchange Transactions	<u>36 007 828</u>	<u>34 391 056</u>	<u>1 616 771</u>

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Property Rates	24 895 751	23 317 572	1 578 180
Fines	8 537 576	7 178 965	1 358 612
Total Statutory Receivables from Non-Exchange Transactions	<u>33 433 328</u>	<u>30 496 536</u>	<u>2 936 791</u>

	2021 R	2020 R
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5.1 Allocation for Cash Flow

Property Rates:-

Property Rates Debtors - Opening Balance	1 578 180	1 069 868
Property Rates Debtors - Closing Balance	(1 615 631)	(1 578 180)
Property Rates Debtors: Provision for Impairment - Opening Balance	23 317 572	20 049 603
Property Rates Debtors: Provision for Impairment - Closing Balance	(25 812 220)	(23 317 572)

Total Statutory Receivables from Non-exchange Transactions allocated to Property Rates	<u>(2 532 100)</u>	<u>(3 776 280)</u>
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Other Receipts:

Fines Debtors - Opening Balance	1 358 612	811 194
Fines Debtors - Closing Balance	(1 140)	(1 358 612)
Fines Debtors: Provision for Impairment - Opening Balance	7 178 965	5 939 457
Fines Debtors: Provision for Impairment - Closing Balance	(8 578 836)	(7 178 965)

Total Statutory Receivables from Non-Exchange Transactions allocated to Other Receipts	<u>(42 400)</u>	<u>(1 786 925)</u>
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Total Statutory Receivables from Non-Exchange Transactions allocated to Cash Flow	<u>(2 574 500)</u>	<u>(5 563 206)</u>
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Traffic Fines arise from fines issued by the municipality's traffic officials. These fines is issued according to the National Road Traffic Act 93 of 1996. The fines issued is divided into Radar Fines and Section 56 Fines.

Radar fines are speed control fines issued when a motorist is caught speeding on a radar camera device. The device takes a picture of the vehicle and takes a speed reading. The speeding fine is then delivered to the registered owner of the vehicle by post.

The Section 56 fine is imposed when a motorist is stopped by the traffic officer and his or her identity therefore is known and a Traffic Offence occurred.

5.2 Ageing of Statutory Receivables from Non-Exchange Transactions

As at 30 June 2021

	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Property Rates:					
Gross Balances	1 007 072	486 933	401 451	25 532 396	27 427 851
Less: Provision for Impairment					25 812 220
Net Balances	<u>1 007 072</u>	<u>486 933</u>	<u>401 451</u>	<u>25 532 396</u>	<u>1 615 631</u>
Fines:					
Gross Balances	3 600	4 800	14 700	8 556 876	8 579 976
Less: Provision for Impairment					8 578 836
Net Balances	<u>3 600</u>	<u>4 800</u>	<u>14 700</u>	<u>8 556 876</u>	<u>1 140</u>

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

As at 30 June Receivables of R 980,242 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	1 010 672	491 733	416 151	34 089 272	36 007 828
Less: Provision for Impairment	-	-	-	-	34 391 056
Net Balances	1 010 672	491 733	416 151	34 089 272	1 616 772

As at 30 June 2020

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	852 739	465 884	374 652	23 202 477	24 895 751
Less: Provision for Impairment	-	-	-	-	23 317 572
Net Balances	852 739	465 884	374 652	23 202 477	1 578 180

Fines:

Gross Balances	8 537 576	-	-	-	8 537 576
Less: Provision for Impairment	-	-	-	-	7 178 965
Net Balances	8 537 576	-	-	-	1 358 612

As at 30 June Receivables of R2 936 791 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	9 390 315	465 884	374 652	23 202 477	33 433 328
Less: Provision for Impairment	-	-	-	-	30 496 536
Net Balances	9 390 315	465 884	374 652	23 202 477	2 936 791

2021
R

2020
R

5.3 Reconciliation of Provision for Impairment

Balance at Beginning of year	30 496 536	25 989 060
Impairment Losses Recognised	3 894 520	8 096 650
Impairment Losses recognised (Including Write-Offs)	3 894 520	8 096 650
Impairment Losses Reversed	-	(3 589 174)

Balance at end of year	34 391 056	30 496 536
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5.3.1 Allocation for Cash Flow

Provision for Impairment at Beginning of Year	30 496 536	25 989 060
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Movement in Non-cash Transactions:-

Impairment Recognised	3 894 520	8 096 650
Impairment Reversed	-	(3 589 174)

Total Receivables from Non-exchange Transactions Impairment allocated to Non-cash Transactions	3 894 520	4 507 476
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Provision for Impairment at End of Year	34 391 056	30 496 536
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The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

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

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

6. VAT RECEIVABLE

Vat Receivable	-	-
6.1 Allocation for Cash Flow		
VAT Received	-	2 224 347
VAT Paid	-	-
Total VAT allocated to Cash Flow	-	2 224 347

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

Furthermore, VAT is claimable on the payment basis.

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

VAT Receivable arise where the municipality has a claim from the South African Revenue Service where the VAT Inputs exceeded the VAT outputs as per the Value-Added Tax Act 89 of 1991.

VAT Receivable is not impaired nor is it discounted as the amount is expected to be receivable within 60 days.

7. CASH AND CASH EQUIVALENTS

	2021 R	2020 R
Current Investments	40 236 178	37 862 287
Bank Accounts	8 564 046	4 620 746
Cash on Hand	4 500	4 500
Total Bank, Cash and Cash Equivalents	48 804 724	42 487 533

7.1 Allocation for Cash Flow:

Increase / (Decrease) in Cash Equivalents:-

Cash and Cash Equivalents - Opening Balance	42 487 533	11 629 022
Cash and Cash Equivalents - Closing Balance	(48 804 724)	(42 487 533)

Total Cash and Cash Equivalents allocated to Increase / (Decrease) in Cash Equivalents	(6 317 191)	(30 858 511)
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Total Cash and Cash Equivalents allocated to Cash Flow	(6 317 191)	(30 858 511)
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For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.2 Current Investment Deposits

Call Deposits	40 236 178	37 862 287
Total Current Investment Deposits	40 236 178	37 862 287

The Municipality has the following investment accounts:

	Bank Statement Balances		Cash Book Balances	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Standard Bank - Account Number 288798546 (Call Deposit)	40 249 480	37 862 287	40 236 178	37 862 287
	40 249 480	37 862 287	40 236 178	37 862 287

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 2.00 % to 7.00 % (2020: 3.00 % to 8.00 %) per annum.

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

7.3 Bank Accounts

Cash in Bank	8 564 046	4 620 746
Total Bank Accounts	<u>8 564 046</u>	<u>4 620 746</u>

The Municipality has the following operational bank accounts:

	2021 R	2020 R
Primary Bank Account		
Cash book balance at beginning of year	4 620 746	3 240 201
Cash book balance at end of year	<u>8 564 046</u>	<u>4 620 746</u>
 Standard Bank - Ladismith Branch - Cheque Account Number: 420543546		
Bank statement balance at beginning of year	2 405 547	2 872 402
Bank statement balance at end of year	<u>6 402 670</u>	<u>2 405 547</u>
 Standard Bank - Ladismith Branch - Cheque Account Number: 420543554		
Bank statement balance at beginning of year	717 091	512 772
Bank statement balance at end of year	<u>835 986</u>	<u>717 091</u>
 Standard Bank - Ladismith Branch - Cheque Account Number: 420543562		
Bank statement balance at beginning of year	1 364 645	374 906
Bank statement balance at end of year	<u>2 723 559</u>	<u>1 364 645</u>

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

7.4 Cash and Cash Equivalents

Cash Floats and Advances	4 500	4 500
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>4 500</u>	<u>4 500</u>


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 12 March 2022

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

8. PROPERTY, PLANT AND EQUIPMENT

30 June 2021

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community Assets	Other	Transport Assets	Total
	R	R			R	R	R
Carrying values at 01 July 2020	4 582 994	2 235 434	285 620 200	25 224 131	2 005 638	2 392 821	322 061 218
Cost	4 582 994	3 742 885	443 618 114	33 122 051	6 541 027	5 618 782	497 225 852
- Completed Assets	4 582 994	3 742 885	408 429 541	22 393 571	6 541 027	5 618 782	451 308 799
- Under Construction	-	-	35 188 573	10 728 480	-	-	45 917 053
Accumulated Impairment Losses	-	(11 232)	(967 606)	-	(51 484)	(100 776)	(1 131 098)
Accumulated Depreciation	-	(1 496 219)	(157 030 308)	(7 897 920)	(4 483 905)	(3 125 184)	(174 033 536)
Acquisition of Assets							
- Cost	-	-	20 413 661	10 779 115	240 702	664 893	32 098 372
- Capital Under Construction	-	-	(7 040 249)	(8 459 070)	-	-	(15 499 319)
Decommissioning and other Liabilities	-	-	(1 699 837)		-	-	(1 699 837)
Depreciation	-	(124 172)	(9 017 535)	(879 300)	(476 313)	(256 500)	(10 753 820)
Carrying value of Disposals:	-	-	(9 375)	-	(27 181)	(13 366)	(49 922)
- Cost	-	-	(10 542)	-	(333 824)	(18 696)	(363 062)
- Accumulated Impairment Losses	-	-	-	-	39 008	-	39 008
- Accumulated Depreciation	-	-	1 167	-	267 635	5 330	274 133
Impairment Losses	-	-	(691 452)	(177 340)	(259 230)	(35 158)	(1 163 180)
Carrying values at 30 June 2021	4 582 994	2 111 261	287 575 413	26 487 537	1 483 616	2 752 690	324 993 512
Cost	4 582 994	3 742 885	455 281 147	35 442 096	6 447 905	6 264 979	511 762 006
- Completed Assets	4 582 994	3 742 885	427 132 823	33 172 686	6 447 905	6 264 979	481 344 272
- Under Construction	-	-	28 148 324	2 269 410	-	-	30 417 734
Accumulated Impairment Losses	-	(11 232)	(1 659 058)	(177 340)	(271 706)	(135 934)	(2 255 270)
Accumulated Depreciation	-	(1 620 391)	(166 046 675)	(8 777 220)	(4 692 583)	(3 376 354)	(184 513 224)

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2020

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community Assets	Other	Transport Assets	Total
	R	R			R	R	R
Carrying values at 01 July 2019	4 582 994	2 365 031	280 450 723	23 107 700	2 804 833	2 188 965	315 500 248
Cost	4 582 994	3 742 885	427 880 726	30 355 269	6 507 590	5 201 496	478 270 960
- Completed Assets	4 582 994	3 742 885	408 286 279	22 614 619	6 507 590	5 201 496	450 935 863
- Under Construction	-	-	19 594 448	7 740 650	-	-	27 335 097
Accumulated Impairment Losses	-	(11 232)	(967 606)	-	(11 382)	(47 797)	(1 038 017)
Accumulated Depreciation	-	(1 366 621)	(146 462 397)	(7 247 568)	(3 691 375)	(2 964 734)	(161 732 696)
Acquisition of Assets							
- Cost	-	-	143 262	-	159 651	500 436	803 349
- Capital Under Construction	-	-	15 594 125	2 987 831	-	-	18 581 956
Decommissioning and other Liabilities	-	-	-		-	-	-
Depreciation	-	(129 598)	(10 567 911)	(849 258)	(867 248)	(226 470)	(12 640 484)
Carrying value of Disposals:	-	-	-	(22 142)	(51 497)	(17 130)	(90 769)
- Cost	-	-	-	(221 048)	(126 214)	(83 150)	(430 413)
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	198 906	74 717	66 020	339 644
Impairment Losses	-	-	-	-	(40 101)	(52 980)	(93 081)
Carrying values at 30 June 2020	4 582 994	2 235 434	285 620 200	25 224 131	2 005 638	2 392 821	322 061 218
Cost	4 582 994	3 742 885	443 618 114	33 122 051	6 541 027	5 618 782	497 225 852
- Completed Assets	4 582 994	3 742 885	408 429 541	22 393 571	6 541 027	5 618 782	451 308 799
- Under Construction	-	-	35 188 573	10 728 480	-	-	45 917 053
Accumulated Impairment Losses	-	(11 232)	(967 606)	-	(51 484)	(100 776)	(1 131 098)
Accumulated Depreciation	-	(1 496 219)	(157 030 308)	(7 897 920)	(4 483 905)	(3 125 184)	(174 033 536)

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

The prior year amount for Property, Plant and Equipment has been adjusted. Refer to Note 43.4 on "Correction of Error" for details of the restatement.

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

	2021 R	2020 R
8. PROPERTY, PLANT AND EQUIPMENT (Continued)		
8.1 Allocation for Cash Flow		
Property, Plant and Equipment at Beginning of Year	322 061 218	315 500 248
Property, Plant and Equipment	276 144 165	288 165 150
Construction Work-in-Progress	45 917 053	27 335 097
Movement in Non-cash Transactions:-		
Depreciation for the Year	(10 753 820)	(12 640 484)
Impairment for the Year	(1 163 180)	(93 081)
Donated Assets	33 827	-
Decommissioning, Restoration and Other Liabilities	(1 699 837)	-
Total Property, Plant and Equipment allocated to Non-cash Transactions	<u>(13 583 011)</u>	<u>(12 733 565)</u>
Purchase of Property, Plant and Equipment:-		
Acquisition of Property, Plant and Equipment	16 599 053	803 349
Acquisitions	32 098 372	803 349
Acquisition of Construction Work-in-Progress	(15 499 319)	18 581 956
Less: Donated Assets	(33 827)	-
Total Property, Plant and Equipment allocated to Purchase of Property, Plant and Equipment	<u>16 565 226</u>	<u>19 385 305</u>
Disposal of Property, Plant and Equipment:-		
Carrying Value of Disposals	(49 922)	(90 769)
Total Property, Plant and Equipment allocated to Proceeds on Disposal of Property, Plant and Equipment	<u>(49 922)</u>	<u>(90 769)</u>
Property, Plant and Equipment at End of Year	<u>324 993 512</u>	<u>322 061 218</u>
Proceeds on Disposal of Property, Plant and Equipment:-		
Disposals as per Reconciliation of Property, Plant and Equipment Note 8.1	49 922	90 769
Gains / Losses on Disposal of Property, Plant and Equipment Note 44.	(49 922)	(90 769)
Total Proceeds on Disposal of Property, Plant and Equipment allocated to Cash Flow	<u>-</u>	<u>-</u>
8.2 Assets pledged as security		
No assets was pledged as security		
8.3 Impairment of Property, Plant and Equipment		
Impairment Losses on Property, Plant and Equipment to the amount of R1 163 180 (2020: R93 081) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 36.		
Community Assets	177 340	-
Infrastructure	691 452	-
Other Assets	259 230	40 101
Transport Assets	35 158	52 980
Total Impairment of Property, Plant and Equipment	<u>1 163 180</u>	<u>93 081</u>
8.4 Work-in-Progress		
The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:		
Community Assets	2 269 410	10 728 480
Infrastructure	28 148 324	35 188 573
Total Carrying Amounts of Work-in-Progress	<u>30 417 734</u>	<u>45 917 053</u>

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

2021
R

2020
R

8.5 Delayed Projects

Project Details	Delayed or Halted		
Community Asset			
Zoar Sports Fields Rehabilitation	Delayed	-	126 085
Reason: The project was delayed due to legal constraints and turnover of senior key personnel			
Infrastructure Asset			
Electrical LV Networks	Delayed	4 497 928	4 497 928
Reason: The project was delayed due to legal constraints and turnover of senior key personnel			
Upgrading of Ladismith Waste Water Treatment Works	Delayed	14 370 518	10 044 956
Reason: The project was delayed due to legal constraints and turnover of senior key personnel			
Infrastructure Asset			
Water Supply (Swartberg Dam)	Delayed	2 851 913	2 851 913
Reason: The project was delayed due to legal constraints and turnover of senior key personnel			
Total Carrying Amounts of Delayed or Halted Projects		21 720 359	17 520 882

8.6 Compensation received for Losses

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

	Compensation Received R	Carrying Value of Lost Assets R	Surplus / Deficit on Compensation R
30 June 2021			
Other Assets	-	27 181	(27 181)
Transport Assets	-	13 366	(13 366)
Totals for Lost Property, Plant and Equipment	-	49 922	(49 922)
	Compensation Received R	Carrying Value of Lost Assets R	Surplus / Deficit on Compensation R
30 June 2020			
Community Assets	-	22 142	(22 142)
Other Assets	-	51 497	(51 497)
Transport Assets	-	17 130	(17 130)
Totals for Lost Property, Plant and Equipment	-	90 769	(90 769)

2021
R

2020
R

8.7 Expenditure incurred for Repairs and Maintenance

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Electrical Infrastructure	5 766 739	4 121 812
- Inventory Consumed	378 609	251 759
- Labour	5 355 215	3 670 752
- Other Operational Costs	32 915	199 300
Roads Infrastructure	1 995 139	3 426 158
- Contracted Services	285 503	-
- Inventory Consumed	537 904	509 606
- Labour	1 155 646	2 879 407
- Other Operational Costs	16 085	37 144
Sanitation Infrastructure	3 122 519	2 930 802
- Inventory Consumed	78 984	59 202
- Labour	3 019 662	2 844 306
- Other Operational Costs	23 873	27 294
Solid Waste Disposal	8 055 713	3 713 211
- Inventory Consumed	484 072	216 334
- Labour	7 519 579	3 464 967
- Other Operational Costs	52 062	31 911

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

Water Supply Infrastructure	7 912 081	5 376 143
- Inventory Consumed	1 445 224	323 129
- Labour	6 412 966	4 518 989
- Other Operational Costs	53 891	534 025
Community Assets	625 941	568 195
- Inventory Consumed	181 312	193 673
- Labour	417 663	297 241
- Other Operational Costs	26 966	77 281
Other Assets - Buildings	1 268 464	1 543 600
- Contracted Services	91 608	224 529
- Inventory Consumed	203 905	67 738
- Labour	381	178 278
- Other Operational Costs	972 570	1 073 055
Transport Assets	130 482	439 413
- Contracted Services	7 875	288 785
- Inventory Consumed	119 398	150 628
- Other Operational Costs	3 209	-
Total Expenditure related to Repairs and Maintenance Projects	28 877 078	22 119 333
	2021	2020
	R	R

9. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	27 894	35 844
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The movement in Intangible Assets is reconciled as follows:

Software Purchased:

Carrying values at 01 July	35 844	46 296
Cost	616 157	616 157
Accumulated Amortisation	(580 313)	(569 862)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(7 950)	(10 452)
Purchased	(7 950)	(10 452)
Impairment Losses Recognised	-	-
Carrying values at 30 June	27 894	35 844
Cost	616 157	616 157
Accumulated Amortisation	(588 264)	(580 313)

9.1 Allocation for Cash Flow

Intangible Assets at Beginning of Year	35 844	46 296
Movement in Non-cash Transactions:-		
Amortisation for the Year	(7 950)	(10 452)
Impairment for the Year	-	-
Total Intangible Assets allocated to Non-cash Transactions	(7 950)	(10 452)
Intangible Assets at End of Year	27 894	35 844

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 35.).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been

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

9.2 Significant Intangible Assets

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

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

9.3 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

9.4 Impairment of Intangible Assets

No indication of impairment at year end relating to Intangible Assets

10. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation

2021
R

2020
R

1 250 210

1 364 487

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

1 364 487

1 488 663

Cost

2 183 170

2 183 170

Accumulated Depreciation

(801 366)

(677 190)

Accumulated Impairment Losses

(17 317)

(17 317)

Acquisitions during the Year

-

-

Cost

-

-

Depreciation during the Year

(93 230)

(124 176)

Impairment Losses during the Year

(21 048)

-

Carrying values at 30 June

1 250 210

1 364 487

Cost

2 183 170

2 183 170

Accumulated Depreciation

(894 596)

(801 366)

Accumulated Impairment

(38 365)

(17 317)

10.1 Allocation for Cash Flow

Investment Property at Beginning of Year

1 364 487

1 488 663

Movement in Non-cash Transactions:-

Depreciation for the Year

(93 230)

