



KANNALAND
MUNISIPALITEIT | MUNICIPALITY

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

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

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KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

General Information

MEMBERS OF THE MAYORAL COMMITTEE AS AT 30 JUNE 2023

Executive Mayor

Elderman J Donson

Deputy Executive Mayor

Cllr W Meshoa

Speaker

Cllr PG Rooi

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
Fax: (028) 551 1766

webpage: www.kannaland.gov.za

MUNICIPAL MANAGER

Mr M Hoogbaard

CHIEF FINANCIAL OFFICER

Mrs R Saptoe

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

General Information (Continued)

LEGAL FORM

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

The Objectives 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 2023

Approval of Annual Financial Statements

MEMBERS OF THE KANNALAND MUNICIPALITY

Ward	Representative	
1	Ald. Donson	J
2	Cllr. Meshoa	WP
3	Cllr. Ruiters	H D
4	Cllr. Steenkamp	A
Proportional	Cllr. Rooi	PG
Proportional	Cllr. Stuurman	L
Proportional	Cllr. Valentyn	N

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 M Hoogbaard
Municipal Manager

30 September 2023

Date

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Report of the Auditor General

- Insert Audit Report -

KANNALAND MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

		Actual	
	Note	2023 R	2022 Restated R
ASSETS			
Current Assets		34,710,636	44,543,698
Inventories	2.	2,399,833	2,256,533
Receivables from Exchange Transactions	3.	5,194,390	4,510,680
Receivables from Non-exchange Transactions	4.	1,525,140	1,709,591
Statutory Receivables from Non-Exchange Transactions	5.	2,520,607	2,623,043
VAT Receivable	6.	2,344,784	2,450,325
Cash and Cash Equivalents	7.	20,725,882	30,934,238
Lease Receivables	15.	-	59,289
Non-Current Assets		308,480,603	319,826,806
Property, Plant and Equipment	8.	307,355,035	318,554,103
Intangible Assets	9.	9,297	23,939
Investment Property	10.	1,116,271	1,156,980
Investments	14.	-	91,785
Total Assets		<u>343,191,239</u>	<u>364,370,504</u>
LIABILITIES			
Current Liabilities		112,829,825	92,078,174
Consumer Deposits	16.	1,364,174	1,216,750
Payables from Exchange Transactions	17.	89,921,363	62,949,395
Payables from Non-exchange Transactions	18.	274,709	654,796
Unspent Conditional Grants and Receipts	19.	13,792,131	18,220,932
Lease Payables	21.	-	12,927
Borrowings	22.	-	633,869
Employee Benefit Liabilities	23.	2,081,000	2,081,000
Provisions	24.	5,396,449	6,308,504
Non-Current Liabilities		31,470,046	41,436,003
Employee Benefit Liabilities	23.	12,621,000	13,344,000
Provisions	24.	18,849,046	28,509,752
Total Liabilities		<u>144,299,871</u>	<u>133,514,176</u>
Total Assets and Liabilities		<u>198,891,369</u>	<u>230,856,328</u>
NET ASSETS		198,891,369	230,856,328
Reserves	25.	461,526	13,507
Accumulated Surplus / (Deficit)	26.	198,429,843	230,842,821
Total Net Assets		<u>198,891,369</u>	<u>230,856,328</u>

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

		Actual	
	Note	2023 R	2022 Restated R
REVENUE			
Revenue from Non-exchange Transactions		79,188,476	88,122,157
Property Rates	27.	25,562,408	25,891,439
Fines, Penalties and Forfeits	28.	395,006	38,651
Licences and Permits	29.	366	24,572
Transfers and Subsidies	30.	50,002,404	60,590,121
Service Charges	31.	667,082	-
Interest, Dividends and Rent on Land Earned	35.	2,561,209	1,577,374
Revenue from Exchange Transactions		113,601,108	109,366,322
Licences and Permits	29.	171,120	134,696
Service Charges	31.	101,943,469	102,394,082
Sales of Goods and Rendering of Services	32.	427,565	307,284
Income from Agency Services	33.	1,215,427	1,098,291
Rental from Fixed Assets	34.	611,426	551,569
Interest, Dividends and Rent on Land Earned	35.	8,020,726	4,639,056
Operational Revenue	36.	602,178	241,343
Total Revenue		192,789,584	197,488,479
EXPENDITURE			
		226,803,882	210,640,152
Employee Related Costs	37.	80,916,613	69,038,744
Remuneration of Councillors	38.	3,273,324	3,147,985
Depreciation and Amortisation	39.	13,957,417	13,715,868
Impairment Losses	40.	30,474,071	29,203,021
Interest, Dividends and Rent on Land	41.	6,069,173	4,244,366
Bulk Purchases	42.	55,312,841	52,458,271
Contracted Services	43.	19,895,920	13,676,795
Inventory Consumed	44.	2,906,729	3,535,827
Transfers and Subsidies Paid	45.	255,000	240,000
Operating Leases	46.	877,156	1,205,300
Operational Costs	47.	12,865,638	15,368,141
Loss on Disposal of Property, Plant and Equipment	48.	-	4,805,834
Total Expenditure		226,803,882	210,640,152
SURPLUS / (DEFICIT) FOR THE YEAR		(34,014,298)	(13,151,674)
Refer to Budget Statement for explanation of budget variances			

KANNALAND MUNICIPALITY

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

	Total Funds & Reserves	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R	R
2022			
Balance at 30 June 2021	13,507	245,205,325	245,218,833
Correction of Error (Note 51)	-	1,583,576	1,583,576
Restated Balance	13,507	246,788,901	246,802,408
Surplus / (Deficit) as per prior 2021/22 AFS		(14,005,185)	(14,005,185)
Correction of Error (Note 51)		(6,891,314)	(6,891,314)
Restated Surplus / (Deficit) for the year	-	(20,896,500)	(20,896,500)
Other Transfers to/from Accumulated Surplus	-	6,533,994	6,533,994
Restated Balance at 30 June 2022	13,507	232,426,396	232,439,902
2023			
Restated Balance	13,507	234,009,970	234,023,477
Surplus / (Deficit) for the year	-	(34,014,298)	(34,014,298)
Other Transfers to/from Accumulated Surplus	448,019	1,601,323	2,049,342
Transfers to/from Accumulated Surplus		-	-
Balance at 30 June 2023	461,526	201,596,995	202,058,521

KANNALAND MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

	Note	Actual 2023 R	2022 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	27.	25,664,844	22,216,667
Transfers and Subsidies	30.	54,431,205	47,877,222
Service Charges	31.	101,259,759	85,836,419
External Interest Received	35.	1,936,338	1,232,382
Other Receipts	36.	20,511,363	8,521,264
VAT Received	6.	2,756,404	-
Other debtors movement		689,584	
Payments			
Employee Related Costs	37.	(80,193,613)	(70,685,612)
Remuneration of Councillors	38.	(3,273,324)	(3,147,985)
External Interest Paid	41.	(6,069,173)	(2,885,933)
Suppliers Paid	44.	(76,569,274)	(59,366,381)
Other Payments	47.	(36,800,443)	(26,596,252)
VAT Paid	20.	(105,541)	(4,717,184)
Other debtors movement			
NET CASH FLOWS FROM OPERATING ACTIVITIES	53.	<u>4,238,130</u>	<u>(1,715,394)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8.	(11,402,870)	(15,415,254)
Proceeds / (Losses) on Disposal of Property, Plant and Equipment	8.	813,000	(20,560)
Proceeds on Disposal of Intangible Assets		292,280	20,560
Decrease / (Increase) in Non-current Investments			(91,785)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(10,297,590)</u>	<u>(15,507,039)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in Borrowings (Loans Redeemed)	22.	(633,869)	(648,052)
(Increase) / Decrease in Provisions		(3,515,027)	
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(4,148,896)</u>	<u>(648,052)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(10,208,356)</u>	<u>(17,870,486)</u>
Cash and Cash Equivalents at Beginning of Financial Year	7.	30,934,238	48,804,724
Cash and Cash Equivalents at End of Financial Year	7.	20,725,882	30,934,238

KANNALAND MUNICIPALITY

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

30 June 2023

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL POSITION								
Current Assets								
Inventories	(2,866,751)	617,390	(2,249,361)	(2,249,361)	2,399,833	4,649,194	-107%	-84%
Receivables from Exchange Transactions	6,755,122	-	4,123,672	4,123,672	5,194,390	1,070,718	126%	77%
Receivables from Non-exchange Transactions	-	-	-	-	1,525,140	1,525,140		
Statutory Receivables from Non-Exchange Transactions	(28,558,620)	(17,822,230)	(46,380,850)	(46,380,850)	2,520,607	48,901,457	-5%	-9%
VAT Receivable	-	-	-	-	2,344,784	2,344,784		
Cash and Cash Equivalents	24,503,116	(8,739,804)	15,763,312	15,763,312	20,725,882	4,962,570	132%	85%
Long-term Receivables	-	(12,927)	(12,927)	(12,927)	-	12,927	0%	
Non-Current Assets								
Property, Plant and Equipment	349,889,685	2,871,672	352,761,357	352,761,357	307,355,035	(45,406,322)	87%	88%
Intangible Assets	38,270	-	38,270	38,270	9,297	(28,973)	24%	24%
Investment Property	1,364,483	-	1,364,483	1,364,483	1,116,271	(248,212)	82%	82%
Long-term Receivables	(8,072)	8,072	-	-	-	-		0%
Total Assets	351,117,233	(23,077,827)	325,407,956	325,407,956	343,191,239	17,783,283	105.46	97.74
Current Liabilities								
Consumer Deposits	1,027,381	-	1,027,381	1,027,381	1,364,174	336,793	133%	133%
Provisions	12,618,551	-	12,618,551	12,618,551	5,396,449	(7,222,102)	43%	43%
Payables from Exchange Transactions	32,940,051	11,992,458	44,932,509	44,932,509	89,921,363	44,988,854	200%	273%
Payables from Non-exchange Transactions	-	-	-	-	274,709	274,709		
Unspent Conditional Grants and Receipts	24,513,754	-	24,513,754	24,513,754	13,792,131	(10,721,623)	56%	56%
VAT Payable	(42,674,279)	-	(42,674,279)	(42,674,279)	-	42,674,279	0%	0%
Lease Payables	-	-	-	-	-	-		
Borrowings	(1,730,566)	2,316,512	585,946	585,946	-	(585,946)	0%	
Non-Current Liabilities								
Borrowings	(428,844)	-	(428,844)	(428,844)	-	428,844	0%	0%
Employee Benefit Liabilities	-	-	-	-	14,702,000	14,702,000		
Non-current Provisions	37,511,180	-	37,511,180	37,511,180	18,849,046	(18,662,134)	50%	50%
Total Liabilities	63,777,228	14,308,970	78,086,198	78,086,198	144,299,871	66,213,673	184.80	226.26
Total Assets and Liabilities	287,340,005	(37,386,797)	247,321,758	247,321,758	198,891,369	(48,430,389)	80.42	69.22
Net Assets (Equity)								
Reserves	10,903,711	-	10,903,711	10,903,711	461,526	(10,442,185)	4%	4%
Accumulated Surplus / (Deficit)	238,953,396	(2,522,422)	236,430,974	236,430,974	198,429,843	(38,001,131)	94%	93%
Total Net Assets	249,857,107	(2,522,422)	247,334,685	247,334,685	198,891,369	(48,443,316)	80.41	79.60

Financial Position: Explanation of Variances between Approved Budget and Actual

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

Inventories:

The municipality still struggles with mSCOA Balance Sheet budgeting and therefor the negative entry under inventory (incorrect use of withdrawals and deposits). The correct use of contra accounts during budgeting still remains an issue.

Receivables from Exchange Transactions:

The budget assumptions that were intended to give effect to the original budget did not realize, like the collect rate etc.

Receivables from Non-exchange Transactions

Incorrect contra accounts were used during the budget process and therefor no budget.

Statutory Receivables from Non-Exchange Transactions

The municipality still struggles with mSCOA Balance Sheet budgeting and therefor the negative, in addition this contra account was incorrectly used for grant allocations.

VAT Receivable:

The municipality did not budget for VAT as required in terms of mSCOA

Cash and Cash Equivalents:

The municipality's inability to spent its grants leads to cash and cash equivalents not meeting the budget, as this covers the cash backed component of the budget.

Operating Lease Receivables:

The actual amount relates to an opening balance correction.

Investment Property

A lack of funding caused the underperformance.

Intangible Assets:

A lack of funding caused the underperformance.

Long-term Receivables:

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

Consumer Deposits:

The budget accounted for the recognition of deposits that cannot be claimed anymore as revenue. It is very incidental in nature and more connections than anticipated caused the variance.

Provisions:

Employee Benefit Liabilities:

Payables from Non-exchange Transactions:

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

Unspent Conditional Grants and Receipts:

Long-term Liabilities:

Non-current Provisions:

Accumulated Surplus/(Deficit):

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	24,836,338	-	24,836,338	24,836,338	25,562,408	726,070	103%	103%
Fines, Penalties and Forfeits	6,006,500	24,000	6,030,500	6,030,500	395,006	- 5,635,494	7%	7%
Licences and Permits	30,000	-	30,000	30,000	366	- 29,634	1%	1%
Transfers and Subsidies	53,693,000	26,524,790	80,217,790	80,217,790	50,002,404	- 30,215,386	62%	93%
Interest, Dividends and Rent on Land Earned	1,728,000	-	1,728,000	1,728,000	2,561,209	833,209	148%	148%
Revenue from Exchange Transactions								
Licences and Permits	334,000	- 175,020	158,980	158,980	171,120	12,140	108%	51%
Service Charges	109,715,140	- 70	109,715,070	109,715,070	101,943,469	- 7,771,601	93%	93%
Sales of Goods and Rendering of Services	273,670	-	273,670	273,670	427,565	153,895	156%	156%
Income from Agency Services	1,200,000	-	1,200,000	1,200,000	1,215,427	15,427	101%	101%
Rental from Fixed Assets	607,450	-	607,450	607,450	611,426	3,976	101%	101%
Interest, Dividends and Rent on Land Earned	3,920,000	700,000	4,620,000	4,620,000	8,020,726	3,400,726	174%	205%
Operational Revenue	201,110	80	201,190	201,190	602,178	400,988	299%	299%
Total Revenue	202,545,208	27,073,780	229,618,988	229,618,988	192,122,502	- 38,105,684	83.67	94.85
Expenditure								
Employee Related Costs	80,238,665	- 19,241,300	60,997,365	60,997,365	80,916,613	19,919,248	133%	101%
Remuneration of Councillors	3,356,500	37,550	3,394,050	3,394,050	3,273,324	- 120,726	96%	98%
Depreciation and Amortisation	13,221,750	- 1,000,020	12,221,730	12,221,730	13,957,417	1,735,687	114%	106%
Impairment Losses	23,594,439	- 10,056,246	13,538,193	13,538,193	30,474,071	16,935,878	225%	129%
Interest, Dividends and Rent on Land	2,071,950	- 1,890,980	180,970	180,970	6,069,173	5,888,203	3354%	293%
Bulk Purchases	58,023,710	- 15,260,482	42,763,228	42,763,228	55,312,841	12,549,613	129%	95%
Contracted Services	13,749,030	4,721,562	18,470,592	18,470,592	19,895,920	1,425,328	108%	145%
Inventory Consumed	5,070,590	6,806,030	11,876,620	11,876,620	2,906,729	- 8,969,891	24%	57%
Transfers and Subsidies Paid	450,000	20,000	470,000	470,000	255,000	- 215,000	54%	57%
Operating Leases	843,000	- 140,050	702,950	702,950	877,156	174,206	125%	104%
Operational Costs	18,096,172	- 4,944,420	13,151,752	13,151,752	12,865,638	- 286,114	98%	71%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	1,843,760		
Total Expenditure	218,715,806	- 40,948,356	177,767,450	177,767,450	226,803,882	50,880,192	127.58	103.70
Surplus/(Deficit for the Year)	(16,170,598)	68,022,136	51,851,538	51,851,538	(34,681,380)	(88,985,875)	-	-

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

During the drafting of the original budget the valuation process (GV) was still ongoing and various category and valuation changes followed afterwards.

Fines, Penalties and Forfeits

The municipality reduced the budget due to not being able to procure speed cameras. The original budget was mainly based on the issuing of speed fines through the use of cameras.

Licences and Permits

This item is very incidental in nature and difficult to budget for. Revenue raised was much less than in prior years with internal capacity issues and broken equipment (eye testing machine) contributing to the under performance.

Transfers and Subsidies

The municipality did not receive all grants allocated (RBIC & Human Settlements not realizing).

Interest, Dividend and Rent on Land Earned

Interest calculations were based on debt to be written-off during the prior year but due to a very late write-off process, interest accumulated on prescription and old indigent debt. There was also the expectation that old long outstanding rates might be written-off that did not realize.

Revenue from Exchange Transactions

Sales of Goods and Rendering of Services

This item is very cyclical and incidental in nature. Initial budgeting was high, influenced by fire tariffs that were discontinued and very much based on past performance. Covid also had a significant impact on past and current year performance (Cemetery and Burial services).

Rental from Fixed Assets

Original budget was very much based on past performance with the variable of renting of community facilities not realizing as expected based on past experience and the anticipation to return to normal after the Covid restrictions were lifted.

