



KANNALAND
MUNISIPALITEIT | MUNICIPALITY

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

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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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 2022

General Information

MEMBERS OF THE MAYORAL COMMITTEE AS AT 30 JUNE 2022

Executive Mayor

Cllr N Valentyn

Deputy Executive Mayor

Cllr L Stuurman

Speaker

Mr R Albertus

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

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ACTING MUNICIPAL MANAGER

Mr I Avontuur

ACTING CHIEF FINANCIAL OFFICER

Mr GJ Groenewald

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

General Information (Continued)

LEGAL FORM

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

The Objects of Local Government are:

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

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

JURISDICTION

Greater Kannaland area which includes:

Ladismith
Calitzdorp, Van Wyksdorp and Zoar

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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. Valentyn	N
Proportional	Cllr. Stuurman	L
Proportional	Cllr. Albertus	R

APPROVAL OF FINANCIAL STATEMENTS

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

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

Mr I Avontuur
Acting Municipal Manager

31 August 2022
Date

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Report of the Auditor General

- Insert Audit Report -

KANNALAND MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

		Actual	
	Note	2022 R	2021 Restated R
ASSETS			
Current Assets		44 318 734	57 856 807
Inventories	2.	2 256 533	3 237 046
Receivables from Exchange Transactions	3.	4 377 144	4 005 872
Receivables from Non-exchange Transactions	4.	1 709 591	224 533
Statutory Receivables from Non-Exchange Transactions	5.	2 531 615	1 525 343
Cash and Cash Equivalents	7.	30 934 238	48 804 724
Lease Receivables	11.	59 289	59 289
Non-Current Assets		324 308 742	328 557 610
Property, Plant and Equipment	8.	323 050 850	327 279 507
Intangible Assets	9.	3 379	27 894
Investment Property	10.	1 162 728	1 250 210
Total Assets		368 627 476	386 414 417
LIABILITIES			
Current Liabilities		96 539 867	102 583 896
Consumer Deposits	12.	1 216 750	1 118 645
Payables from Exchange Transactions	13.	67 828 838	59 942 006
Payables from Non-exchange Transactions	14.	654 796	600 772
Unspent Conditional Grants and Receipts	15.	18 220 932	30 900 003
VAT Payable	16.	-	2 266 859
Lease Payables	17.	12 927	12 927
Borrowings	18.	216 120	446 424
Employee Benefit Liabilities	19.	2 081 000	920 000
Provisions	20.	6 308 504	6 376 260
Non-Current Liabilities		33 883 962	38 155 682
Borrowings	18.	-	417 749
Employee Benefit Liabilities	19.	13 344 000	12 191 000
Provisions	20.	20 539 962	25 546 933
Total Liabilities		130 423 829	140 739 578
Total Assets and Liabilities		238 203 647	245 674 839
NET ASSETS		238 203 647	245 674 839
Reserves	21.	469 512	469 512
Accumulated Surplus / (Deficit)	22.	237 734 135	245 205 327
Total Net Assets		238 203 647	245 674 839

KANNALAND MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

		Actual	
		2022	2021
		R	Restated R
REVENUE	Note		
Revenue from Non-exchange Transactions		88 122 157	82 396 361
Property Rates	23.	25 891 439	19 319 923
Fines, Penalties and Forfeits	24.	38 651	141 591
Licences and Permits	25.	24 572	-
Transfers and Subsidies	26.	60 590 121	62 159 165
Interest, Dividends and Rent on Land Earned	31.	1 577 374	775 682
Revenue from Exchange Transactions		109 366 322	94 442 619
Licences and Permits	25.	134 696	217 217
Service Charges	27.	102 394 082	87 851 152
Sales of Goods and Rendering of Services	28.	307 284	473 386
Income from Agency Services	29.	1 098 291	1 083 022
Rental from Fixed Assets	30.	551 569	570 247
Interest, Dividends and Rent on Land Earned	31.	4 639 056	3 915 961
Operational Revenue	32.	241 343	331 634
Total Revenue		197 488 479	176 838 980
EXPENDITURE		211 493 664	184 097 882
Employee Related Costs	33.	71 598 209	66 795 557
Remuneration of Councillors	34.	3 147 985	3 183 979
Depreciation and Amortisation	35.	13 715 868	11 067 396
Impairment Losses	36.	29 203 021	22 200 438
Interest, Dividends and Rent on Land	37.	4 244 366	3 301 250
Bulk Purchases	38.	50 752 318	44 276 763
Contracted Services	39.	13 676 795	7 884 700
Inventory Consumed	40.	3 535 827	5 536 169
Transfers and Subsidies Paid	41.	240 000	245 659
Operating Leases	42.	1 205 300	669 512
Operational Costs	43.	15 368 141	18 886 537
Loss on Disposal of Property, Plant and Equipment	44.	4 805 834	49 922
Total Expenditure		211 493 664	184 097 882
SURPLUS / (DEFICIT) FOR THE YEAR		(14 005 185)	(7 258 901)
Refer to Budget Statement for explanation of budget variances			

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

	Total Funds & Reserves	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R	R
2021			
Balance at 30 June 2020	-	240 262 235	240 262 235
Correction of Error (Note 46)	-	12 201 991	12 201 991
Restated Balance	-	252 464 227	252 464 227
Surplus / (Deficit) as per prior 2020/21 AFS		(5 087 730)	(5 087 730)
Correction of Error (Note 46)		(2 171 171)	(2 171 171)
Restated Surplus / (Deficit) for the year	-	(7 258 901)	(7 258 901)
Transfers to/from Accumulated Surplus	469 512	-	469 512
Restated Balance at 30 June 2021	469 512	245 205 327	245 674 839
2022			
Restated Balance	469 512	245 205 327	245 674 839
Surplus / (Deficit) for the year	-	(14 005 185)	(14 005 185)
Other Transfers to/from Accumulated Surplus		6 533 994	6 533 994
Transfers to/from Accumulated Surplus	(1)	-	(1)
Balance at 30 June 2022	469 512	237 734 135	238 203 647