(124 176)

Impairment for the Year

(21 048)

-

Total Investment Property allocated to Non-cash Transactions

(114 278)

(124 176)

Investment Property at End of Year

1 250 210

1 364 487

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property

101 133

191 188

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

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

	2021 R	2020 R
11. LEASE RECEIVABLES		
Current Lease Receivables	59 289	59 289
Total Lease Receivables	59 289	59 289
11.1 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	59 289	51 308
Operating Lease - Straight lining	-	7 981
Operating Lease Revenue effected	-	-
Total Operating Lease Receivables	59 289	59 289
11.1.1 Allocation for Cash Flow		
Other Receipts:-		
Operating Lease Receivables - Opening Balance	59 289	51 308
Operating Lease Receivables - Closing Balance	(59 289)	(59 289)
Total Operating Lease Receivables allocated to Other Receipts	-	(7 981)
Total Operating Lease Receivables allocated to Cash Flow	-	(7 981)
11.1.2 Leasing Arrangements		
The Municipality as Lessor:		
Operating Leases relate to Property owned by the municipality with lease terms of between 12 to 30 months, with an option to extend.		
All operating lease contracts contain market review clauses in the event that the lessee exercises its option to		
The average escalation % of leases is between 5% to 10%, on a yearly basis.		
11.1.3 Amounts receivable under Operating Leases		
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Land and Buildings, which are receivable as follows:		
Up to 1 year	309 969	458 249
2 to 5 years	896 589	229 634
More than 5 years	214 145	-
Total Operating Lease Arrangements	1 420 704	687 883


 KANNALAND MUNICIPALITY
 Asking to be paid for services
 12 March 2022

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

	2021 R	2020 R
12. CONSUMER DEPOSITS		
Electricity	790 966	765 974
Water	152 021	85 178
Other Deposits:-	175 658	176 229
- Land Sales	162 919	162 919
- Posters	12 145	12 145
- Rental Properties	593	1 165
Total Consumer Deposits	1 118 645	1 027 382
Guarantees held in lieu of Electricity and Water Deposits	942 988	851 152
12.1 Allocation for Cash Flow		
Service Charges:-		
Consumer Deposits: Trading Services - Opening Balance	(851 152)	(809 395)
Consumer Deposits: Trading Services - Closing Balance	942 988	851 152
Total Consumer Deposits allocated to Service Charges	91 835	41 757
Other Receipts:-		
Consumer Deposits: Other Services - Opening Balance	(176 229)	(161 359)
Consumer Deposits: Other Services - Closing Balance	175 658	176 229
Total Consumer Deposits allocated to Other Receipts	(572)	14 871
Total Consumer Deposits allocated to Cash Flow	91 264	56 628
No interest is paid on Consumer Deposits held.		
13. PAYABLES FROM EXCHANGE TRANSACTIONS		
Other Payables	5 419 776	5 124 930
Retentions	1 909 160	2 806 132
Salary Related Payables	(689 704)	(689 704)
Trade Creditors	49 459 176	48 731 511
Advance Payments	2 250 708	2 604 815
Exchange Receivables with Credit Balances	903 185	785 727
Exchange Payables with Debit Balances	689 704	689 704
Total Payables from Exchange Transactions	59 942 006	60 053 115

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

13.1 Allocation for Cash Flow

Service Charges:-

Advance Payments	(354 107)	989 853
Control, Clearing and Interface Accounts: Prepaid Electricity	73 707	(231 184)

Total Payables from Exchange Transactions allocated to Service Charges	(162 942)	762 851
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Other Receipts:-

Control, Clearing and Interface Accounts: Licensing and Registration	(490 445)	610 336
Unallocated Deposits	25 893	25 836

Total Payables from Exchange Transactions allocated to Other Receipts	(464 551)	636 173
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Employee Related Costs:-

Control, Clearing and Interface Accounts: Salary Clearing and Control	(2 094 706)	(2 809 605)
PAYE Deductions	-	(1 956 988)

Total Payables from Exchange Transactions allocated to Employee Related Costs	(2 094 706)	(4 766 593)
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2021
R

2020
R

Suppliers Paid:-

Control, Clearing and Interface Accounts: Goods Received / Invoices Received	1 067 810	892 536
Electricity Bulk Purchase	(10 540 033)	(23 938 317)
Payables and Accruals	11 267 697	37 489 052
Retentions	(896 972)	(0)

Total Payables from Exchange Transactions allocated to Suppliers Paid	898 503	14 443 272
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Other Payments:-

Control, Clearing and Interface Accounts: Cash and Bank	(133 411)	258 561
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Total Payables from Exchange Transactions allocated to Other Payments	(133 411)	258 561
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Total Payables from Exchange Transactions allocated to Cash Flow	(111 109)	11 334 263
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No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

14. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Transfers and Subsidies	145 311	180 453
Non-Exchange Receivables with Credit Balances	455 461	46 883

Total Payables from Non-exchange Transactions	600 772	227 336
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14.1 Allocation for Cash Flow

Other Payments:-

Payables from Non-exchange Transactions - Opening Balance	-	227 336	-	227 336
Payables from Non-exchange Transactions - Closing Balance	600 772			227 336

Total Payables from Non-exchange Transactions allocated to Other Payments	373 436	0
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Total Payables from Non-exchange Transactions allocated to Cash Flow	373 436	0
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No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

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

15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Households	1 601 717	1 929 348
National Government	13 909 967	8 251 568
Provincial Government	15 388 320	17 031 842

Total Unspent Conditional Grants and Receipts	<u>30 900 003</u>	<u>27 212 759</u>
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15.1 Allocation for Cash Flow

Transfers and Subsidies:-

Unspent Conditional Grants and Receipts - Opening Balance	(27 212 759)	(14 650 623)
Unspent Conditional Grants and Receipts - Closing Balance	30 900 003	27 212 759

Total Unspent Conditional Grants and Receipts allocated to Transfers and Subsidies	<u>3 687 244</u>	<u>12 562 136</u>
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Total Unspent Conditional Grants and Receipts allocated to Cash Flow	<u>3 687 244</u>	<u>12 562 136</u>
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The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 26 for the reconciliation of Grants from Government and other sources. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

2021	2020
R	R

16. VAT PAYABLE

Vat Payable	<u>2 266 859</u>	<u>3 276 132</u>
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16.1 Allocation for Cash Flow

VAT Received	-	3 276 132
VAT Paid	(1 009 272)	-

Total VAT allocated to Cash Flow	<u>(1 009 272)</u>	<u>3 276 132</u>
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VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

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


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 SOUTH AFRICA
 Auditing the public's finances
 12 March 2022

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

17. LEASE PAYABLES

Current Lease Payables	12 927	12 927
Non-current Lease Payables	-	-
Total Lease Payables	12 927	12 927

17.1.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Rental of Office space with lease terms of 3 years ending 31 May 2022, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the Municipality exercises its option to renew. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

17.1.2 Amounts Payable under Operating Leases

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

Other Equipment:

Up to 1 year	89 920	179 030
2 to 5 years	89 920	89 110
More than 5 years	-	89 920
	-	-
Total Operating Lease Arrangements	89 920	179 030

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

Minimum lease payments	669 512	483 302
Total Operating Lease Expenses	669 512	483 302

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

The following restrictions have been imposed on the Municipality in terms of the lease agreements on Rental of Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment may only be serviced by the lessor or its designated service provider.
- (iv) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

17.1.3 Allocation for Cash Flow

17.1.3.1 Current Portion:-

Movement in Current Portion of Finance Lease Payables:-

Opening Balance	(12 927)	(8 027)
Closing Balance	12 927	12 927
Total Current Portion allocated to Repayment of Borrowings	-	4 900

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

	2021 R	2020 R
18. BORROWINGS		
Long-Term Borrowings	864 173	1 436 485
Development Bank of South Africa	<u>864 173</u>	<u>1 436 485</u>
Less: Current Portion transferred to Current Borrowings:-	446 424	573 019
Development Bank of South Africa	<u>446 424</u>	<u>573 019</u>
Non-Current Portion of Borrowings	<u><u>417 749</u></u>	<u><u>863 466</u></u>
The obligations under annuity loans are schedule below:		
Payable within one year	530 039	720 000
Payable within two to five years	<u>441 110</u>	<u>970 442</u>
	971 149	1 690 442
Less: Future finance cost	<u>(107 161)</u>	<u>(254 577)</u>
	<u><u>863 988</u></u>	<u><u>1 435 865</u></u>
18.1 Allocation for Cash Flow		
18.1.1 Current Portion:-		
Movement in Current Portion of Borrowings:-		
Current Portion of Borrowings - Opening Balance	(573 019)	(446 362)
Current Portion of Borrowings - Closing Balance	446 424	573 019
Total Movement in Current Portion of Borrowings	<u>(126 595)</u>	<u>126 657</u>
Adjustment for Non-cash Transactions:	126 595	(126 657)
- Transfer from Non-current Borrowings	<u>126 595</u>	<u>(126 657)</u>
Total Current Portion allocated to Repayment of Borrowings	<u><u>-</u></u>	<u><u>-</u></u>


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 Asking to build public confidence
 12 March 2022

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

18.1.2 Non-current Portion:-

Movement in Non-current Borrowings:-

Non-current Borrowings - Opening Balance	(863 466)	(1 494 295)
Non-current Borrowings - Closing Balance	417 749	863 466
Total Movement in Non-current Borrowings	(445 717)	(630 829)
Adjustment for Non-cash Transactions:	(126 595)	126 657
- Transfer to Current Portion of Long-term Liabilities	(126 595)	126 657
Total Non-current Long-term Liabilities allocated to Repayment of Borrowings	(572 312)	(504 172)
Total Long-term Liabilities allocated to Cash Flow	(572 312)	(504 172)

18.2 Summary of Arrangements

The fixed term loan is over a period of 15 years was taken up with the Development Bank of Southern Africa to to

18.3 Obligations under Borrowings

Annuity and Bullet Loans	417 749	863 466
Current Portion transferred to Current Liabilities:-	446 424	573 019
Annuity and Bullet Loans	446 424	573 019
Total Borrowings	864 173	1 436 485

**2021
R**

**2020
R**

19. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities

Post-retirement Health Care Benefits Liability	13 111 000	11 593 000
Long Service Awards Liability	10 801 000	9 523 000
	2 310 000	2 070 000

Less: Current Portion of Employee Benefit Liabilities

Post-retirement Health Care Benefits Liability	920 000	706 000
Long Service Awards Liability	441 000	493 000
	479 000	213 000

Non-Current Portion of Employee Benefit Liabilities

12 191 000	10 887 000
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The prior year amount for Employee Benefit Liabilities has been adjusted. Refer to Note 47.3 on "Correction of Error" for details of the restatement.

19.1 Allocation for Cash Flow

19.1.1 Current Portion

Liabilities at Beginning of Year	706 000	737 304
Movement in Non-cash Transactions:-		
Defined Benefit Obligations	404 000	(2 749 377)
Long Service Awards Liability	266 000	(67 000)
Total Provisions allocated to Non-cash Transactions	670 000	(2 816 377)
Movement in Employee Related Costs:-		
Actual Benefit Payments	(456 000)	2 785 073
Total Provisions allocated to Employee Related Costs	(456 000)	2 785 073
Liabilities at End of Year	920 000	706 000


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19.1.2 Non-current Portion

Employee Benefit Liabilities at Beginning of Year	10 887 000	12 537 828
Movement in Non-cash Transactions:-		
Long-service Awards	187 000	369 000
Post Retirement Health Care	1 367 000	1 502 549
Total Employee Benefit Liabilities allocated to Non-cash Transactions	<u>1 554 000</u>	<u>1 871 549</u>
Movement in Employee Related Costs:-		
Long-service Awards: Reductions (Outflow of Economic Benefits)	(213 000)	(280 000)
Post Retirement Health Care: Actual Employer Benefit Payments	(37 000)	(3 242 377)
Total Employee Benefit Liabilities allocated to Employee Related Costs	<u>(250 000)</u>	<u>(3 522 377)</u>
Employee Benefit Liabilities at End of Year	12 191 000	10 887 000

19.2 Current Portion of Employee Benefit Liabilities

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

	Medical Aid	Long-term Service
	R	R
30 June 2021		
Opening Balance	493 000	213 000
Increases	-	266 000
Actual employer benefit payments	(456 000)	-
Actuarial loss/ (gain) recognised in the year	404 000	-
Reversals	-	-
Balance at end of year	<u>441 000</u>	<u>479 000</u>

	Medical Aid	Long-term Service
	R	R
30 June 2020		
Opening Balance	457 304	280 000
Increases	-	213 000
Actual employer benefit payments	2 785 073	-
Actuarial loss/ (gain) recognised in the year	(2 749 377)	-
Reversals	-	(280 000)
Balance at end of year	<u>493 000</u>	<u>213 000</u>

19.3 Post-retirement Health Care Benefits Liability

Opening Balance	9 523 000	11 227 132
Interest Cost	963 000	1 044 247
Current Service Cost	404 000	458 302
Actual Employer Benefit Payments	(493 000)	(457 304)
Actuarial Loss/ (Gain) recognised in the year	404 000	(2 749 377)
Balance at end of Year	<u>10 801 000</u>	<u>9 523 000</u>
Transfer to Current Provisions	441 000	493 000
Total Post-retirement Health Care Benefits Liability	<u>10 360 000</u>	<u>9 030 000</u>

The municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Eligible employees will receive a post-employment subsidy of 70% of the contribution payable should they be a member of a medical scheme at retirement. Continuation members and their eligible dependants receive a 70% subsidy.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

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The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

	2021 R	2020 R
In-service Members (Employees)	55	47
In-service Non-members (Employees)	111	118
Continuation Members (Retirees, widowers and orphans)	13	13
Total Members	179	178

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

In-service Members	4 246 000	2 641 000
In-service Non-members	1 362 000	1 320 000
Continuation Members	5 193 000	5 562 000
Total Liability	10 801 000	9 523 000

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

- Bonitas
- Keyhealth
- LA Health
- Hosmed
- Samwumed

The Current-service Cost for the year ending 30 June 2021 is estimated to be R404 000, whereas the cost for the ensuing year is estimated to be R547 000 (30 June 2020: R458 302 and R404 000 respectively).

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

Discount Rate	10,15%	10,37%
Health Care Cost Inflation Rate	6,80%	6,43%
Net Effective Discount Rate	3,14%	3,70%
Expected Retirement Age - Females	59	59
Expected Retirement Age - Males	62	62

General:

It is assumed that the municipality's health care arrangements and subsidy policy would remain as outlined in the accounting policy, and that the level of benefits receivable and the contributions payable would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

Continuation of Membership:

It is assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Family Profile:

It is assumed that female spouses will be four years younger than their male counterparts. Furthermore, it is assumed that 60% of eligible employees on a health care arrangement at retirement will have a spouse dependant on their medical aid. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

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Consequently, a discount rate of 10.15% per annum has been used. The corresponding index-linked yield at this term is 4.13%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2021.

Impact of COVID-19:

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected health care cost inflation rate, or an increase in the discount rate, or a reduction in expected longevity.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

The possible effects of COVID-19 have not been included in the report's main figures.

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

	2021 R	2020 R
Opening Balance	9 523 000	11 227 132
Interest Cost	963 000	1 044 247
Current Service Cost	404 000	458 302
Benefits Paid	(493 000)	(457 304)
Actuarial Losses / (Gains)	404 000	(2 749 377)

Total Recognised Benefit Liability

10 801 000	9 523 000
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The amounts recognised in the Statement of Financial Position are as follows:

Present Value of Fund Obligations	10 801 000	9 523 000
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Total Benefit Liability

10 801 000	9 523 000
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	404 000	1 044 247
Interest cost	963 000	458 302
Actuarial losses / (gains)	404 000	(2 749 377)

Total Post-retirement Benefit included in Employee Related Costs (Note 33.)

1 771 000	(1 246 828)
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The history of fair values are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Present Value of Defined Benefit Obligation	10 801 000	9 523 000	11 227 132	11 606 446	11 606 374
Deficit	10 801 000	9 523 000	11 227 132	11 606 446	11 606 374
Experienced adjustments on Plan Liabilities	(469 000)	(725 000)	1 035 000	(1 854 000)	264 000


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

Increase:		
Effect on the aggregate of the current service cost and the interest cost	251 000	60 951
Effect on the defined benefit obligation	1 783 000	91 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(201 000)	(378 849)
Effect on the defined benefit obligation	(1 436 000)	(2 090 000)

The municipality expects to make a contribution of R1 621 000 (2020: R1 367 000) to the Defined Benefit Plans during the next financial year.

Refer to Note 55., "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

	2021 R	2020 R
19.4 Long Service Awards Liability		
Opening Balance	2 070 000	2 048 000
Increases (Current Service & Interest Cost)	381 000	365 000
Payments Made	(213 000)	(280 000)
Increases (Passage of Time/Discounted Rate)	72 000	(63 000)
Balance at end of Year	2 310 000	2 070 000
Transfer to Current Provisions	479 000	213 000
Total Long Service Awards Liability	1 831 000	1 857 000

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 166 (2020: 165) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2021 is estimated to be R238 000, whereas the cost for the ensuing year is estimated to be R258 000 (30 June 2020: R211 000 and R238 000 respectively).

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

Discount Rate	9,35%	7,27%
Cost Inflation Rate	5,81%	3,91%
Net Effective Discount Rate	3,35%	3,23%
Expected Retirement Age - Females	59	59
Expected Retirement Age - Males	62	62

General:

It is assumed that the Municipality's long service arrangements and subsidy policy would remain as outlined in the accounting policy, and that the level of benefits would remain unchanged, with the exception of inflationary adjustments.

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Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.35% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process. The corresponding liability-weighted index-linked yield is 3.85%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2021. The duration of the total liability was estimated to be 9.75 years.

Impact of COVID-19:

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected general earnings inflation rate, or an increase in the discount rate, or an increase in the withdrawal rates.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

The possible effects of COVID-19 have not been included in the report's main figures.

	2021 R	2020 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening Balance	2 070 000	2 048 000
Interest Cost	143 000	154 000
Current Service Cost	238 000	211 000
Benefits Paid	(213 000)	(280 000)
Actuarial Losses / (Gains)	72 000	(63 000)
Total Recognised Benefit Liability	2 310 000	2 070 000
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2 310 000	2 070 000
Total Benefit Liability	2 310 000	2 070 000
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	143 000	154 000
Interest cost	238 000	211 000
Actuarial losses / (gains)	72 000	(63 000)
Total Post-retirement Benefit included in Employee Related Costs (Note 33.)	453 000	302 000

The history of experienced adjustments is as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Present Value of Defined Benefit Obligation	2 310 000	2 070 000	2 048 000	2 191 702	1 547 402
Deficit	2 310 000	2 070 000	2 048 000	2 191 702	1 547 402
Experienced adjustments on Plan Liabilities	107 000	31 000	(129 440)	(71 658)	57 879

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

Increase:

Effect on the aggregate of the current service cost and the interest cost	30 000	28 000
Effect on the defined benefit obligation	135 000	125 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(28 000)	(25 000)
Effect on the defined benefit obligation	(122 000)	(114 000)

The municipality expects to make a contribution of R452 000 (2020: R381 000,00) to the defined benefit plans during the next financial year.