Interest, Dividends and Rent on Land Earned

Interest calculations were based on debt to be written-off during the prior year but due to a very late write-off process, interest accumulated on prescription and old indigent debt.

Operational Revenue

Collection charges and commissions were significantly lower than during the prior year. The municipality changed vendor responsible for the administration and vending relating to the sales of pre-paid electricity.

Final Revenue Budget Variance

Revenue from Non-exchange Transactions

Fines, Penalties and Forfeits

The municipality reduced the budget due to not being able to procure speed cameras. The revenue collected was fines issued by provincial government over which the municipality have little control.

Licences and Permits

This item is very incidental in nature and difficult to budget for. Revenue raised was much less than in prior years with internal capacity issues and broken equipment (eye testing machine) contributing to the under performance. At the time of the final budget it was still expected to recover.

Transfers and Subsidies

The municipality did not receive all grants allocated (RBIC & Human Settlements not realizing).

Revenue from Exchange Transactions

Sales of Goods and Rendering of Services

This item is very cyclical and incidental in nature. Initial budgeting was high, influenced by fire tariffs that were discontinued and very much based on past performance. Covid also had a significant impact on past and current year performance (Cemetery and Burial services).

Interest, Dividends and Rent on Land Earned

Interest calculations were based on debt to be written-off much sooner (prescription and indigent debt) as well as more indigent registrations that did not realize as planned.

Operational Revenue

Collection charges and commissions were significantly lower than during the prior year. The municipality changed vendor responsible for the administration and vending relating to the sales of pre-paid electricity.

Expenditure Variance Original Budget

Employee Related Cost

Appointment of staff and increases in other benefits not accounted for in Original Budget.

Remuneration of Councillors

The increase on Council Remuneration not implemented for the financial year.

Impairment Loss

Bad debt write-off expected to be in previous financial year, plus interest on old debt not accounted for.

Contracted Services

Expenditure less that was originally budgeted for due to cash constraints and not all grants gazetted was received.

Inventory Consumed

Less expenditure on essentials due to cash constraints.

Transfers and Subsidies Paid

Provision made for tourism, not paid in full due ro financial constraints.

Operating Leases

No proper provision for lease expenditure with additional buildings leased and the finance office being omitted.

Operational Cost

Expenditure on operational cost higher than anticipated due to increase in fuel, employee cost.

Expenditure Variance Final Budget

Employee Related Cost

Appointment of staff and increases in other benefits not accounted for in Adjustment Budget.

Remuneration of Councillors

The increase on Council Remuneration not implemented for the financial year.

Impairment Loss

Bad debt write-off expected to be in previous financial year, plus interest on old debt not accounted for.

Interest, Dividends and Rent on Land

No proper provision made for Interest on overdue accounts (primarily Eskom), employee benefits and Landfill site.

Contracted Services

Expenditure Less that was originally budgeted for due to cash constraints and not all grants gazetted was received.

Inventory Consumed

Less expenditure on essentials due to cash constraints.

Transfers and Subsidies Paid

Provision made for Tourism, not paid in full due ro financial constraints.

30 June 2023

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CASH FLOW								
Cash Flows from/(used in) Operating Activities								
Receipts								
Property Rates	20,212,714	137,206	20,349,920	20,349,920	25,664,844	5,314,924	114%	115%
Transfers and Subsidies	67,361,300	(171,964)	67,189,336	67,189,336	54,431,205	(12,758,131)	68%	68%
Service Charges	89,407,307	(2,668,327)	86,738,980	86,738,980	101,259,759	14,520,779	96%	93%
External Interest and Dividends Received	3,961,230	(56,040)	3,905,190	3,905,190	1,936,338	(1,968,852)	47%	47%
Other Receipts	9,833,116	(5,937,826)	3,895,290	3,895,290	20,511,363	16,616,073	141%	56%
Payments								
Employee Related Costs	(66,606,340)	-	(66,606,340)	(66,606,340)	(80,193,613)	(13,587,273)	119%	119%
Remuneration of Councillors	(3,636,680)	-	(3,636,680)	(3,636,680)	(3,273,324)	363,356	90%	90%
External Interest and Dividends Paid	-	-	-	-	(6,069,173)	(6,069,173)		
Suppliers Paid	(57,488,947)	(9,413,953)	(66,902,900)	(66,902,900)	(76,569,274)	(9,666,374)	76%	88%
Other Payments	(24,642,723)	(9,577,574)	(34,220,297)	(34,220,297)	(36,800,443)	(2,580,146)	50%	69%
VAT Receivable / Payable	-	-	-	-	(105,541)	(105,541)		
Cash Flows from/(used in) Investing Activities								
Purchase of Property, Plant and Equipment	(23,767,300)	(2,871,672)	(26,638,972)	(26,638,972)	(11,402,870)	15,236,102	34%	38%
Purchase of Intangible Assets	-	-	-	-	-	-		
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	813,000	813,000		
Proceeds on Disposal of Intangible Assets	-	-	-	-	292,280	292,280		
Proceeds on Disposal of Investment Property	-	-	-	-	-	-		
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-		
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-		
Cash Flows from/(used in) Financing Activities								
Increase in Long-term Loans (Loans Taken-on)	(572,310)	(147,690)	(720,000)	(720,000)	(633,869)	86,131	30%	38%
Decrease in Short-term Loans (Loans Repaid)	-	-	-	-	-	-		
Cash and Cash Equivalents at Beginning of the Year	42,487,533		84,975,066	84,975,066	30,934,238	9,263,560	36.40	72.81
Cash and Cash Equivalents at End of the Year	56,548,900		69,355,974	69,355,974	20,725,882			

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

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

Property Rates

The indigent cap was set to low that included low cost housing and the new valuation roll with tariff increase on a capital increase led to a lower collection rate (increase 27%+).

Service Charges

Transfers and Subsidies

External Interest and Dividends Received

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.

Employee Related Costs

Appointment of staff placement of staff and increases in other benefits was not accounted for in Original Budget.

Remuneration of Councillors

The increase on Council Remuneration not implemented for the financial year.

External Interest and Dividends Paid

No proper provision made for Interest on overdue accounts (primarily Eskom) employee benefits and Landfill site.

Suppliers Paid

Other Payments

The budget was not sufficient due to a lack of inputs that led to several expenses being not accounted for including leases and unforeseen costs like excessive legal costs etc.

VAT Receivable / Payable

The municipality did not budget for VAT in terms of mSCOA.

Purchase of Property, Plant and Equipment

Not all grant funding realized and procurement planning needs to improve.

1. BASIS OF PRESENTATION

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

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

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

1.1 Presentation Currency

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

1.2 Critical Judgements, Estimations and Assumptions

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

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

- **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. On the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

1.2.2 Water Inventory

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

1.2.3 Impairment of Financial Assets

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

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

1.2.4 Impairment of Statutory Receivables

Accounting Policy 5.3 on Impairment of Statutory Receivables describes the process followed to determine the value at which Statutory Receivables should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Statutory Receivables recorded during the year is appropriate.

1.2.5 Capitalisation of Capital Assets

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

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

As described in Accounting Policies 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.

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 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.

1.5 Standards, Amendments to Standards and Interpretations published but not yet Effective or Relevant

The following Standards and Interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

Standard of GRAP / Nature of Impending Changes / Expected Impact		Effective Date	Planned Date for Application by Municipality
• GRAP 1	Presentation of Financial Statements (Amended) Unlikely that there will be a material impact	01/04/2023	30/06/2024
• GRAP 25	Employee Benefits (As Revised) Unlikely that there will be a material impact	Not yet determined	Not yet determined
• GRAP 104	Financial Instruments (As Revised) Unlikely that there will be a material impact	01/04/2025	30/06/2026
• GRAP 2020	Improvement to the Standards of GRAP 2020 Unlikely that there will be a material impact	01/04/2023	30/06/2024
• IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (As Revised) Unlikely that there will be a material impact	Not yet determined	Not yet determined
• IGRAP 21	The Effect of Past Decisions on Materiality Unlikely that there will be a material impact	01/04/2023	30/06/2024
• Guideline	Accounting for Landfill Sites Unlikely that there will be a material impact	Not yet determined	Not yet determined

2. BUDGET INFORMATION

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

The approved budget covers the period from 1 July 2022 to 30 June 2023.

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, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

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

3.2 Subsequent Measurement

3.2.1 Consumable Stores

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

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

3.2.2 Water Inventory

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

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

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
Investments with financial institutions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Fixed Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	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

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.

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.

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 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.

5.2 Subsequent Measurement

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

5.3 Impairment

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

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

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

- Assessment Rates
- Fines

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

5.4 Derecognition

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

The municipality derecognises a receivable if the municipality, despite having retained some significant risks and rewards of ownership, transfers control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality recognises separately any rights and obligations created or retained in the transfer. The carrying amount of 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.

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.

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.

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.

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

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the municipality that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

All other 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.

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.

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.

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 determined using the Weighted Average 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.

A vote is defined as a Directorate. The municipality has the following Directorates:

- Municipal Manager
- Corporate Services
- Financial Services
- Technical Services

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.

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 2023

	2023 R	2022 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	1,080,659	937,358
Water - At Cost	57,174	57,174
Total Inventories	<u>2,399,833</u>	<u>2,256,533</u>

The cost of Inventories recognised as an expense includes R2,906,729 (2022: R3,535,827).

Obsolete and/or Lost Inventories to the amount of R1 336 461 for the 2023 financial year (2022: R2 030 643) were written off and recognised in Profit and Loss during the period.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2023			
Service Debtors:	85,848,073	81,343,542	4,504,531
Electricity	2,910,242	1,932,586	977,656
Refuse	25,880,742	24,530,599	1,350,143
Sewerage	22,322,272	21,553,231	769,041
Merchandising, Jobbing and Contracts	1,086,415	533,369	553,046
Other Service Charges	(433,551)	-	(433,551)
Water	34,081,954	32,793,758	1,288,195
Other Receivables	39,606	39,450	155
Property Rental Debtors	39,606	39,450	155
Control, Clearing and Interface Accounts	(1,063,255)	-	(1,063,255)
Receivables with Credit Balances	1,063,255	-	1,063,255
Exchange Payables with Debit Balances	689,704	-	689,704
Total Receivables from Exchange Transactions	<u>86,577,383</u>	<u>81,382,993</u>	<u>5,194,390</u>

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Service Debtors:	60,835,024	57,024,511	3,810,513
Electricity	2,815,520	1,509,086	1,306,435
Refuse	18,502,703	17,795,760	706,943
Sewerage	15,971,144	15,212,060	759,084
Merchandising, Jobbing and Contracts	1,086,415	533,369	553,046
Other Service Charges	(439,599)	-	(439,599)
Water	22,898,841	21,974,237	924,604
Other Receivables	39,606	39,450	155
Property Rental Debtors	39,606	39,450	155
Control, Clearing and Interface Accounts	(962,915)	-	(962,915)
Deposits for Land	10,308	-	10,308
Receivables with Credit Balances	962,915	-	962,915
Exchange Payables with Debit Balances	689,704	-	689,704
Total Receivables from Exchange Transactions	61,574,642	57,063,962	4,510,680

3.2 Ageing of Receivables from Exchange Transactions

As at 30 June 2023

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	1,132,155	148,373	113,812	1,515,902	2,910,242
Less: Provision for Impairment	642,604	84,215	64,599	860,876	1,652,294
Net Balances	489,551	64,157	49,213	655,026	1,257,948
Refuse:					
Gross Balances	1,378,943	554,851	550,190	23,396,758	25,880,742
Less: Provision for Impairment	1,338,020	538,385	533,862	22,120,332	24,530,599
Net Balances	40,923	16,466	16,328	1,276,426	1,350,143
Sewerage:					
Gross Balances	1,296,357	487,954	483,983	20,053,978	22,322,272
Less: Provision for Impairment	1,250,549	470,711	466,880	19,365,091	21,553,231
Net Balances	45,809	17,243	17,102	688,887	769,041
Water:					
Gross Balances	1,925,066	898,537	889,478	30,368,872	34,081,954
Less: Provision for Impairment	1,860,866	868,571	859,814	29,484,799	33,074,050
Net Balances	64,201	29,967	29,664	884,073	1,007,904
Other Receivables:					
Gross Balances	-	-	-	39,606	39,606
Less: Provision for Impairment	-	-	-	39,450	39,450
Net Balances	-	-	-	155	155
	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	5,732,521	2,089,715	2,037,463	75,375,116	85,234,815
Less: Provision for Impairment	5,092,038	1,961,882	1,925,156	71,870,549	80,849,626
Net Balances	640,484	127,833	112,307	3,504,567	4,385,189

As at 30 June 2022

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	910,235	431,917	186,019	1,287,348	2,815,518
Less: Provision for Impairment	-	-	-	-	1,509,086
Net Balances	910,235	431,917	186,019	1,287,348	1,306,433
Refuse:					
Gross Balances	745,219	1,094,203	520,789	16,141,821	18,502,032
Less: Provision for Impairment	-	-	-	-	17,795,760
Net Balances	745,219	1,094,203	520,789	16,141,821	706,272
Sewerage:					
Gross Balances	718,676	967,267	453,393	13,830,856	15,970,193
Less: Provision for Impairment	-	-	-	-	15,212,060
Net Balances	718,676	967,267	453,393	13,830,856	758,133
Water:					
Gross Balances	1,082,398	1,736,504	1,017,766	19,074,691	22,911,359
Less: Provision for Impairment	-	-	-	-	21,974,237
Net Balances	1,082,398	1,736,504	1,017,766	19,074,691	937,122
Other Receivables:					
Gross Balances	(2,525,803)	67,195	29,377	556,502	(1,872,729)
Less: Provision for Impairment	-	-	-	-	572,819
Net Balances	(2,525,803)	67,195	29,377	556,502	(2,445,548)
All Receivables:					
Gross Balances	930,723	4,297,086	2,207,344	50,891,219	58,326,373
Less: Provision for Impairment	-	-	-	-	57,063,962
Net Balances	930,723	4,297,086	2,207,344	50,891,219	1,262,411

2023
R

2022
R

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	57,063,962	75,660,291
Impairment Losses recognised	5,966,000	-
Impairment Losses reversed	18,353,031	(18,596,329)
Balance at end of year	81,382,993	57,063,962

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2023			
Insurance Claims	(129,398)	-	(129,398)
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	1,525,140	-	1,525,140
Receivables with Credit Balances	129,398	-	129,398
Total Receivables from Non-exchange Transactions	1,525,140	-	1,525,140

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Insurance Claims	(509,485)	-	(509,485)
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	1,709,591	-	1,709,591
Receivables with Credit Balances	509,485	-	509,485
Total Receivables from Non-exchange Transactions	1,709,591	-	1,709,591

2023
R

2022
R

4.2 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2023

	Current 0 - 30 days	Past Due 31 - 60 Days 61 - 90 Days + 90 Days			Total
Rates:					
Gross Balances	1,733,777	1,882,189	753,431	28,224,043	32,593,440
Less: Provision for Impairment	-	-	-	-	30,058,714
Net Balances	1,733,777	1,882,189	753,431	28,224,043	2,534,726
Unauthorised, Irregular, Fruitless and Wasteful Expenditure:					
Gross Balances	1,525,140	-	-	-	1,525,140
Less: Provision for Impairment	-	-	-	-	-
Net Balances	1,525,140	-	-	-	1,525,140

As at 30 June Receivables of R30,859,663 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current 0 - 30 days	Past Due 31 - 60 Days 61 - 90 Days + 90 Days			Total
All Receivables:					
Gross Balances	3,258,917	1,882,189	753,431	28,224,043	34,118,580
Less: Provision for Impairment	-	-	-	-	-
Net Balances	3,258,917	1,882,189	753,431	28,224,043	34,118,580

As at 30 June 2022

	Current 0 - 30 days	Past Due 31 - 60 Days 61 - 90 Days + 90 Days			Total
Insurance Claims:					
Gross Balances	(509,485)	-	-	-	(509,485)
Less: Provision for Impairment	-	-	-	-	-
Net Balances	(509,485)	-	-	-	(509,485)
Unauthorised, Irregular, Fruitless and Wasteful Expenditure:					
Gross Balances	1,709,591	-	-	-	1,709,591
Less: Provision for Impairment	-	-	-	-	-
Net Balances	1,709,591	-	-	-	1,709,591

As at 30 June Receivables of R0 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current 0 - 30 days	Past Due 31 - 60 Days 61 - 90 Days + 90 Days			Total
All Receivables:					
Gross Balances	1,200,105	-	-	-	1,200,105
Less: Provision for Impairment	-	-	-	-	-
Net Balances	1,200,105	-	-	-	1,200,105

5. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2023			
Property Rates	37,530,231	35,194,326	2,335,904
Fines	9,916,376	9,731,674	184,703
Total Statutory Receivables from Non-Exchange Transaction	47,446,607	44,926,000	2,520,607

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Property Rates	32,679,998	30,058,714	2,621,284
Fines	8,602,976	8,601,218	1,759
Total Statutory Receivables from Non-Exchange Transaction	41,282,974	38,659,931	2,623,043

Traffic Fines arise from fines issued by the municipality's traffic officials. These fines is issued according 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 2023

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	2,627,132	678,608	629,336	33,596,856	37,531,932
Less: Provision for Impairment	2,445,332	631,647	585,785	31,533,263	35,196,028
Net Balances	181,800	46,960	43,551	2,063,593	2,335,904

Fines:					
Gross Balances	-	-	-	9,916,376	9,916,376
Less: Provision for Impairment	-	-	-	9,731,674	9,731,674
Net Balances	-	-	-	184,702	184,702

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	2,627,132	678,608	629,336	43,513,233	47,448,308
Less: Provision for Impairment	2,445,332	631,647	585,785	41,264,937	44,927,702
Net Balances	181,800	46,960	43,551	2,248,295	2,520,607

As at 30 June 2022

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	1,733,777	1,882,189	753,431	28,224,043	32,593,440
Less: Provision for Impairment	-	-	-	-	30,058,714
Net Balances	1,733,777	1,882,189	753,431	28,224,043	2,534,726

Fines:					
Gross Balances	-	-	-	8,602,976	8,602,976
Less: Provision for Impairment	-	-	-	8,601,218	22,381
Net Balances	-	-	-	1,759	8,580,595

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	1,733,777	1,882,189	753,431	36,827,020	41,196,416
Less: Provision for Impairment	-	-	-	-	30,081,095
Net Balances	1,733,777	1,882,189	753,431	36,827,020	11,115,321
				2023	2022
				R	R

5.3 Reconciliation of Provision for Impairment

Balance at Beginning of year	38,659,931	34,391,056
Impairment Losses Recognised	6,266,069	4,268,875
Balance at end of year	44,926,000	38,659,931

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.