KANNALAND MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Note	Actual 2022 R	Actual 2021 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	23.	22 216 667	17 580 275
Transfers and Subsidies	26.	47 911 049	65 812 583
Service Charges	27.	85 836 419	76 097 556
External Interest Received	31.	1 232 382	1 150 490
Other Receipts	32.	8 521 264	2 427 033
Payments			
Employee Related Costs	33.	(70 685 612)	(66 619 016)
Remuneration of Councillors	34.	(3 147 985)	(3 183 979)
External Interest Paid	37.	(2 885 933)	(493 890)
Suppliers Paid	40.	(59 366 381)	(57 593 138)
Other Payments	43.	(26 596 252)	(10 576 968)
VAT Paid	16.	(4 717 184)	(1 009 272)
NET CASH FLOWS FROM OPERATING ACTIVITIES	48.	<u>(1 681 568)</u>	<u>23 591 676</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8.	(15 449 081)	(16 702 172)
Proceeds / (Losses) on Disposal of Property, Plant and Equipment	8.	(14 812)	-
Proceeds on Disposal of Intangible Assets		20 560	-
Proceeds on Disposal of Investment Property		(5 748)	-
Decrease / (Increase) in Non-current Investments		(91 785)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(15 540 866)</u>	<u>(16 702 172)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in Borrowings (Loans Redeemed)	18.	(648 052)	(572 312)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(648 052)</u>	<u>(572 312)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(17 870 486)</u>	<u>6 317 191</u>
Cash and Cash Equivalents at Beginning of Financial Year	7.	48 804 724	42 487 533
Cash and Cash Equivalents at End of Financial Year	7.	30 934 238	48 804 724

KANNALAND MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
FINANCIAL POSITION							
Current Assets							
Inventories	(2 866 751)	(2 249 361)	(2 249 361)	2 256 533	4 505 894	-100%	-79%
Receivables from Exchange Transactions	6 755 122	4 123 672	4 123 672	4 377 144	253 472	106%	65%
Receivables from Non-exchange Transactions	-	-	-	1 709 591	1 709 591		
Statutory Receivables from Non-Exchange Transactions	(28 558 620)	(46 380 850)	(46 380 850)	2 531 615	48 912 465	-5%	-9%
Cash and Cash Equivalents	24 503 116	15 763 312	15 763 312	30 934 238	15 170 926	196%	126%
Operating Lease Receivables	-	-	-	59 289	59 289		
Long-term Receivables	-	(12 927)	(12 927)	-	12 927	0%	
Non-Current Assets							
Property, Plant and Equipment	349 889 685	352 761 357	352 761 357	323 050 850	(29 710 507)	92%	92%
Intangible Assets	38 270	38 270	38 270	3 379	(34 891)	9%	9%
Investment Property	1 364 483	1 364 483	1 364 483	1 162 728	(201 755)	85%	85%
Long-term Receivables	(8 072)	-	-	-	-		0%
Total Assets	351 117 233	325 407 956	325 407 956	368 627 476	43 219 520	113,28	104,99

KANNALAND MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Current Liabilities							
Consumer Deposits	1 027 381	1 027 381	1 027 381	1 216 750	189 369	118%	118%
Provisions	12 618 551	12 618 551	12 618 551	6 308 504	(6 310 047)	50%	50%
Payables from Exchange Transactions	32 940 051	44 932 509	44 932 509	67 828 838	22 896 329	151%	206%
Payables from Non-exchange Transactions	-	-	-	654 796	654 796		
Unspent Conditional Grants and Receipts	24 513 754	24 513 754	24 513 754	18 220 932	(6 292 822)	74%	74%
VAT Payable	(42 674 279)	(42 674 279)	(42 674 279)	-	42 674 279	0%	0%
Lease Payables	-	-	-	12 927	12 927		0%
Borrowings	(1 730 566)	585 946	585 946	216 120	(369 826)	37%	0%
Non-Current Liabilities							
Borrowings	(428 844)	(428 844)	(428 844)	-	428 844	0%	0%
Employee Benefit Liabilities	-	-	-	15 425 000	15 425 000		
Non-current Provisions	37 511 180	37 511 180	37 511 180	20 539 962	(16 971 218)	55%	55%
Total Liabilities	63 777 228	78 086 198	78 086 198	130 423 829	52 337 631	167,03	204,50
Total Assets and Liabilities	287 340 005	247 321 758	247 321 758	238 203 647	(9 118 111)	96,31	82,90
Net Assets (Equity)							
Reserves	10 903 711	10 903 711	10 903 711	469 512	(10 434 199)	4%	4%
Accumulated Surplus / (Deficit)	238 953 396	236 430 974	236 430 974	237 734 135	1 303 161	101%	99%
Total Net Assets	249 857 107	247 334 685	247 334 685	238 203 647	(9 131 038)	96,31	95,34

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

KANNALAND MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

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:

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

Employee Benefit Liabilities:

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

Payables from Non-exchange Transactions:

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

Unspent Conditional Grants and Receipts:

A rollover of funds has been approved by National Treasury.

Long-term Liabilities:

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

Non-current Provisions:

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

Accumulated Surplus/(Deficit):

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

KANNALAND MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE							
Revenue from Non-exchange Transactions							
Property Rates	24 561 794	25 522 450	25 522 450	25 891 439	368 989	101%	105%
Fines, Penalties and Forfeits	5 546 710	15 000	15 000	38 651	23 651	258%	1%
Licences and Permits	69 010	69 010	69 010	24 572	- 44 438	36%	36%
Transfers and Subsidies	67 891 000	80 217 790	80 217 790	60 590 121	- 19 627 669	76%	89%
Surcharges and Taxes	-	-	-	-	-		
Interest, Dividends and Rent on Land Earned	1 326 400	1 556 810	1 556 810	1 577 374	20 564	101%	119%
Revenue from Exchange Transactions							
Licences and Permits	309 000	292 150	292 150	134 696	- 157 454	46%	44%
Service Charges	104 162 110	98 470 470	98 470 470	102 394 082	3 923 612	104%	98%
Sales of Goods and Rendering of Services	436 180	263 000	263 000	307 284	44 284	117%	70%
Rental from Fixed Assets	631 386	533 030	533 030	551 569	18 539	103%	87%
Interest, Dividends and Rent on Land Earned	2 624 920	3 951 601	3 951 601	4 639 056	687 455	117%	177%
Operational Revenue	537 340	312 600	312 600	241 343	- 71 257	77%	45%
Total Revenue	209 182 350	212 403 911	212 403 911	197 488 479	- 14 915 432	92,98	94,41