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	2021 R	2020 R
20. PROVISIONS		
Current Provisions	6 376 260	5 623 013
Non-current Provisions	33 516 722	27 729 179
Total Provisions	<u>39 892 982</u>	<u>33 352 192</u>
20.1 Current Provisions		
Current Portion of Non-Current Provisions:	6 376 260	5 623 013
Bonus	1 529 167	1 308 539
Insurance Claims	57 832	57 832
Leave	4 789 261	4 256 642
Total Provisions	<u>6 376 260</u>	<u>5 623 013</u>
20.1.1 Allocation for Cash Flow		
Provisions at Beginning of Year	5 623 013	5 255 270
Movement in Non-cash Transactions:-		
Provisions	753 247	367 743
Total Provisions allocated to Non-cash Transactions	<u>753 247</u>	<u>367 743</u>
Provisions at End of Year	<u>6 376 260</u>	<u>5 623 013</u>
The movement in Current Provisions is reconciled as follows:		
Current Portion of Non-Current Provisions:		
Staff Benefit Provisions:		
	Bonus Provision R	Leave Provision R
30 June 2021		
Opening Balance	1 308 539	4 256 642
Increases	220 627	1 402 928
Other Reductions	-	(870 309)
Balance at end of year	<u>1 529 167</u>	<u>4 789 261</u>
	Bonus Provision R	Leave Provision R
30 June 2020		
Opening Balance	1 444 098	3 753 340
Increases	(135 558)	615 110
Payments Made	-	-
Other Reductions	-	(111 808)
Reversals	-	-
Increases (Passage of Time/Discounted Rate)	-	-
Balance at end of year	<u>1 308 539</u>	<u>4 256 642</u>
Balance at end of year	<u>-</u>	<u>-</u>

Bonus Provision Staff bonuses accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Leave Provision Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

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	2021 R	2020 R
20.2 Non-current Provisions		
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	33 516 549	27 729 006
Ex-gratia Pension	173	173
Total Non-current Provisions	<u>33 516 722</u>	<u>27 729 179</u>
20.2.1 Allocation for Cash Flow		
Non-current Provisions at Beginning of Year	27 729 179	22 797 256
Movement in Non-cash Transactions:-		
Decommissioning, Restoration and Similar Liabilities	5 787 543	4 931 923
Total Non-current Provisions allocated to Non-cash Transactions	<u>5 787 543</u>	<u>4 931 923</u>
Non-current Provisions at End of Year	<u>33 516 722</u>	<u>27 729 179</u>
The movement in Non-current Provisions are reconciled as follows:		
Decommissioning of Landfill Sites:		
Opening Balance	27 729 006	22 797 083
Finance Charges	848 045	2 142 925
Increases (Other than the passage of time/discounted rate)	4 939 499	2 788 998
	<u>33 516 550</u>	<u>27 729 006</u>

20.3 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the Municipality will incur licensing and rehabilitation costs of R33 516 549) (2020: R27 729 007 to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average bond yield interest rate.

	Rehabilitation		
Calitzdorp Landfill	2021/06/30	11 390 403	4 853 462
Ladismith Landfill	2038/06/30	13 843 761	15 082 330
Van Wyksdorp Landfill	2021/06/30	3 237 993	2 580 745
Zoar Landfill	2026/06/30	5 044 392	5 212 470
		<u>33 516 549</u>	<u>27 729 007</u>

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	2021 R	2020 R
21. RESERVES		
Total Reserves	<u><u>469 512</u></u>	<u><u>-</u></u>
Transfers to/from Accumulated Surplus	469 512	-
Balance at end of year	<u><u>469 512</u></u>	<u><u>-</u></u>
22. ACCUMULATED SURPLUS		
Accumulated Surplus / (Deficit) due to the results of Operations	235 174 507	240 262 237
Total Accumulated Surplus	<u><u>235 174 507</u></u>	<u><u>240 262 237</u></u>
22.1 Allocation for Cash Flow		
Accumulated Surplus at Beginning of Year	240 262 237	231 138 418
Changes in Net Assets:-		
Correction of Prior Period Error	-	(5 055 503)
Total Accumulated Surplus allocated to Changes in Net Assets	<u><u>-</u></u>	<u><u>1</u></u>
Surplus / (Deficit):-		
Accumulated Surplus As Per Financial Performance	(5 087 730)	9 123 821
Total Accumulated Surplus allocated to Surplus / (Deficit)	<u><u>- 5 087 730</u></u>	<u><u>9 123 821</u></u>
Accumulated Surplus at End of Year	<u><u>235 174 507</u></u>	<u><u>240 262 237</u></u>

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


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	2021 R	2020 R
23. PROPERTY RATES		
Property Rates Levies	19 336 694	16 753 467
Total Property Rates	19 336 694	16 753 467
23.1 Allocation for Cash Flow:		
Total Property Rates	19 336 694	16 753 467
Total Property Rates allocated to Cash Flow	19 336 694	16 753 467
23.2 Calculation of Cash Flow:		
Property Rates Income	19 336 694	16 753 467
Non-exchange Interest Earned	775 682	13 973
Cash Flow from Non-exchange Receivables	(2 532 100)	(3 776 280)
Total Receipts for Property Rates	17 580 275	12 991 159
Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2013.		
Valuations - 1 July 2013		
Rateable Land and Buildings		
Residential Properties - Sec 8(2)(a)	536 359 052	536 359 052
Industrial Properties - Sec 8(2)(b)	28 263 000	28 263 000
Business and Commercial Properties - Sec 8(2)(c)	130 917 000	130 917 000
Farm Agricultural Purposes - Sec 8(2)(d)	1 503 325 080	1 503 325 080
Church	44 059 000	44 059 000
Nature Reserve	55 875 000	55 875 000
Public Benefit Organisations - Sec 8(2)(h)	9 570 000	9 570 000
State Owned - Sec 8(2)(f)	109 060 000	109 060 000
Municipal Owned - Sec 8(2)(h)	70 783 500	70 783 500
Public service infrastructure properties - Sec 8(2)(g)	253 000	253 000
Total Assessment Rates	2 488 211 632	2 488 211 632
An general rate is applied as follows to property valuations to determine property rates:		
Agricultural Properties: 0,2600 c/R (2019/20: 0,2230 c/R)		
Business and Commercial Properties: 3,2300 c/R (2019/20: 2,9260 c/R)		
Residential Properties: 1,7000 c/R (2019/20: 1,5800 c/R)		
State Owned Properties: 3,400 c/R (2019/20: 2,9260 c/R)		
Business Properties - Accommodation Establishment: 2,2100 c/R (: 2,000 c/R)		
Industrial Properties: 3,400 c/R (2020/21 / 2019/20: 2,9260 c/R)		
A Rebate of R15,000 is received on all residential properties, rebate of 5% of Businesses and Commercial Properties on property value, a 35% rebate on Business Properties - Accommodation Establishment and a 5% rebate of Industrial Properties and a 30% Rebate to qualified pensioners (Age 60 years) / Disabled persons. Owners of residential properties with a market value of R70 000 or less. (Including Indigents) receive a 100% rebate.		
24. FINES, PENALTIES AND FORFEITS		
Traffic Fines:	140 900	6 634 500
Court Fines	391	21 118
Municipal	57 965	86 304
Service Provider	82 544	6 527 077
Other Fines:	527	2 778
Overdue Books Fine	527	2 778
Penalties	164	790 991
Property Rates	164	790 991
Total Fines, Penalties and Forfeits	141 591	7 428 269

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	2021 R	2020 R		
24.1 Allocation for Cash Flow:				
Total Fines, Penalties and Forfeits	141 591	7 428 269		
Total Fines, Penalties and Forfeits allocated to Other Receipts	141 591	7 428 269		
25. LICENCES AND PERMITS				
	Exchange Transactions 2021 R	Exchange Transactions 2020 R	Non-Exchange Transactions 2021 R	Non-Exchange Transactions 2020 R
Road and Transport:	198 600	100 474	-	57 307
Learner Licence Application	198 600	100 474	-	-
Motor Vehicle Licence	-	-	-	57 307
Total Licences and Permits	217 217	100 474	-	63 871
25.1 Allocation for Cash Flow:				
Total Licences and Permits	217 217	164 345		
Total Licences and Permits allocated to Other Receipts	217 217	164 345		
26. TRANSFERS AND SUBSIDIES RECEIVED				
Capital Grants			19 557 909	21 608 460
Allocations In-kind			33 827	-
Monetary Allocations			19 524 083	21 608 460
Operational Grants			42 601 255	40 064 473
Allocations In-kind			40 078	177 086
Monetary Allocations			42 561 178	39 887 386
Total Transfers and Subsidies Received			62 159 165	61 672 932
26.1 Allocation for Cash Flow:				
Total Transfers and Subsidies Received			62 159 165	61 672 932
- Donated Capital Assets			(33 827)	-
Total Transfers and Subsidies Received allocated to Cash Flow			62 125 338	61 672 932
26.2 Calculation of Cash Flow:				
Government Grants and Subsidies Income	Note 26.1		62 125 338	61 672 932
Cash Flow from Unspent Government Grants	Note 15.1		3 687 244	12 562 136
Total Receipts for Government Grants and Subsidies			65 812 583	74 235 068
26.3 Summary of Grants:				
26.3.1 Capital Grants				
	Allocations In-kind 2021	2020	Monetary Allocations 2021	2020
National Governments	-	-	16 747 167	15 245 013
Provincial Government	33 827	-	2 776 916	6 363 447
Total Capital Grants Received	33 827	-	19 524 083	21 608 460
26.3.2 Operational Grants				
	Allocations In-kind 2021	2020	Monetary Allocations 2021	2020
Departmental Agencies and Accounts	40 078	177 086	-	-
National Governments	-	-	4 234 248	3 103 187
National Revenue Fund	-	-	34 050 348	28 147 000
Provincial Government	-	-	4 276 581	8 637 200
Total Operational Grants Received	40 078	177 086	42 561 178	39 887 386

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	2021 R	2020 R
26.4 Detailed Summaries		
Operating Grants		
Equitable Share	34 011 000	28 147 000
National: EPWP Grant	1 158 500	1 142 848
National: Local Government Financial Management Grant (FMG)	2 564 098	1 960 338
National: Municipal Infrastructure Grant (MIG)	-	708 891
National: Municipal Infrastructure Grant (MIG) PMU	511 650	-
Provincial: WC Financial Management Support Grant - General	-	4 005 983
Provincial: WC Financial Management Support Grant - Capacity Building	-	138 920
Provincial: MRF Grant	3 034 816	2 623 645
Provincial: CDW Grant	185 856	-
Provincial: Bursary Grant	5 659	-
Grant	39 348	708 652
Provincial: WC Financial Management Support Grant - MSCOA	-	330 000
Other: SETA Grant	-	177 086
Other: Starter Pack Grant	1 050 211	-
Total Operating Grants	42 561 137	39 943 363
Capital Grants		
National: Municipal Infrastructure Grant (MIG)	8 987 027	6 800 131
National: Integrated National Electrification Grant	1 122 718	202 000
National: Water Services Infrastructure Grant	6 637 422	7 533 992
Provincial: Library Conditional Grant	817 197	-
Provincial: Drought Relief	1 959 719	6 363 447
Provincial: Municipal Disaster Grant	-	830 000
Total Capital Grants	19 524 083	21 729 570
Total Receipts for Government Grants and Subsidies	62 085 220	61 672 933

26.4.1 Equitable Share

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	34 011 000	28 147 000
Transferred to Revenue	(34 011 000)	(28 147 000)
Unspent Balance at the End of the Year	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of

26.4.2 National: EPWP Grant

Unspent Balance at the Beginning of the Year	41 152	-
Current Year Receipts	1 171 000	1 184 000
Conditions Met - Transferred to Revenue: Operating Expenses	(1 158 500)	(1 142 848)
Repaid to National Revenue Fund	(41 000)	-
Unspent Balance at the End of the Year	12 652	41 152

26.4.3 National: Local Government Financial Management Grant (FMG)

Unspent Balance at the Beginning of the Year	401 936	147 274
Current Year Receipts	2 647 000	2 215 000
Conditions Met - Transferred to Revenue: Operating Expenses	(2 564 098)	(1 960 338)
Repaid to National Revenue Fund	(254 662)	-
Other Adjustments	(147 274)	-
Unspent Balance at the End of the Year	82 902	401 936

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial

26.4.4 National: Municipal Infrastructure Grant (MIG)

Unspent Balance at the Beginning of the Year	2 796 979	35 001
Current Year Receipts	9 595 350	10 271 000
Conditions Met - Transferred to Revenue: Operating Expenses	-	(708 891)
Conditions Met - Transferred to Revenue: Capital Expenses	(8 987 027)	(6 800 131)
Other Adjustments	(35 001)	-
Unspent Balance at the End of the Year	3 370 301	2 796 979

The Municipal Infrastructure Grant (MIG) was allocated for the upgrading of infrastructure in previously

26.4.5 National: Municipal Infrastructure Grant (MIG) PMU

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	511 650	-
Conditions Met - Transferred to Revenue: Operating Expenses	(511 650)	-
Unspent Balance at the End of the Year	-	-

The Municipal Infrastructure Grant (MIG) was allocated for the upgrading of infrastructure in previously

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

26.4.6 National: Integrated National Electrification Grant

Unspent Balance at the Beginning of the Year	2 226 047	(472 953)
Current Year Receipts	-	2 901 000
Conditions Met - Transferred to Revenue: Capital Expenses	(1 122 718)	(202 000)
Other Adjustments	472 953	-
Unspent Balance at the End of the Year	1 576 282	2 226 047

26.4.7 National: Water Services Infrastructure Grant

Unspent Balance at the Beginning of the Year	5 440 593	2 974 585
Current Year Receipts	10 000 000	10 000 000
Conditions Met - Transferred to Revenue: Capital Expenses	(6 637 422)	(7 533 992)
Other Adjustments	175 218	-
Unspent Balance at the End of the Year	8 978 389	5 440 593

26.4.8 National: Zoar Streets

Unspent Balance at the Beginning of the Year	180 453	180 453
Other Adjustments	(180 453)	-
Unspent Balance at the End of the Year	-	180 453

26.4.9 Provincial: WC Financial Management Support Grant - General

Unspent Balance at the Beginning of the Year	573 634	(241 383)
Current Year Receipts	-	4 821 000
Conditions Met - Transferred to Revenue: Operating Expenses	-	(4 005 983)
Unspent Balance at the End of the Year	573 634	573 634

26.4.10 Provincial: WC Financial Management Support Grant - Capacity Building

Unspent Balance at the Beginning of the Year	481 080	150 000
Current Year Receipts	-	470 000
Conditions Met - Transferred to Revenue: Operating Expenses	-	(138 920)
Other Adjustments	(111 000)	-
Unspent Balance at the End of the Year	370 080	481 080

26.4.11 Provincial: Human Settlement Development Grant

Unspent Balance at the Beginning of the Year	1 009 921	1 009 921
Current Year Receipts	-	-
Other Adjustments	(1 998)	-
Unspent Balance at the End of the Year	1 007 923	1 009 921

26.4.12 Provincial: Library Conditional Grant

Unspent Balance at the Beginning of the Year	1 114 210	464 210
Current Year Receipts	1 000 000	650 000
Conditions Met - Transferred to Revenue: Capital Expenses	(817 197)	-
Other Adjustments	(464 210)	-
Unspent Balance at the End of the Year	832 803	1 114 210

26.4.13 Provincial: MRF Grant

Unspent Balance at the Beginning of the Year	274 335	-
Current Year Receipts	3 049 000	2 897 980
Conditions Met - Transferred to Revenue: Operating Expenses	(3 034 816)	(2 623 645)
Unspent Balance at the End of the Year	288 519	274 335

26.4.14 Provincial: CDW Grant

Unspent Balance at the Beginning of the Year	282 111	60 111
Current Year Receipts	112 000	222 000
Conditions Met - Transferred to Revenue: Operating Expenses	(185 856)	-
Unspent Balance at the End of the Year	208 255	282 111

26.4.15 Provincial: Bursary Grant

Unspent Balance at the Beginning of the Year	980 000	600 000
Current Year Receipts	300 000	380 000
Conditions Met - Transferred to Revenue: Operating Expenses	(5 659)	-
Unspent Balance at the End of the Year	1 274 341	980 000

26.4.16 Provincial: Drought Relief

Unspent Balance at the Beginning of the Year	1 662 747	35 194
Current Year Receipts	2 600 000	7 991 000
Conditions Met - Transferred to Revenue: Capital Expenses	(1 959 719)	(6 363 447)
Other Adjustments	132 362	-
Unspent Balance at the End of the Year	2 435 390	1 662 747

26.4.17 Provincial: Fire and Drought Relief

Unspent Balance at the Beginning of the Year	85 805	85 805
Current Year Receipts	-	-
Unspent Balance at the End of the Year	85 805	85 805

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

26.4.18 Grant

Unspent Balance at the Beginning of the Year	39 348	-
Current Year Receipts	-	748 000
Conditions Met - Transferred to Revenue: Operating Expenses	(39 348)	(708 652)
Unspent Balance at the End of the Year	-	39 348

26.4.19 Provincial: CFO Appointment Grant

Unspent Balance at the Beginning of the Year	6 018	6 018
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	6 018	6 018

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26.4.20 Provincial: Deeds Registration Grant

Unspent Balance at the Beginning of the Year	1 030 000	1 030 000
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	1 030 000	1 030 000

26.4.21 Provincial: Disaster Grant - Zoar

Unspent Balance at the Beginning of the Year	522 298	522 298
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	522 298	522 298

26.4.22 Provincial: DWAF - RBIG Grant

Unspent Balance at the Beginning of the Year	319 438	319 438
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	319 438	319 438

26.4.23 Provincial: Flood Damage Grant

Unspent Balance at the Beginning of the Year	447 890	447 890
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	447 890	447 890

26.4.24 Provincial: IDC Grant

Unspent Balance at the Beginning of the Year	1 650 000	1 650 000
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	1 650 000	1 650 000

26.4.25 Provincial: IDP Grant

Unspent Balance at the Beginning of the Year	175 439	175 439
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	175 439	175 439

26.4.26 Provincial: Local Government Financial Support Grant

Unspent Balance at the Beginning of the Year	1 540 000	1 540 000
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	1 540 000	1 540 000

26.4.27 Provincial: Local Government Financial Support Grant

Unspent Balance at the Beginning of the Year	350 000	350 000
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	350 000	350 000

26.4.28 Provincial: Nissanville Paving Grant

Unspent Balance at the Beginning of the Year	100 238	100 238
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	100 238	100 238

26.4.29 Provincial: Revenue Enhancement Grant

Unspent Balance at the Beginning of the Year	2 393	2 393
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	2 393	2 393

26.4.30 Provincial: SDBIP Grant

Unspent Balance at the Beginning of the Year	238 657	238 657
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	238 657	238 657

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

	2021 R	2020 R
26.4.31 Provincial: Taxi Ranks Grant		
Unspent Balance at the Beginning of the Year	306 463	306 463
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	306 463	306 463
26.4.32 Provincial: Thusong Municipal Service Delivery Capacity Building Grant		
Unspent Balance at the Beginning of the Year	175 160	175 160
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	175 160	175 160
26.4.33 Provincial: Upgrading Pumpstation Grant		
Unspent Balance at the Beginning of the Year	51 011	51 011
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	51 011	51 011
26.4.34 Provincial: Upgrading Sports Facilities Calitzdorp Grant		
Unspent Balance at the Beginning of the Year	250 000	250 000
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	250 000	250 000
26.4.35 Provincial: Van Wyksdorp Pit Latrines Grant		
Unspent Balance at the Beginning of the Year	167 299	167 299
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	167 299	167 299
26.4.36 Provincial: Municipal Disaster Grant		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	-	830 000
Conditions Met - Transferred to Revenue: Capital Expenses	-	(830 000)
Unspent Balance at the End of the Year	-	-
26.4.37 Provincial: WC Financial Management Support Grant - MSCOA		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	-	330 000
Conditions Met - Transferred to Revenue: Operating Expenses	-	(330 000)
Unspent Balance at the End of the Year	-	-
26.4.38 Other: Disaster Fund Grant		
Unspent Balance at the Beginning of the Year	2 342 433	2 342 433
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	2 342 433	2 342 433
26.4.39 Other: Ladismith Water Project Grant		
Unspent Balance at the Beginning of the Year	128 118	128 118
Current Year Receipts	-	-
Other Adjustments	-	-
Unspent Balance at the End of the Year	128 118	128 118
26.4.40 Other: SETA Grant		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	-	177 086
Conditions Met - Transferred to Revenue: Operating Expenses	-	(177 086)
Unspent Balance at the End of the Year	-	-
	2021	2020
	R	R
26.4.41 Other: Starter Pack Grant		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1 050 211	-
Conditions Met - Transferred to Revenue: Operating Expenses	(1 050 211)	-
Unspent Balance at the End of the Year	-	-
26.4.42 Total Grants		
Unspent Balance at the Beginning of the Year	27 393 206	14 831 073
Current Year Receipts	66 047 211	74 235 066
Conditions Met - Transferred to Revenue: Operating Expenses	(42 561 137)	(39 943 363)
Conditions Met - Transferred to Revenue: Capital Expenses	(19 524 083)	(21 729 570)
Repaid to National Revenue Fund	(295 662)	-
Other Adjustments	(159 403)	-
Unspent Balance at the End of the Year	30 900 132	27 393 206

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

27.