	2023	2022
	R	R
6. VAT RECEIVABLE		
Vat Payable.	(40,151,008)	(54,297,447)
VAT Payable Control	(61,544,882)	(61,540,731)
VAT Credit Output	4,114,987	2,773,559
Output VAT	17,278,888	4,469,725
Vat Receivable.	(37,806,224)	(51,847,122)
Vat Receivable	2,344,784	2,450,325

VAT Payable is the Net Payable from all VAT Control Accounts and agree to the VAT201 Returns.

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.

	2023	2022
	R	R
7. CASH AND CASH EQUIVALENTS		
Current Investments	18,612,860	27,292,284
Bank Accounts	2,112,022	3,637,454
Cash on Hand	1,000	4,500
Total Bank, Cash and Cash Equivalents	20,725,882	30,934,238

-3,500.00

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	18,612,860	27,292,284
Total Current Investment Deposits	<u>18,612,860</u>	<u>27,292,284</u>

The Municipality has the following investment accounts:

	Bank Statement Balances		Cash Book Balances	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Standard Bank - Account Number 288798546 (Call Deposit)	18,630,664	27,310,089	18,612,860	27,292,284
	<u>18,630,664</u>	<u>27,310,089</u>	<u>18,612,860</u>	<u>27,292,284</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 2.650 % to 3.650 % (2022: 2.00 % to 7.00 %) per annum.

7.3 Bank Accounts

Cash in Bank	2,112,022	3,637,454
Total Bank Accounts	<u>2,112,022</u>	<u>3,637,454</u>

The Municipality has the following operational bank accounts:

	2023 R	2022 R
Primary Bank Account		
Cash book balance at beginning of year	3,637,454	4,620,746
Cash book balance at end of year	<u>2,116,522</u>	<u>3,637,454</u>
 Standard Bank - Ladismith Branch - Cheque Account Number: 420543546		
Bank statement balance at beginning of year	980,552	2,405,547
Bank statement balance at end of year	<u>1,432,944</u>	<u>980,552</u>
 Standard Bank - Ladismith Branch - Cheque Account Number: 420543554		
Bank statement balance at beginning of year	376,217	717,091
Bank statement balance at end of year	<u>486,097</u>	<u>376,217</u>
 Standard Bank - Ladismith Branch - Cheque Account Number: 420543562		
Bank statement balance at beginning of year	1,289,020	1,367,645
Bank statement balance at end of year	<u>284,402</u>	<u>1,289,020</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	1,000	4,500
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>1,000</u>	<u>4,500</u>

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

8. PROPERTY, PLANT AND EQUIPMENT

30 June 2023

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Infra-structure	Community	Machinery and Equipment	Furniture and Office Equipment	Computer Equipment	Other	Transport Assets	Leased Assets	Total
	R	R	R	R	R				R	R	R	R
Carrying values at 01 July 2022	4,582,994	1,925,958	280,954,819	280,954,819	29,703,170	(637,579)	457,616	(961,076)	(1,141,039)	2,528,200	-	318,554,103
Cost	4,582,994	3,742,885	439,847,298	439,847,298	39,707,919	1,475,198	2,347,180	1,831,790	5,654,168	5,981,292	-	499,516,556
- Completed Assets	4,582,994	3,742,885	402,552,914	402,552,914	37,438,509	1,475,198	2,347,180	1,831,790	5,654,168	5,981,292	-	459,952,761
- Under Construction	-	-	37,294,384	37,294,384	2,269,410	-	-	-	-	-	-	39,563,794
Accumulated Impairment Losses	-	(72,363)	(1,656,158)	(1,656,158)	(161,337)	(177,276)	(118,260)	(1,439,412)	(1,734,948)	-	-	(3,624,807)
Accumulated Depreciation	-	(1,744,564)	(157,236,320)	(157,236,320)	(9,843,412)	(1,935,500)	(1,771,304)	(1,353,454)	(5,060,258)	(3,453,092)	-	(177,337,645)
Acquisition of Assets												
- Cost	-	-	17,231,308	17,231,308	-	290,032	624	(197,830)	92,827	-	-	17,324,135
- Capital Under Construction	-	-	(16,628,100)	(16,628,100)	2,350,985	-	-	-	-	-	-	(14,277,116)
Decommissioning and other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	(124,172)	(11,885,488)	(11,885,488)	(1,209,875)	(190,601)	(116,854)	(211,384)	(518,840)	(199,682)	-	(13,938,057)
Carrying value of Disposals:	-	-	21,918	21,918	0	(89,169)	(4,178)	(41,504)	(134,851)	(88,278)	-	(201,211)
- Cost	-	-	(19,680)	(19,680)	0	(485,864)	(117,099)	(204,929)	(807,892)	(266,130)	-	(1,093,702)
- Accumulated Impairment Losses	-	-	-	-	-	174,324	112,921	23,614	310,859	-	-	310,859
- Accumulated Depreciation	-	-	41,598	41,598	-	222,371	-	139,811	362,182	177,852	-	581,632
Impairment Losses	-	-	(200)	(200)	-	-	(1,489)	1,428,565	1,427,076	(96,238)	-	1,330,638
Capital under Construction - Completed	-	-	-	-	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	(1,437,457)	0	0	0	0	-	-	(1,437,457)
- Cost	-	-	-	-	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	(1,437,457)	0	0	0	0	-	-	(1,437,457)
Carrying values at 30 June 2023	4,582,994	1,801,786	269,694,257	269,694,257	29,406,822	(627,317)	335,720	16,770	(274,827)	2,144,002	-	307,355,035
Cost	4,582,994	3,742,885	440,430,826	440,430,826	42,058,904	1,279,365	2,230,705	1,429,032	4,939,102	5,715,162	-	501,469,873
- Completed Assets	4,582,994	3,742,885	419,764,542	419,764,542	37,438,509	1,279,365	2,230,705	1,429,032	4,939,102	5,715,162	-	476,183,194
- Under Construction	-	-	20,666,284	20,666,284	4,620,395	-	-	-	-	-	-	25,286,679
Accumulated Impairment Losses	-	(72,363)	(1,656,359)	(1,656,359)	(161,337)	(2,952)	(6,827)	12,766	2,987	(96,238)	-	(1,983,310)
Accumulated Depreciation	-	(1,868,736)	(169,080,210)	(169,080,210)	(12,490,744)	(1,903,731)	(1,888,157)	(1,425,028)	(5,216,916)	(3,474,922)	-	(192,131,527)

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2022

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Infra-structure	Community	Machinery and Equipment	Furniture and Office Equipment	Computer Equipment	Other	Transport Assets	Leased Assets	Total
	R	R	R	R	R				R	R	R	R
Carrying values at 01 July 2021	4,582,994	2,111,261	279,273,831	279,273,831	34,946,607	321,538	558,717	603,361	1,483,616	2,752,690	-	325,151,000
Cost	4,582,994	3,742,885	446,822,077	446,822,077	43,901,166	1,845,248	2,554,485	2,048,171	6,447,905	6,264,979	-	511,762,006
- Completed Assets	4,582,994	3,742,885	427,132,823	427,132,823	33,172,686	1,845,248	2,554,485	2,048,171	6,447,905	6,264,979	-	481,344,272
- Under Construction	-	-	19,689,254	19,689,254	10,728,480	-	-	-	-	-	-	30,417,734
Accumulated Impairment Losses	-	(11,232)	(1,659,058)	(1,659,058)	(177,340)	(99,105)	(118,932)	(53,668)	(271,706)	(135,934)	-	(2,255,270)
Accumulated Depreciation	-	(1,620,391)	(166,046,675)	(166,046,675)	(8,777,220)	(1,424,605)	(1,876,836)	(1,391,142)	(4,692,583)	(3,376,354)	-	(184,513,224)
Acquisition of Assets												
- Cost	-	-	(136,946)	(136,946)	4,520,015	-	91,269	297,149	388,418	-	-	4,771,486
- Capital Under Construction	-	-	17,605,131	17,605,131	(8,459,070)	-	-	-	-	-	-	9,146,061
Decommissioning and other Liabilities	-	-	2,444,018	2,444,018	-	-	-	-	-	-	-	2,444,018
Depreciation	-	(124,172)	(12,330,495)	(12,330,495)	(1,245,818)	(616,372)	(129,786)	(390,382)	(1,136,539)	(224,491)	-	(15,061,516)
Carrying value of Disposals:	-	-	(4,489,520)	(4,489,520)	(58,563)	(165,469)	(58,535)	(33,747)	(257,751)	(0)	-	(4,805,833)
- Cost	-	-	(27,044,470)	(27,044,470)	(254,192)	(370,050)	(298,575)	(513,530)	(1,182,155)	(283,687)	-	(28,764,504)
- Accumulated Impairment Losses	-	-	1,390,018	1,390,018	16,002	99,105	4,722	51,713	155,540	135,934	-	1,697,495
- Accumulated Depreciation	-	-	21,164,932	21,164,932	179,627	105,476	235,318	428,070	768,864	147,753	-	22,261,176
Impairment Losses	-	(61,131)	(1,387,118)	(1,387,118)	-	(177,276)	(4,050)	(1,437,457)	(1,618,783)	-	-	(3,067,032)
Capital under Construction - Completed	-	-	-	-	-	-	-	-	-	-	-	-
Other Movements	-	-	(24,082)	(24,082)	-	-	-	-	-	-	-	(24,082)
- Cost	-	-	-	-	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	(24,082)	(24,082)	-	-	-	-	-	-	-	(24,082)
Carrying values at 30 June 2022	4,582,994	1,925,958	280,954,819	280,954,819	29,703,170	(637,579)	457,616	(961,076)	(1,141,039)	2,528,200	-	318,554,103
Cost	4,582,994	3,742,885	439,847,298	439,847,298	39,707,919	1,475,198	2,347,180	1,831,790	5,654,168	5,981,292	-	499,516,556
- Completed Assets	4,582,994	3,742,885	402,552,914	402,552,914	37,438,509	1,475,198	2,347,180	1,831,790	5,654,168	5,981,292	-	459,952,761
- Under Construction	-	-	37,294,384	37,294,384	2,269,410	-	-	-	-	-	-	39,563,794
Accumulated Impairment Losses	-	(72,363)	(1,656,158)	(1,656,158)	(161,337)	(177,276)	(118,260)	(1,439,412)	(1,734,948)	-	-	(3,624,807)
Accumulated Depreciation	-	(1,744,564)	(157,236,320)	(157,236,320)	(9,843,412)	(1,935,500)	(1,771,304)	(1,353,454)	(5,060,258)	(3,453,092)	-	(177,337,645)

KANNALAND MUNICIPALITY
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	2023 R	2022 R
8. PROPERTY, PLANT AND EQUIPMENT (Continued)		
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 R-1,330,638 (2022: R3,067,032) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 40.		
Infrastructure	200	1,387,118
Other Assets	(1,427,076)	1,618,783
Transport Assets	96,238	-
Total Impairment of Property, Plant and Equipment	(1,330,638)	3,067,032
Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.		
8.4 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned asset classes for the financial year:		
Buildings	-	(23,403)
Infrastructure	(131,634)	(272,807)
Other Assets	(79,363)	(261,428)
Intangible Assets	-	(4,768)
Investment properties	(19,789)	-
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(279,126)	(562,406)
The change in estimates will result in an increase of R469 732 in the depreciation expense for the municipality over the next three financial years.		
8.5 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	4,620,395	2,269,410
Infrastructure	20,666,284	37,294,384
Total Carrying Amounts of Work-in-Progress	25,286,679	39,563,794
	2023 R	2022 R

8.6 Delayed Projects

Project Details	Delayed or Halted		
Land and buildings			
Prof fees - K53 Field	Delayed	-	215,453
Reason: The project was delayed due to the shortage of funding for the project. Kannaland is currently looking for sources to get funding to finish the project.			
Community Assets			
Zoar Sport Field Lighting	Delayed	-	100,380
Reason: The project was delayed due to the change of priority from Council to allocate funding to Water and Wastewater projects in Zoar and Van Wyksdorp.			
Infrastructure Asset			
Calitzdorp Borehole	Delayed	-	5,186,899
Reason: Legality regarding the ownership of land the borehold is constructed on.			
Total Carrying Amounts of Delayed or Halted Projects		-	5,502,731

8.7 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 2023			
Infrastructure	153,761	7,501	146,260
Other Assets	274,450	113,884	160,566
Totals for Lost Property, Plant and Equipment	834,179	214,217 13,006.31	619,962
	Compensation Received R	Carrying Value of Lost Assets R	Surplus / Deficit on Compensation R
30 June 2022			
Infrastructure	-	4,489,520	(4,489,520)
Other Assets	-	257,751	(257,751)
Totals for Lost Property, Plant and Equipment	-	4,805,833	(4,805,833)
		2023 R	2022 R

8.8 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	5,228,536	4,752,088
- Contracted Services	1,451,603	658,368
- Inventory Consumed	319,880	475,279
- Labour	2,841,838	3,349,360
- Other Operational Costs	615,215	269,082
Roads Infrastructure	4,387,405	2,146,447
- Contracted Services	334,594	-
- Inventory Consumed	217,535	104,920
- Labour	3,807,982	2,007,616
- Other Operational Costs	27,295	33,911
Sanitation Infrastructure	483,971	3,115,583
- Inventory Consumed	442,223	121,029
- Labour	9,426	2,934,781
- Other Operational Costs	32,321	59,773
Solid Waste Disposal	3,277,348	7,715,045
- Contracted Services	127,154	90,415
- Inventory Consumed	416,126	542,912
- Labour	2,571,911	7,016,494
- Other Operational Costs	162,156	65,224
Water Supply Infrastructure	3,882,067	9,096,477
- Inventory Consumed	625,799	1,516,856
- Labour	1,922,393	5,850,108
- Other Operational Costs	1,333,875	1,729,513
Community Assets	923,201	429,305
- Inventory Consumed	2,039	7,926
- Labour	837,818	293,882
- Other Operational Costs	60,201	127,497

Other Assets - Buildings	1,343,904	2,466,311
- Contracted Services	58,815	528,080
- Inventory Consumed	97,220	88,653
- Labour	38,944	39,897
- Other Operational Costs	1,148,926	1,809,681
Transport Assets	1,364,815	837,774
- Contracted Services	1,201,077	632,498
- Inventory Consumed	163,738	205,276
Total Expenditure related to Repairs and Maintenance Projects	20,891,247	30,559,029
	2023	2022
	R	R

9. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

9,297 **23,939**

The movement in Intangible Assets is reconciled as follows:

Software Purchased:

Carrying values at 01 July

3,379 **27,894**

Cost

595,597 616,157

Accumulated Amortisation

(592,218) (588,264)

Amortisation:

(3,877) (3,954)

Purchased

(3,877) (3,954)

Disposals:

(10,765) (1)

At Cost

(292,280) (20,560)

At Accumulated Amortisation

281,515 -

At Accumulated Impairment

- 20,559

Carrying values at 30 June

(11,263) **23,939**

Cost

303,317 595,597

Accumulated Amortisation

(314,580) (592,218)

Accumulated Impairment Losses

- 20,559

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 20)

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

9.4 Impairment of Intangible Assets

No indication of impairment at year end relating to Intangible Assets.

	2023 R	2022 R
10. INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	<u>1,116,271</u>	<u>1,156,980</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	1,162,728	1,250,210
Cost	2,183,170	2,183,170
Accumulated Depreciation	(982,077)	(894,596)
Accumulated Impairment Losses	(38,365)	(38,365)
Depreciation during the Year	(46,457)	(93,230)
Carrying values at 30 June	1,116,271	1,156,980
Cost	2,183,170	2,183,170
Accumulated Depreciation	(1,028,534)	(982,077)
Accumulated Impairment	(38,365)	(44,113)
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	611,426	17,623
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 2023

	2023 R	2022 R
	2023 R	2022 R
14. INVESTMENTS		
Non-current Investments	-	91,785
Total Investments	<u>-</u>	<u>91,785</u>
Financial Instruments		
Fixed Deposits	<u>-</u>	<u>91,785</u>
Total Investments		
Non-current Portion	-	91,785
Total Investments	<u>-</u>	<u>91,785</u>

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 12,90 % to 13,39 % (2022: 12,90% to 13,39%) per annum.