KANNALAND MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Expenditure							
Employee Related Costs	65 552 680	60 997 365	60 997 365	71 598 209	10 600 844	117%	109%
Remuneration of Councillors	3 636 680	3 394 050	3 394 050	3 147 985	- 246 065	93%	87%
Depreciation and Amortisation	12 698 400	12 221 730	12 221 730	13 715 868	1 494 138	112%	108%
Impairment Losses	20 722 873	13 538 193	13 538 193	29 203 021	15 664 828	216%	141%
Interest, Dividends and Rent on Land	382 270	180 970	180 970	4 244 366	4 063 396	2345%	1110%
Bulk Purchases	48 939 947	42 763 228	42 763 228	50 752 318	7 989 090	119%	104%
Contracted Services	17 970 720	18 470 592	18 470 592	13 676 795	- 4 793 797	74%	76%
Inventory Consumed	7 193 250	11 876 620	11 876 620	3 535 827	- 8 340 793	30%	49%
Transfers and Subsidies Paid	838 330	470 000	470 000	240 000	- 230 000	51%	29%
Operating Leases	740 130	702 950	702 950	1 205 300	502 350	171%	163%
Operational Costs	13 154 842	13 151 752	13 151 752	15 368 141	2 216 389	117%	117%
Loss on Disposal of Property, Plant and Equipment	-	-	-	4 805 834	1 843 760		
Total Expenditure	191 830 122	177 767 450	177 767 450	211 493 664	30 764 140	118,97	110,25
Surplus/(Deficit for the Year)	17 352 228	34 636 461	34 636 461	(14 005 185)	(45 679 572)	-	-

Financial Performance: Explanation of Variances between Approved Budget and Actual

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

KANNALAND MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

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 cyclical 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.

KANNALAND MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Transfers and Subsidies Paid

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

KANNALAND MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
CASH FLOW							
Cash Flows from/(used in) Operating Activities							
Receipts							
Property Rates	20 212 714	20 349 920	20 349 920	22 216 667	1 866 747	109%	110%
Transfers and Subsidies	67 361 300	67 189 336	67 189 336	47 911 049	(19 278 287)	71%	71%
Service Charges	89 407 307	86 738 980	86 738 980	85 836 419	(902 561)	99%	96%
External Interest and Dividends Received	3 961 230	3 905 190	3 905 190	1 232 382	(2 672 808)	32%	31%
Other Receipts	9 833 116	3 895 290	3 895 290	8 521 264	4 625 974	219%	87%
Payments							
Employee Related Costs	(66 606 340)	(66 606 340)	(66 606 340)	(70 685 612)	(4 079 272)	106%	106%
Remuneration of Councillors	(3 636 680)	(3 636 680)	(3 636 680)	(3 147 985)	488 695	87%	87%
External Interest and Dividends Paid	-	-	-	(2 885 933)	(2 885 933)		
Suppliers Paid	(57 488 947)	(66 902 900)	(66 902 900)	(59 366 381)	7 536 519	89%	103%
Other Payments	(24 642 723)	(34 220 297)	(34 220 297)	(26 596 252)	7 624 045	78%	108%
VAT Receivable / Payable	-	-	-	(4 717 184)	(4 717 184)		
Cash Flows from/(used in) Investing Activities							
Purchase of Property, Plant and Equipment	(23 767 300)	(26 638 972)	(26 638 972)	(15 449 081)	11 189 891	58%	65%
Purchase of Intangible Assets	-	-	-	-	-		
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-		
Cash Flows from/(used in) Financing Activities							
Increase in Long-term Loans (Loans Taken-on)	(572 310)	(720 000)	(720 000)	(648 052)	71 948	90%	113%
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	48 804 724	(1 224 013)	57,43	114,87
Cash and Cash Equivalents at End of the Year	56 548 900	69 355 974	69 355 974	30 934 238			

KANNALAND MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

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

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

Transfers and Subsidies

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

External Interest and Dividends Received

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

Other Receipts

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

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

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

Other Payments

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 cost

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.

KANNALAND MUNICIPALITY

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

1. BASIS OF PRESENTATION

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

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

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

1.1 Presentation Currency

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

1.2 Critical Judgements, Estimations and Assumptions

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

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.

KANNALAND MUNICIPALITY

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

- 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.

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

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.

KANNALAND MUNICIPALITY

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

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

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

2. BUDGET INFORMATION

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

The approved budget covers the period from 1 July 2021 to 30 June 2022.

3. INVENTORIES

3.1 Recognition and Initial Measurement

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

KANNALAND MUNICIPALITY

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

3.2.3 Unsold Properties

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

3.2.4 Other Arrangements

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

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

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

4. FINANCIAL INSTRUMENTS

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

Initial Recognition

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

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

4.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

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

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

KANNALAND MUNICIPALITY

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

4.3 Initial and Subsequent Measurement

4.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

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

4.3.2 Financial Liabilities:

Financial Liabilities held at Amortised Cost

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

Prepayments are carried at cost less any accumulated impairment losses.

4.4 Impairment of Financial Assets

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

4.4.1 Financial Assets at Amortised Cost

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

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

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

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

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.

KANNALAND MUNICIPALITY

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

5.4 Derecognition

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

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.

KANNALAND MUNICIPALITY

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

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.

KANNALAND MUNICIPALITY

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

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, it's 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.

KANNALAND MUNICIPALITY

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

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.

KANNALAND MUNICIPALITY

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

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

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

15. EMPLOYEE BENEFIT LIABILITIES

15.1 Short-term Employee Benefits

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

15.1.1 Provision for Staff Leave

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

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

Accumulated leave is vesting.