SERVICE CHARGES

Sale of Electricity	55 431 792	52 824 586
Sale of Water	18 012 993	19 619 187
Refuse Removal	7 039 515	6 742 591
Sewerage and Sanitation Charges	7 456 302	7 008 237

Total Service Charges	87 940 601	86 194 600
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27.1 Allocation for Cash Flow:

Total Service Charges	87 940 601	86 194 600
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Total Service Charges allocated to Cash Flow	87 940 601	86 194 600
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27.2 Calculation of Cash Flow:

Service Charges Income	Note 27.1	87 940 601	86 194 600
Exchange Interest Earned	Note 31.1	2 765 470	2 418 277
Cash Flow from Exchange Receivables	Note 3.1	(14 328 967)	(21 913 242)
Cash Flow from Consumer Deposits	Note 12.1	91 835	41 757
Cash Flow from Exchange Payables	Note 13.1	(162 942)	762 851
Exchange Receivables: Amounts written-off as uncollectible	Note 3.3.1	-	65 166
Bad Debt Written-off	Note 36.1	(208 442)	(3 665 912)

Total Receipts for Service Charges	76 097 556	63 903 498
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The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

28. SALES OF GOODS AND RENDERING OF SERVICES

Building Plan Approval	194 515	124 342
Cemetery and Burial	43 940	24 470
Clearance Certificates	178 087	66 710
Encroachment Fees	4 458	339
Fire Services	(5 469)	1 086 577
Library Fees	-	300
Photocopies and Faxes	1 137	50
Removal of Restrictions	183	-
Sale of Goods	38 332	8 087
Town Planning and Servitudes	11 613	9 949
Valuation Services	6 591	8 965

Total Sales of Goods and Rendering of Services	473 386	1 329 789
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28.1 Allocation for Cash Flow:

Total Sales of Goods and Rendering of Services	473 386	1 329 789
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Total Sales of Goods and Rendering of Services allocated to Other Receipts	473 386	1 329 789
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2021
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29. INCOME FROM AGENCY SERVICES

Commission on Vehicle Registration	1 083 022	828 120
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Total Income from Agency Services	1 083 022	828 120
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29.1 Allocation for Cash Flow:

Total Income from Agency Services	1 083 022	828 120
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Total Income from Agency Services allocated to Other Receipts	1 083 022	828 120
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The municipality is party to a principal / agent agreement.

The municipality is an agent on behalf of the Western Cape Provincial Department of Transport and Public Works in collecting motor vehicle licences at an agency fee, VAT inclusive.

There were no significant changes in the agreement which occurred during the reporting period.

No material risks were identified on the agreement for the municipality.

The municipality does not incur any expenses on behalf of the principal.

Amount of revenue retained by the municipality

Income from Agency Fees	1 083 022	828 120,00
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Amount of revenue received on behalf of the principle during the reporting period

Motor vehicle licence fees	446 040	397 512
RTMC transaction fees	6 186 750	4 884 839

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

30. RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue		
Investment Property	101 133	191 188
Other Rental income		
Ad-hoc Rental Income from Other Fixed Assets:	504 641	337 274
Biological Assets	504 641	336 347
Property Plant and Equipment	-	927
Income from Land Rented	(35 527)	-
Total Rental of Facilities and Equipment	570 247	528 462
30.1 Allocation for Cash Flow:		
Total Rental of Facilities and Equipment	570 247	528 462
Total Rental of Facilities and Equipment allocated to Other Receipts	570 247	528 462

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

31. INTEREST, DIVIDENDS AND RENT ON LAND EARNED

Non-exchange Receivables:		
Outstanding Billing Debtors	775 682	13 973
Total Non-exchange Interest, Dividends and Rent on Land Earned	775 682	13 973
External Investments:		
Investments	1 150 490	1 013 609
	1 150 490	1 013 609
	2021	2020
	R	R
Outstanding Exchange Receivables:		
Outstanding Billing Debtors	2 765 470	2 418 277
Electricity	116 937	117 565
Waste Management	815 032	714 250
Waste Water Management	732 103	673 975
Water	1 101 398	912 487
	2 765 470	2 418 277
Total Exchange Interest, Dividends and Rent on Land Earned	3 915 961	3 431 886
Total Interest, Dividends and Rent on Land Earned	4 691 643	3 445 859
31.1 Allocation for Cash Flow:		
Property Rates:-		
Interest on Outstanding Non-exchange Receivables	775 682	13 973
Total Interest, Dividends and Rent on Land Earned allocated to Property Rates	775 682	13 973
Service Charges:-		
Interest on Outstanding Exchange Receivables	2 765 470	2 418 277
Total Interest, Dividends and Rent on Land Earned allocated to Service Charges	2 765 470	2 418 277
External Interest and Dividends Received:-		
Interest on External Investments	1 150 490	1 013 609
Total Interest, Dividends and Rent on Land Earned allocated to External Interest and Dividends Received	1 150 490	1 013 609
Total External Interest and Dividends Received allocated to Cash Flow	4 691 643	3 445 859
31.2 Calculation of Cash Flow:		
External Interest and Dividends Income	1 150 490	1 013 609
Total Receipts for Interest and Dividends Received	1 150 490	1 013 609

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

32. OPERATIONAL REVENUE

Collection Charges	57 826	6 104
Commission	216 290	139 967
Incidental Cash Surpluses	57 377	787
Request for Information	142	4

Total Operational Revenue	331 634	146 863
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2021
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32.1 Allocation for Cash Flow:

Total Operational Revenue	331 634	146 863
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Total Operational Revenue allocated to Other Receipts	331 634	146 863
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32.2 Calculation of Cash Flow:

Income from Operational Revenue	Note 32.1	331 634	146 863
Income from Rental from Fixed Assets	Note 30.1	570 247	528 462
Income from Agency Services	Note 29.1	1 083 022	828 120
Income from Sales of Goods and Rendering of Services	Note 28.1	473 386	1 329 789
Income from Licences and Permits	Note 25.1	217 217	164 345
Income from Fines, Penalties and Forfeits	Note 24.1	141 591	7 428 269
Cash Flow from Exchange Receivables	Note 3.1	117 458	4 182
Cash Flow from Statutory Non-exchange Receivables	Note 5.1	(42 400)	(1 786 925)
Cash Flow from Operating Lease Receivables	Note 11.	-	(7 981)
Cash Flow from Consumer Deposits	Note 12.1	(572)	14 871
Cash Flow from Exchange Payables	Note 13.1	(464 551)	636 173

Total Receipts for Other Revenue	2 427 033	9 286 166
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The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 31, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.



12 March 2022

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

		2021 R	2020 R
33. EMPLOYEE RELATED COSTS			
Salaries and Wages:			
Basic		43 574 637	40 225 276
Long Service Awards		(391 286)	(280 000)
Bonuses		2 012 192	2 205 801
Leave		687 853	653 601
Overtime		2 702 997	2 345 824
Allowances:			
Accommodation, Travel and Incidental		15 104	46 063
Acting and Post Related Allowances		1 157 235	503 983
Bonus Allowance		1 159 893	1 067 837
Cellular and Telephone		154 000	160 500
Housing Benefits		268 727	256 587
Standby Allowance		2 414 545	1 944 393
Travel or Motor Vehicle		2 090 008	2 623 346
Social Contributions:			
Bargaining Council		28 710	30 745
Group Life Insurance		75 486	73 553
Medical		2 767 748	1 566 250
Pension		5 152 321	5 523 273
Unemployment Insurance		320 387	336 343
Post-retirement Benefits:			
Current Service Cost		321 000	669 302
Interest Cost		1 808 000	1 198 247
Actuarial Gains and Losses		476 000	(2 812 377)
Total Employee Related Costs		66 795 557	58 338 545
33.1 Allocation for Cash Flow:			
Employee Related Costs		66 795 557	58 338 545
Adjustment for Non-cash Transactions:		(2 977 247)	577 085
Provisions and Non-current Provisions:-		(753 247)	(367 743)
Performance Bonus		(220 627)	135 558
Leave		(532 619)	(503 302)
Employee Benefit Liabilities:-		(2 224 000)	944 828
Long-service Awards		(453 000)	(302 000)
Medical		(1 771 000)	1 246 828
Total Employee Related Costs allocated to Cash Flow		63 818 310	58 915 629
33.2 Calculation of Cash Flow:			
Employee Related Costs Expenditure	Note 33.1	63 818 310	58 915 629
Cash Flow from Exchange Payables	Note 13.1	2 094 706	4 766 593
Cash Flow from Employee Benefit Liabilities	Note 19.1	706 000	737 304
Total Payments for Employee Related Costs		66 619 016	64 419 526
33.3 Remuneration of Section 57 Employees:			
Remuneration of the Municipal Manager - R. Stevens			
Annual Remuneration		1 009 972	1 020 234
Performance Bonus		-	69 290
Car and Other Allowances		159 660	198 325
Other Payments (Travelling reimbursement)		9 000	12 990
Company Contributions to UIF, Medical and Pension Funds		45 774	50 279
Total		1 224 406	1 351 118

The post was vacant for the period 07 August 2020 to 30 June 2021, for which period an Acting Allowance was paid for.

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

	2021 R	2020 R
Remuneration of the Acting Municipal Manager - R. F. Butler		
Acting Allowance	196 507	-
Total	196 507	-
Remuneration of the Chief Financial Officer - R. F. Butler		
Annual Remuneration	968 327	921 272
Car and Other Allowances	143 613	190 669
Other Payments (Travelling reimbursement)	-	7 861
Company Contributions to UIF, Medical and Pension Funds	34 661	31 019
Total	1 146 601	1 150 821
The post was vacant for the period 07 August 2020 to 30 June 2021, for which period an Acting Allowance was paid for.		
Remuneration of the Acting Chief Financial Officer - P. Mngeni		
Acting Allowance	86 514	-
Total	86 514	-
Remuneration of the Head: Technical Services - N. Jonker		
Annual Remuneration	472 164	945 272
Car and Other Allowances	83 807	166 669
Other Payments (Travelling reimbursement)	-	17 270
Company Contributions to UIF, Medical and Pension Funds	15 546	31 524
Total	571 516	1 160 735
The post was vacant from 16 November 2020.		
Remuneration of Director: Corporate Services – H Barnard		
Annual Remuneration	320 963	-
Car and Other Allowances	44 362	-
Other Payments (Lump Sum)	32 964	-
Company Contributions to UIF, Medical and Pension Funds	10 045	-
Total	408 334	-
Summary of Remuneration of Section 57 Employees:		
All Managers	3 633 878	3 662 674
Total Remuneration of Section 57 Employees	3 633 878	3 662 674
Summary of Remuneration of Section 57 Employees		
Annual Remuneration	2 771 426,00	2 886 778,00
Performance Bonus	-	69 290,00
Car and Other Allowances	714 463,00	555 663,00
Other Payments	41 964,00	38 121,00
Company Contributions to UIF, Medical and Pension Funds	106 026,00	112 822,00
Total Remuneration of Section 57 employees	3 633 879	3 662 674
34. REMUNERATION OF COUNCILLORS		
Executive Mayor	850 466	857 903
Deputy Executive Mayor	404 143	405 471
Speaker	689 253	692 548
Total for All Other Councillors	1 240 117	1 189 771
Total Councillors' Remuneration	3 183 979	3 145 693
Detail Remuneration of Councillors		
Executive Mayor - M Barry		
Salary	784 137	785 368
Allowances	44 400	44 400
Medical Aid	21 929	20 698
Disbursements	-	7 437
	850 466	857 903
Deputy Executive Mayor - PJ Antonie		
Salary	359 743,00	359 743,00
Allowances	44 400,00	44 400,00
Disbursements	-	1 328,00
	404 143	405 471
Speaker - A Theron		
Salary	186 116,00	534 779,00
Allowances	14 800,00	44 400,00
Travel Allowance	36 000,00	108 000,00
Disbursements	-	5 369,00
	236 916	692 548

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

Speaker – WP Meshoa

Salary	400 289,00	-
Allowances	29 600,00	-
Medical Aid	25 278,00	-
	455 167	-

Councillor - HD Ruiters

Salary	235 763	237 192
Allowances	44 400	44 400
Medical Aid	19 328	17 896
	299 491	299 488

Councillor - WP Meshoa

Salary	72 550	241 680
Allowances	14 800	44 400
Medical Aid	12 480	-
	99 830	286 080

Councillor - J Johnson

Salary	171 091,00	171 051,00
Allowances	44 400,00	44 400,00
Travel Allowance	84 000,00	84 000,00
Disbursements	-	5 260,00
	299 491	304 711

Councillor - J Donson

Salary	174 140,00	133 898,00
Medical Aid	-	-
Travel Allowance	69 204,00	69 204,00
Other Allowances	44 400,00	44 400,00
Contribution to Benefits	-	51 989,00
	287 744	299 491

Councillor - A Theron

Salary	167 222,00	-
Allowances	29 600,00	-
Travel Allowance	-	-
Disbursements	-	-
	196 822	-

34.1 Allocation for Cash Flow:

Total Councillors' Remuneration	3 183 979	3 145 693
Total Councillors' Remuneration allocated to Cash Flow	3 183 979	3 145 693

34.2 Calculation of Cash Flow:

Remuneration of Councillors Expenditure	Note 34.1	3 183 979	3 145 693
Total Payments for Employee Related Costs		3 183 979	3 145 693

Remuneration of Councillors:

In-kind Benefits

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



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

35. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	10 847 050	12 764 660
Amortisation: Intangible Assets	7 950	10 452
Total Depreciation and Amortisation	10 855 001	12 775 112

35.1 Allocation for Cash Flow:

Total Depreciation and Amortisation	10 855 001	12 775 112
Adjustment for Non-cash Transactions:-	(10 855 001)	(12 775 112)
Depreciation and Amortisation for the Year	(10 855 001)	(12 775 112)
Transferred in lieu of Discontinued Operations	-	-
Total Depreciation and Amortisation allocated to Cash Flow	-	-

2021
R

2020
R

36. IMPAIRMENT LOSSES

Impairment Losses on Fixed Assets	1 184 228	93 081
Impairment Losses on Financial Assets	21 016 210	26 594 322
Total Impairment Losses	22 200 438	26 687 403

36.1 Allocation for Cash Flow:

Total Impairment Losses	22 200 438	26 687 403
Adjustment for Non-cash Transactions:	(21 991 996)	(23 021 491)
Impairment Losses on Fixed Assets	(1 184 228)	(93 081)
Impairment Losses on Financial Assets (excluding Bad Debts Written-off)	(20 807 769)	(22 928 410)
Total Impairment Losses allocated to Service Charges	208 442	3 665 912

Note 36.2

Note 36.3

36.2 Impairment Losses on Fixed Assets

Impairment Losses	1 184 228	93 081
Property, Plant and Equipment	1 184 228	93 081
	1 184 228	93 081

36.3 Impairment Losses on Financial Assets

Impairment Losses	18 313 120	19 660 441
Other Receivables from Non-exchange Revenue	1 399 871	1 239 507
Trade and Other Receivables from Exchange Transactions	16 913 249	18 420 934

Bad Debts Written Off

208 442 3 665 912

Reversal of Impairment Losses

Other Receivables from Non-exchange Revenue	2 494 649	3 267 969
Trade and Other Receivables from Exchange Transactions	-	-
	21 016 210	26 594 322


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

37. INTEREST AND RENT ON LAND PAID

Interest Paid:	3 044 931	5 912 412
Borrowings	147 688	215 828
Finance Leases	24 348	44
Interest costs non-current Provisions	848 045	3 668 677
Long Service Awards	(143 000)	-
Overdue Accounts	2 167 851	2 027 863
Total Interest and Rent on Land Paid	3 044 931	5 912 412

37.1 Allocation for Cash Flow:

Non-cash Transactions:-

Interest Paid	705 044	6 457 675
Total Interest and Rent on Land Paid allocated to Non-cash Transactions	705 044	6 457 675

External Interest Paid:-

Interest Paid	2 339 888	-	545 263
Total Interest and Rent on Land Paid allocated to External Interest and Dividends Paid	2 339 888	(545 263)	

Total External Interest Dividends Paid allocated to Cash Flow

3 044 931	5 912 412
------------------	------------------

37.2 Calculation of Cash Flow:

Interest and Rent on Land Paid Expenditure	Note 37.1	2 339 888	(545 263)
Cash Flow from Exchange Payables	Note 13.1	(1 845 998)	-
Total Payments for External Interest Paid		493 890	(545 263)

38. BULK PURCHASES

Electricity	44 054 091	40 538 579
Water	222 673	228 131
Total Bulk Purchases	44 276 763	40 766 711

38.1 Allocation for Cash Flow:

Total Bulk Purchases	44 276 763	40 766 711
Total Bulk Purchases allocated to Suppliers Paid	44 276 763	40 766 711

39. CONTRACTED SERVICES

Outsourced Services	2 557 894	2 477 461
Consultants and Professional Services	3 171 983	4 216 590
Contractors	2 291 770	1 374 769
Total Contracted Services	8 021 647	8 068 820

39.1 Allocation for Cash Flow:

Total Contracted Services	8 021 647	8 068 820
Total Contracted Services allocated to Suppliers Paid	8 021 647	8 068 820

39.2 Outsourced Services

Burial Services	4 000	-
Business and Advisory	1 891 359	1 651 423
Catering Services	20 225	-
Cleaning Services	32 325	-
Meter Management	405 443	474 349
Traffic Fines Management	199 748	351 688
Transport Services	4 794	-
Total Outsourced Services	2 557 894	2 477 461

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

39.3 Consultants and Professional Services

Business and Advisory	1 325 121	3 373 327
Laboratory Services	(551)	1 412
Legal Cost	1 847 414	841 851
	3 171 983	4 216 590
	2021	2020
	R	R

39.4 Contractors

Catering Services	-	545 460
Employee Wellness	2 250	-
Maintenance of Buildings and Facilities	519 368	364 738
Maintenance of Equipment	905 470	171 872
Maintenance of Computer Software	293 378	288 785
Safeguard and Security	-	3 913
Sewerage Services	571 304	-
	2 291 770	1 374 769

40. INVENTORY CONSUMED

Consumables	1 673 312	1 268 021
Materials and Supplies	3 775 757	1 189 823
	5 536 169	2 457 844

Total Inventory Consumed

40.1 Allocation for Cash Flow:

Total Inventory Consumed	5 536 169	2 457 844
	5 536 169	2 457 844

Total Inventory Consumed allocated to Suppliers Paid

40.2 Calculation of Cash Flow:

Expenditure for Inventory Consumed	Note 40.1	5 536 169	2 457 844
Expenditure for Contracted Services	Note 39.1	8 021 647	8 068 820
Expenditure for Bulk Purchases	Note 38.1	44 276 763	40 766 711
Cash Flow from Inventories	Note 2.1	794 007	418 062
Cash Flow from Exchange Receivables	Note 3.1	-	(493 999)
Cash Flow from Exchange Payables	Note 13.1	(898 503)	(14 443 272)
		57 730 084	36 774 165

Total for Suppliers Paid

41. TRANSFERS AND SUBSIDIES PAID

Operational Grants	245 659	96 240
Monetary Allocations	245 659	96 240
	245 659	96 240

Total Transfers and Subsidies Paid

41.1 Allocation for Cash Flow:

Total Transfers and Subsidies Paid	245 659	96 240
	245 659	96 240

Total Transfers and Subsidies Paid allocated to Other Payments

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

41.2 Operational Grants

	Allocations In-kind		Monetary Allocations	
	2021	2020	2021	2020
Non-profit Institutions	-	-	240 000	96 240
Total Operational Grants Paid	-	-	245 659	96 240