The Municipal Structures Act, Act 177 of 1998, requires local authorities to invest funds which are not immediately required with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

15. LEASE RECEIVABLES

Current Lease Receivables	-	59,289
Total Lease Receivables	<u>-</u>	<u>59,289</u>

15.1 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	59,289
Total Operating Lease Receivables	<u>-</u>	<u>59,289</u>

15.1.2 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 renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The average escalation % of leases is between 5% to 10%, on a yearly basis.

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

	2023 R	2022 R
16. CONSUMER DEPOSITS		
Electricity	523,377	536,279
Water	554,057	504,073
Other Deposits:-	286,740	176,398
- Land Sales	271,244	162,919
- Posters	12,145	12,145
- Rental Properties	3,351	1,334
Total Consumer Deposits	1,364,174	1,216,750
Guarantees held in lieu of Electricity and Water Deposits	1,039,549	942,988

No interest is paid on Consumer Deposits held.

17. PAYABLES FROM EXCHANGE TRANSACTIONS

Other Payables	1,976,884	2,063,522
Accrued Interest	592,155	1,845,998
Control, Clearing and Interface Accounts	1,115,388	-
Unallocated Deposits	269,341	217,524
Retentions	2,870,325	2,608,184
Salary Related Payables	(689,704)	(689,704)
Compensation Commission (COID)	(689,704)	(689,704)
Standby	-	-
Trade Creditors	81,764,411	54,723,410
Auditor-General of South Africa	7,999,219	-
Electricity Bulk Purchase	52,713,463	25,690,192
Payables and Accruals	21,051,729	29,033,218
Advance Payments	2,246,488	2,591,364
Exchange Receivables with Credit Balances	1,063,255	962,915
Exchange Payables with Debit Balances	689,704	689,704
Total Payables from Exchange Transactions	89,921,363	62,949,395

The prior year amount for Payables from Exchange Transactions has been adjusted. Refer to Note 51.3 on "Correction of Error" for details of the restatement.

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.

18. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Transfers and Subsidies	145,311	145,311
Non-Exchange Receivables with Credit Balances	129,398	509,485
Total Payables from Non-exchange Transactions	274,709	654,796

The prior year amount for Payables from Non-exchange Transactions has been adjusted. Refer to Note 51.3 on "Correction of Error" for details of the restatement.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

19. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Households	1,601,717	1,601,717
National Government	5,976,498	5,624,915
Provincial Government	6,213,916	10,994,300
Total Unspent Conditional Grants and Receipts	13,792,131	18,220,932

The prior year amount for Unspent Conditional Grants and Receipts has been adjusted. Refer to Note 51.3 on "Correction of Error" for details of the restatement.

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

See Note 30 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.

20. VAT PAYABLE

	2023 R	2022 R
Vat Payable.	(40,151,008)	(54,297,447)
VAT Payable Control	(61,544,882)	(61,540,731)
VAT Credit Output	4,114,987	2,773,559
Output VAT	17,278,888	4,469,725
Vat Receivable.	(37,806,224)	(51,847,122)

The prior year amount for VAT Payable has been adjusted. Refer to Note 51.3 on "Correction of Error" for details of the restatement.

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.

21. LEASE PAYABLES

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

22. BORROWINGS

Long-Term Borrowings	-	216,120
Development Bank of South Africa	-	216,120
Less: Current Portion transferred to Current Borrowings:-	-	633,869
Development Bank of South Africa	-	633,869
Non-Current Portion of Borrowings	-	(417,749)

The obligations under annuity loans are schedule below:

23. EMPLOYEE BENEFIT LIABILITIES

	2023 R	2022 R
Employee Benefit Liabilities	14,702,000	15,425,000
Post-retirement Health Care Benefits Liability	12,143,000	12,866,000
Long Service Awards Liability	2,559,000	2,559,000
Less: Current Portion of Employee Benefit Liabilities	2,081,000	2,081,000
Post-retirement Health Care Benefits Liability	1,326,000	1,326,000
Long Service Awards Liability	755,000	755,000
Post-retirement Health Care Benefits Liability	10,817,000	11,540,000
Long Service Awards Liability	1,804,000	1,804,000
Non-Current Portion of Employee Benefit Liabilities	12,621,000	13,344,000

The prior year amount for Employee Benefit Liabilities has been adjusted. Refer to Note 51.3 on "Correction of Error" for details of the restatement.

23.2 Current Portion of Employee Benefit Liabilities

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

	Medical Aid R	Long-term Service R
30 June 2023		
Opening Balance	1,326,000	755,000
Balance at end of year	1,326,000	755,000
	Medical Aid R	Long-term Service R
30 June 2022		
Opening Balance	441,000	479,000
Actual employer benefit payments	-	276,000
Actuarial loss/ (gain) recognised in the year	885,000	-
Balance at end of year	1,326,000	755,000

23.3 Post-retirement Health Care Benefits Liability

Opening Balance	12,866,000	10,801,000
Interest Cost	1,490,000	1,074,000
Current Service Cost	(2,213,000)	547,000
Actual Employer Benefit Payments	-	(441,000)
Actuarial Loss/ (Gain) recognised in the year	-	885,000
Balance at end of Year	12,143,000	12,866,000
Transfer to Current Provisions	1,326,000	1,326,000
Total Post-retirement Health Care Benefits Liability	10,817,000	11,540,000

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.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 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.

	2023 R	2022 R
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	58	55
In-service Non-members (Employees)	97	113
Continuation Members (Retirees, widowers and orphans)	14	15
Total Members	169	183

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

In-service Members	4,090,000	4,067,000
In-service Non-members	1,480,000	1,748,000
Continuation Members	6,573,000	7,051,000
Total Liability	12,143,000	12,866,000

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

- Bonitas
- Keyhealth
- LA Health
- Hosmed
- Samwumed

The Current Cost for the year ending 30 June 2023 is estimated to be R724 000, whereas the cost for the ensuing year is estimated to be R685 000 (30 June 2022: R547 000 and R724 000 respectively).

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

Discount Rate	12.48%	11.28%
Health Care Cost Inflation Rate	8.09%	8.44%
Net Effective Discount Rate	4.06%	3.12%
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.

Consequently, a discount rate of 12.48% per annum has been used. The corresponding index-linked yield at this term is 4.06%. 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 2023.

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.

	2023 R	2022 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening Balance	12,866,000	10,801,000
Interest Cost	1,490,000	1,074,000
Current Service Cost	724,000	547,000
Benefits Paid	(536,000)	(441,000)
Actuarial Losses / (Gains)	(2,401,000)	885,000
Total Recognised Benefit Liability	12,143,000	12,866,000
The amounts recognised in the Statement of Financial Position are as follows:		
Present Value of Fund Obligations	12,143,000	12,866,000
Total Benefit Liability	12,143,000	12,866,000
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	724,000	547,000
Interest cost	1,490,000	1,074,000
Actuarial losses / (gains)	(2,401,000)	885,000
Total Post-retirement Benefit included in Employee Related Costs (Note 37.)	(187,000)	2,506,000

The history of fair values are as follows:

	2023 R	2022 R	2021 R	2020 R	2019 R
Present Value of Defined Benefit Obligation	12,143,000	12,866,000	9,523,000	11,227,132	11,606,446
Deficit	12,143,000	12,866,000	9,523,000	11,227,132	11,606,446
Experienced adjustments on Plan Liabilities	592,000	846,000	(469,000)	(725,000)	1,035,000

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	22,140	16,210
Effect on the defined benefit obligation	121,430	128,660

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(22,140)	(16,210)
Effect on the defined benefit obligation	(121,430)	(128,660)

The municipality expects to make a contribution of R536 000 (2022: R2,214,000) to the Defined Benefit Plans during the next financial year.

Refer to Note 59., "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.

	2023 R	2022 R
23.4 Long Service Awards Liability		
Opening Balance	2,559,000	2,310,000
Increases (Current Service & Interest Cost)	-	452,000
Payments Made	-	(203,000)
Balance at end of Year	2,559,000	2,559,000
Transfer to Current Provisions	755,000	755,000
Total Long Service Awards Liability	1,804,000	1,804,000

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 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, 155 (2022: 168) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2023 is estimated to be R246 000, whereas the cost for the ensuing year is estimated to be R218 000 (30 June 2024)

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

Discount Rate	11,53%	11,16%
Cost Inflation Rate	6,75%	7,33%
Net Effective Discount Rate	4,48%	3,57%
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.

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 11.53% 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 4.48%. 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 2023. 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.

	2023 R	2022 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening Balance	2,264,000	2,310,000
Interest Cost	247,000	194,000
Current Service Cost	246,000	258,000
Benefits Paid	(153,000)	(479,000)
Actuarial Losses / (Gains)	(470,000)	276,000
Total Recognised Benefit Liability	2,134,000	2,559,000

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

Present value of fund obligations	2,134,000	3,757,000
Total Benefit Liability	2,134,000	3,757,000

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

Current service cost	247,000	194,000
Interest cost	246,000	258,000
Actuarial losses / (gains)	(470,000)	276,000
Total Post-retirement Benefit included in Employee Related Costs (Note 37.)	23,000	728,000

The history of experienced adjustments is as follows:

	2023 R	2022 R	2021 R	2020 R	2019 R
Present Value of Defined Benefit Obligation	2,134,000	3,517,000	2,310,000	2,070,000	2,048,000
Deficit	2,134,000	3,517,000	2,310,000	2,070,000	2,048,000
Experienced adjustments on Plan Liabilities	(352,000)	201,000	107,000	31,000	(129,440)

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	4,930	4,520
Effect on the defined benefit obligation	21,340	49,640

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(4,930)	(4,520)
Effect on the defined benefit obligation	(21,340)	(35,170)

The municipality expects to make a contribution of R174 000 (2022: R163 000) to the defined benefit plans during the next financial year.

24. PROVISIONS

	2023 R	2022 R
Current Provisions	5,396,449	6,308,504
Provisions	6,151,449	7,063,504
Long-service Awards	(755,000)	(755,000)
Non-current Provisions	18,849,046	28,509,752
Provisions	20,653,046	30,313,752
Long-service Awards	(1,804,000)	(1,804,000)
Total Provisions	24,245,495	34,818,256

24.1 Current Provisions

Current Portion of Non-Current Provisions:	5,396,449	6,308,504
Bonus	2,752,301	1,738,887
Insurance Claims	57,832	57,832
Leave	2,586,316	4,511,785
Total Provisions	5,396,449	6,308,504

Staff Benefit Provisions:

	Bonus Provision	Leave Provision
	R	R
30 June 2023		
Opening Balance	1,738,887	4,511,785
Increases	1,013,414	(2,265,470)
Other Reductions	-	340,000
Balance at end of year	2,752,301	2,586,316
	Bonus Provision	Leave Provision
	R	R
30 June 2022		
Opening Balance	1,529,167	4,789,261
Increases	209,720	291,875
Other Reductions	-	(569,351)
Balance at end of year	1,738,887	4,511,785

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.

	2023 R	2022 R
24.2 Non-current Provisions		
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	18,848,873	28,509,579
Ex-gratia Pension	173	173
Total Non-current Provisions	18,849,046	28,509,752

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

Decommissioning of Landfill Sites:

Opening Balance	25,546,760	27,729,006
Finance Charges	1,358,434	848,045
Increases (Other than the passage of time/discounted rate)	1,604,386	4,939,499
	28,509,580	33,516,550

24.3 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the Municipality will incur licensing and rehabilitation costs of R28,509,579) (2022: R33,516,549 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	10,874,279	11,390,403
Ladismith Landfill	2038/06/30	9,058,703	13,843,761
Van Wyksdorp Landfill	2021/06/30	3,547,744	3,237,993
Zoar Landfill	2026/06/30	5,028,853	5,044,392
		28,509,579	33,516,549

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

	2023 R	2022 R
25. RESERVES		
Valuation Reserve	461,526	13,507
Total Reserves	<u><u>461,526</u></u>	<u><u>13,507</u></u>
25.1 Allocation for Cash Flow		
Reserves at Beginning of Year	469,512	13,507
Movement in Non-cash Transactions:-		
Appropriation of Reserves	- 7,986	- 1
Total Reserves allocated to Non-cash Transactions	<u><u>- 7,986</u></u>	<u><u>- 1</u></u>
Reserves at End of Year	<u><u>461,526</u></u>	<u><u>13,507</u></u>

26. ACCUMULATED SURPLUS

Accumulated Surplus / (Deficit) due to the results of Operations	198,429,843	230,842,821
Accumulated Surplus / (Deficit)	230,842,821	243,994,495
Transfers	1,601,320	
Accumulated Surplus as per Financial Performance	<u>(34,014,298)</u>	<u>(13,151,674)</u>
Total Accumulated Surplus	<u><u>198,429,843</u></u>	<u><u>230,842,821</u></u>

The prior year amount for Consumer Deposits has been adjusted. Refer to Note 50.1 on "Correction of Error" for details of the restatement.

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

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

	2023 R	2022 R
27. PROPERTY RATES		
Property Rates Levies	25,562,408	25,891,439
Total Property Rates	<u>25,562,408</u>	<u>25,891,439</u>

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 2021.

Valuations - 1 July 2021

Rateable Land and Buildings		
Residential Properties - Sec 8(2)(a)	772,579,000	536,359,052
Industrial Properties - Sec 8(2)(b)	52,084,000	28,263,000
Business and Commercial Properties - Sec 8(2)(c)	135,431,000	130,917,000
Farm Agricultural Purposes - Sec 8(2)(d)	1,671,643,000	1,503,325,080
Church	48,560,000	44,059,000
Nature Reserve	75,952,000	55,875,000
Public Benefit Organisations - Sec 8(2)(h)	10,947,000	9,570,000
State Owned - Sec 8(2)(f)	136,061,000	109,060,000
Municipal Owned - Sec 8(2)(h)	103,998,000	70,783,500
Public service infrastructure properties - Sec 8(2)(g)	3,858,000	253,000
Total Assessment Rates	<u>3,011,113,000</u>	<u>2,488,464,632</u>

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

Residential Properties (This will also represent the base rate)	0.0177	0.0170
Business and Commercial Properties	0.0360	0.0340
Industrial Properties	0.0360	0.0340
Agricultural Properties	0.0026	0.0026
State Owned Properties	0.0360	0.0340
State Owned Residential	0.0177	0.0170
Public Benefit Organisations	0.0034	0.0034

Municipal owned properties and 70% of PSI's (Public Service Infrastructure) are exempt. The first R15 000 of improved residential properties are impermissible. The first 30% of PSI's are impermissible. Place of Worship and Protected Areas are 100% Impermissible. Accommodation Establishments are charged commercial rates with a 35% rebate.

28. FINES, PENALTIES AND FORFEITS

Traffic Fines:	394,949	51,528
Municipal	184,566	36,783
Service Provider	210,384	14,745
Other Fines:	57	580
Overdue Books Fine	57	580
Penalties	-	(13,456)
Property Rates	-	(13,456)
Total Fines, Penalties and Forfeits	<u>395,006</u>	<u>38,651</u>

29. LICENCES AND PERMITS

	2023 R		2022 R	
	Exchange Transactions 2023 R	Exchange Transactions 2022 R	Non-Exchange Transactions 2023 R	Non-Exchange Transactions 2022 R
Road and Transport:	170,659	134,581	-	21,955
Learner Licence Application	170,659	134,581	-	-
Motor Vehicle Licence	-	-	-	21,955
Total Licences and Permits	171,120	134,696	366	24,572

30. TRANSFERS AND SUBSIDIES RECEIVED

Capital Grants	8,426,013	18,888,870
Monetary Allocations	8,426,013	18,888,870
Operational Grants	41,576,391	41,701,250
Allocations In-kind	1,022	1,723,774
Monetary Allocations	41,575,369	39,977,476
Total Transfers and Subsidies Received	50,002,404	60,590,121

30.3 Summary of Grants:

30.3.1 Capital Grants

	Allocations In-kind		Monetary Allocations	
	2023	2022	2023	2022
National Governments	-	-	7,388,745	16,169,760
Provincial Government	-	-	1,037,268	2,719,110
Total Capital Grants Received	-	-	8,426,013	18,888,870

30.3.2 Operational Grants

	Allocations In-kind		Monetary Allocations	
	2023	2022	2023	2022
Departmental Agencies and Accounts	1,022	1,723,774	110,534	133,704
National Governments	-	-	4,548,717	4,795,021
National Revenue Fund	-	-	33,259,620	30,574,386
Provincial Government	-	-	3,654,998	4,474,366
Total Operational Grants Received	1,022	1,723,774	41,575,369	39,977,476

30.4 Detailed Summaries

Operating Grants

Equitable Share	33,259,620	30,567,000
National: EPWP Grant	1,031,000	1,371,262
National: Local Government Financial Management Grant (FMG)	2,932,000	2,893,803
National: Municipal Infrastructure Grant (MIG) PMU	554,150	529,700
Provincial: MRF Grant	3,151,528	3,129,322
Provincial: CDW Grant	186,103	39,476
Provincial: Bursary Grant	7,802	-
Provincial: Employee Support Grant	125,350	773,764
Provincial: Human Settlement	-	531,805
Other: SETA Grant	66,546	133,704
Total Operating Grants	43,337,113	39,969,836

Capital Grants

National: Municipal Infrastructure Grant (MIG)	8,004,800	9,237,930
National: Integrated National Electrification Grant	-	2,131,126
National: Water Services Infrastructure Grant	-	4,800,703
Provincial: Library Conditional Grant	33,977	775,250
Provincial: Drought Relief	-	1,943,860
Residential Properties (This will also represent the base rate)	8,038,777	5,381,484
Business and Commercial Properties	51,375,889	45,351,320

30.4.1 Equitable Share

Current Year Receipts	33,259,620	17,059,614
Transferred to Revenue	(33,259,620)	(30,567,000)
Conditions Met - Transferred to Revenue: Capital Expenses	-	13,507,386
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 Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury. No funds have been withheld.