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.

KANNALAND MUNICIPALITY

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

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.

KANNALAND MUNICIPALITY

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

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.

KANNALAND MUNICIPALITY

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

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 S

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.

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

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 2022

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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	937 358	1 890 058
Water - At Cost	57 174	84 988
Total Inventories	2 256 533	3 237 046

2.1 Allocation for Cash Flow

Suppliers Paid:-

Inventory - Opening Balance	3 237 046	2 443 038
Inventory - Closing Balance	(2 256 533)	(3 237 046)
Total Inventory allocated to Suppliers Paid	(1 050 130)	(794 007)
Total Inventory allocated to Cash Flow	(1 050 130)	(794 007)

The cost of Inventories recognised as an expense includes R3 535 827 (2021: R5 536 169).

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Service Debtors:	60 701 488	57 024 511	3 676 977
Electricity	2 814 708	1 509 086	1 305 622
Refuse	18 494 760	17 795 760	699 000
Sewerage	15 967 104	15 212 060	755 044
Merchandising, Jobbing and Contracts	1 086 415	533 369	553 046
Other Service Charges	(496 131)	-	(496 131)
Water	22 834 633	21 974 237	860 395
Other Receivables	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	61 441 106	57 063 962	4 377 144

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Service Debtors:	78 926 545	75 620 840	3 305 705
Electricity	4 182 246	3 110 926	1 071 320
Refuse	22 303 262	21 733 239	570 023
Sewerage	20 228 036	19 601 258	626 778
Merchandising, Jobbing and Contracts	1 086 415	1 081 919	4 496
Other Service Charges	87 616	-	87 616
Water	31 038 970	30 093 498	945 472
Other Receivables	39 606	39 450	155
Control, Clearing and Interface Accounts	(903 185)	-	(903 185)
Deposits for Land	10 308	-	10 308
Receivables with Credit Balances	903 185	-	903 185
Exchange Payables with Debit Balances	689 704	-	689 704
Total Receivables from Exchange Transactions	79 666 163	75 660 291	4 005 872

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

	2022 R	2021 R
3.1 Allocation for Cash Flow		
Service Charges:-		
Service Debtors - Opening Balance	3 305 705	6 096 894
Service Debtors - Closing Balance	(3 676 977)	(3 305 705)
Service Debtors: Provision for Impairment - Opening Balance	75 620 840	58 707 591
Service Debtors: Provision for Impairment - Closing Balance	(57 024 511)	(75 620 840)
Other Receivables - Opening Balance	155	155
Other Receivables - Closing Balance	(155)	(155)
Other Receivables: Provision for Impairment - Opening Balance	39 450	39 450
Other Receivables: Provision for Impairment - Closing Balance	(39 450)	(39 450)
Receivables with Credit Balances - Opening Balance	903 185	785 727
Receivables with Credit Balances - Closing Balance	(962 915)	(903 185)
Total Receivables from Exchange Transactions allocated to Service Charges	18 165 327	(14 239 518)
Other Receipts:-		
Receivables from Exchange Transactions: Gross - Opening Balance	79 666 163	65 544 103
Receivables from Exchange Transactions: Gross - Closing Balance	(61 441 106)	(79 666 163)
Less Cash Flow for:-		
Service Charges	(18 165 327)	14 239 518
Total Receivables from Exchange Transactions allocated to Other Receipts	59 730	117 458
Suppliers Paid:-		
Prepayments and Advances - Opening Balance	10 308	10 308
Prepayments and Advances - Closing Balance	(10 308)	(10 308)
Exchange Payables with Debit Balances - Opening Balance	689 704	689 704
Exchange Payables with Debit Balances - Closing Balance	(689 704)	(689 704)
Total Receivables from Exchange Transactions allocated to Suppliers Paid	-	-
Total Receivables from Exchange Transactions allocated to Cash Flow	18 225 057	(14 122 059)

At 30 June 2022, the municipality is owed R1 749 045 (30 June 2021: R1 213 681) by National and Provincial Government.

KANNALAND MUNICIPALITY

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

3.2 Ageing of Receivables from Exchange Transactions

As at 30 June 2022

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
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)
	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	2 221 020	4 297 086	2 207 344	50 891 219	59 616 669
Less: Provision for Impairment	-	-	-	-	57 063 964
Net Balances	2 221 020	4 297 086	2 207 344	50 891 219	2 552 705

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

As at 30 June 2021

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	748 595	219 961	189 739	3 023 951	4 182 246
Less: Provision for Impairment	-	-	-	-	3 110 926
Net Balances	748 595	219 961	189 739	3 023 951	1 071 320
Refuse:					
Gross Balances	595 392	439 091	413 008	20 855 771	22 303 262
Less: Provision for Impairment	-	-	-	-	21 733 239
Net Balances	595 392	439 091	413 008	20 855 771	570 023
Sewerage:					
Gross Balances	576 330	389 417	366 536	18 895 753	20 228 036
Less: Provision for Impairment	-	-	-	-	19 601 257
Net Balances	576 330	389 417	366 536	18 895 753	626 779
Merchandising, Jobbing and Contracts:					
Gross Balances	62 946	41 777	33 539	948 153	1 086 415
Less: Provision for Impairment	-	-	-	-	1 081 919
Net Balances	62 946	41 777	33 539	948 153	4 496
Other Service Charges:					
Gross Balances	-	-	-	144 148	144 148
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	144 148	144 148
Water:					
Gross Balances	737 869	794 854	774 587	28 731 659	31 038 970
Less: Provision for Impairment	-	-	-	-	30 093 497
Net Balances	737 869	794 854	774 587	28 731 659	945 473
Other Receivables:					
Gross Balances	(0)	-	-	39 606	39 606
Less: Provision for Impairment	-	-	-	-	39 450
Net Balances	(0)	-	-	39 606	155
Control, Clearing and Interface Accounts:					
Gross Balances	-	-	-	689 704	689 704
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	689 704	689 704
Deposits for Land					
Gross Balances	10 308	-	-	-	10 308
Less: Provision for Impairment	-	-	-	-	-
Net Balances	10 308	-	-	-	10 308
	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	2 731 439	1 885 100	1 777 409	73 328 747	79 722 695
Less: Provision for Impairment	-	-	-	-	75 660 289
Net Balances	2 731 439	1 885 100	1 777 409	73 328 747	4 062 406