2021
R

2020
R

42. OPERATING LEASES

Furniture and Office Equipment	253 001	209 514
Investment Properties	383 041	4 900
Libraries	36 511	33 809
Other Assets	4 983	-
Transport Assets	(8 025)	235 080
Total Operating Leases	669 512	483 302

42.1 Allocation for Cash Flow:

Total Operating Leases	669 512	483 302
Total Operating Leases allocated to Other Payments	669 512	483 302

42.2 Leasing Arrangements

The Municipality as Lessee:

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

42.3 Amounts Payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for

Other Equipment:	89 220	178 330
Up to 1 year	89 220	89 110
2 to 5 years	-	89 220
More than 5 years	-	-
Total Operating Lease Arrangements	89 220	178 330

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

Minimum lease payments	669 512	483 302
Total Operating Lease Expenses	669 512	483 302

43. OPERATIONAL COSTS

Included in General Expenses are the following:

Advertising, Publicity and Marketing	19 393	70 474
Assets less than the Capitalisation Threshold	10	-
Bank Charges, Facility and Card Fees	326 002	301 021
Commission	975 557	607 591
Communication	737 186	1 177 886
Contribution to Provisions	6 976 570	1 598 987
Deeds	17 683	24 741
Entertainment	12 940	22 116
External Audit Fees	3 371 382	2 179 076
External Computer Service	968 485	25 436
Insurance Underwriting	661 893	359 968
Licences	68 547	93 646
Municipal Services	1 818 198	2 102 626
Printing, Publications and Books	382 638	456 129
Professional Bodies, Membership and Subscription	2 843	7 366
Registration Fees	19 190	-
Remuneration to Ward Committees	-	1 500
Resettlement Cost	-	25 500
Skills Development Fund Levy	462 478	507 628
Travel and Subsistence	178 256	301 877
Uniform and Protective Clothing	154 103	24 963
Wet Fuel	-	657 505
Total Operational Costs	17 153 353	10 546 036

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

		2021 R	2020 R
43.1 Allocation for Cash Flow:			
Total Operational Costs		17 153 353	10 546 036
Total Operational Costs allocated to Other Payments		10 371 016	9 020 284
43.2 Calculation of Cash Flow:			
Expenditure for Operational Costs	Note 43.1	10 371 016	9 020 284
Expenditure for Operating Leases	Note 42.1	669 512	483 302
Expenditure for Transfers and Subsidies Paid	Note 41.1	245 659	96 240
Cash Flow from Non-exchange Receivables	Note 4.1	317	0
Cash Flow from Exchange Payables	Note 13.1	133 411	(258 561)
Cash Flow from Non-exchange Payables	Note 14.1	(373 436)	(0)
Minor Variance on Other Non-cash Transactions		(469 512)	3 051 504
Total for Other Payments		10 576 968	12 392 770
43.3 Travel and Subsistence			
Domestic		178 256	301 877
Accommodation		38 585	86 550
Daily Allowance		31 778	37 923
Transport without Operator		107 893	177 403
		178 256	301 877
43.4 Material Losses		4 787 889	3 473 998
Distribution Losses:			
Electricity Losses		4 691 582	3 367 579
Water Losses		96 307	106 419
The amounts disclosed above for Electricity and Water Losses are in respect of costs incurred in the general			
Losses in Property Rates Revenue: The last valuation roll came into effect on 1 July 2013. According to Section			
No other extraordinary expenses were incurred.			
44. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS			
Property, Plant and Equipment		(49 922)	(90 769)
Total Gains on Disposal of Capital Assets		-	-
Total Losses on Disposal of Capital Assets		49 922	90 769
44.1 Allocation for Cash Flow:			
Disposal of Property, Plant and Equipment:			
Losses on Disposal of Capital Assets	Note 8.1	(49 922)	(90 769)
Total Gains on Disposal of Capital Assets allocated to Property, Plant and Equipment		(49 922)	(90 769)
Total Gains / (Losses) on Disposal of Capital Assets allocated to Cash Flow		(49 922)	(90 769)

KANNALAND MUNICIPALITY

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

	2021 R	2020 R
45. RECLASSIFICATION OF ANNUAL FINANCIAL STATEMENTS		
45.1 Reclassification of Accumulated Surplus		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.		
The effect of the changes are as follows:		
		Accumulated Surplus
Balance published as at 30 June 2019		245 244 188
Correction of Error:-		
Adjustment for Employee Benefit Liabilities	(1 355 758)	
Adjustment for Cost of Capital Assets	(9 343 186)	
Adjustment for Accumulated Depreciation on Capital Assets	2 126 706	
Adjustment for Accumulated Impairment on Capital Assets	5 264	
Adjustment for Audited Cost of Capital Assets	(7 229 096)	
Adjustment for Audited Accumulated Depreciation on Capital Assets	1 690 305	
Adjustment for Rounding Errors	(2)	(14 105 768)
Restated Balance as at 30 June 2019		231 138 421
Transactions incurred for the Year 2019/20		10 903 712
Correction of Error:-		
Adjustment for Employee Benefit Liabilities	249 758	
Adjustment for Acquisition of Capital Assets	(1 328 411)	
Adjustment for Depreciation on Capital Assets	651 795	
Adjustment for Impairment on Capital Assets	7 916	
Adjustment for Audited Acquisition of Capital Assets	(1 318 628)	
Adjustment for Audited Depreciation on Capital Assets	23 513	
Review of Fully Depreciated Assets	(65 835)	
Adjustment for Rounding Errors	(3)	(1 779 895)
Restated Balances as at 30 June 2020		240 262 231

45.2 Reclassification of Revenue

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

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2019/20
Property Rates	16 753 467	-	-	16 753 467
Fines, Penalties and Forfeits	6 637 278	-	790 991	7 428 269
Licences and Permits - Non-exchange	-	-	63 871	63 871
Transfers and Subsidies	61 672 932	-	-	61 672 932
Interest, Dividends & Rent on Land Non-Exchange	790 991	-	(777 019)	13 973
Licences and Permits - Exchange	164 345	-	(63 871)	100 474
Service Charges	87 281 177	-	(1 086 577)	86 194 600
Sales of Goods and Rendering of Services	243 212	-	1 086 577	1 329 789
Income from Agency Services	957 945	-	(129 826)	828 120
Rental from Fixed Assets	528 462	-	-	528 462
Interest, Dividends & Rent on Land Exchange	3 445 859	-	(13 973)	3 431 886
Operational Revenue	17 037	-	129 826	146 863
Gains on Other Operations	2 444 071	-	(2 444 071)	-
	180 936 777	-	(2 444 071)	178 492 706

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

45.3 Reclassification of Expenditure

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

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2019/20
Employee Related Costs	59 909 197	-	(1 570 652)	58 338 545
Remuneration of Councillors	3 145 693	-	-	3 145 693
Depreciation and Amortisation	13 450 419	-	(675 307)	12 775 112
Impairment Losses	26 760 485	-	(73 082)	26 687 403
Interest, Dividends and Rent on Land	5 444 672	-	467 740	5 912 412
Bulk Purchases	40 766 711	-	-	40 766 711
Contracted Services	10 455 020	-	(2 386 201)	8 068 820
Inventory Consumed	2 457 844	-	(0)	2 457 844
Transfers and Subsidies Paid	96 240	-	-	96 240
Operating Leases	483 302	-	-	483 302
Operational Costs	7 038 548	-	3 507 488	10 546 036
Loss on Disposal of PPE	24 934	-	65 835	90 769
	170 033 063	-	(664 179)	169 368 885

45.4 Reclassification of Statement of Financial Position

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

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2019/20
Current Assets				
Inventories	2 443 038	-	0	2 443 038
Receivables from Exchange Transactions	6 772 833	-	68 315	6 841 148
Receivables from Non-exchange Transactions	3 124 433	(3 124 433)	224 216	224 216
Statutory Receivables from Non-exchange Transactions	-	3 124 433	(187 641)	2 936 791
Cash and Cash Equivalents	42 487 533	-	-	42 487 533
Lease Receivables	59 289	-	-	59 289
Non-Current Assets				
Property, Plant and Equipment	336 838 457	-	(14 777 239)	322 061 218
Intangible Assets	38 270	-	(2 426)	35 844
Investment Property	1 364 483	-	4	1 364 487
Current Liabilities				
Consumer Deposits	(1 027 381)	-	(1)	(1 027 382)
Payables from Exchange Transactions	(60 053 116)	-	0	(60 053 115)
Payables from Non-exchange Transactions	-	-	(227 336)	(227 336)
Unspent Conditional Grants and Receipts	(27 393 206)	-	180 447	(27 212 759)
VAT Payable	(3 276 132)	-	-	(3 276 132)
Lease Payables	(12 927)	-	-	(12 927)
Borrowings	(573 019)	-	(0)	(573 019)
Employee Benefit Liabilities	(6 270 182)	-	5 564 182	(706 000)
Provisions	-	-	(5 623 013)	(5 623 013)
Non-Current Liabilities				
Lease Payables	-	-	-	-
Borrowings	(863 466)	-	-	(863 466)
Employee Benefit Liabilities	(9 782 001)	-	(1 104 999)	(10 887 000)
Provisions	(27 729 007)	-	(172)	(27 729 179)
Net Assets				
Accumulated Surplus / (Deficit)	(256 147 898)	-	15 885 660	(240 262 237)
	4	-	(4)	-

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

45.5 Reclassification of Cash Flow Statement

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

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2019/20
Receipts				
Property Rates	90 471 219	-	(77 480 060)	12 991 159
Transfers and Subsidies	74 235 066	-	2	74 235 068
Service Charges	-	-	63 903 498	63 903 498
External Interest and Dividends Received	4 236 850	-	(3 223 241)	1 013 609
Other Receipts	-	-	9 286 166	9 286 166
VAT Received	-	-	5 500 478	5 500 478
Payments				
Employee Related Costs	-	-	(64 419 526)	(64 419 526)
Remuneration of Councillors	-	-	(3 145 693)	(3 145 693)
External Interest and Dividends Paid	(5 444 672)	-	5 989 935	545 263
Suppliers Paid	(112 920 202)	-	76 146 037	(36 774 165)
Other Payments	(39 609)	-	(12 353 161)	(12 392 770)
NET CASH FLOWS FROM OPERATING ACTIVITIES	50 538 653	-	204 435	50 743 088
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	(19 178 183)	-	(207 122)	(19 385 305)
Purchase of Intangible Assets	-	-	-	-
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(19 178 183)	-	(207 122)	(19 385 305)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in Finance Leases (Leases Taken-on)	-	-	-	-
Decrease in Finance Leases (Leases Redeemed)	-	-	4 900	4 900
Increase in Borrowings (Loans Taken-on)	-	-	-	-
Decrease in Borrowings (Loans Redeemed)	(504 172)	-	0	(504 172)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(504 172)	-	4 901	(499 271)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	30 856 299	-	2 213	30 858 511
Cash and Cash Equivalents at Beginning of Period	11 631 234	-	(2 213)	11 629 022
Cash and Cash Equivalents at End of Period	42 487 533	-	-	42 487 533

46. CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Standards, Interpretations and Guidelines for the first time during the financial year 2020/21 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- GRAP 18 Segment Reporting
- GRAP 34 Separate Financial Statements
- GRAP 35 Consolidated Statements
- GRAP 36 Investments in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interests in Other Entities
- GRAP 110 Living and Non-living Resources
- IGRAP 20 Accounting for Adjustments to Revenue

The municipality adopted the exempted portions of the following Standards for the first time during the financial year 2020/21 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented retrospectively as at 30 June 2021:

- GRAP 108 Statutory Receivables

46.1 GRAP 18 - Segment Reporting

The Accounting Standard for Segment Reporting has been recognised in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 18.

The municipality has developed Accounting Policies to fully comply with GRAP 18 (Segment Reporting). Previously the Accounting Standard was not applicable to municipalities.

Management has assessed the requirements of GRAP 18 and identified the following shortcomings preventing full disclosure in terms of the Accounting Standard:

- The municipality's accounting system has limitations that does not allow for segmental reporting on financial position, net assets and cash flow.
- The municipality is broadly organised into business units based on the nature of operations and the services they provide and the accounting system allows for reporting on these units on financial performance and capital assets.
- No individually material operating segments have been aggregated to form the reportable operating segments.
- The municipality does not monitor segments geographically.

Based on the above, management has concluded that the municipality will be able to report separate segments subject to the limitations listed above.

Management has evaluated the requirements of the Standard and it was found that no adjustments affecting Financial Position, Financial Performance, Net Assets or Cash Flows need to be made. Accordingly, the segmental information for Capital Assets and Financial Performance of the municipality is disclosed in the Annual Financial Statements. It is not practical to segmentize Financial Position and Cash Flow operations.

46.2 GRAP 34 - Separate Financial Statements

The Accounting Standard for Separate Financial Statements not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 34.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 34.

46.3 GRAP 35 - Consolidated Financial Statements

The Accounting Standard for Consolidated Financial Statements not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 35.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 35.

46.4 GRAP 36 - Investments in Associates and Joint Ventures

The Accounting Standard for Investments in Associates and Joint Ventures not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 36.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 36.

46.5 GRAP 37 - Joint Arrangements

The Accounting Standard for Joint Arrangements not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 37.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 37.

46.6 GRAP 38 - Disclosure of Interests in Other Entities

The Accounting Standard for Disclosure of Interests in Other Entities not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 38.

The municipality has developed Accounting Policies to fully comply with GRAP 38. Management has evaluated the requirements of the Standard and it was found that no adjustments need to be made.

46.7 GRAP 108 - Statutory Receivables

The Accounting Standard for Statutory Receivables has been recognised in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 108. The full net assets have been recognised retrospectively in the Annual Financial Statements.

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

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

Reclassification of Receivables and Statutory Receivables

The prior year figures of Exchange Receivables, Statutory Exchange Receivables, Non-exchange Receivables and Statutory Non-exchange Receivables have been restated to correctly disclose the receivables of the Entity in terms of GRAP 108.

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

	Non-exchange Receivables	Statutory Non-exchange Receivables
Balances published as at 30 June 2019	2 560 490	-
Transfer of Receivables to Statutory Receivables	(2 560 490)	2 560 490
Recognition of Operating Lease Payables	-	-
Restated Balances as at 30 June 2019	-	2 560 490
Transactions incurred for the Year 2019/20	563 943	-
Transfer of Receivables to Statutory Receivables	(563 943)	563 943
Recognition of Operating Lease Payables	-	-
Restated Balances as at 30 June 2020	-	3 124 433

46.8 GRAP 110 - Living and Non-living Resources

The Accounting Standard for Living and Non-living Resources not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 110.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 110.

46.9 IGRAP 20 - Accounting for Adjustments to Revenue

The Accounting Interpretation for Accounting for Adjustments to Revenue not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of IGRAP 20.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with IGRAP 20.

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2021 and the Accumulated Surplus of prior years was not affected either.

47. CORRECTION OF ERROR

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

47.1 Reclassification of Revenue

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

Reclassification in terms of mSCOA Chart:

The **prior year amounts** for revenue of indicated items in the Statement of Financial Performance have been reclassified in terms of the mSCOA Item GUID's allocated to these items to agree to the data strings submitted to National Treasury. The net effect of these reclassifications in performance is zero.

	Property Rates	Fines, Penalties and Forfeits	Licences and Permits - Non- exchange	Transfers and Subsidies
Balance previously reported	16 753 467	6 637 278	-	61 672 932
Reclassification in terms of mSCOA Chart	-	790 991	63 871	-
Correction of Errors:-				
Licences and Permits included in Exchange	-	-	-	-
Rounding Errors	-	-	-	-
Balances now published per AFS as at 30 June 2020	16 753 467	7 428 269	63 871	61 672 932

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Property Rates:

The **prior year amounts** for Property Rates and Grants and Subsidies Paid have been restated to correctly disclose the cost of Free Basic Services provided in terms of the prescriptions of GRAP 23, previously incorrectly allocated to Grants and Subsidies Paid.

Fines, Penalties and Forfeits:

The **prior year amounts** for Fines, Penalties & Forfeits and Receivables from Exchange Transactions have been restated to correctly disclose the revenue for Traffic Fines in terms of the prescriptions of IGRAP 1, previously not accrued for.

Transfers and Subsidies:

The **prior year amounts** for Transfers & Subsidies and Property, Plant & Equipment have been restated to correctly disclose the revenue for library books donated from Provincial Public Library Services, previously recognised in error.

Furthermore, the **prior year amounts** for Transfers & Subsidies and Public Contributions & Donations have been restated to correctly disclose the revenue for library books donated from Public, previously recognised from Government.

	Surcharges and Taxes	Interest, Dividends & Rent on Land Non-Exchange	Licences and Permits - Exchange	Service Charges
Balance previously reported	-	790 991	164 345	87 281 177
Reclassification in terms of mSCOA Chart	-	(777 019)	(63 871)	(1 086 577)
Correction of Errors:-				
Licences and Permits included in Non-exchange	-	-	-	-
Rounding Errors	-	-	-	-
Balances now published per AFS as at 30 June 2020	<u>-</u>	<u>13 973</u>	<u>100 474</u>	<u>86 194 600</u>

Service Charges:

The **prior year amounts** for Service Charges and Grants and Subsidies Paid have been restated to correctly disclose the cost of Free Basic Services provided in terms of the prescriptions of GRAP 23, previously incorrectly allocated to Grants and Subsidies Paid.

Furthermore, the **prior year amounts** for Service Charges and Payables from Non-exchange Transactions have been restated to correctly disclose the accrual for Pre-paid Electricity unused at year-end as per audit finding.

	Sales of Goods and Rendering of Services	Income from Agency Services	Rental from Fixed Assets	Interest, Dividends & Rent on Land Exchange
Balance previously reported	243 212	957 945	528 462	3 445 859
Reclassification in terms of mSCOA Chart	1 086 577	(129 826)	-	(13 973)
Correction of Errors:-				
Reclassification of Rental in terms of Straight Lining of Leases	-	-	-	-
Correction of Hall Hire charges	-	-	-	-
Rounding Errors	-	-	-	-
Balances now published per AFS as at 30 June 2020	<u>1 329 789</u>	<u>828 120</u>	<u>528 462</u>	<u>3 431 886</u>

Rental of Facilities and Equipment:

The **prior year amounts** for Rental from Fixed Assets have been restated to correctly disclose the revenue for Rentals of Halls.

Furthermore, the **prior year amounts** for Rental of Facilities & Equipment and Operating Lease Receivables have been restated to correctly disclose the revenue for Rentals for new lease agreements entered into, previously not accrued for.

Interest, Dividends & Rent on Land:

The **prior year amounts** for Interest, Dividends and Rent of Land have been restated to correctly disclose finance charges identified during a bank reconciliation.

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	Operational Revenue	Intercompany/Pare nt-subsidary Transactions	Gains on Disposal of PPE	Gains on Other Operations
Balance previously reported	17 037	-	-	2 444 071
Reclassification in terms of mSCOA Chart	129 826	-	-	(2 444 071)
Correction of Errors:-				
Restatement of Interest		-	-	
Rounding Errors		-	-	
Balances now published per AFS as at 30 June 2020	146 863	-	-	

Other Income:

The **prior year amounts** for Other Income and Operating Lease Receivables have been restated to correctly disclose the revenue for Rentals for new lease agreements entered into, previously not accrued for.

47.2 Reclassification of Expenditure

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

Reclassification in terms of mSCOA Chart:

The **prior year amounts** for expenditure of indicated items in the Statement of Financial Performance have been reclassified in terms of the mSCOA Item GUID's allocated to these items to agree to the data strings submitted to National Treasury. The net effect of these reclassifications in performance is zero.