30.4.2 National: EPWP Grant

Unspent Balance at the Beginning of the Year	390	12,652
Current Year Receipts	1,031,000	1,359,000
Conditions Met - Transferred to Revenue: Operating Expenses	(1,031,000)	(1,371,262)
Repaid to National Revenue Fund	-	-
Unspent Balance at the End of the Year	390	390

30.4.3 National: Local Government Financial Management Grant (FMG)

Unspent Balance at the Beginning of the Year	99	82,902
Current Year Receipts	2,932,000	2,811,000
Conditions Met - Transferred to Revenue: Operating Expenses	(2,932,000)	(2,893,803)
Unspent Balance at the End of the Year	99	99

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

30.4.4 National: Municipal Infrastructure Grant (MIG)

Unspent Balance at the Beginning of the Year	1,181,259	3,370,301
Current Year Receipts	8,608,850	10,064,300
Conditions Met - Transferred to Revenue: Capital Expenses	(8,004,800)	(9,237,930)
Unspent Balance at the End of the Year	958,940	1,181,259

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

30.4.5 National: Municipal Infrastructure Grant (MIG) PMU

Current Year Receipts	554,150	529,700
Conditions Met - Transferred to Revenue: Operating Expenses	(554,150)	(529,700)
Unspent Balance at the End of the Year	-	-

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

30.4.6 National: Integrated National Electrification Grant

Unspent Balance at the Beginning of the Year	567,834	1,576,243
Current Year Receipts	-	2,699,000
Conditions Met - Transferred to Revenue: Capital Expenses	-	(2,131,126)
Unspent Balance at the End of the Year	556,879	567,834

30.4.7 National: Water Services Infrastructure Grant

Unspent Balance at the Beginning of the Year	5,261,994	8,978,389
Current Year Receipts	-	10,000,000
Conditions Met - Transferred to Revenue: Capital Expenses	-	(4,800,703)
Repaid to National Revenue Fund	(5,199,255)	(8,915,692)
Unspent Balance at the End of the Year	62,739	5,261,994

30.4.9 Provincial: WC Financial Management Support Grant - General

Unspent Balance at the Beginning of the Year	573,634	573,634
Unspent Balance at the End of the Year	573,634	573,634

30.4.10 Provincial: WC Financial Management Support Grant - Capacity Building

Unspent Balance at the Beginning of the Year	239,000	370,080
Unspent Balance at the End of the Year	239,000	239,000

30.4.11 Provincial: Human Settlement Development Grant

Unspent Balance at the Beginning of the Year	1,007,923	1,007,923
Unspent Balance at the End of the Year	1,007,923	1,007,923

30.4.12 Provincial: Library Conditional Grant

Unspent Balance at the Beginning of the Year	57,553	832,803
Conditions Met - Transferred to Revenue: Capital Expenses	(33,977)	(775,250)
Unspent Balance at the End of the Year	23,576	57,553

30.4.13 Provincial: MRF Grant

Unspent Balance at the Beginning of the Year	376,197	288,519
Current Year Receipts	3,281,000	3,217,000
Conditions Met - Transferred to Revenue: Operating Expenses	(3,151,528)	(3,129,322)
Unspent Balance at the End of the Year	505,669	376,197

30.4.14 Provincial: CDW Grant

Unspent Balance at the Beginning of the Year	136,468	208,255
Current Year Receipts	112,000	113,000
Conditions Met - Transferred to Revenue: Operating Expenses	(186,103)	(39,476)
Repaid to National Revenue Fund	(62,944)	(145,311)
Unspent Balance at the End of the Year	(579)	136,468

30.4.15 Provincial: Bursary Grant

Unspent Balance at the Beginning of the Year	250,000	1,274,341
Current Year Receipts	100,000	250,000
Conditions Met - Transferred to Revenue: Operating Expenses	(7,802)	-
Repaid to National Revenue Fund	-	(1,274,341)
Unspent Balance at the End of the Year	342,198	250,000

30.4.16 Provincial: Drought Relief

Unspent Balance at the Beginning of the Year	82,509	2,435,390
Conditions Met - Transferred to Revenue: Capital Expenses	-	(1,943,860)
Repaid to National Revenue Fund	-	(409,021)
Unspent Balance at the End of the Year	82,509	82,509

30.4.17 Provincial: Fire and Drought Relief

Unspent Balance at the Beginning of the Year	-	85,805
Repaid to National Revenue Fund	-	(85,805)
Unspent Balance at the End of the Year	-	-

30.4.19 Provincial: CFO Appointment Grant

Unspent Balance at the Beginning of the Year	6,018	6,018
Conditions Met - Transferred to Revenue: Operating Expenses	(6,018)	-
Unspent Balance at the End of the Year	-	6,018

	2023 R	2022 R
30.4.20 Provincial: Deeds Registration Grant		
Unspent Balance at the Beginning of the Year	1,030,000	1,030,000
Unspent Balance at the End of the Year	1,030,000	1,030,000
30.4.21 Provincial: Disaster Grant - Zoar		
Unspent Balance at the Beginning of the Year	522,298	522,298
Unspent Balance at the End of the Year	522,298	522,298
30.4.22 Provincial: DWAF - RBIG Grant		
Unspent Balance at the Beginning of the Year	319,438	319,438
Unspent Balance at the End of the Year	319,438	319,438
30.4.23 Provincial: Flood Damage Grant		
Unspent Balance at the Beginning of the Year	447,890	447,890
Unspent Balance at the End of the Year	447,890	447,890
30.4.24 Provincial: IDC Grant		
Unspent Balance at the Beginning of the Year	1,650,000	1,650,000
Unspent Balance at the End of the Year	1,650,000	1,650,000
30.4.25 Provincial: IDP Grant		
Unspent Balance at the Beginning of the Year	175,439	175,439
Unspent Balance at the End of the Year	175,439	175,439
30.4.26 Provincial: Local Government Financial Support Grant		
Unspent Balance at the Beginning of the Year	1,540,000	1,540,000
Conditions Met - Transferred to Revenue: Operating Expenses	(1,537,675)	-
Unspent Balance at the End of the Year	2,325	1,540,000
30.4.27 Provincial: Local Government Financial Support Grant		
Unspent Balance at the Beginning of the Year	350,000	350,000
Conditions Met - Transferred to Revenue: Operating Expenses	(350,000)	-
Unspent Balance at the End of the Year	-	350,000
30.4.28 Provincial: Nissanville Paving Grant		
Unspent Balance at the Beginning of the Year	100,238	100,238
Unspent Balance at the End of the Year	100,238	100,238
30.4.29 Provincial: Revenue Enhancement Grant		
Unspent Balance at the Beginning of the Year	2,393	2,393
Conditions Met - Transferred to Revenue: Operating Expenses	(1,203)	-
Unspent Balance at the End of the Year	1,191	2,393
30.4.30 Provincial: SDBIP Grant		
Unspent Balance at the Beginning of the Year	238,657	238,657
Unspent Balance at the End of the Year	238,657	238,657
	2023 R	2022 R
30.4.31 Provincial: Taxi Ranks Grant		
Unspent Balance at the Beginning of the Year	306,463	306,463
Unspent Balance at the End of the Year	306,463	306,463
30.4.32 Provincial: Thusong Municipal Service Delivery Capacity Building Grant		
Unspent Balance at the Beginning of the Year	-	175,160
Repaid to National Revenue Fund	-	(175,160)
Unspent Balance at the End of the Year	-	-
30.4.33 Provincial: Upgrading Pumpstation Grant		
Unspent Balance at the Beginning of the Year	51,011	51,011
Unspent Balance at the End of the Year	51,011	51,011
30.4.34 Provincial: Upgrading Sports Facilities Calitzdorp Grant		
Unspent Balance at the Beginning of the Year	250,000	250,000
Unspent Balance at the End of the Year	250,000	250,000
30.4.35 Provincial: Van Wyksdorp Pit Latrines Grant		
Unspent Balance at the Beginning of the Year	167,299	167,299
Unspent Balance at the End of the Year	167,299	167,299

30.4.36 Provincial: Employee Support Grant

Unspent Balance at the Beginning of the Year	126,236	-
Current Year Receipts	-	900,000
Conditions Met - Transferred to Revenue: Operating Expenses	(125,350)	(773,764)
Unspent Balance at the End of the Year	886	126,236

30.4.37 Provincial: Human Settlement

Current Year Receipts	-	531,805
Conditions Met - Transferred to Revenue: Operating Expenses	-	(531,805)
Unspent Balance at the End of the Year	-	-

30.4.38 Other: Disaster Fund Grant

Unspent Balance at the Beginning of the Year	2,342,433	2,342,433
Unspent Balance at the End of the Year	2,342,433	2,342,433

30.4.39 Other: Ladismith Water Project Grant

Unspent Balance at the Beginning of the Year	128,118	128,118
Unspent Balance at the End of the Year	-	128,118

30.4.40 Other: SETA Grant

Current Year Receipts	111,556	133,704
Conditions Met - Transferred to Revenue: Operating Expenses	(66,546)	(133,704)
Unspent Balance at the End of the Year	45,010	-

30.4.41 Total Grants

Unspent Balance at the Beginning of the Year	19,488,791	30,900,092
Current Year Receipts	51,671,176	49,668,123
Conditions Met - Transferred to Revenue: Operating Expenses	(43,337,113)	(39,969,836)
Conditions Met - Transferred to Revenue: Capital Expenses	(9,269,628)	(5,381,484)
Repaid to National Revenue Fund	(6,099,524)	(15,728,104)
Unspent Balance at the End of the Year	12,453,702	19,488,791

31. SERVICE CHARGES

	Exchange Transactions 2023 R	Exchange Transactions 2022 R	Non-Exchange Transactions 2023 R	Non-Exchange Transactions 2022 R
Sale of Electricity	64,072,823	64,749,695	-	-
Sale of Water	20,257,720	20,355,101	251,713	-
Refuse Removal	8,909,600	8,582,968	-	-
Sewerage and Sanitation Charges	8,706,827	8,706,318	415,370	-
Total Service Charges	101,946,969	102,394,082	667,082	-
	3,500.00			

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.

32. SALES OF GOODS AND RENDERING OF SERVICES

Building Plan Approval	281,902	153,199
Cemetery and Burial	27,559	34,836
Clearance Certificates	103,998	102,226
Fire Services	(110)	(592)
Photocopies and Faxes	853	7,119
Removal of Restrictions	-	1,761
Sale of Goods	8,354	482
Town Planning and Servitudes	628	2,533
Valuation Services	4,562	5,719
Total Sales of Goods and Rendering of Services	427,565	307,284

	2023 R	2022 R
33. INCOME FROM AGENCY SERVICES		
Commission on Vehicle Registration	1,215,427	1,098,291
Total Income from Agency Services	1,215,427	1,098,291
33.1 Allocation for Cash Flow:		
Total Income from Agency Services	1,215,427	1,098,291
Total Income from Agency Services allocated to Other Receipts	1,215,427	1,098,291
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	-	1,397,741
Amount of revenue received on behalf of the principle during the reporting period		
Motor vehicle licence fees	-	491,280
RTMC transaction fees	-	7,087,711
34. RENTAL FROM FIXED ASSETS		
Straight-lined Operating Lease Revenue		
Investment Property	611,426	17,623
Other Rental income		
Ad-hoc Rental Income from Other Fixed Assets:	-	533,947
Biological Assets	-	533,947
Total Rental of Facilities and Equipment	611,426	551,569
Rental income generated are at market related premiums. All rental income recognised is therefore market related.		
35. INTEREST, DIVIDENDS AND RENT ON LAND EARNED		
Non-exchange Receivables:		
Outstanding Billing Debtors	2,561,209	1,577,374
Total Non-exchange Interest, Dividends and Rent on Land Earned	2,561,209	1,577,374
External Investments:		
Investments	1,844,554	1,232,382
	1,844,554	1,232,382
	2023 R	2022 R
Outstanding Exchange Receivables:		
Outstanding Billing Debtors	6,176,173	3,406,674
Electricity	186,641	153,193
Waste Management	1,854,195	1,043,710
Waste Water Management	1,637,893	911,340
Water	2,472,506	1,276,049
	6,176,173	3,406,674
Total Exchange Interest, Dividends and Rent on Land Earned	8,020,726	4,639,056
Total Interest, Dividends and Rent on Land Earned	10,581,935	6,216,430

Service Charges:-

Interest on Outstanding Exchange Receivables	6,176,173	3,406,674
Total Interest, Dividends and Rent on Land Earned allocated to Service Charges	<u>6,176,173</u>	<u>3,406,674</u>

External Interest and Dividends Received:-

Interest on External Investments	1,844,554	1,232,382
Total Interest, Dividends and Rent on Land Earned allocated to External Interest and Dividends Received	<u>1,844,554</u>	<u>1,232,382</u>

36. OPERATIONAL REVENUE

Collection Charges	4,609	21
Commission	218,519	193,826
Development Charges	53,173	-
Incidental Cash Surpluses	325,877	305
Staff Recoveries	-	47,192
Total Operational Revenue	<u>602,178</u>	<u>241,343</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 27 to 35, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

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	2023 R	2022 R
37. EMPLOYEE RELATED COSTS		
Salaries and Wages:		
Basic	54,960,260	42,111,541
Long Service Awards	-	249,000
Bonuses	1,974,717	1,563,651
Leave	(1,165,525)	(243,418)
Overtime	3,027,692	2,177,381
Allowances:		
Accommodation, Travel and Incidental	61,054	(164,389)
Acting and Post Related Allowances	4,530,730	4,301,181
Bonus Allowance	1,976,339	1,630,801
Cellular and Telephone	177,500	201,100
Housing Benefits	336,903	314,759
Standby Allowance	3,539,927	2,569,277
Travel or Motor Vehicle	2,869,324	2,523,245
Social Contributions:		
Bargaining Council	20,305	641,187
Group Life Insurance	25,057	53,814
Medical	2,167,872	2,433,670
Pension	6,713,702	6,370,830
Unemployment Insurance	423,755	370,624
Post-retirement Benefits:		
Current Service Cost	(2,213,000)	547,000
Interest Cost	1,490,000	1,074,000
Total Employee Related Costs	80,916,613	69,038,744

37.3 Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager - R. Stevens

Annual Remuneration	-	250,391
Annual Bonus		
Performance Bonus		
Car and Other Allowances	-	39,915
Other Payments (Travelling reimbursement)	-	2,480
Other Payments (Settlement agreement and Leave Payout)	-	445,400
Company Contributions to UIF, Medical and Pension Funds	-	13,790
Total	-	751,976

Mr Steven was place on special leave August 2020 to September 2021 and an acting arrangement was in place during his time as MM.

Remuneration of the Municipal Manager - I. Avontuur

Annual Remuneration	309,484	376,397
Car and Other Allowances	58,000	72,306
Other Payments (Travelling reimbursement)	37,961	-
Company Contributions to UIF, Medical and Pension Funds	752	937
Total	406,197	449,640

Mr Avontuur acted as Municipal Manager from July 2022 to October 2022.

Remuneration of the Municipal Manager - H. Constable

Annual Remuneration	-	23,783
Total	-	23,783

Mr Constable acted as Municipal Manager for the first part of June 2022, while Mr Avontuur was placed on special leave.

Remuneration of the Municipal Manager - K. Jordaan

Annual Remuneration	456,463	-
Car and Other Allowances	11,200	-
Other Payments (Travelling reimbursement)	16,894	-
Company Contributions to UIF, Medical and Pension Funds	708	-
Total	485,265	-

Mr Jordaan acted as Municipal Manager from November 2022 to January 2023.

Remuneration of the Acting Municipal Manager - H. Barnard

Annual Remuneration	81,105.00	-
Car and Other Allowances	13,891.00	-
Company Contributions to UIF, Medical and Pension Funds	34,006	-
Total	129,002	-

Mr Barnard acted as the Municipal Manager for the month of February 2023.

Remuneration of the Municipal Manager - M.M. Hoogbaard

Annual Remuneration	370,984	519,441
Car and Other Allowances	48,000	68,025
Other Payments (Travelling reimbursement)	17,834	23,000
Other Payments (Settlement agreement and Leave Payout)	-	136,372
Company Contributions to UIF, Medical and Pension Funds	81,979	886
Total	518,797	747,724

Mr Hoogbaard is appointed on 1 March 2023 on a 5-year contract.