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

	2022 R	2021 R
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	75 660 291	58 747 042
Impairment Losses recognised	-	16 913 249
Impairment Losses reversed	(18 596 329)	-
Amounts written off as uncollectible	-	-
Balance at end of year	57 063 962	75 660 291

	2022 R	2021 R
3.3.1 Allocation for Cash Flow		
Provision for Impairment at Beginning of Year	75 660 291	58 747 042
Movement in Non-cash Transactions:-		
Impairment Recognised	-	16 913 249
Impairment Reversed	(18 596 329)	-
Total Receivables from Exchange Transactions Impairment allocated to Non-cash Transactions	(18 596 329)	16 913 249
Provision for Impairment at End of Year	57 063 962	75 660 291

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	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

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

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

	2022	2021
	R	R
4.1 Allocation for Cash Flow		
Other Receipts:-		
Receivables from Non-exchange Transactions - Opening Balance	(230 928)	177 333
Receivables from Non-exchange Transactions - Closing Balance	(1 200 105)	230 928
Receivables with Credit Balances - Opening Balance	455 461	46 883
Receivables with Credit Balances - Closing Balance	(509 485)	(455 461)
Less Cash Flow for:-		
Other Payments	1 485 057	317
Total Receivables from Non-exchange Transactions allocated to Other Receipts	-	0
Other Payments:-		
Receivables for Unauthorised, Irregular, Fruitless and Wasteful Expenditure - Opening Balance	224 533	224 216
Receivables for Unauthorised, Irregular, Fruitless and Wasteful Expenditure - Closing Balance	(1 709 591)	(224 533)
Total Receivables from Non-exchange Transactions allocated to Other Payments	(1 485 057)	(317)
Total Receivables from Non-exchange Transactions allocated to Cash Flow	(1 485 057)	(317)

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

5. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Property Rates	32 588 570	30 058 714	2 529 856
Fines	8 602 976	8 601 218	1 759
Total Statutory Receivables from Non-Exchange Trans:	41 191 546	38 659 931	2 531 615
As at 30 June 2021			
Property Rates	27 336 423	25 812 220	1 524 203
Fines	8 579 976	8 578 836	1 140
Total Statutory Receivables from Non-Exchange Transaction	35 916 399	34 391 056	1 525 343
		2022 R	2021 R

5.1 Allocation for Cash Flow

Property Rates:-

Property Rates Debtors - Opening Balance	1 524 203	1 503 522
Property Rates Debtors - Closing Balance	(2 529 856)	(1 524 203)
Property Rates Debtors: Provision for Impairment - Opening Balance	25 812 220	23 317 572
Property Rates Debtors: Provision for Impairment - Closing Balance	(30 058 714)	(25 812 220)
Total Statutory Receivables from Non-exchange Transactions allocated to Property Rates	(5 252 147)	(2 515 330)

Other Receipts:

Fines Debtors - Opening Balance	1 140	1 358 612
Fines Debtors - Closing Balance	(1 759)	(1 140)
Fines Debtors: Provision for Impairment - Opening Balance	8 578 836	7 178 965
Fines Debtors: Provision for Impairment - Closing Balance	(8 601 218)	(8 578 836)
Total Statutory Receivables from Non-Exchange Transactions allocated to Other Receipts	(23 000)	(42 400)

Total Statutory Receivables from Non-Exchange Transactions allocated to Cash Flow

(5 275 147) **(2 557 730)**

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 2022

	Current	Past Due			Total
	0 - 30 days	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		-	-	23 000	23 000
Less: Provision for Impairment		-	-	-	22 381
Net Balances	-	-	-	23 000	619

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

	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	28 247 043	32 616 440
Less: Provision for Impairment	-	-	-	-	30 081 095
Net Balances	1 733 777	1 882 189	753 431	28 247 043	2 535 345

As at 30 June 2021

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	915 643	486 933	401 451	25 532 396	27 336 423
Less: Provision for Impairment	-	-	-	-	25 812 220
Net Balances	915 643	486 933	401 451	25 532 396	1 524 203

Fines:

Gross Balances	3 600	4 800	14 700	8 556 876	8 579 976
Less: Provision for Impairment	-	-	-	-	8 578 836
Net Balances	3 600	4 800	14 700	8 556 876	1 140

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	919 243	491 733	416 151	34 089 272	35 916 399
Less: Provision for Impairment	-	-	-	-	34 391 056
Net Balances	919 243	491 733	416 151	34 089 272	1 525 343

2022
R

2021
R

5.3 Reconciliation of Provision for Impairment

Balance at Beginning of year	34 391 056	30 496 536
Impairment Losses Recognised	4 268 875	3 894 520
Balance at end of year	38 659 931	34 391 056

5.3.1 Allocation for Cash Flow

Provision for Impairment at Beginning of Year	34 391 056	30 496 536
Movement in Non-cash Transactions:-		
Impairment Recognised	4 268 875	3 894 520
Total Receivables from Non-exchange Transactions Impairment allocated to Non-cash Transactions	4 268 875	3 894 520
Provision for Impairment at End of Year	38 659 931	34 391 056

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

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

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

6. VAT RECEIVABLE

Vat Receivable	2 450 325	-
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6.1 Allocation for Cash Flow

VAT Paid	(2 450 325)	-
Total VAT allocated to Cash Flow	(2 450 325)	-

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

Furthermore, VAT is claimable on the payment basis.