	Employee Related Costs	Remuneration of Councillors	Depreciation and Amortisation
Balance previously reported	59 909 197	3 145 693	13 450 419
Reclassification in terms of mSCOA Chart	(1 320 894)	-	-
Correction of Errors:-			
Adjust Post-employment Health Benefit Contributions	(249 758)	-	-
Adjust Depreciation as per Revised Asset Register	-	-	(651 795)
Adjust Depreciation as per Audited Asset Register	-	-	(23 513)
Balances now published per AFS as at 30 June 2020	58 338 545	3 145 693	12 775 112

Employee Related Costs:

The **prior year amounts** for Employee Related Costs and Employee Benefit Liabilities have been restated to correctly disclose the liability for Health Benefits, certain benefits previously not accrued for.

Depreciation and Amortisation:

The **prior year amounts** for Depreciation & Amortisation and Property, Plant & Equipment have been restated to correctly disclose depreciation and amortisation of assets as per Revised Asset Register, recompiled in terms of Audit Findings made in the prior year.

	Impairment Losses	Interest, Dividends and Rent on Land	Bulk Purchases	Contracted Services
Balance previously reported	26 760 485	5 444 672	40 766 711	10 455 020
Reclassification in terms of mSCOA Chart	(65 166)	(1 058 011)	-	(2 179 077)
Correction of Errors:-				
Adjust Impairment as per Revised Asset Register	(7 916)	-	-	-
Adjust Cost of Assets as per Revised Asset Register	-	-	-	(1)
Adjust Audited Cost of Assets as per Revised Asset Register	-	1 525 751	-	(207 123)
Balances now published per AFS as at 30 June 2020	26 687 403	5 912 412	40 766 711	8 068 820

Impairment Losses:

The **prior year amounts** for Impairment Losses and Property, Plant & Equipment have been restated to correctly disclose impairment of assets as per Revised Asset Register, recompiled in terms of Audit Findings made in the prior year.

Contracted Services:

The **prior year amounts** for Contracted Services and Property, Plant & Equipment have been restated to correctly disclose cost of assets as per Revised Asset Register, recompiled in terms of Audit Findings made in the prior year.

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	Inventory Consumed	Transfers and Subsidies Paid	Operating Leases	Operational Costs
Balance previously reported	2 457 844	96 240	483 302	7 038 548
Reclassification in terms of mSCOA Chart	-	-	-	2 179 076
Correction of Errors:- Adjust Decommissioning of Assets as per Revised Asset Register	-	-	-	1 328 412
Balances now published per AFS as at 30 June 2020	2 457 844	96 240	483 302	10 546 036

Operational Costs:

The **prior year amounts** for Operational Costs and Property, Plant & Equipment have been restated to correctly disclose decommissioning costs of assets as per Revised Asset Register, recompiled in terms of Audit Findings made in the prior year.

	Income Taxes	Statutory Payments other than Taxes	Loss on Disposal of PPE	Losses on Other Operations
Balance previously reported	-	-	24 934	-
Reclassification in terms of mSCOA Chart	-	-	-	-
Correction of Errors:- Adjust Disposal of Assets as per Revised Asset Register	-	-	65 835	-
Balances now published per AFS as at 30 June 2020	-	-	90 769	-

Loss on Disposal of Property, Plant and Equipment:

The **prior year amounts** for Loss on Disposal of PPE and Property, Plant & Equipment have been restated to correctly disclose losses on disposal of assets as per Revised Asset Register, recompiled in terms of Audit Findings made in the prior year.

47.3 Reclassification of Statement of Financial Position

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

Reclassification in terms of mSCOA Chart:

The **opening balances** of indicated items in the Statement of Financial Position have been reclassified in terms of the mSCOA Item GUID's allocated to these items to agree to the data strings submitted to National Treasury. The net effect of these reclassifications is zero.

The **prior year amounts** of indicated items in the Statement of Financial Position have been reclassified in terms of the mSCOA Item GUID's allocated to these items to agree to the data strings submitted to National Treasury. The net effect of these reclassifications is zero.

	Inventories	Receivables from Exchange Transactions	Statutory Receivables from Exchange Transactions
Balances previously published per AFS as at 30 June 2019	2 024 977	2 718 174	-
Reclassification in terms of mSCOA Chart	-	1 194 011	-
Correction of Errors:- Adjustment for Non-exchange Statutory Receivables Rounding Errors	- (0)	- 2	- -
Balances now published per AFS as at 30 June 2019	2 024 977	3 912 187	-
Transactions incurred for the Year 2019/20	418 061	4 054 659	-
Reclassification in terms of mSCOA Chart	-	(3 258 422)	-
Correction of Errors:- Adjustment for Non-exchange Statutory Receivables Rounding Errors	- 0	2 132 724 -	- -
Balances now published per AFS as at 30 June 2020	2 443 038	6 841 148	-

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	Receivables from Non-exchange Transactions	Statutory Receivables from Non-exchange Transactions	VAT Receivable	
Balances previously published per AFS as at 30 June 2019	2 560 490	-	2 224 347	
Reclassification in terms of mSCOA Chart	224 216	(679 428)	-	
Change in Accounting Policy:- Adjustment for Non-exchange Statutory Receivables (Note 46.7)	(2 560 490)	2 560 490		
Correction of Errors:- Adjustment for Non-exchange Statutory Receivables	-	-	-	
Rounding Errors	-	(0)	-	
Balances now published per AFS as at 30 June 2019	224 216	1 881 062	2 224 347	
Transactions incurred for the Year 2019/20	563 943	-	(2 224 345)	
Reclassification in terms of mSCOA Chart	-	491 787	-	
Change in Accounting Policy:- Adjustment for Non-exchange Statutory Receivables (Note 46.7)	(563 943)	563 943		
Correction of Errors:- Adjustment for Non-exchange Statutory Receivables	-	-	-	
Rounding Errors	0	0	(2)	
Balances now published per AFS as at 30 June 2020	224 216	2 936 791	0	
	Cash and Cash Equivalents	Lease Receivables	Long-term Receivables	
Balances previously published per AFS as at	11 631 234	51 308	-	
Reclassification in terms of mSCOA Chart	(2 212)	-	-	
Correction of Errors:- Adjustment for Non-exchange Statutory Receivables	-	-	-	
Rounding Errors	-	-	-	
Balances now published per AFS as at	11 629 022	51 308	-	
Transactions incurred for the Year	30 856 299	7 981	-	
Reclassification in terms of mSCOA Chart	2 212	-	-	
Correction of Errors:- Adjustment for Non-exchange Statutory Receivables	-	-	-	
Rounding Errors	-	-	-	
Balances now published per AFS as at 30 June 2020	42 487 533	59 289	-	
	Property, Plant and Equipment	Intangible Assets	Investment Property	Long-term Receivables
Balances previously published per AFS as at 30 June 2019	328 247 833	48 722	1 488 659	-
Reclassification in terms of mSCOA Chart	-	-	-	-
Correction of Errors:- Adjust Cost of Assets as per Revised Asset Register	(9 322 188)	(21 000)	2	-
Adjust Depreciation of Assets as per Revised Asset Register	2 108 130	18 574	2	-
Adjust Impairment of Assets as per Revised Asset Register	5 264	-	-	-
Adjust Cost of Assets as per Revised Asset Register	(7 229 096)	-	-	-
Adjust Depreciation of Assets as per Revised Asset Register	1 690 305	-	-	-
Rounding Errors	-	-	(0)	-
Balances now published per AFS as at 30 June 2019	315 500 248	46 296	1 488 663	-

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Transactions incurred for the Year 2019/20	8 590 624	(10 452)	(124 176)	-
Reclassification in terms of mSCOA Chart	-	-	-	-
Correction of Errors:-				
Adjust Cost of Assets as per Revised Asset Register	(1 328 411)	-	-	-
Adjust Depreciation of Assets as per Revised Asset Register	651 795	-	-	-
Adjust Impairment of Assets as per Revised Asset Register	7 916	-	-	-
Adjust Disposal of Assets as per Revised Asset Register	(65 835)	-	-	-
Adjust Cost of Assets as per Revised Asset Register	(1 318 628)	-	-	-
Adjust Depreciation of Assets as per Revised Asset Register	23 513	-	-	-
Rounding Errors	(2)	-	0	-
Balances now published per AFS as at 30 June 2020	322 061 218	35 844	1 364 487	-

Property, Plant and Equipment:

The **opening balances** for Property, Plant & Equipment and Accumulated Surplus have been restated to correctly disclose the value of Capital Assets as per Revised Asset Register, recompiled in terms of Audit Findings in the prior year.

The **prior year amounts** for Property, Plant & Equipment, Amortisation & Depreciation, Impairment Losses, Losses on Disposal of PPE and Operating Costs have been restated to correctly disclose the value of Capital Assets as per Revised Asset Register, recompiled in terms of Audit Findings in the prior year.

Intangible Assets:

The **opening balances** for Intangible Assets and Accumulated Surplus have been restated to correctly disclose the value of Capital Assets as per Revised Asset Register, recompiled in terms of Audit Findings in the prior year.

Investment Property:

The **opening balances** for Investment Property and Accumulated Surplus have been restated to correctly disclose the value of Capital Assets as per Revised Asset Register, recompiled in terms of Audit Findings in the prior year.

	Consumer Deposits	Payables from Exchange Transactions	Payables from Non- exchange Transactions
Balances previously published per AFS as at 30 June 2019	(970 753)	(48 087 150)	-
Reclassification in terms of mSCOA Chart	-	(631 698)	(227 336)
Correction of Errors:-			
Correction of Payables from Exchange	-	-	-
Rounding Errors	(1)	(4)	-
Balances now published per AFS as at 30 June 2019	(970 754)	(48 718 853)	(227 336)
Transactions incurred for the Year 2019/20	(56 628)	(11 965 965)	-
Reclassification in terms of mSCOA Chart	-	2 764 423	-
Correction of Errors:-		(2 132 724)	
Landfill Site Liability adjustment	-	-	-
Correction of Payables from Exchange	-	-	-
Rounding Errors	(0)	4	(0)
Balances now published per AFS as at 30 June 2020	(1 027 382)	(60 053 115)	(227 336)

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	Unspent Conditional Grants and Receipts	VAT Payable	Lease Payables
Balances previously published per AFS as at 30 June 2019	(14 831 073)	(2)	(8 027)
Reclassification in terms of mSCOA Chart	180 453	-	-
Correction of Errors:-			
Correction of Payables from Exchange	-	-	-
Adjustment for Current Lease Payables	-	-	-
Rounding Errors	(3)	2	-
Balances now published per AFS as at 30 June 2019	(14 650 623)	-	(8 027)
Transactions incurred for the Year 2019/20	(12 562 133)	(3 276 130)	(4 900)
Reclassification in terms of mSCOA Chart	-	-	-
Correction of Errors:-			
Landfill Site Liability adjustment	-	-	-
Correction of Payables from Exchange	-	-	-
Rounding Errors	(3)	(2)	-
Balances now published per AFS as at 30 June 2020	(27 212 759)	(3 276 132)	(12 927)
	Borrowings	Employee Benefit Liabilities	Provisions
Balances previously published per AFS as at 30 June 2019	(505 557)	(5 921 539)	-
Reclassification in terms of mSCOA Chart	59 195	5 184 411	(5 255 271)
Correction of Errors:-			
Adjustment for Current Lease Payables	-	-	-
Adjust Post-employment Health Benefit Contributions	-	(177)	-
Rounding Errors	-	0	1
Balances now published per AFS as at 30 June 2019	(446 362)	(737 304)	(5 255 270)
Transactions incurred for the Year 2019/20	(67 462)	(348 643)	-
Reclassification in terms of mSCOA Chart	(59 195)	380 770	(367 744)
Correction of Errors:-			
Adjustment for Current Lease Payables	-	-	-
Adjust Post-employment Health Benefit Contributions	-	(823)	-
Rounding Errors	-	-	0
Balances now published per AFS as at 30 June 2020	(573 019)	(706 000)	(5 623 013)

Employee Benefit Liabilities:

The **opening balances** for Employee Benefit Liabilities and Accumulated Surplus have been restated to correctly disclose the liability for Health Benefits, certain benefits previously not accrued for.

The **prior year amounts** for Employee Benefit Liabilities and Employee Related Costs have been restated to correctly disclose the liability for Health Benefits, certain benefits previously not accrued for.

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	Lease Payables	Borrowings	Employee Benefit Liabilities	Provisions
Balances previously published per AFS as at 30 June 2019	-	(1 435 100)	(11 195 274)	(22 797 083)
Reclassification in terms of mSCOA Chart	-	(59 195)	13 027	(173)
Correction of Errors:-				
Adjust Post-employment Health Benefit Contributions	-	-	(1 355 581)	-
Rounding Errors	0	-	-	-
Balances now published per AFS as at 30 June 2019	0	(1 494 295)	(12 537 828)	(22 797 256)
Transactions incurred for the Year 2019/20	-	571 634	1 413 273	(4 931 924)
Reclassification in terms of mSCOA Chart	-	59 195	(13 026)	-
Correction of Errors:-				
Adjust Post-employment Health Benefit Contributions	-	-	250 581	-
Correction of Payables from Exchange	-	-	-	-
Rounding Errors	(0)	-	-	0
Balances now published per AFS as at 30 June 2020	-	(863 466)	(10 887 000)	(27 729 179)

Employee Benefit Liabilities:

The **opening balances** for Employee Benefit Liabilities and Accumulated Surplus have been restated to correctly disclose the liability for Health Benefits, certain benefits previously not accrued for.

The **prior year amounts** for Employee Benefit Liabilities and Employee Related Costs have been restated to correctly disclose the liability for Health Benefits, certain benefits previously not accrued for.

47.4 Reclassification of Cash Flow Statement

Prior Year Amounts of Items in the Cash Flow Statement have been restated as indicated below:

Reclassification in terms of mSCOA Chart:

The **prior year amounts** of indicated items in the Cash Flow Statement have been reclassified in terms of the mSCOA Item GUID's allocated to these items to agree to the data strings submitted to National Treasury. The net effect of these reclassifications is zero.

Cash Flows from Operating Activities - Receipts:

	Property Rates	Transfers & Subsidies	Service Charges
Balance previously reported	90 471 219	74 235 066	-
Reclassification in terms of mSCOA Chart	(77 480 060)	-	66 036 222
Reclassification of Bad Debts Written-off	-	-	-
Rounding Errors	-	2	-
Balances now published per AFS as at 30 June 2020	12 991 159	74 235 068	66 036 222

	2 132 724,00
	VAT Received

	Interest & Dividends Received	Other Receipts	VAT Received
Balance previously reported	4 236 850	-	-
Reclassification in terms of mSCOA Chart	(3 223 241)	9 286 166	5 500 478
Reclassification of Accounts allocated to Cash Flow Item	-	-	-
Rounding Errors	-	-	-
Balances now published per AFS as at 30 June 2020	1 013 609	9 286 166	5 500 478

Cash Flows from Operating Activities - Payments:

	Employee Related Costs	Remuneration of Councillors	Interest & Dividends Paid
Balance previously reported	-	-	(5 444 672)
Reclassification in terms of mSCOA Chart	(64 419 526)	(3 145 693)	4 464 183
Adjust Cost of Assets as per Audited Asset Register	-	-	1 525 751
Balances now published per AFS as at 30 June 2020	(64 419 526)	(3 145 693)	545 263

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	Suppliers Paid	Other Payments	VAT Paid
Balance previously reported	(112 920 202)	(39 609)	-
Reclassification in terms of mSCOA Chart	73 806 189	(9 498 998)	-
Adjust Cost of Assets as per Revised Asset Register	1	-	-
Adjust Decommissioning of Assets as per Revised Asset Register	-	(1 328 412)	-
Adjust Cost of Assets as per Audited Asset Register	207 123	(1 525 751)	-
Balances now published per AFS as at 30 June 2020	<u>(38 906 889)</u> (2 132 724,00)	<u>(12 392 770)</u>	<u>-</u>

Suppliers Paid:

The **prior year amounts** for Suppliers Paid have been restated to correctly disclose cost of assets as per Revised Asset Register, recompiled in terms of Audit Findings made in the prior year.

Other Payments:

The **prior year amounts** for Other Payments have been restated to correctly disclose decommissioning costs of assets as per Revised Asset Register, recompiled in terms of Audit Findings made in the prior year.

Cash Flows from Investing Activities:

	Purchase of PPE	Purchase of Intangible Assets	Purchase of Investment Property
Balance previously reported	(19 178 183)	-	-
Reclassification in terms of mSCOA Chart	(1 328 411)	-	-
Adjust Cost of Assets as per Revised Asset Register	1 328 411	-	-
Adjust Cost of Assets as per Audited Asset Register	(207 123)	-	-
Balances now published per AFS as at 30 June 2020	<u>(19 385 305)</u>	<u>-</u>	<u>-</u>

Purchase of Property, Plant and Equipment:

The **prior year amounts** for Property, Plant & Equipment have been restated to correctly disclose the value of Capital Assets as per Revised Asset Register,

	Proceeds on Disposal of PPE	Proceeds on Disposal of Intangible Assets	Decrease / (Increase) in LT Receivables
Balance previously reported	-	-	-
Reclassification in terms of mSCOA Chart	-	-	-
Reclassification of Accounts allocated to Cash Flow Item	-	-	-
Rounding Errors	-	-	-
Restated Balance now reported	<u>-</u>	<u>-</u>	<u>-</u>

Cash Flows from Financing Activities:

	Increase in Finance Leases (Leases Taken-on)	Decrease in Finance Leases (Leases Redeemed)	Increase in Borrowings (Loans Taken-on)	Decrease in Borrowings (Loans Redeemed)
Balance previously reported	-	-	-	(504 172)
Reclassification in terms of mSCOA Chart	-	4 900	-	-
Reclassification of Finance Leases	-	-	-	-
Rounding Errors	-	-	-	0
Restated Balance now reported	<u>-</u>	<u>4 900</u>	<u>-</u>	<u>(504 172)</u>

Net Increase / (Decrease) in Cash and Cash Equivalents:

	Cash at Start of Period	Cash at Start of Period
Balance previously reported	11 631 234	42 487 533
Reclassification in terms of mSCOA Chart	(2 213)	-
Reclassification of Accounts allocated to Cash Flow Item	-	-
Reclassification of Account 23570, Courier Services	-	-
Restated Balance now reported	<u>11 629 022</u>	<u>42 487 533</u>

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		2021 R	2020 R
48. CHANGE IN ACCOUNTING ESTIMATES			
Depreciation as previously stated		10 855 001	12 775 112
Adjustment due to Change in Accounting Estimate		-	-
Depreciation as per Note 35.		10 855 001	12 775 112
49. CASH GENERATED BY OPERATIONS			
Surplus / (Deficit) for the Year		(5 087 730)	9 123 821
Adjustment for Non-cash Transactions included in Surplus / (Deficit):			
Transfers and Subsidies Received	Refer Note 26.1	(33 827)	-
Employee Related Costs	Refer Note 33.1	2 977 247	(577 085)
Depreciation and Amortisation	Refer Note 35.1	10 855 001	12 775 112
Impairment Losses	Refer Note 36.1	21 991 996	23 021 491
Interest, Dividends and Rent on Land	Refer Note 37.1	705 044	6 457 675
Operational Costs	Refer Note 43.1	6 782 337	1 525 752
Adjustment for Cash Transactions not included in Surplus / (Deficit):			
Exchange Receivables: Bad Debts Written-off	Refer Note 3.3.1	-	65 166
Statutory Exchange Receivables: Bad Debts Written-off	Refer Note 5.3.1	-	-
Transfer of Property, Plant and Equipment	Refer Note 8.1	-	-
Expenditure from Current Employee Benefit Liabilities	Refer Note 19.1.1	(456 000)	2 785 073
Expenditure from Non-current Employee Benefit Liabilities	Refer Note 19.1.2	(250 000)	(3 522 377)
Expenditure from Non-current Provisions	Refer Note 20.2	-	-
Adjustment for Non-cash Transactions included in Working Capital:			
Inventories	Refer Note 2.1	-	-
Decrease/(Increase) in Impairment of Exchange Receivables	Refer Note 3.3	(16 913 249)	(18 486 100)
Decrease/(Increase) in Impairment of Statutory Non-exchange Receivables	Refer Note 5.3	(3 894 520)	(4 507 476)
Adjustment for Transactions included in Surplus / (Deficit) directly recognised in Cash Flow:			
Gains / (Losses) on Disposal of Capital Assets	Refer Note 44.1	49 922	90 769
Minor Variance on Other Non-cash Transactions		469 512	(3 051 504)
Operating Surplus before Working Capital Changes		17 195 732	25 700 316
Decrease/(Increase) in Inventories		(794 007)	(418 062)
Decrease/(Increase) in Receivables from Exchange Transactions		2 701 740	(2 928 961)
Decrease/(Increase) in Receivables from Non-exchange Transactions		(317)	(0)
Decrease/(Increase) in Statutory Receivables from Non-exchange Transactions		1 320 020	(1 055 729)
Decrease/(Increase) in VAT Receivable		-	2 224 347
Decrease/(Increase) in Operating Lease Receivables		-	(7 981)
Increase/(Decrease) in Consumer Deposits		91 264	56 628
Increase/(Decrease) in Payables from Exchange Transactions		(111 109)	11 334 263
Increase/(Decrease) in Payables from Non-exchange Transactions		373 436	0
Increase/(Decrease) in Unspent Conditional Grants and Receipts		3 687 244	12 562 136
Increase/(Decrease) in VAT Payable		(1 009 272)	3 276 132
Cash Generated by / (Utilised in) Operations		23 454 729	50 743 088
50. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION			
Long-term Liabilities (See Note 20.)		417 749	863 466
Used to finance Property, Plant and Equipment - at cost		(417 749)	(863 466)
Sub-total		-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