Remuneration of the Acting Municipal Manager - R. F. Butler

Annual Remuneration	-	19,651
Total	-	19,651

Remuneration of the Chief Financial Officer - R. F. Butler

Annual Remuneration	-	1,015,140
Car and Other Allowances	-	119,613
Other Payments (Travelling reimbursement)	-	1,613
Company Contributions to UIF, Medical and Pension Funds	-	33,764
Total	-	1,170,130

Mr Butler was the full-time CFO for the full financial year and acted as MM for a month during July 2021. The CFO was placed on special leave

Remuneration of the Acting Chief Financial Officer - P. Mngeni

Annual Remuneration	-	54,161
Total	-	54,161

Mr Mngeni acted on various occasions as CFO, with the last being March 2022.

Remuneration of the Chief Financial Officer - E. Kleinbooi

Annual Remuneration	-	42,080
Total	-	42,080

Mr Kleinbooi acted as CFO during the latter part of December 2021 until the latter part of January 2022 special leave.

Remuneration of the Chief Financial Officer - C. Claasen

Annual Remuneration	-	40,753
Total	-	40,753

Ms. Claasen acted as CFO during February 2022.

Remuneration of the Chief Financial Officer - G. Groenewald

Annual Remuneration	330,937	248,203
Total	409,695	299,037

Mr Groenewald was acting CFO from 01 June 2022 until 31 October 2022.

	2023 R	2022 R
Remuneration of the Chief Financial Officer - J. Booysen		
Annual Remuneration	204,075	-
Car and Other Allowances	16,000	-
Other Payments (Travelling reimbursement)	6,000	-
Company Contributions to UIF, Medical and Pension Funds	531	-
Total	226,606	-

Mr Booysen was acting CFO from 16 January 2023 until 31 March 2023.

Remuneration of the Chief Financial Officer - R. Saptoe		
Annual Remuneration	180,165	-
Car and Other Allowances	66,000	-
Other Payments (Travelling reimbursement)	12,029	-
Company Contributions to UIF, Medical and Pension Funds	54,019	-
Total	312,213	-

Ms Saptoe was permanently employed as the CFO on 1 April 2023.

Remuneration of the Head: Technical Services - N. Jonker		
Settlement agreement	-	259,969
Total	-	259,969

Mr Jonker's contract with Kannaland Municipality was terminated November 2021 and an arbitration award was made in his favour.

Remuneration of the Head: Technical Services - M. Hoogbaard		
Annual Remuneration	374,780	-
Other Payments (Travelling reimbursement)	13,871	-
Total	388,651	-

Mr Hoogbaard acted as the Head: Technical Services from November 2022 through February 2023

Remuneration of Director: Corporate Services – H Barnard		
Annual Remuneration	895,211	928,347
Car and Other Allowances	144,796	128,905
Other Payments (Travelling reimbursement)	7,292	3,950
Company Contributions to UIF, Medical and Pension Funds	369,342	181,143
Total	1,416,641	1,242,345

Mr Barnard was reinstated as the Director Corporate Services during September 2021.

Remuneration of Director Corporate Services: G. Breda		
Annual Remuneration	-	142,636
Car and Other Allowances	-	22,679
	-	165,315

Mr Breda acted as Corporate Director from March 2022 to May 2022. He also received a remote allowance.

Summary of Remuneration of Section 57 Employees:		
All Managers	4,293,067	5,266,564
Total Remuneration of Section 57 Employees	4,293,067	5,266,564

Summary of Remuneration of Section 57 Employees		
Annual Remuneration	3,203,204	3,660,983
Car and Other Allowances	373,887	501,746
Other Payments	173,931	872,784
Company Contributions to UIF, Medical and Pension Funds	542,045	231,051
Total Remuneration of Section 57 employees	4,293,067	5,266,564

38. REMUNERATION OF COUNCILLORS

Executive Mayor	841,344	841,702
Deputy Executive Mayor	443,315	408,361
Speaker	633,885	673,007
Executive Committee Members	1,062,598	866,594
Total for All Other Councillors	285,910	358,320
Total Payments for Employee Related Costs	3,267,051	3,147,984
	(6,272.29)	(1.04)
Executive Mayor	841,344	1,075,052
Allowances and Service Related Benefits	738,823	1,003,833
Social Contributions	102,522	71,219
Deputy Executive Mayor	443,315	314,970
Allowances and Service Related Benefits	443,315	314,970
Speaker	633,885	744,051
Allowances and Service Related Benefits	633,885	721,669
Social Contributions	-	22,381
Total for All Other Councillors	1,354,779	1,013,913
Allowances and Service Related Benefits	1,354,779	958,026
Social Contributions	-	55,887
Total Councillors' Remuneration	3,273,324	3,147,985
Detail Remuneration of Councillors		
Executive Mayor - M Barry		
Salary	-	261,218
Allowances	-	14,800
Medical Aid	-	7,470
	-	283,488
Executive Mayor - N Valentyn		
Salary	201,517	361,450
Allowances	11,132	18,500
	212,649	379,950
Executive Mayor - J Donson		
Salary	517,221	121,962
Allowances	33,300	28,401
Medical Aid	78,174	27,901
	628,695	178,264
Deputy Executive Mayor - PJ Antonie		
Salary	-	29,979
Allowances	-	3,700
		33,679
Deputy Executive Mayor - L Stuurman		
Salary	89,937	149,333
Allowances	11,631	18,500
Medical Aid	-	11,982
	101,568	179,815
Deputy Executive Mayor - N Valentyn		
Salary	-	98,236
Allowances	-	11,100
	-	109,336
Deputy Executive Mayor - W Meshoa		
Salary	221,271	64,742
Allowances	61,716	11,100
	341,747	85,531
Speaker - R Albertus		
Salary	161,213	289,160
Allowances	11,631	18,500
	172,844	307,660

Speaker – W Meshoa

Salary	-	202,253
Allowances	-	14,800
Medical Aid	-	12,692
	<u>-</u>	<u>229,745</u>

Speaker – N Valentyn

Salary	-	124,502
Allowances	-	11,100
	<u>-</u>	<u>135,602</u>

Speaker – PG Rooi

Salary	415,153	-
Allowances	20,400	-
Medical Aid	25,488	-
	<u>461,041</u>	<u>-</u>

Councillor - HD Ruiters

Salary	54,881	233,332
Allowances	11,100	44,400
Medical Aid	8,892	20,639
	<u>74,873</u>	<u>298,371</u>

Councillor - WP Meshoa

Salary	46,254	97,667
Allowances	11,100	18,500
Medical Aid	17,572	16,717
	<u>74,926</u>	<u>132,884</u>

Councillor - N Valentyn

Salary	232,582	-
Allowances	32,497	-
	<u>265,079</u>	<u>-</u>

Councillor - L Stuurman

Salary	206,243	52,776
Allowances	34,894	11,100
	<u>241,137</u>	<u>63,876</u>

Councillor - AW Steenkamp

Salary	246,510	51,874
Allowances	39,200	20,100
	<u>331,710</u>	<u>71,974</u>

Councillor - J Johnson

Salary	-	57,030
Allowances	-	42,800
	<u>-</u>	<u>99,830</u>

Councillor - A Theron

Salary	-	63,771
Allowances	-	11,100
	<u>-</u>	<u>74,871</u>

Councillor - J Donson

Salary	32,902	53,587
Allowances	11,100	47,335
Travel Allowance	5,767	23,866
Medical Aid	25,104	-
	<u>74,873</u>	<u>124,788</u>

Section 79 - J Donson

Salary	-	68,085
Other Allowances	-	37,868
Medical Aid	-	18,531
	<u>-</u>	<u>124,484</u>

Section 79 - R Albertus

Salary	-	67,833
Allowances	-	11,100
	<u>-</u>	<u>78,933</u>

Section 79 - A W Steenkamp

Salary	-	111,403
Allowances	-	43,500
	-	154,903

Section 79 - H Ruiters

Salary	224,158	-
Allowances	33,300	-
Medical Aid	28,452	-
	285,910	-

In-kind Benefits

The Executive Mayor and the Speaker are the only full-time councillors. The Mayor, Deputy Mayor and Speaker are provided with secretarial support and an office at the cost to the Council.

39. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	13,957,417	13,711,914
Amortisation: Intangible Assets	-	3,954
Total Depreciation and Amortisation	13,957,417	13,715,868

The prior year amount for Depreciation and Amortisation has been adjusted. Refer to Note 51.2 on "Correction of Error" for details of the restatement.

40. IMPAIRMENT LOSSES

	2023 R	2022 R
Impairment Losses on Fixed Assets	-	2,872,418
Impairment Losses on Financial Assets	29,607,610	24,299,960
Fair Value Adjustment	866,462	2,030,643
Total Impairment Losses	30,474,071	29,203,021

41. INTEREST AND RENT ON LAND PAID

Interest Paid:	6,069,173	4,244,366
Borrowings	7,920	71,948
Finance Leases	-	27,612
Interest costs non-current Provisions	1,733,474	1,358,433
Overdue Accounts	4,327,779	2,786,373
Total Interest and Rent on Land Paid	6,069,173	4,244,366

42. BULK PURCHASES

Electricity	55,312,841	52,458,271
Total Bulk Purchases	55,312,841	52,458,271

43. CONTRACTED SERVICES

Outsourced Services	5,050,044	3,693,314
Consultants and Professional Services	11,169,618	7,479,037
Contractors	3,676,259	2,504,444
Total Contracted Services	19,895,920	13,676,795

44. INVENTORY CONSUMED

Consumables	-	3,275
Materials and Supplies	2,653,406	3,504,738
Water	253,323	27,814
Total Inventory Consumed	2,906,729	3,535,827

45. TRANSFERS AND SUBSIDIES PAID

Operational Grants	255,000	240,000
Monetary Allocations	255,000	240,000
Total Transfers and Subsidies Paid	255,000	240,000

The prior year amount for Transfers and Subsidies Paid has been adjusted. Refer to Note 51.2 on "Correction of Error" for details of the restatement.

46. OPERATING LEASES

	2023 R	2022 R
Computer Equipment	-	372,809
Furniture and Office Equipment	196,210	269,700
Investment Properties	430,750	482,720
Libraries	39,423	41,988
Other Assets	13,473	7,667
Total Operating Leases	877,156	1,205,300

47. OPERATIONAL COSTS

Included in General Expenses are the following:

Advertising, Publicity and Marketing	336,195	117,967
Assets less than the Capitalisation Threshold	125,915	21,834
Bank Charges, Facility and Card Fees	213,632	301,208
Commission	405,573	785,395
Communication	705,745	888,346
Contribution to Provisions	(3,424,390)	28,851
Deeds	31,888	12,993
Entertainment	81,364	105,853
External Audit Fees	91,591	3,300,874

External Computer Service	1,271,550	464,039
Hire Charges	-	50,200
Indigent Relief	-	546,218
Insurance Underwriting	742,387	837,485
Licences	1,995,834	105,848
Municipal Services	2,051,217	3,565,674
Printing, Publications and Books	986,350	654,706
Professional Bodies, Membership and Subscription	6,700	-
Registration Fees	71,374	36,000
Remuneration to Ward Committees	-	80,000
Resettlement Cost	5,500	14,100
Skills Development Fund Levy	540,327	556,096
Travel and Subsistence	1,159,945	731,763
Uniform and Protective Clothing	167,757	110,431
Wet Fuel	5,299,184	2,052,259
Total Operational Costs	12,865,638	15,368,141

	2023	2022
	R	R
47.1 Material Losses	10,090,446	6,464,112
Distribution Losses:		
Electricity Losses	6,348,963	6,339,478
Water Losses	3,741,483	124,634

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

Losses in Property Rates Revenue: The last valuation roll came into effect on 1 July 2013. According to Section 32(1)(b) of the Municipal Property Rates Act, No.6 of 2004, a valuation is valid for 5 years only. The municipality did not perform an updated valuation and therefore have possibly lost out on revenue from property rates. A monetary value could not be placed on the possible loss due to the complexities with valuing fixed property.

48. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Property, Plant and Equipment	609,197	(4,805,834)
Total Gains on Disposal of Capital Assets	609,197	-
Total Losses on Disposal of Capital Assets	-	4,805,834

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

2023
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50. RECLASSIFICATION OF ANNUAL FINANCIAL STATEMENTS

50.2 Reclassification of Revenue

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

The effect of the Correction of Error is as follows:

	Prior Year 2021/22 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
Property Rates	25,891,439	-	-	25,891,439
Fines, Penalties and Forfeits	38,651	-	-	38,651
Licences and Permits - Non-exchange	24,572	-	-	24,572
Transfers and Subsidies	60,590,121	-	-	60,590,121
Interest, Dividends & Rent on Land Non-Exchange	1,577,374	-	-	1,577,374
Licences and Permits - Exchange	134,696	-	-	134,696
Service Charges	102,394,082	-	-	102,394,082
Sales of Goods and Rendering of Services	307,284	-	-	307,284
Income from Agency Services	1,098,291	-	-	1,098,291
Rental from Fixed Assets	551,569	-	-	551,569
Interest, Dividends & Rent on Land Exchange	4,639,056	-	-	4,639,056
Operational Revenue	241,343	-	-	241,343
	197,488,479	-	-	197,488,479

50.3 Reclassification of Expenditure

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

The effect of the Correction of Error is as follows:

	Prior Year 2021/22 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
Employee Related Costs	71,598,209	-	(2,559,464)	69,038,744
Remuneration of Councillors	3,147,985	-	-	3,147,985
Depreciation and Amortisation	13,715,868	-	-	13,715,868
Impairment Losses	29,203,021	-	-	29,203,021
Interest, Dividends and Rent on Land	4,244,366	-	-	4,244,366
Bulk Purchases	50,752,318	-	1,705,953	52,458,271
Contracted Services	13,676,795	-	-	13,676,795
Inventory Consumed	3,535,827	-	-	3,535,827
Transfers and Subsidies Paid	240,000	-	-	240,000
Operating Leases	1,205,300	-	-	1,205,300
Operational Costs	15,368,141	-	-	15,368,141
Loss on Disposal of PPE	4,805,834	-	-	4,805,834
	211,493,664	-	(853,511)	210,640,152

50.4 Reclassification of Statement of Financial Position

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

The effect of the Correction of Error is as follows:

	Prior Year 2021/22 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
Current Assets				
Inventories	2,256,533	-	-	2,256,533
Receivables from Exchange Transactions	4,377,144	-	133,536	4,510,680
Receivables from Non-exchange Transactions	1,709,591	-	-	1,709,591
Statutory Receivables from Non-exchange Transactions	2,531,615	-	91,428	2,623,043
VAT Receivable	2,450,325	-	-	2,450,325
Cash and Cash Equivalents	30,934,238	-	-	30,934,238
Lease Receivables	59,289	-	-	59,289
Non-Current Assets				
Property, Plant and Equipment	323,050,850	-	(4,496,747)	318,554,103
Intangible Assets	3,379	-	20,559	23,939
Investment Property	1,162,728	-	(5,748)	1,156,980
Investments	91,785	-	-	91,785
Current Liabilities				
Consumer Deposits	(1,216,750)	-	-	(1,216,750)
Payables from Exchange Transactions	(67,828,838)	-	4,879,443	(62,949,395)
Payables from Non-exchange Transactions	(654,796)	-	-	(654,796)
Unspent Conditional Grants and Receipts	(18,220,932)	-	-	(18,220,932)
VAT Payable	-	-	-	-
Lease Payables	(12,927)	-	-	(12,927)
Borrowings	(216,120)	-	(417,749)	(633,869)
Employee Benefit Liabilities	(2,081,000)	-	-	(2,081,000)
Provisions	(6,308,504)	-	-	(6,308,504)
Non-Current Liabilities				
Borrowings	-	-	417,749	417,749
Employee Benefit Liabilities	(13,344,000)	-	-	(13,344,000)
Provisions	(20,539,962)	-	(7,969,790)	(28,509,752)
Net Assets				
Reserves	(469,512)	-	456,005	(13,507)
Accumulated Surplus / (Deficit)	(237,734,135)	-	6,891,314	(230,842,821)
	-	-	-	-

51. 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:

51.1 Reclassification of Revenue

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

	Property Rates	Fines, Penalties and Forfeits	Licences and Permits - Non- exchange	Transfers and Subsidies
Balance previously reported	25,891,439	38,651	24,572	60,590,121
Balances now published per AFS as at 30 June 2022	25,891,439	38,651	24,572	60,590,121

Property Rates:

The **prior year amounts** for Property Rates and Non-exchange Receivables have been restated to correctly disclose the revenue for Property Rates, restated as per Working Papers prepared.

	Surcharges and Taxes	Interest, Dividends & Rent on Land Non-Exchange	Licences and Permits - Exchange	Service Charges
Balance previously reported	-	1,577,374	134,696	102,394,082
Balances now published per AFS as at 30 June 2022	<u>-</u>	<u>1,577,374</u>	<u>134,696</u>	<u>102,394,082</u>

Service Charges:

The **prior year amounts** for Service Charges and Exchange Receivables have been restated to correctly disclose the revenue for Service Charges, restated as per Working Papers prepared.