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

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

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

7. CASH AND CASH EQUIVALENTS

	2022 R	2021 R
Current Investments	27 292 284	40 236 178
Bank Accounts	3 637 454	8 564 046
Cash on Hand	4 500	4 500
Total Bank, Cash and Cash Equivalents	30 934 238	48 804 724

7.1 Allocation for Cash Flow:

Increase / (Decrease) in Cash Equivalents:-

Cash and Cash Equivalents - Opening Balance	48 804 724	42 487 533
Cash and Cash Equivalents - Closing Balance	(30 934 238)	(48 804 724)
Total Cash and Cash Equivalents allocated to Increase / (Decrease) in Cash Equivalents	17 870 486	(6 317 191)
Total Cash and Cash Equivalents allocated to Cash Flow	17 870 486	(6 317 191)

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	27 292 284	40 236 178
Total Current Investment Deposits	27 292 284	40 236 178

The Municipality has the following investment accounts:

	Bank Statement Balances		Cash Book Balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Standard Bank - Account Number 288798546 (Call Deposit)	27 310 089	37 862 287	27 292 284	40 236 178
	27 310 089	37 862 287	27 292 284	40 236 178

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 2.650 % to 3.650 % (2021: 2.00 % to 7.00 %) per annum.

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

7.3 Bank Accounts

Cash in Bank	3 637 454	8 564 046
Total Bank Accounts	<u>3 637 454</u>	<u>8 564 046</u>

The Municipality has the following operational bank accounts:

	2022 R	2021 R
Primary Bank Account		
Cash book balance at beginning of year	8 564 046	4 620 746
Cash book balance at end of year	<u>2 910 493</u>	<u>8 564 046</u>
Standard Bank - Ladismith Branch - Cheque Account Number: 420543546		
Bank statement balance at beginning of year	6 402 670	2 405 547
Bank statement balance at end of year	<u>980 552</u>	<u>6 402 670</u>
Standard Bank - Ladismith Branch - Cheque Account Number: 420543554		
Bank statement balance at beginning of year	835 986	717 091
Bank statement balance at end of year	<u>376 217</u>	<u>835 986</u>
Standard Bank - Ladismith Branch - Cheque Account Number: 420543562		
Bank statement balance at beginning of year	2 723 559	1 367 645
Bank statement balance at end of year	<u>1 289 020</u>	<u>2 723 559</u>

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

7.4 Cash and Cash Equivalents

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

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

8. PROPERTY, PLANT AND EQUIPMENT

30 June 2022

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community Assets	Other	Transport Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2021	4 582 994	2 111 261	289 345 928	26 487 537	1 999 096	2 752 690	327 279 507
Cost	4 582 994	3 742 885	455 882 750	35 442 096	6 470 768	6 264 979	512 386 473
- Completed Assets	4 582 994	3 742 885	427 734 427	33 172 686	6 470 768	6 264 979	481 968 739
- Under Construction	-	-	28 148 324	2 269 410	-	-	30 417 734
Accumulated Impairment Losses	-	(11 232)	(1 440 363)	(177 340)	(271 706)	(135 934)	(2 036 574)
Accumulated Depreciation	-	(1 620 391)	(165 096 460)	(8 777 220)	(4 199 966)	(3 376 354)	(183 070 392)
Acquisition of Assets							
- Cost	-	-	1 304 289	4 520 015	503 066	-	6 327 370
- Capital Under Construction	-	-	17 580 781	(8 459 070)	-	-	9 121 711
Decommissioning and other Liabilities	-	-	1 604 386		-	-	1 604 386
Depreciation	-	(124 172)	(11 574 550)	(1 245 818)	(449 653)	(224 491)	(13 618 684)
Carrying value of Disposals:	-	-	(4 489 520)	(64 311)	(237 191)	(0)	(4 791 022)
- Cost	-	-	(27 044 470)	(259 940)	(1 182 155)	(283 687)	(28 770 252)
- Accumulated Impairment Losses	-	-	1 390 018	16 002	155 540	135 934	1 697 495
- Accumulated Depreciation	-	-	21 164 932	179 627	789 424	147 753	22 281 735
Impairment Losses	-	(61 131)	(1 168 422)	(1 437 457)	(205 408)	-	(2 872 418)
Carrying values at 30 June 2022	4 582 994	1 925 958	292 602 892	19 800 894	1 609 911	2 528 200	323 050 850
Cost	4 582 994	3 742 885	449 327 737	31 243 100	5 791 679	5 981 292	500 669 688
- Completed Assets	4 582 994	3 742 885	403 598 632	37 432 761	5 791 679	5 981 292	461 130 243
- Under Construction	-	-	45 729 105	(6 189 660)	-	-	39 539 444
Accumulated Impairment Losses	-	(72 363)	(1 218 767)	(1 598 795)	(321 573)	-	(3 211 497)
Accumulated Depreciation	-	(1 744 564)	(155 506 078)	(9 843 412)	(3 860 195)	(3 453 092)	(174 407 340)

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2021

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community Assets	Other	Transport Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2020	4 582 994	2 235 434	287 460 950	25 224 131	2 526 332	2 392 821	324 422 662
Cost	4 582 994	3 742 885	444 082 771	33 122 051	6 563 890	5 618 782	497 713 373
- Completed Assets	4 582 994	3 742 885	408 894 198	22 393 571	6 563 890	5 618 782	451 796 320
- Under Construction	-	-	35 188 573	10 728 480	-	-	45 917 053
Accumulated Impairment Losses	-	(11 232)	(748 910)	-	(51 484)	(100 776)	(912 403)
Accumulated Depreciation	-	(1 496 219)	(155 872 911)	(7 897 920)	(3 986 075)	(3 125 184)	(172 378 309)
Acquisition of Assets							
- Cost	-	-	20 550 607	10 779 115	240 702	664 893	32 235 318
- Capital Under Construction	-	-	(7 040 249)	(8 459 070)	-	-	(15 499 319)
Decommissioning and other Liabilities	-	-	(1 699 837)	-	-	-	(1 699 837)
Depreciation	-	(124 172)	(9 224 716)	(879 300)	(481 527)	(256 500)	(10 966 215)
Carrying value of Disposals:	-	-	(9 375)	-	(27 181)	(13 366)	(49 922)
- Cost	-	-	(10 542)	-	(333 824)	(18 696)	(363 062)
- Accumulated Impairment Losses	-	-	-	-	39 008	-	39 008
- Accumulated Depreciation	-	-	1 167	-	267 635	5 330	274 133
Impairment Losses	-	-	(691 452)	(177 340)	(259 230)	(35 158)	(1 163 180)
Carrying values at 30 June 2021	4 582 994	2 111 261	289 345 928	26 487 537	1 999 096	2 752 690	327 279 507
Cost	4 582 994	3 742 885	455 882 750	35 442 096	6 470 768	6 264 979	512 386 473
- Completed Assets	4 582 994	3 742 885	427 734 427	33 172 686	6 470 768	6 264 979	481 968 739
- Under Construction	-	-	28 148 324	2 269 410	-	-	30 417 734
Accumulated Impairment Losses	-	(11 232)	(1 440 363)	(177 340)	(271 706)	(135 934)	(2 036 574)
Accumulated Depreciation	-	(1 620 391)	(165 096 460)	(8 777 220)	(4 199 966)	(3 376 354)	(183 070 392)