2021
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2020
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51. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

51.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening Balance:	16 364 777	95 849 449
Unauthorised Expenditure Current Year:	6 699 423	6 786 374
Approved/Condoned by Council:	-	(86 271 046)
Unauthorised Expenditure awaiting authorisation	<u>23 064 200</u>	<u>16 364 777</u>

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	
- Public Safety - R1 317 351 (2020: R3 547 022)	To be condoned by Council
- Energy Sources - R763 153 (2020: R0)	To be condoned by Council
- Waste Management - R4 618 920 (2020: R3 239 352)	To be condoned by Council
- Adjustment for Operating Expenses - R0 (2020: R0)	To be condoned by Council

51.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure:

Opening Balance	2 655 369	6 638 202
Fruitless and Wasteful Expenditure Current Year	3 441 178	2 027 907
Expenditure investigated and approved by Council	-	(6 010 739)
Fruitless and Wasteful Expenditure awaiting condonement	<u>6 096 548</u>	<u>2 655 369</u>

Incident	Disciplinary Steps / Criminal Proceedings
Interest and penalties on late payment of trade creditors. - R2 167 851 (2020: R2 027 863)	Currently None - subject to possible future investigation
Settlement Agreements. - R1 273 327 (2020: R0)	To be recovered - Receivables from Exchange Transactions
Adjustment for Interest - R0 (2020: R44)	Currently None - subject to possible future investigation

51.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening Balance:	111 815 159	142 500 900
Irregular Expenditure Current Year (Subject to investigation)*:	21 459 507	17 958 489
Condoned/Written-off by Council:	-	(48 644 230)
Irregular Expenditure awaiting condonation	<u>133 274 666</u>	<u>111 815 159</u>

The irregular expenditure is subject to investigation by a service provider appointed by the Municipal Public Accounts Committee.

Current Year:

Incident	Deviation
Non-compliance with Municipal SCM Regulations:	
- Deviations from SCM Procedures - R7 659 252 (2020: R4 514)	Still to be investigated.
- Regulation 13(c) (Declaration of Interest) - R1 334 052 (2020: R0)	Still to be investigated.
- Regulation 29(2) - R0 (2020: R8 735 831)	Still to be investigated.
- Regulation 32 - R12 466 203 (2020: R4 258 056)	Still to be investigated.

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52. ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION

52.1 MUNICIPAL FINANCE MANAGEMENT ACT

52.1.1 Contributions to Organised Local Government - SALGA

Opening Balance	4 194 071	3 442 906
Council Subscriptions	610 669	751 165
Amount Paid - current year	(75 000)	-
Balance Unpaid (included in Creditors)	<u>4 729 740</u>	<u>4 194 071</u>

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52.1.2 Pension and Medical Aid Deductions

Opening Balance	1 609 746	1 559 913
Current Year Contributions	12 563 345	12 405 085
Amount Paid - current year	(11 488 995)	(10 795 339)
Amount Paid - previous years	(1 609 746)	(1 559 913)

Balance Unpaid (included in Creditors)	1 074 350	1 609 746
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52.1.3 Audit Fees

Opening Balance	8 136 513	5 289 680
Current year Audit Fees	3 877 067	2 179 076
Interest Raised on Late / Non-payment	566 933	667 757
Amount Paid - current year	(3 516 067)	-

Balance Unpaid (included in Creditors)	9 064 446	8 136 513
---	------------------	------------------

52.1.4 PAYE, Skills Development Levy and UIF

Opening Balance	370 224	1 028 302
Current year Payroll Deductions	9 720 611	10 135 661
Amount Paid - current year	(9 001 721)	(10 239 230)
Amount Paid - previous years	(615 229)	(554 509)

Balance Unpaid (included in Creditors)	473 885	370 224
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Tax Directives (R 227,572,84, Added on Current Year Contributions) not on Payroll Deductions.

Interest on the directive as at 30 June 2021 (R 85, 399,31, Added on Current Year Contributions) not on Payroll Deductions.

52.1.5 VAT

The net of VAT input receivables and VAT output payables are shown in Note 16. All VAT returns has been submitted throughout the year.

- -

52.1.6 Councillor's arrear Consumer Accounts

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

30 June 2021	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Theron A	2 665	1 239	1 426
Total Councillor Arrear Consumer Accounts	2 665	1 239	1 426

30 June 2020	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Theron A	3 231	1 424	1 807
Total Councillor Arrear Consumer Accounts	3 231	1 424	1 807

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

In terms of section 36(1) of the Municipal Supply Chain Management Policy approved by the Council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:


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30 June 2021

Department	Tenderer	Reason	Amount
Executive Council	Various (6)	Various reasons like impracticality/ urgency/ Continuity and alignment	447 151
Administrative Services	Various (12)	Various reasons like impracticality/ urgency/ Preferred supplier	1 228 209
Community Services	Various (7)	Various reasons like impracticality/ urgency/ Sole Supplier	1 404 879
Financial Services	Various (47)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	2 653 936
Technical Services	Various (6)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	530 294
Total:			6 264 470

30 June 2020

Department	Tenderer	Reason	Amount
Executive Council	Various (6)	Various reasons like Impracticality / Urgency / Continuity and Alignment	900 928
Administrative Services	Various (3)	Various reasons like Impracticality / Urgency / Continuity and Alignment	300 239
Community Services	Various (7)	Exceptional cases and it is impractical or impossible to follow the official procurement processes	109 303
Financial Services	Various (17)	Emergency / Exceptional cases and it is impractical or impossible to follow the official procurement processes	2 225 034
Technical Services	Various (15)	Emergency / Exceptional cases and it is impractical or impossible to follow the official procurement processes	409 886
Total:			3 945 390

52.1.8)(d)(i) of the MFMA

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

Electricity:

		Lost Units	Tariff	Value
30 June 2021	Unaccounted Electricity Losses	<u>4 092 569</u>	<u>1,1464</u>	<u>4 691 582</u>
30 June 2020	Unaccounted Electricity Losses	<u>3 118 783</u>	<u>1,0798</u>	<u>3 367 579</u>

Electricity Losses occur due to inter alia, technical and non-technical losses (Technical losses - inherent resistance

	2021	2020
Volumes in kWh/year:		
System Input Volume	36 023 982	35 351 411
Billed Consumption	<u>31 931 413</u>	<u>32 232 628</u>
Unaccounted	4 092 569	3 118 783
Normal distribution losses - 8% of electricity purchases	<u>2 881 919</u>	<u>2 828 113</u>
	<u>1 210 650</u>	<u>290 670</u>
Percentage Distribution Loss	3,36%	0,82%

Water:

		Lost Units	Tariff	Value
30 June 2021	Unaccounted Water Losses	500 411	0,1925	96 307
30 June 2020	Unaccounted Water Losses	673 537	0,1580	106 419

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

	2021	2020
Volumes in Kl/year:		
System Input Volume	1 897 059	1 990 009
Billed Consumption	<u>1 396 648</u>	<u>1 316 472</u>
Distribution Loss	<u>500 411</u>	<u>673 537</u>
Percentage Distribution Loss	26,38%	33,85%

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53. COMMITMENTS FOR EXPENDITURE

53.1 Capital Commitments

- Approved and Contracted for:-

	33 963 006	12 146 206
Infrastructure	31 102 337	12 035 564
Community	2 860 669	-
Housing Development	-	110 642

Total Capital Commitments

33 963 006	12 146 206
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This expenditure will be financed from:

Government Grants or Equitable Share	33 963 006	12 146 206
	33 963 006	12 146 206

The Capital Commitments are VAT inclusive.

54. FINANCIAL INSTRUMENTS

54.1 Classification

FINANCIAL ASSETS:

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

Financial Assets at Amortised Cost:

Receivables from Exchange Transactions	Electricity	1 072 133	1 200 243
Receivables from Exchange Transactions	Refuse	577 965	1 401 748
Receivables from Exchange Transactions	Sewerage	630 818	780 601
Receivables from Exchange Transactions	Merchandising, Jobbing and Contracts	4 496	(576 816)
Receivables from Exchange Transactions	Other Service Charges	144 148	44 778
Receivables from Exchange Transactions	Water	1 009 680	3 290 427
Receivables from Exchange Transactions	Property Rental Debtors	155	155
Receivables from Exchange Transactions	Deposits for Land	10 308	10 308
Receivables from Non-exchange Transactions	Unauthorised, Irregular, Fruitless and	224 533	224 216
Payables from Exchange Transactions	Salary Related Payables	689 704	689 704
Cash and Cash Equivalents	Call Deposits	40 236 178	37 862 287
Cash and Cash Equivalents	Bank Balances	8 564 046	4 620 746
Cash and Cash Equivalents	Cash Floats and Advances	4 500	4 500
Receivables from Exchange Transactions	Merchandising, Jobbing and Contracts	-	576 816

Total Financial Assets

53 168 665	50 129 713
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FINANCIAL LIABILITIES:

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


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Financial Liabilities at Amortised Cost:

Non-current Borrowings	Development Bank of South Africa	417 749	863 466
Consumer Deposits	Electricity	790 966	765 974
Consumer Deposits	Water	152 021	85 178
Consumer Deposits	Other Deposits	175 658	176 229
Payables from Exchange Transactions	Other Payables	5 419 776	5 124 930
Payables from Exchange Transactions	Retentions	1 909 160	2 806 132
Payables from Exchange Transactions	Trade Creditors	49 459 176	48 731 511
Payables from Non-exchange Transactions	Transfers and subsidies	145 311	180 453
Receivables from Exchange Transactions	Merchandising, Jobbing and Contracts	-	576 816
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	903 185	785 727
Receivables from Non-exchange Transactions	Insurance Claims	455 461	46 883
Unspent Conditional Grants and Receipts	Households	1 601 717	1 929 348
Unspent Conditional Grants and Receipts	National Government	13 909 967	8 251 568
Unspent Conditional Grants and Receipts	Provincial Government	15 388 320	17 031 842
Current Finance Lease Obligations	Current Finance Lease Obligations	(12 927)	(12 927)
Current Borrowings	Development Bank of South Africa	446 424	573 019
Total Financial Liabilities		91 174 891	87 929 078

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

54.2 Capital Risk Management

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22. and the Statement of Changes in Net Assets.


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Gearing Ratio

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

Debt	1 107 453	1 436 485
Cash and Cash Equivalents	(48 804 724)	(42 487 533)
Net Debt	<u>(47 697 271)</u>	<u>(41 051 048)</u>
Equity	<u>235 644 019</u>	<u>240 262 237</u>
Net debt to equity ratio	<u>-20,24%</u>	<u>-17,09%</u>

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

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

54.3 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.

54.4 Significant Risks

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

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

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

Risks and exposures are disclosed as follows:

Market Risk

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

Credit Risk

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

Liquidity Risk

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

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

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

54.5 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.

54.5.1 Foreign Currency Risk Management

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

54.5.2 Interest Rate Risk Management

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

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

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

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

The municipality is exposed to credit interest rate risk as the municipality has 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 54..8 below:

Cash and Cash Equivalents:

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

- Surplus for the year ended 30 June 2021 would have increased / decreased by R114 104 (30 June 2020: R67 634). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

54.6 Credit Risk Management

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

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

Investments/Bank, Cash and Cash Equivalents

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

Trade and Other Receivables

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

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

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

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	2021 R	2020 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Receivables from Exchange Transactions	79 799 699	65 588 190
Receivables from Non-exchange Transactions	224 533	224 216
Bank, Cash and Cash Equivalents	48 804 724	42 487 533
Maximum Credit and Interest Risk Exposure	<u>128 828 956</u>	<u>108 299 939</u>
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:		
	%	%
Exchange Debtors:		
- Service Debtors	98,80%	98,54%
- Other Receivables	0,05%	0,06%
- Other Minor Classes	0,87%	1,06%
Non-Exchange Debtors:		
- Other not Classified	0,28%	0,34%
Total Credit Risk	<u>100,00%</u>	<u>100,00%</u>
Bank and Cash Balances		
Standard Bank	58 976 482	42 483 033
Cash Equivalents	4 500	4 500
Total Bank and Cash Balances	<u>58 980 982</u>	<u>42 487 533</u>
	10 176 258,29	
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Counterparties without external credit rating:-		
High	2 236 644	4 372 196
Medium	571 799	1 117 754
Low	-	-
	<u>2 808 443</u>	<u>5 489 949</u>
Total Receivables from Exchange Transactions	<u>2 808 443</u>	<u>5 489 949</u>
Receivables from Non-exchange Transactions		
High	224 533	224 216
Medium	-	-
Low	-	-
Total Receivables from Non-exchange Transactions	<u>224 533</u>	<u>224 216</u>

Credit quality Groupings:

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

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

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

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

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54. FINANCIAL INSTRUMENTS (Continued)

54.1 Liquidity Risk Management

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

Liquidity and Interest Risk Tables

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

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

Description		Average effective Interest Rate	Total	1 - 6 Months	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2021								
Non-interest Bearing		0,00%	90 310 718	35 286 660	11 816 287	-	43 207 771	-
Fixed Interest Rate Instruments			890 026	890 026	-	-	-	-
			91 200 744	36 176 686	11 816 287	-	43 207 771	-
30 June 2020								
Non-interest Bearing		0,00%	86 492 593	30 519 724	24 463 884	-	31 508 985	-
Fixed Interest Rate Instruments			1 436 485	1 436 485	-	-	-	-
			87 929 078	31 956 209	24 463 884	-	31 508 985	-

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

Description		Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2021								
Non-interest Bearing		0,00%	4 368 441	4 361 441	3 000	3 000	1 000	-
Variable Interest Rate Instruments		2,52%	48 800 224	48 800 224	-	-	-	-
			53 168 665	53 161 665	3 000	3 000	1 000	-
30 June 2020								
Non-interest Bearing		0,00%	7 646 680	7 636 680	3 000	3 000	4 000	-
Variable Interest Rate Instruments		3,75%	42 483 033	42 483 033	-	-	-	-
			50 129 713	50 119 713	3 000	3 000	4 000	-

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

54.2 Other Price Risks

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

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

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

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

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

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

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

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

The total expense recognised in the Statement of Financial Performance of R5 152 321 (2020: R5 523 273) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

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

55.1 DEFINED BENEFIT SCHEMES

LA Retirement Fund, previously Cape Joint Pension Fund (Defined Benefit Scheme):

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2018.

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2018 disclosed an actuarial valuation amounting to R1 776 (2017: R1 859) million, with a surplus of R63 (2017: R47) million, with a funding level of 103.7% (2017: 102.6%).

Government Employees Pension Fund (GEPF):

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2018.

The statutory valuation performed as at 31 March 2018 revealed that the fund had net assets to the amount of R1 800 068 (31 March 2016: R1 629 923) million, with a funding level of 108,3% (31 March 2016: 115,8%). The contribution rate paid by the members (7,50%) and the municipalities (16% in respect of "services" members and 13% in respect of "other" members) is not sufficient to fund the benefits accruing from the fund in the future.

Based on the best-estimate actuarial valuation basis, and ignoring the excess of the assets over the best-estimate liabilities, the required employer contribution rate is 18.9% of pensionable salary in respect of "services" members and 14.4% of pensionable salary in respect of "other" members, reflecting the differences in the benefit structure of these two categories of members. The shortfall in the required contribution rate is estimated to amount to some R5 600 million over the forthcoming year and can be afforded from the excess of the assets over the best-estimate liabilities.

55.2 DEFINED CONTRIBUTION SCHEMES

Consolidated Retirement Fund for Local Government (previously Cape Joint Retirement Fund):

The scheme is subject to an tri-annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2018.

The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R24 108 (30 June 2017: R21 359) million, with funding levels of 100,4% and 128,0% (2017: 100,0% and 127,3%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,5% or 9,0%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

IMATU Retirement Fund:

No information could be obtained.

LA Retirement Fund (previously Cape Joint Pension Fund):

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2018.

The actuarial valuation report at 30 June 2018 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R2 018 (2017: R1 912) million, net investment reserve of R0 (2017: R0) million and a funding level of 100.0% (2017: 100.0%).

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund were R2 552 (30 June 2012: R1 184) million, with a funding level of 101,8% (30 June 2012: 99,5%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

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As reported by the Actuaries, the Fund was following an appropriate investment strategy during the valuation period.

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

No further information could be obtained.

Municipal Workers Retirement Fund (previously South African Municipal Workers' Union Provident Fund):

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2017.

The contribution rate payable is not less than 7,5% by the members and 18% by their councils. As 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 actuarial valuation report at 30 June 2017 disclosed assets amounting to R7 721 (2014: R6 575) million, with a funding level of 102,0% (2014: 111,7%). The Fund's assets are sufficient to cover the members' Fund Credits. The Fund is therefore in a sound financial position.

None of the above mentioned plans are State Plans.

56. RELATED PARTY TRANSACTIONS

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

56.1 Services rendered to Related Parties

During the year the Municipality rendered services to the following related parties that are related to the Municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
Councillors	12 104	56 730	-	10 954
Municipal Manager and Section 57 Personnel	13 667	27 594	-	5 147
Total Services	25 771	84 324	-	16 101
Councillors	12 480	72 557	-	16 464
Municipal Manager and Section 57 Personnel	13 667	27 594	-	5 147
Total Services	26 147	100 151	-	21 611

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

56.2 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by the municipality.

56.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 33 and 34, and Appendix G, to the Annual Financial Statements.