	Sales of Goods and Rendering of Services	Income from Agency Services	Rental from Fixed Assets	Interest, Dividends & Rent on Land Exchange
Balance previously reported	307,284	1,098,291	551,569	4,639,056
Balances now published per AFS as at 30 June 2022	<u>307,284</u>	<u>1,098,291</u>	<u>551,569</u>	<u>4,639,056</u>

	Operational Revenue	Intercompany/Parent-subsidiary Transactions	Gains on Disposal of PPE	Gains on Other Operations
Balance previously reported	241,343	-	-	-
Balances now published per AFS as at 30 June 2022	<u>241,343</u>	<u>-</u>	<u>-</u>	<u>-</u>

51.2 Reclassification of Expenditure

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

	Employee Related Costs	Remuneration of Councillors	Depreciation and Amortisation
Balance previously reported	71,598,209	3,147,985	13,715,868
Correction of Errors:- Adjust Post-employment Health Benefit Contributions	(2,559,464)	-	-
Balances now published per AFS as at 30 June 2022	<u>69,038,744</u>	<u>3,147,985</u>	<u>13,715,868</u>

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 Asset Register compiled for the year 2021/22.

	Impairment Losses	Interest, Dividends and Rent on Land	Bulk Purchases	Contracted Services
Balance previously reported	29,203,021	4,244,366	50,752,318	13,676,795
Correction of Errors:- Adjust Cost of Assets as per Revised Asset Register	-	-	1,705,953	-
Balances now published per AFS as at 30 June 2022	29,203,021	4,244,366	52,458,271	13,676,795

Interest, Dividends and Rent on Land:

The **prior year amounts** for Interest, Dividends & Rent on Land and Non-current Provisions have been restated to correctly disclose the expenditure for the unwinding costs of the Provision for Landfill Sites, previously incorrectly accounted for at the Government Bond yield rate.

Contracted Services:

The prior year amounts for Contracted Services and Property, Plant & Equipment have been restated to correctly disclose cost of assets as per Asset Register compiled for the year 2021/22.

	Inventory Consumed	Transfers and Subsidies Paid	Operating Leases	Operational Costs
Balance previously reported	3,535,827	240,000	1,205,300	15,368,141
Balances now published per AFS as at 30 June 2022	3,535,827	240,000	1,205,300	15,368,141

Operational Costs:

The **prior year amounts** for Operational Costs and Non-current Provisions have been restated to correctly disclose the expenditure for the unwinding costs of the Provision for Landfill Sites, previously incorrectly accounted for at the Government Bond yield rate.

	Income Taxes	Statutory Payments other than Taxes	Loss on Disposal of PPE	Losses on Other Operations
Balance previously reported	-	-	4,805,834	-
Balances now published per AFS as at 30 June 2022	-	-	4,805,834	-

51.3 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:

	Inventories	Receivables from Exchange Transactions	Statutory Receivables from Exchange Transactions
Balances previously published per AFS as at 30 June 2021	3,237,046	4,005,872	-
Correction of Errors:- Adjustment for Exchange Receivables as per Working Papers	-	133,536	-
Balances now published per AFS as at 30 June 2021	3,237,046	4,139,408	-
Transactions incurred for the Year 2021/22	(980,513)	371,272	-
Balances now published per AFS as at 30 June 2022	2,256,533	4,510,680	-

Receivables from Exchange Transactions:

The **opening balances** of Receivables from Exchange Transactions and Service Charges have been restated to correctly disclose the amount for Services Debtors, restated as per Working Papers prepared.

The **prior year amounts** of Receivables from Exchange Transactions and Service Charges have been restated to correctly disclose the amount for Sewerage Debtors, restated as per Working Papers prepared.

	Receivables from Non-exchange Transactions	Statutory Receivables from Non-exchange Transactions	VAT Receivable
Balances previously published per AFS as at 30 June 2021	224,533	1,525,343	-
Correction of Errors:-			
Adjustment for Non-exchange Statutory Receivables as per Working Papers	-	1,450,040	-
Balances now published per AFS as at 30 June 2021	224,533	2,975,383	-
Transactions incurred for the Year 2021/22	1,485,057	1,006,272	2,450,325
Correction of Errors:-			
Adjustment for Non-exchange Statutory Receivables as per Working Papers	-	(1,358,612)	-
Balances now published per AFS as at 30 June 2022	1,709,591	2,623,043	2,450,325

Receivables from Non-exchange Transactions:

The **opening balances** of Receivables from Non-exchange Transactions and Property Rates have been restated to correctly disclose the amount for Property Rates Debtors, restated as per Working Papers prepared.

The **prior year amounts** of Receivables from Non-exchange Transactions and Property Rates have been restated to correctly disclose the amount for Property Rates Debtors, restated as per Working Papers prepared.

	Property, Plant and Equipment	Intangible Assets	Investment Property	Investments
Balances previously published per AFS as at 30 June 2021	327,279,507	27,894	1,250,210	-
Balances now published per AFS as at 30 June 2021	327,279,507	27,894	1,250,210	-
	2,128,506.55			
Transactions incurred for the Year 2021/22	(4,228,657)	(24,514)	(87,482)	91,785
Correction of Errors:-				
Adjust Cost of Assets as per Revised Asset Register	(6,625,254)	20,559	(5,748)	-
Balances now published per AFS as at 30 June 2022	318,554,103	23,939	1,156,980	91,785

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 Asset Register compiled for the year 2021/22.

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 Asset Register compiled for the year 2021/22.

	Consumer Deposits	Payables from Exchange Transactions	Payables from Non-exchange Transactions
Balances previously published per AFS as at 30 June 2021	(1,118,645)	(59,942,006)	(600,772)
Balances now published per AFS as at 30 June 2021	(1,118,645)	(59,942,006)	(600,772)
Transactions incurred for the Year 2021/22	(98,104)	(7,886,832)	(54,025)
Adjustments made	-	1,451,236	-
Balances now published per AFS as at 30 June 2022	(1,216,750)	(62,949,395)	(654,796)

	Unspent Conditional Grants and Receipts	VAT Payable	Lease Payables
Balances previously published per AFS as at 30 June 2021	(30,900,003)	(2,266,859)	(12,927)
Balances now published per AFS as at 30 June 2021	(30,900,003)	(2,266,859)	(12,927)
Transactions incurred for the Year 2021/22	12,679,072	2,266,859	-
Adjustments made	-	(1,791,198)	-
Balances now published per AFS as at 30 June 2022	(18,220,932)	-	(12,927)

	Borrowings	Employee Benefit Liabilities	Provisions
Balances previously published per AFS as at 30 June 2021	(446,424)	(920,000)	(6,376,260)
Balances now published per AFS as at 30 June 2021	(446,424)	(920,000)	(6,376,260)
Transactions incurred for the Year 2021/22	230,303	(1,161,000)	67,756
Correction of Errors:- Adjustment for Current Lease Payables	27,968	-	182,747
Balances now published per AFS as at 30 June 2022	(633,869)	(2,081,000)	(6,308,504)

	Lease Payables	Borrowings	Employee Benefit Liabilities	Provisions
Balances previously published per AFS as at 30 June 2021	-	(417,749)	(12,191,000)	(25,546,933)
Balances now published per AFS as at 30 June 2021	-	(417,749)	(12,191,000)	(25,546,933)
Transactions incurred for the Year 2021/22	-	417,749	(1,153,000)	5,006,971
Correction of Errors:- Correction of Payables from Exchange	-	(27,968)	-	(15,939,580)
Balances now published per AFS as at 30 June 2022	-	417,749	(13,344,000)	(28,509,752)

Non-current Provisions:

The **opening balances** of Non-current Provisions and Accumulated Surplus have been restated to correctly disclose the amount for Provision for the Rehabilitation of Landfill Sites, previously incorrectly accounted for at the Government Bond yield rate.

The **prior year amounts** for Non-current Provisions, Finance Costs and Operating Costs have been restated to correctly disclose the amount for Provision for the Rehabilitation of Landfill Sites, previously incorrectly accounted for at the Government Bond yield rate.

	2023 R	2022 R
52. CHANGE IN ACCOUNTING ESTIMATES		
52.1 Depreciation Expenditure:		
The remaining useful lives and residual values of Capital Assets were re-assessed in the current year and affected the amount of depreciation for the 2022/23 financial year. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of Capital Assets	(279,126)	(562,406)
Increase / (Decrease) in Depreciation of Capital Assets	(279,126)	(562,406)
Depreciation as previously stated	14,236,543	14,278,274
Adjustment due to Change in Accounting Estimate	(279,126)	(562,406)
Depreciation as per Note 39.	13,957,417	13,715,868

54. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 24.)	-	(417,749)
Used to finance Property, Plant and Equipment - at cost	-	417,749
Sub-total	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

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.

	2023 R	2022 R
55. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
55.1 Unauthorised Expenditure		
To management's best of knowledge no Unauthorised Expenditure was incurred during the year under		
Reconciliation of Unauthorised Expenditure:		
Opening Balance:	59,734,276	23,064,200
- As previously stated	59,734,276	-
- Correction of error	-	-
Unauthorised Expenditure Current Year:		36,670,076
- Current Year	-	-
- Prior Year	-	(86,271,046)
Unauthorised Expenditure awaiting authorisation	59,734,276	59,734,276

55.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure:

Opening Balance	8,882,921	6,096,548
- As previously stated	8,882,921	-
- Correction of error	-	6,096,548
Fruitless and Wasteful Expenditure Current Year	-	2,786,373
- Current Year	-	2,786,373
Expenditure investigated and approved by Council	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>8,882,921</u>	<u>8,882,921</u>

Incident	Disciplinary Steps / Criminal Proceedings
Interest on late submission of VAT returns. - R251 931	Currently None - subject to possible future investigation

55.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening Balance:	116,899,304	111,815,159
Irregular Expenditure Current Year (Subject to investigation)*:	7,240,086	5,084,145
Irregular Expenditure awaiting condonation	<u>124,139,390</u>	<u>116,899,304</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 - R6,926,641 (2022: R5,084,145)	Still to be investigated.
- Due process not followed for procurement perform via	Still to be investigated.

2023
R

2022
R

56. ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION

56.1 MUNICIPAL FINANCE MANAGEMENT ACT

56.1.1 Contributions to Organised Local Government - SALGA

Opening Balance	5,294,970	4,729,740
Council Subscriptions	756,688	730,230
Amount Paid - current year	(135,000)	(165,000)
Balance Unpaid (included in Creditors)	<u>5,916,658</u>	<u>5,294,970</u>

56.1.2 Pension and Medical Aid Deductions

Opening Balance	1,200,586	1,074,350
Current Year Contributions	14,627,288	14,100,143
Amount Paid - current year	(8,917,520)	(12,899,557)
Amount Paid - previous years	(1,200,586)	(1,074,350)
Balance Unpaid (included in Creditors)	<u>5,709,768</u>	<u>1,200,586</u>

56.1.3 Audit Fees

Opening Balance	8,040,120	9,064,446
Current year Audit Fees	5,610,413	3,796,005
Interest Raised on Late / Non-payment	885,538	623,790
Amount Paid - current year	(1,031,770)	(5,444,121)
Amount Paid - previous years	(5,505,084)	-
Balance Unpaid (included in Creditors)	<u>7,999,218</u>	<u>8,040,120</u>

56.1.4 PAYE, Skills Development Levy and UIF

Opening Balance	(475,973)	718,890
Current year Payroll Deductions	12,255,127	11,335,324
Penalties/interest on late payment	-	72,614
Amount Paid - current year	(11,612,300)	(11,811,297)
Amount Paid - previous years	-	(791,504)

Balance Unpaid (included in Creditors)	166,854	(475,973)
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56.1.5 Councillor's arrear Consumer Accounts

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

30 June 2023	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor N Valentine	1,041	1,041	-
Councillor HD Ruiters	4,053	4,053	-
Councillor Stuurman JL	855	855	-

Total Councillor Arrear Consumer Accounts	5,949	5,949	-
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30 June 2022	Total	Outstanding up to 90 days	Outstanding more than 90 days
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Councillor Valentyn N	2,577	1,111	1,466
Councillor Stuurman JL	2,244	1,060	1,184

Total Councillor Arrear Consumer Accounts	4,820	2,171	2,649
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56.1.6 Deviation from, and ratification of minor breaches of, the Procurement Processes

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

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

30 June 2023

Department	Tenderer	Reason	Amount
Administrative Services	Various (8)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	1,299,229
Community Services	Various (1)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	199,295
Financial Services	Various (11)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	2,560,627
Municipal Manager	Various (3)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	634,970
Technical Services	Various (9)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	2,232,520
Total:			6,926,641

30 June 2022

Department	Tenderer	Reason	Amount
Executive Council	Various (20)	Various reasons like impracticality/ urgency/ Continuity and alignment	4,541,276
Administrative Services	Various (4)	Various reasons like impracticality/ urgency/ Preferred supplier	219,459
Community Services	Various (5)	Various reasons like impracticality/ urgency/ Sole Supplier	290,376
Financial Services	Various (47)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	1,668,350
Municipal Manager	Various (11)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	997,580
Technical Services	Various (6)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	500,981
Total:			8,218,021

56.1.7 (d)(i) of the MFMA

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

Electricity:

		Lost Units	Tariff	Value
30 June 2023	Unaccounted Electricity Losses	<u>4,149,649</u>	<u>1.5300</u>	<u>6,348,963</u>
30 June 2022	Unaccounted Electricity Losses	<u>4,766,525</u>	<u>1.3300</u>	<u>6,339,478</u>

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

	2023	2022
Volumes in kWh/year:		
System Input Volume	33,201,138	37,760,480
Billed Consumption	<u>29,051,489</u>	<u>32,993,955</u>
Unaccounted	4,149,649	4,766,525
Normal distribution losses - 8% of electricity purchases	<u>2,656,091</u>	<u>3,020,838</u>
	<u>1,493,558</u>	<u>1,745,687</u>
Percentage Distribution Loss	4.50%	4.62%

Water:

		Lost Units	Tariff	Value
30 June 2023	Unaccounted Water Losses	528,458	7.0800	3,741,483
30 June 2022	Unaccounted Water Losses	451,572	0.2760	124,634

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

	2023	2022
Volumes in Kl/year:		
System Input Volume	1,900,185	1,950,208
Billed Consumption	<u>1,371,727</u>	<u>1,498,636</u>
Distribution Loss	<u>528,458</u>	<u>451,572</u>
Percentage Distribution Loss	27.10%	23.80%

56.2 BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

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

56.2.1 Ownership and Management Control

57. COMMITMENTS FOR EXPENDITURE

57.1 Capital Commitments

- Approved and Contracted for:-	-	18,959,850
Infrastructure	-	18,959,850
Community	-	-
Total Capital Commitments	<u>-</u>	<u>18,959,850</u>
This expenditure will be financed from:		
Government Grants or Equitable Share	-	18,959,850
	<u>-</u>	<u>18,959,850</u>

The Capital Commitments are VAT inclusive.

58. FINANCIAL INSTRUMENTS

58.1 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	977,656	1,306,435
Receivables from Exchange Transactions	Refuse	1,350,143	706,943
Receivables from Exchange Transactions	Sewerage	769,041	759,084
Receivables from Exchange Transactions	Merchandising, Jobbing and Contracts	553,046	553,046
Receivables from Non-exchange Transactions	Unauthorised, Irregular, Fruitless and Wasteful Expenditure	1,525,140	1,709,591
Payables from Exchange Transactions	Salary Related Payables	689,704	689,704
Cash and Cash Equivalents	Call Deposits	18,612,860	27,292,284
Cash and Cash Equivalents	Bank Balances	2,112,022	3,637,454
Cash and Cash Equivalents	Cash Floats and Advances	1,000	4,500
Total Financial Assets		27,445,412	37,685,892

FINANCIAL LIABILITIES:

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

Financial Liabilities at Amortised Cost:

Non-current Borrowings	Development Bank of South Africa	-	(417,749)
Consumer Deposits	Electricity	523,377	536,279
Consumer Deposits	Water	554,057	504,073
Consumer Deposits	Other Deposits	286,740	176,398
Payables from Exchange Transactions	Other Payables	1,976,884	2,063,522
Payables from Exchange Transactions	Retentions	2,870,325	2,608,184
Payables from Exchange Transactions	Trade Creditors	81,764,411	54,723,410
Payables from Non-exchange Transactions	Transfers and subsidies	145,311	145,311
Receivables from Exchange transactions	Other service charges		439,599
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	1,063,255	962,915
Receivables from Non-exchange Transactions	Insurance Claims	129,398	509,485
Unspent Conditional Grants and Receipts	Households	1,601,717	1,601,717
Unspent Conditional Grants and Receipts	National Government	5,976,498	5,624,915
Unspent Conditional Grants and Receipts	Provincial Government	6,213,916	10,994,300
Current Finance Lease Obligations	Current Finance Lease Obligations	-	(12,927)
Current Borrowings	Development Bank of South Africa	-	633,869
Total Financial Liabilities		103,105,888	81,106,228

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

58.2 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 26. and the Statement of Changes in Net Assets.

Gearing Ratio

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

Debt	-	633,869
Cash and Cash Equivalents	(20,725,882)	(30,934,238)
Net Debt	<u>(20,725,882)</u>	<u>(30,300,369)</u>
Equity	<u>198,891,369</u>	<u>230,856,328</u>
Net debt to equity ratio	<u>-10.42%</u>	<u>-13.13%</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.

58.3 Financial Risk Management Objectives

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

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

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

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

Further quantitative disclosures are included throughout these Annual Financial Statements.

58.4 Significant 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.

58.5 Market Risk

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

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

58.5.1 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.

58.5.2 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.

Cash and Cash Equivalents:

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

- Surplus for the year ended 30 June 2023 would have increased / decreased by R64,568 (30 June 2022: R113,281). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

58.6 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.

	2023 R	2022 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as		
Receivables from Exchange Transactions	86,577,383	61,574,642
Receivables from Non-exchange Transactions	1,525,140	1,709,591
Bank, Cash and Cash Equivalents	20,725,882	30,934,238
Maximum Credit and Interest Risk Exposure	108,828,405	94,218,471

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Exchange Debtors:		
- Service Debtors	97.44%	96.13%
- Other Receivables	0.04%	0.06%
- Other Minor Classes	0.78%	1.11%
Non-Exchange Debtors:		
- Other not Classified	1.73%	2.70%
Total Credit Risk	100.00%	100.00%
Bank and Cash Balances		
Standard Bank	20,724,882	30,929,738
Cash Equivalents	1,000	4,500
Total Bank and Cash Balances	20,725,882	30,934,238

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	510,081	741,228
Medium	130,402	189,495
	640,484	930,723
Total Receivables from Exchange Transactions	640,484	930,723
Receivables from Non-exchange Transactions		
High	1,525,140	1,709,591
Total Receivables from Non-exchange Transactions	1,525,140	1,709,591

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.

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

58. FINANCIAL INSTRUMENTS (Continued)

58.1 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

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 2023								
Non-interest Bearing		0.00%	107,105,336	107,105,336	-	-	-	-
- Consumer Deposits			1,364,174	1,364,174	-	-	-	-
- Payables from Exchange transactions			89,921,363	89,921,363	-	-	-	-
- Payables from Non-exchange transactions			1,337,964	1,337,964	-	-	-	-
- Unspent Conditional Grants and Receipts			13,792,131	13,792,131	-	-	-	-
- Salary related payable			689,704	689,704	-	-	-	-
			107,105,336	107,105,336	-	-	-	-
30 June 2022								
Non-interest Bearing		0.00%	80,890,108	24,917,239	24,463,884	-	31,508,985	-
Fixed Interest Rate Instruments		12.50%	216,120	216,120	-	-	-	-
			81,106,228	25,133,359	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 2023								
Non-interest Bearing		0.00%	6,368,679	6,368,679	-	-	-	-
- Long-term Receivables			-	-	-	-	-	-
- Trade Receivables from Exchange Transactions			3,649,886	3,649,886	-	-	-	-
- Trade Receivables from Non-exchange Transactions			1,525,140	1,525,140	-	-	-	-
- Current Portion of Long Term Receivables			1,192,653	1,192,653	-	-	-	-
- Cash and Cash Equivalents			1,000	1,000	-	-	-	-
			-	-	-	-	-	-
Variable Interest Rate Instruments		7.14%	20,724,882	20,724,882	-	-	-	-
- Listed Investments			-	-	-	-	-	-
- Unlisted Investments			-	-	-	-	-	-
- Call Deposits			18,612,860	18,612,860	-	-	-	-
- Bank Account			2,112,022	2,112,022	-	-	-	-
			-	-	-	-	-	-
			27,093,561	27,093,561	-	-	-	-
30 June 2022								
Non-interest Bearing		0.00%	6,664,369	6,654,369	3,000	3,000	4,000	-
Variable Interest Rate Instruments		2.72%	30,929,738	30,929,738	-	-	-	-
			37,685,892	37,675,892	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.

58.2 Other Price Risks

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

59. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

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

Council contribute to the 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 R6,713,702 (2022: R6,370,830) 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.

59.1 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.

59.2 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.

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.

60. RELATED PARTY TRANSACTIONS

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

60.1 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	9,727	49,504		
Municipal Manager and Section 57 Personnel				
Total Services	9,727	49,504	-	-
Councillors	13,485	100,615	2,088	10,665
Municipal Manager and Section 57 Personnel	3,757	19,935	1	1,290
Total Services	17,242	120,550	2,089	11,955

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.

60.2 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.

60.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 37 and 38, and Appendix G, to the Annual Financial Statements.

	2023 R	2022 R
61. CONTINGENT LIABILITIES		
61.1 Court Proceedings:	7,095,000	1,430,000
Court Proceedings arose due to various claims brought against the Municipality. The attorneys suggested that the matters will be defended, due to the circ		
The likelihood of successfully defending the claims, as well as the timing and possible costs thereof, cannot be determined at this time.		
(a) Ladismith Cheese and others Legal advice to the Municipality and the MEC	3,000,000	
(b) Damion Rooi and others Unfair labour practice dispute	780,000	
(c) Johannelie Andrew and others Unfair dismissal dispute	120,000	
(d) McGreggor and Erasmus Summons issued to the Municipality	195,000	
(e) Baqwana Burns A Rule 3 issued against the Municipality	3,000,000	
(f) Calitzdorp Spa Transfer of ownership in terms of s16 of the Deeds Registries Act from Eden District Municipality		30,000
(g) Urgent Self-review Application Notice of motion in respect of employees		400,000
(h) Councillor Donson, Meshoa, and Luiters Legal advice and assistance to Council and Speaker		500,000
(i) Case No. 1446/22, and 6709/22 Legal advice and assistance to Administration		500,000
(j) Waine Siegelaar Unfair dismissal dispute	15,000	
61.2 Insurance Claims:	-	10,030
(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.	-	10,030

62. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

62.1 Insurance Claims:	<u>-</u>	<u>241,588</u>
(i) Lost / Damaged Assets:	-	157,873
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 R0 (2022: R157,873) will be recovered.		
(ii) Motor Vehicle Accident: Third party liabilities.		83,715
62.2 Other:	<u>-</u>	<u>204,640</u>

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)

204,640.00

63. IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

(ii) National Treasury paid external audit fees on behalf of Kannaland Local Municipality	<u></u>	<u>4,619,121</u>
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64. EVENTS AFTER THE REPORTING DATE

The Municipality settled an amount of R2,8 million to Susanna Magdalena Steyn after the Labour Court ruled in her favor on 9 July 2023 that her dismissal was substantively unfair. This settlement amount has been accrued for in payroll cost for the current financial year.

65. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 51.).

66. OTHER EXTRAORDINARY DISCLOSURES

66.1 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.

67. 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 R980,551 with Standard Bank compared to R6,402,670 in the prior year and a positive cash book balance of R2,910,493 compared to R7,845,241 in the prior year.
- (ii) The municipality has call investment deposits for the current year of R18,612,860 compared to R27,292,284 in the prior year.
- (iii) The municipality had an actual surplus of R-34,014,298 for the current financial year compared to R-13,151,674 in the prior year.
- (iv) There was an decrease in the current ratio to 0.29:1 from 0.56:1 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 R78,119,189 (2022: R47,534,475).
- (vi) The average debtors' payment days decreased from 145 days to 141 days. The average creditors' payment days increased to 212 days from 192
- (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.

68. 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	Caltizdorp
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.

68.1 Segmental Analysis of Financial Performance

Year Ended 30 June 2023

Description	Executive and Council	Finance and Administration	Internal Audit	Community and Social Services	Public Safety	Sport and Recreation	Housing	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	-	25,562,408	-	-	-	-	-	-	-	-	-	-	-	25,562,408
Fines, Penalties and Forfeits	-	-	-	57	104,739	-	-	290,211	-	-	-	-	-	395,006
Licences and Permits	-	366	-	-	-	-	-	-	-	-	-	-	-	366
Transfers and Subsidies	33,573,017	3,265,962	-	11,604,841	-	370	-	554,150	1,004,065	-	-	-	-	50,002,404
Interest, Dividends and Rent on Land Earned	-	2,561,209	-	-	-	-	-	-	-	-	-	-	-	2,561,209
Revenue from Exchange Transactions														
Licences and Permits	-	460	-	-	4,911	-	-	165,748	-	-	-	-	-	171,120
Service Charges	-	-	-	-	-	-	-	-	64,072,823	8,909,600	8,706,827	20,257,720	-	101,946,969
Sales of Goods and Rendering of Services	-	400,116	-	27,559	(110)	-	-	-	-	-	-	-	-	427,565
Income from Agency Services	-	-	-	-	-	-	-	1,215,427	-	-	-	-	-	1,215,427
Rental from Fixed Assets	-	577,412	-	34,015	-	-	-	-	-	-	-	-	-	611,426
Interest, Dividends and Rent on Land Earned	-	1,869,491	-	-	-	-	-	-	186,641	1,854,195	1,637,893	2,472,506	-	8,020,726
Operational Revenue	-	549,005	-	-	-	-	-	13,019	4,248	-	14,145	21,760	-	602,178
Total Revenue	33,573,017	34,786,429	-	11,666,471	109,540	370	-	2,238,555	65,267,777	10,763,795	10,358,865	22,751,986	-	191,516,804
EXPENDITURE														
Employee Related Costs	12,347,729	31,023,213	-	5,427,579	1,307,654	781,083	1,051,352	7,401,266	3,528,660	7,691,663	3,481,927	6,874,486	-	80,916,613
Remuneration of Councillors	3,273,324	-	-	-	-	-	-	-	-	-	-	-	-	3,273,324
Depreciation and Amortisation	298,740	988,381	-	780,016	-	134,044	-	3,175,737	2,183,555	33,718	2,902,449	3,460,777	-	13,957,417
Impairment Losses	-	5,288,437	-	-	-	-	-	-	143,208	6,734,981	6,341,171	11,099,813	-	29,607,610
- Total Losses, Including PPE	-	4,633,035	-	-	-	-	-	-	143,208	6,734,981	6,341,171	11,099,813	-	28,952,208
- Bad Debts Written Off	-	46,205	-	-	-	-	-	-	-	-	-	-	-	46,205
Interest, Dividends and Rent on Land	-	4,327,779	-	1,733,474	-	-	-	297	1,946	-	896	4,781	-	6,069,173
Bulk Purchases	-	-	-	-	-	-	-	-	55,312,841	-	-	-	-	55,312,841
Contracted Services	3,483,166	10,826,474	-	492,930	-	-	2,030,148	352,190	1,451,603	71,025	880,798	307,587	-	19,895,920
Inventory Consumed	107,636	329,901	-	156,643	-	2,039	-	253,159	319,880	416,126	442,223	879,122	-	2,906,729
Transfers and Subsidies Paid	255,000	-	-	-	-	-	-	-	-	-	-	-	-	255,000
Operating Leases	-	577,355	-	39,423	-	-	-	260,378	-	-	-	-	-	877,156
Operational Costs	1,904,910	3,895,776	-	1,573,007	34,047	178,564	23,853	4,682,005	1,375,038	(2,933,240)	549,111	1,577,603	-	12,865,638
Loss on Disposal of Property, Plant and Equipment	-	(609,197)	-	-	-	-	-	-	-	-	-	-	-	(609,197)
Total Expenditure	21,670,505	56,648,118	-	10,203,072	1,341,702	1,095,730	3,105,353	16,125,033	64,316,730	12,014,273	14,598,575	24,204,169	-	225,328,223
Surplus/(Deficit) for the Year	11,902,512	(22,728,150)	-	1,463,399	(1,232,162)	(1,095,360)	(3,105,353)	(13,886,478)	951,048	(1,250,479)	(4,239,709)	(1,452,183.58)	-	(34,677,880)

Year Ended 30 June 2022

	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE														
Revenue from Non-exchange Transactions														
Property Rates	-	25,891,439	-	-	-	-	-	-	-	-	-	-	-	25,891,439
Fines, Penalties and Forfeits	-	(13,456)	-	580	36,783	-	-	14,745	-	-	-	-	-	38,651
Licences and Permits	-	2,617	-	-	21,955	-	-	-	-	-	-	-	-	24,572
Transfers and Subsidies	28,774,399	3,027,507	-	14,514,002	-	-	531,805	529,718	6,468,126	-	-	6,744,564	-	60,590,121
Interest, Dividends and Rent on Land Earned	-	1,577,374	-	-	-	-	-	-	-	-	-	-	-	1,577,374
Revenue from Exchange Transactions														
Licences and Permits	-	115	-	-	21,763	-	-	112,817	-	-	-	-	-	134,696
Service Charges	-	-	-	-	-	-	-	-	64,749,695	8,582,968	8,706,318	20,355,101	-	102,394,082
Sales of Goods and Rendering of Services	-	273,040	-	34,836	(592)	-	-	-	-	-	-	-	-	307,284
Income from Agency Services	-	-	-	-	-	-	-	1,098,291	-	-	-	-	-	1,098,291
Rental from Fixed Assets	-	533,947	-	17,623	-	-	-	-	-	-	-	-	-	551,569
Interest, Dividends and Rent on Land Earned	-	1,254,764	-	-	-	-	-	-	153,193	1,043,710	911,340	1,276,049	-	4,639,056
Operational Revenue	-	241,343	-	-	-	-	-	-	-	-	-	-	-	241,343
Total Revenue	28,774,399	32,788,689	-	14,567,041	79,909	-	531,805	1,755,572	71,371,015	9,626,678	9,617,658	28,375,714	-	197,488,479
EXPENDITURE														
Employee Related Costs	13,890,617	28,285,665	-	4,947,214	1,241,840	49,269	966,037	5,640,592	3,360,272	1,753,490	2,945,836	5,957,912	-	69,038,744
Remuneration of Councillors	3,147,985	-	-	-	-	-	-	-	-	-	-	-	-	3,147,985
Depreciation and Amortisation	-	453,607	-	1,157,558	-	181,490	-	2,592,070	2,186,134	1,491,337	1,986,140	3,667,533	-	13,715,868
Impairment Losses	22,381	8,568,899	-	-	-	-	-	-	1,082,823	5,120,680	4,470,314	7,907,282	-	27,172,378
- Total Losses, Including PPE	22,381	32,495,256	-	-	-	-	-	-	(22,720,901)	(3,937,479)	(4,389,198)	(8,119,260)	-	(6,649,202)
- Bad Debts Written Off	-	3,166,960	-	-	-	-	-	-	1,516,241	9,058,159	8,859,512	16,026,542	-	38,627,414
Interest, Dividends and Rent on Land	-	2,813,985	-	1,358,433	-	-	-	3,937	25,759	-	11,852	30,401	-	4,244,366
Bulk Purchases	-	-	-	-	-	-	-	-	52,458,271	-	-	-	-	52,458,271
Contracted Services	6,607,328	4,528,358	-	668,652	-	-	531,805	26,462	658,368	90,415	-	565,407	-	13,676,795
Inventory Consumed	212,413	338,273	-	138,887	-	7,926	-	154,439	475,279	542,912	121,029	1,544,670	-	3,535,827
Transfers and Subsidies Paid	240,000	-	-	-	-	-	-	-	-	-	-	-	-	240,000
Operating Leases	428,476	704,420	-	41,988	-	-	-	-	-	-	-	30,417	-	1,205,300
Operational Costs	992,277	5,917,909	-	2,357,726	34,235	158,571	15,684	690,636	2,153,781	469,254	434,311	2,143,756	-	15,368,141
Loss on Disposal of Property, Plant and Equipment	-	27,093,317	-	-	-	-	-	-	(22,287,483)	-	-	-	-	4,805,834
Total Expenditure	25,541,477	78,704,433	-	10,670,459	1,276,075	397,257	1,513,526	9,108,135	40,113,202	9,468,088	9,969,481	21,847,377	-	208,609,509
Surplus/(Deficit) for the Year	3,232,922	(47,946,387)	-	3,896,582	(1,196,166)	(397,257)	(981,722)	(7,352,563)	31,257,813	158,590	(351,823)	6,528,337.10	-	(13,151,674)

68.2 Other Segmental Analysis Disclosures

Year Ended 30 June 2023

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	-	-	-	-	-	-	-	-	977,656	-	-	-	-	977,656	
- Refuse	-	-	-	-	-	-	-	-	-	1,350,143	-	-	-	1,350,143	
- Sewerage	-	-	-	-	-	-	-	-	-	-	769,041	-	-	769,041	
- Water	-	-	-	-	-	-	-	-	-	-	-	1,288,195	-	1,288,195	
	-	-	-	-	-	-	-	-	977,656	1,350,143	769,041	1,288,195	-	4,385,035	
Statutory Receivables from Non-exchange Transactions:															
- Fines	-	-	-	-	184,703	-	-	-	-	-	-	-	-	-	
- Property Rates	-	2,335,904	-	-	-	-	-	-	-	-	-	-	-	2,335,904	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total for Financial Position	-	2,335,904	-	-	184,703	-	-	-	977,656	1,350,143	769,041	1,288,195	-	6,720,940	
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	

Year Ended 30 June 2022

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	-	-	-	-	-	-	-	-	1,306,435	-	-	-	-	1,306,435
- Refuse	-	-	-	-	-	-	-	-	-	706,943	-	-	-	706,943
- Sewerage	-	-	-	-	-	-	-	-	-	-	759,084	-	-	759,084
- Water	-	-	-	-	-	-	-	-	-	-	-	924,604	-	924,604
	-	-	-	-	-	-	-	-	1,306,435	706,943	759,084	924,604	-	3,697,065
Statutory Receivables from Non-exchange Transactions:														
- Fines	-	-	-	-	1,759	-	-	-	-	-	-	-	-	-
- Property Rates	-	2,621,284	-	-	-	-	-	-	-	-	-	-	-	2,621,284
	-	2,621,284	-	-	1,759	-	-	-	-	-	-	-	-	2,621,284
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total for Financial Position	-	2,621,284	-	-	1,759	-	-	-	1,306,435	706,943	759,084	924,604	-	6,318,350
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