	2021 R	2020 R
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56.4 Purchases from Related Parties

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

Company Name	Related Person	Municipal Capacity	Nature of relationship	Purchases for the Year	Purchases for the Year
Lucrumsoft (Pty) Ltd	N. Lesiela	Official	Director	466 260	-

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	2021 R	2020 R
57. CONTINGENT LIABILITIES		
57.1 Court Proceedings:	2 275 400	2 207 004
Court Proceedings arose due to various claims brought against the Municipality. The attorneys suggested that the		
The likelihood of successfully defending the claims, as well as the timing and possible costs thereof, cannot be determined at this time.		
(i) Susan Steyn / Kannaland Municipality: Pending arbitration against the Municipality for unfair Dismissal.	765 000	225 000
(ii) Frank Vergotine / Kannaland Municipality: The award was made in favour of Kannaland for the dismissal of the employee. However the employee has sought leave to appeal the judgement at the Labour Court.	1 310 400	873 600
(iii) Hendrik Barnard / Kannaland Municipality: Arbitration case lodged by Mr. Hendrik Barnard.	-	1 108 404
(iv) M. Hoogbaard / Kannaland Municipality Arbitration case lodged by Mr. M Hoogbaard	200 000	-
57.2 Insurance Claims:	25 335	-
(i) Alleged Damages Incurred: Claims lodged against the municipality for alleged damages caused by incidents of which the municipality should take ownership, have been referred to the municipality's insurers.	17 895	-
(ii) Various Claim: Claims lodged against the municipality, were rejected as falling within the access payable and the municipality legal office to advise on acknowledging claim.	7 440	-
58. CONTINGENT ASSETS		
The municipality was not engaged in any transaction or event during the year under review involving Contingent		-
58.1 Insurance Claims:	157 873	99 873
(i) Lost / Damaged Assets: The municipality has claims outstanding against its Insurers for lost and/or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of R157 873 (2020: R99 873) will be recovered.	157 873	99 873
58.2 Other:	204 640	-
The municipality in prior year overpaid supplier in respect of Retention Monies owed. The suppliers were overpaid respectively R 15 765,60 (PLE Irrigation Services) and R 188 874,79 (URHWEBO E TRANSAND)	204 640,39	
58.3 Legal case againsts the Executive Council of the Western Cape Province	-	-
The Acting Judge of the Western Cape High Court, Lekhuleni AJ ruled that the administration was unlawful and	-	-
59. IN-KIND DONATIONS AND ASSISTANCE		
The municipality received the following in-kind donations and assistance:		
(i) Property, Plant and Equipment received from National Government	33 827	-
(ii) National Treasury paid external audit fees on behalf of Kannaland Local Municipality	3 030 886	-
60. EVENTS AFTER THE REPORTING DATE		
No event after the reporting date have been identified to date by management of the municipality.		

61. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 47.).

62. OTHER EXTRAORDINARY DISCLOSURES

62.1 PROVINCIAL INTERVENTION

In terms of Section 139 of the Municipal Finance Management Act, Nr. 56 of 2003, a mandatory provincial intervention has taken place to prepare an appropriate recovery plan for the municipality.

Overview of the Financial Recovery Plan

This financial recovery plan is prepared in accordance with the requirements of the Municipal Finance Management Act, 2003. It is based on the status quo assessment contained in the 2016 Voluntary Financial Recovery Plan, the comments of the Auditor-General and the situational analysis provided by the Provincial Treasury in September 2020.

Additionally, this financial recovery plan is aligned to the 4 pillars used by the National Treasury to assess municipal sustainability. These 4 pillars are: Governance, Institutional Stability, Financial Health and Service Delivery.

The strategic objective of this financial recovery plan is to address the current financial distress by focusing on improving the short-term financial liquidity of the municipality and by improving the long-term financial sustainability of the municipality.

This will be achieved in a phased approach, as indicated previously in this document, with a focus on high level targets to be achieved in each phase. Issues pertaining to governance, institutional stability and service delivery will also be addressed in so far as it undermines the financial recovery of the municipality.

To facilitate implementation, the financial recovery plan is divided into three key phases, namely:

Phase 1: Rescue Phase

In this phase, the focus is primarily on cash and restoring the cash position of the municipality. The indicators for rescue phase includes a funded budget, monitoring of the daily cash and cash balances, cost containment measures, focusing on improving the debtor's collection rate, the ring-fencing of conditional grants and ensuring that creditors are paid timeously and that negotiations are entered into to settle any outstanding debt. There is some focus on service delivery and governance matters, however, these are limited to addressing the most visible and easy to resolve issues. However, as resources become available through better cash management, the collection of outstanding debt and the prioritisation of expenditure, service delivery issues can be addressed more comprehensively to secure the revenue base.

This is a short-term phase and is anticipated to last up to one year from the approval date of the Financial Recovery Plan.

Phase 2: Stabilisation Phase

The bulk of the recovery process takes place in the second phase of the recovery plan. This phase is referred to as the stabilisation phase. In this phase, a strong focus on cash, finances and financial management is still maintained but greater attention is placed on the underlying service delivery, governance and institutional matters perpetuating the financial crisis in the municipality, such as the design of a fit for purpose organogram, plans to address the repairs and maintenance and renewal of infrastructure for the water and electricity network through which the municipality loses significant revenues, ensuring that the property valuation roll is updated and that all customers are billed according and other similar measures. management, the collection of outstanding debt and the prioritisation of expenditure, service delivery issues can be addressed more comprehensively to secure the revenue base.

This phase is expected to last between 12 to 24 months or longer depending on progress made by the municipality.

Phase 3: Sustainability Phase

Phase 3 of the recovery plan precedes the exit of the Provincial Intervention Team. Prior to concluding the intervention, there must be a reasonable assurance that measures implemented in Phase 1 and 2 are sustainable, that the municipality is committed to ensuring the implementation of good practice. dressed more comprehensively to secure the revenue base.

In this phase, it is also important to include indicators that give effect to the long-term financial sustainability of the municipality. These would be derived from the Strategic Development Review of the Municipality and the Long-term financing strategy.

In each of the phases and each of the pillars, appropriate targets have been selected to guide the recovery process. These targets have been identified as most appropriate given the nature of issues confronting the municipality. These targets provide an indication of high-level outcomes that must be achieved but do not specify the steps to be taken or the methods to be used to achieve those outcomes. The choice of methods is at the discretion of the Provincial Executive and the Provincial Intervention Team who will be monitored on the progress made in achieving the set targets.

62.2 COVID-19 EXPENDITURE

Background Information

On 31st December 2019 the government in Wuhan, China, confirmed that health authorities were treating dozens of pneumonia cases of unknown cause. A few days later, Chinese researchers identified a new virus which had infected many people in Asia, but at that point in time there was no evidence that the virus was readily spread by humans. The first death in China as a result of the virus was reported on 11th January 2020, shortly before one of China's biggest holidays whereby millions of people travelled across the country. According to the first situation report by World Health Organisation (W.H.O), the first confirmed cases outside China had occurred in Japan, South Korea and Thailand by 20th January 2020. The next day the USA reported their first confirmed case where a man in his 30s developed symptoms after returning from his trip to Wuhan, China.

A "public health emergency of international concern" was officially declared by the W.H.O. on 30th January 2020. On 11th February 2020 the W.H.O. proposed that 'Covid-19' be the official name for the disease that the coronavirus causes, an acronym that stands for coronavirus disease 2019. On 14th February 2020 France announced a death by from coronavirus. This was the fourth death from the virus outside of mainland China. On 23rd February 2020 Italian officials locked down 10 towns after a cluster of cases emerged near Milan. The World Health Organisation declared the COVID-19 outbreak as a global pandemic on 11th March 2020.

COVID-19 in South Africa

Although the coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

	2021 R	2020 R
The table below indicates the total COVID-19 response expenditure (excluding VAT) for the period ending 30 June 2021:		
COVID-19 EXPENDITURE		
Operating Expenditure		
Materials, Supplies and Other Covid - 19 related Expenses	4 208 000	748 000
Total Operating Expenditure	4 208 000	748 000
Total COVID-19 Expenditure	4 208 000	748 000

The table below indicates the Funding Sources for the total COVID-19 response expenditure (excluding VAT) for the period ending 30 June 2021:

COVID-19 FUNDING

Funding Sources for COVID-19 Expenditure

Additional Equitable Share	4 208 000	748 000
Total Funding for COVID-19 Expenditure	4 208 000	748 000

63. GOING CONCERN ASSESSMENT

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

The municipality continues to experience serious financial constraints and it has put in place a Budget Funding Plan which has full support from Provincial Treasury to ensure that the municipality is financial sustainable in the next Medium Term Revenue and Expenditure Framework (MTREF). The municipality will be required to report on monthly basis and Treasury will monitor and evaluate the progress when necessary.

Thus the Annual Financial Statements have been prepared on a going concern basis. Kannaland Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations and will continue to operate as a going concern for at least the next 12 months. The municipality approved a budget funding plan to address the budget deficit and to ensure that the municipality will have the necessary resources to continue its operations.

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

- (i) The municipality has a positive bank balance of R18,740,304 with Standard Bank compared to R4,620,746 in the prior year and a positive cash book balance of R9,962,214 compared to R4,487,283 in the prior year.
- (ii) The municipality has call investment deposits for the current year of R40 236 178 compared to R37 862 287 in the prior year.
- (iii) The municipality had an actual surplus of R-5 087 730 for the current financial year compared to R9 123 821 in the prior year.
- (iv) There was an improvement in the current ratio to 0.56:1 from 0.30:1 in the prior year. However, it is still below a norm of 1:1.
- (v) The municipality is however experiencing difficulty to settle its current liabilities as its net current asset position is insufficient. The current liabilities exceed the current assets with R44 502 125 (2020: R43 719 667).
- (vi) The average debtors' payment days decreased from 203 days to 145 days. The average creditors' payment days decreased from 192 days to 81 days.

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(vii) The municipality had signed repayment agreements with Eskom to repay long outstanding amounts and will in all likelihood have similar repayment agreements with Eskom and other long outstanding creditors going forward. These agreement were adhered to during the course of the year.

Unless sustainable economic growth is achieved, the municipality will face challenges to function as a going concern without government grants and subsidies going forward.


AUDITOR GENERAL
SOUTH AFRICA
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64. SEGMENT REPORTING

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

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

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

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

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

The municipality operates within the following geographical areas:

Ward	Area
1	Caltizdop
2	Ladismith
3	Van Wyksdorp
4	Zoar

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

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64.1 Segmental Analysis of Financial Performance

Year Ended 30 June 2021

Description	Executive and Council	Finance and Administration	Internal Audit	Community and Social Services	Public Safety	Sport and Recreation	Housing	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE														
Revenue from Non-exchange Transactions														
Property Rates	-	19 336 694	-	-	-	-	-	-	-	-	-	-	-	19 336 694
Fines, Penalties and Forfeits	-	164	-	527	58 357	-	-	82 544	-	-	-	-	-	141 591
Licences and Permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and Subsidies	34 236 973	2 642 932	-	15 047 752	-	-	-	511 650	1 122 718	-	-	8 597 140	-	62 159 165
Interest, Dividends and Rent on Land Earned	-	775 682	-	-	-	-	-	-	-	-	-	-	-	775 682
Revenue from Exchange Transactions														
Licences and Permits	-	18 617	-	-	198 600	-	-	-	-	-	-	-	-	217 217
Service Charges	-	-	-	-	-	-	-	-	55 431 792	7 039 515	7 456 302	18 012 993	-	87 940 601
Sales of Goods and Rendering of Services	-	434 916	-	43 940	(5 469)	-	-	-	-	-	-	-	-	473 386
Income from Agency Services	-	-	-	-	-	-	-	1 083 022	-	-	-	-	-	1 083 022
Rental from Fixed Assets	-	504 753	-	101 021	-	-	-	-	-	-	-	-	-	605 774
Interest, Dividends and Rent on Land Earned	-	1 150 490	-	-	-	-	(35 527)	-	116 937	815 032	732 103	1 101 398	-	3 880 434
Operational Revenue	-	331 634	-	-	-	-	-	-	-	-	-	-	-	331 634
Total Revenue	34 236 973	25 195 881	-	15 193 240	251 487	-	(35 527)	1 677 216	56 671 446	7 854 547	8 188 404	27 711 531	-	176 945 200
EXPENDITURE														
Employee Related Costs	8 215 274	25 100 679	-	4 558 867	1 497 036	32 331	860 456	4 216 984	5 355 215	7 526 087	3 019 662	6 412 966	-	66 795 557
Remuneration of Councillors	3 183 979	-	-	-	-	-	-	-	-	-	-	-	-	3 183 979
Depreciation and Amortisation	213 559	270 704	-	381 853	-	138 941	-	2 668 185	2 636 305	(970 182)	2 088 220	3 427 416	-	10 855 001
Impairment Losses	777 299	2 703 090	-	-	-	-	-	41 260	1 184 228	-	-	17 494 561	-	22 200 438
Interest, Dividends and Rent on Land	-	2 049 199	-	848 045	-	-	-	8 081	52 875	-	24 328	62 404	-	3 044 931
Bulk Purchases	-	-	-	-	-	-	-	-	44 054 091	-	-	222 673	-	44 276 763
Contracted Services	2 216 884	3 617 723	-	523 165	-	-	-	536 816	817 131	11 035	251 967	46 927	-	8 021 647
Inventory Consumed	207 044	361 805	-	226 616	55 279	176 263	-	577 985	532 418	1 401 075	78 984	1 918 700	-	5 536 169
Transfers and Subsidies Paid	240 000	5 659	-	-	-	-	-	-	-	-	-	-	-	245 659
Operating Leases	4 983	576 491	-	36 511	-	-	-	-	52 174	(155)	-	(492)	-	669 512
Operational Costs	475 180	5 754 488	-	1 142 180	26 787	32 776	16 364	517 483	1 440 445	7 042 447	290 703	414 500	-	17 153 353
Total Expenditure	15 534 202	40 439 838	-	7 717 237	1 579 101	380 311	876 820	8 566 793	56 174 803	15 010 308	5 753 864	29 999 654	-	182 032 930
Surplus/(Deficit) for the Year	18 702 772	(15 243 957)	-	7 476 003	(1 327 614)	(380 311)	(912 347)	(6 889 577)	496 643	(7 155 760)	2 434 540	(2 288 122.54)	-	(5 087 730)

KANNALAND MUNICIPALITY

Year Ended 30 June 2020

	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE														
Revenue from Non-exchange Transactions														
Property Rates	-	16 753 467	-	-	-	-	-	-	-	-	-	-	-	16 753 467
Fines, Penalties and Forfeits	-	790 991	-	2 778	108 118	-	-	6 526 382	-	-	-	-	-	7 428 269
Licences and Permits	-	6 564	-	-	56 044	-	-	1 263	-	-	-	-	-	63 871
Transfers and Subsidies	28 324 086	6 435 241	-	11 984 167	830 000	-	-	-	202 000	-	-	13 897 438	-	61 672 932
Interest, Dividends and Rent on Land Earned	-	13 973	-	-	-	-	-	-	-	-	-	-	-	13 973
Revenue from Exchange Transactions														
Licences and Permits	-	-	-	-	100 474	-	-	-	-	-	-	-	-	100 474
Service Charges	-	-	-	-	-	-	-	52 824 586	6 742 591	7 008 237	19 619 187	-	-	86 194 600
Sales of Goods and Rendering of Services	-	218 742	-	24 470	1 086 577	-	-	-	-	-	-	-	-	1 329 789
Income from Agency Services	-	-	-	-	-	-	-	828 120	-	-	-	-	-	828 120
Rental from Fixed Assets	-	336 347	-	192 115	-	-	-	-	-	-	-	-	-	528 462
Interest, Dividends and Rent on Land Earned	-	1 013 609	-	-	-	-	-	-	117 565	714 250	673 975	912 487	-	3 431 886
Operational Revenue	-	146 863	-	-	-	-	-	-	-	-	-	-	-	146 863
Total Revenue	28 324 086	25 715 797	-	12 203 530	2 181 213	-	-	7 355 764	53 144 150	7 456 841	7 682 212	34 429 113	-	178 492 706
EXPENDITURE														
Employee Related Costs	8 372 168	23 416 295	-	3 868 000	3 280 801	(54 591)	792 628	4 164 231	3 670 752	3 464 967	2 844 306	4 518 989	-	58 338 545
Remuneration of Councillors	3 145 693	-	-	-	-	-	-	-	-	-	-	-	-	3 145 693
Depreciation and Amortisation	277 575	858 613	-	676 958	222 941	171 114	-	2 821 475	2 162 754	197 346	2 358 213	3 028 124	-	12 775 112
Impairment Losses	2 009 800	3 364 471	-	-	73 317	-	-	3 589 174	-	-	-	17 650 641	-	26 687 403
Interest, Dividends and Rent on Land	-	935 659	-	-	-	-	-	11 809	1 169 519	3 668 677	35 552	91 196	-	5 912 412
Bulk Purchases	-	-	-	-	-	-	-	-	40 538 579	-	-	228 131	-	40 766 711
Contracted Services	1 391 224	5 784 383	-	364 738	-	-	-	384 177	139 383	1 711	234	2 969	-	8 068 820
Inventory Consumed	2 672	814 099	-	82 191	(816)	193 673	-	515 600	251 759	216 334	59 202	323 129	-	2 457 844
Transfers and Subsidies Paid	96 240	-	-	-	-	-	-	-	-	-	-	-	-	96 240
Operating Leases	-	138 138	-	110 625	-	-	-	-	-	19 095	187 785	27 660	-	483 302
Operational Costs	754 749	4 037 179	-	1 233 827	29 579	76 623	8 210	542 442	1 128 338	1 651 259	224 361	859 468	-	10 546 036
Loss on Disposal of Property, Plant and Equip	-	90 769	-	-	-	-	-	-	-	-	-	-	-	90 769
Total Expenditure	16 050 121	39 439 605	-	6 336 339	3 605 822	386 819	800 838	12 028 909	49 061 085	9 219 388	5 709 653	26 730 307	-	169 368 885
Surplus/(Deficit) for the Year	12 273 965	(13 723 808)	-	5 867 191	(1 424 609)	(386 819)	(800 838)	(4 673 145)	4 083 066	(1 762 547)	1 972 559	7 698 805.64	-	9 123 821

64.2 Other Segmental Analysis Disclosures

Year Ended 30 June 2021

Description	Executive and Council	Finance and Administration	Internal Audit	Community and Social Services	Public Safety	Sport and Recreation	Housing	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
Financial Position	R	R	R	R	R	R	R	R	R	R	R	R	R	R
The main components of the Financial Position that is currently considered, and managed, within the defined municipal segments have been determined as follows:														
Receivables from Exchange Transactions:														
- Electricity									1 072 133	577 965				1 072 133
- Refuse											630 818			577 965
- Sewerage												1 009 680		630 818
- Water														1 009 680
	-	-	-	-	-	-	-	-	1 072 133	577 965	630 818	1 009 680	-	3 290 597
Statutory Receivables from Non-exchange Transactions:														
- Fines		1 615 631			1 140									1 615 631
- Property Rates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total for Financial Position	-	1 615 631	-	-	1 140	-	-	-	1 072 133	577 965	630 818	1 009 680	-	4 906 228
Capital Expenditure														
Property, Plant and Equipment	-	905 595	-	2 320 045	-	-	-	182 293	800 685	1 699 837	2 343 787	10 401 486	-	15 254 055
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total for Capital Expenditure	-	905 595	-	2 320 045	-	-	-	182 293	800 685	(1 699 837)	2 343 787	10 401 485.95	-	15 254 055

KANNALAND MUNICIPALITY

Year Ended 30 June 2020

Description	Executive and Council	Finance and Administration	Internal Audit	Community and Social Services	Public Safety	Sport and Recreation	Housing	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
Financial Position	R	R	R	R	R	R	R	R	R	R	R	R	R	R
The main components of the Financial Position that is currently considered, and managed, within the defined municipal segments have been determined as follows:														
Receivables from Exchange Transactions:														
- Electricity									1 200 243	1 401 748				1 200 243
- Refuse											780 601			1 401 748
- Sewerage												3 290 427		780 601
- Water														3 290 427
	-	-	-	-	-	-	-	-	1 200 243	1 401 748	780 601	3 290 427	-	6 673 019
Statutory Receivables from Non-exchange Transactions:														
- Fines					1 358 612									1 358 612
- Property Rates		1 578 180												1 578 180
	-	1 578 180	-	-	1 358 612	-	-	-	-	-	-	-	-	1 578 180
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total for Financial Position	-	1 578 180	-	-	1 358 612	-	-	-	1 200 243	1 401 748	780 601	3 290 427	-	8 251 199
Capital Expenditure														
Property, Plant and Equipment	-	680 987	-	2 987 831	-	-	-	-	351 553	1 525 751	2 031 200	13 126 611	-	20 703 933
Intangible Assets														-
Investment Property														-
Heritage Assets														-
Total for Capital Expenditure	-	680 987	-	2 987 831	-	-	-	-	351 553	1 525 751	2 031 200	13 126 610,86	-	20 703 933