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

	2022 R	2021 R
8. PROPERTY, PLANT AND EQUIPMENT (Continued)		
8.1 Allocation for Cash Flow		
Property, Plant and Equipment at Beginning of Year	327 279 507	324 422 662
Property, Plant and Equipment	296 861 773	278 505 609
Construction Work-in-Progress	30 417 734	45 917 053
Movement in Non-cash Transactions:-		
Depreciation for the Year	(13 618 684)	(10 966 215)
Impairment for the Year	(2 872 418)	(1 163 180)
Donated Assets		33 827
Decommissioning, Restoration and Other Liabilities	1 604 386	(1 699 837)
Total Property, Plant and Equipment allocated to Non-cash Transactions	<u>(14 886 716)</u>	<u>(13 795 406)</u>
Purchase of Property, Plant and Equipment:-		
Acquisition of Property, Plant and Equipment	15 449 081	32 235 318
Acquisitions	6 327 370	32 235 318
Correction of Error	-	-
Acquisition of Construction Work-in-Progress	9 121 711	(15 499 319)
Less: Donated Assets		(33 827)
Total Property, Plant and Equipment allocated to Purchase of Property, Plant and Equipment	<u>15 449 081</u>	<u>16 702 172</u>
Disposal of Property, Plant and Equipment:-		
Carrying Value of Disposals	(4 791 022)	(49 922)
Total Property, Plant and Equipment allocated to Proceeds on Disposal of Property, Plant and Equipment	<u>(4 791 022)</u>	<u>(49 922)</u>
Property, Plant and Equipment at End of Year	<u>323 050 850</u>	<u>327 279 507</u>
Proceeds on Disposal of Property, Plant and Equipment:-		
Disposals as per Reconciliation of Property, Plant and Equipment Note 8.1	4 791 022	49 922
Gains / Losses on Disposal of Property, Plant and Equipment Note 44.	(4 805 834)	(49 922)
Total Proceeds on Disposal of Property, Plant and Equipment allocated to Cash Flow	<u>(14 812)</u>	<u>-</u>
8.2 Assets pledged as security		
No assets was pledged as security		
8.3 Impairment of Property, Plant and Equipment		
Impairment Losses on Property, Plant and Equipment to the amount of R2 872 418 (2021: R1 163 180) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 36.		
Community Assets	1 437 457	177 340
Infrastructure	1 168 422	691 452
Other Assets	205 408	259 230
Transport Assets	-	35 158
Total Impairment of Property, Plant and Equipment	<u>2 872 418</u>	<u>1 163 180</u>

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.

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

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	(272 807)	-
Other Assets	(261 428)	-
Intangible Assets	(4 768)	-
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(562 406)	-

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	(6 189 660)	2 269 410
Infrastructure	45 729 105	28 148 324
Total Carrying Amounts of Work-in-Progress	39 539 444	30 417 734
	2022	2021
	R	R

8.6 Delayed Projects

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

8.7 Compensation received for Losses

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

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 2022			
Other Assets	-	237 191	(237 191)
Transport Assets	-	0	(0)
Totals for Lost Property, Plant and Equipment	-	4 791 022	(4 791 022)
	Compensation Received R	Carrying Value of Lost Assets R	Surplus / Deficit on Compensation R
30 June 2021			
Other Assets	-	27 181	(27 181)
Transport Assets	-	13 366	(13 366)
Totals for Lost Property, Plant and Equipment	-	49 922	(49 922)
		2022 R	2021 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	4 752 088	5 766 739
- Inventory Consumed	475 279	378 609
- Labour	3 349 360	5 355 215
- Other Operational Costs	269 082	32 915
Roads Infrastructure	2 146 447	1 858 193
- Contracted Services	-	148 557
- Inventory Consumed	104 920	537 904
- Labour	2 007 616	1 155 646
- Other Operational Costs	33 911	16 085
Sanitation Infrastructure	3 115 583	3 122 519
- Inventory Consumed	121 029	78 984
- Labour	2 934 781	3 019 662
- Other Operational Costs	59 773	23 873
Solid Waste Disposal	7 418 152	8 055 713
- Inventory Consumed	542 912	484 072
- Labour	6 719 601	7 519 579
- Other Operational Costs	65 224	52 062
Water Supply Infrastructure	8 648 031	7 912 081
- Inventory Consumed	1 516 856	1 445 224
- Labour	5 401 662	6 412 966
- Other Operational Costs	1 729 513	53 891
Community Assets	429 305	625 941

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

- Inventory Consumed	7 926	181 312
- Labour	293 882	417 663
- Other Operational Costs	127 497	26 966
Other Assets - Buildings	2 466 311	1 268 464
- Contracted Services	528 080	91 608
- Inventory Consumed	88 653	203 905
- Labour	39 897	381
- Other Operational Costs	1 809 681	972 570
Transport Assets	837 774	130 482
- Contracted Services	632 498	7 875
- Inventory Consumed	205 276	119 398
- Other Operational Costs	-	3 209
Total Expenditure related to Repairs and Maintenance Projects	29 813 690	28 740 132
	2022	2021
	R	R

9. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	3 379	27 894
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The movement in Intangible Assets is reconciled as follows:

Software Purchased:

Carrying values at 01 July	27 894	35 844
Cost	616 157	616 157
Accumulated Amortisation	(588 264)	(580 313)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(3 954)	(7 950)
Purchased	(3 954)	(7 950)
Disposals:	(20 560)	-
At Cost	(20 560)	-
At Accumulated Impairment	-	-
Carrying values at 30 June	3 379	27 894
Cost	595 597	616 157
Accumulated Amortisation	(592 218)	(588 264)

9.1 Allocation for Cash Flow

Intangible Assets at Beginning of Year	27 894	35 844
Movement in Non-cash Transactions:-		
Amortisation for the Year	(3 954)	(7 950)
Total Intangible Assets allocated to Non-cash Transactions	(3 954)	(7 950)
Disposal of Intangible Assets:-		
Carrying Value of Disposals	(20 560)	-
Total Intangible Assets allocated to Proceeds on Disposal of Intangible Assets	(20 560)	-
Intangible Assets at End of Year	3 379	27 894

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 25.1)

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.

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

9.2 Significant Intangible Assets

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

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

9.3 Intangible Assets with Indefinite Useful Lives

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

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

9.4 Impairment of Intangible Assets

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

	2022	2021
	R	R
10. INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	<u>1 162 728</u>	<u>1 250 210</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	1 250 210	1 364 487
Cost	2 183 170	2 183 170
Accumulated Depreciation	(894 596)	(801 366)
Accumulated Impairment Losses	(38 365)	(17 317)
Depreciation during the Year	(93 230)	(93 230)
Impairment Losses during the Year	-	(21 048)
Carrying values at 30 June	1 162 728	1 250 210
Cost	2 183 170	2 183 170
Accumulated Depreciation	(982 077)	(894 596)
Accumulated Impairment	(38 365)	(38 365)
10.1 Allocation for Cash Flow		
Investment Property at Beginning of Year	1 250 210	1 364 487
Movement in Non-cash Transactions:-		
Depreciation for the Year	(93 230)	(93 230)
Impairment for the Year	-	(21 048)
Total Investment Property allocated to Non-cash Transactions	<u>(93 230)</u>	<u>(114 278)</u>
Investment Property at End of Year	<u>1 162 728</u>	<u>1 250 210</u>
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	17 623	101 133

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 2022

	2022 R	2021 R
11. LEASE RECEIVABLES		
Current Lease Receivables	59 289	59 289
Total Lease Receivables	<u><u>59 289</u></u>	<u><u>59 289</u></u>
11.1 Operating Lease Receivables		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	59 289	59 289
Total Operating Lease Receivables	<u><u>59 289</u></u>	<u><u>59 289</u></u>
11.1.1 Allocation for Cash Flow		
Other Receipts:-		
Operating Lease Receivables - Opening Balance	59 289	59 289
Operating Lease Receivables - Closing Balance	(59 289)	(59 289)
Total Operating Lease Receivables allocated to Other Receipts	<u><u>-</u></u>	<u><u>-</u></u>
Total Operating Lease Receivables allocated to Cash Flow	<u><u>-</u></u>	<u><u>-</u></u>
11.1.2 Leasing Arrangements		
The Municipality as Lessor:		
Operating Leases relate to Property owned by the municipality with lease terms of between 12 to 30 months, with an option to extend.		
All operating lease contracts contain market review clauses in the event that the lessee exercises its option to 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.		
11.1.3 Amounts receivable under Operating Leases		
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Land and Buildings, which are receivable as follows:		
Up to 1 year	309 969	458 249
2 to 5 years	896 589	229 634
More than 5 years	214 145	-
Total Operating Lease Arrangements	<u><u>1 420 704</u></u>	<u><u>687 883</u></u>

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

	2022 R	2021 R
12. CONSUMER DEPOSITS		
Electricity	536 279	790 966
Water	504 073	152 021
Other Deposits:-	176 398	175 658
- Land Sales	162 919	162 919
- Posters	12 145	12 145
- Rental Properties	1 334	593
Total Consumer Deposits	1 216 750	1 118 645
Guarantees held in lieu of Electricity and Water Deposits	1 039 549	942 988
12.1 Allocation for Cash Flow		
Service Charges:-		
Consumer Deposits: Trading Services - Opening Balance	(942 988)	(851 152)
Consumer Deposits: Trading Services - Closing Balance	1 040 351	942 988
Total Consumer Deposits allocated to Service Charges	97 364	91 835
Other Receipts:-		
Consumer Deposits: Other Services - Opening Balance	(175 658)	(176 229)
Consumer Deposits: Other Services - Closing Balance	176 398	175 658
Total Consumer Deposits allocated to Other Receipts	741	(572)
Total Consumer Deposits allocated to Cash Flow	98 104	91 264
No interest is paid on Consumer Deposits held.		
13. PAYABLES FROM EXCHANGE TRANSACTIONS		
Other Payables	7 398 969	5 419 776
Retentions	2 608 184	1 909 160
Salary Related Payables	(689 704)	(689 704)
Trade Creditors	54 267 405	49 459 176
Advance Payments	2 591 364	2 250 708
Exchange Receivables with Credit Balances	962 915	903 185
Exchange Payables with Debit Balances	689 704	689 704
Total Payables from Exchange Transactions	67 828 838	59 942 006

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

13.1 Allocation for Cash Flow

Service Charges:-

Advance Payments	340 656	(354 107)
Control, Clearing and Interface Accounts: Prepaid Electricity	-	73 707

Total Payables from Exchange Transactions allocated to Service Charges	400 386	(162 942)
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Other Receipts:-

Control, Clearing and Interface Accounts: Licensing and Registration	(12 217)	(490 445)
Unallocated Deposits	(434 390)	25 893

Total Payables from Exchange Transactions allocated to Other Receipts	(446 607)	(464 551)
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Employee Related Costs:-

Control, Clearing and Interface Accounts: Salary Clearing and Control PAYE Deductions	(1 333 648)	(2 094 706)
	-	-

Total Payables from Exchange Transactions allocated to Employee Related Costs	(1 333 648)	(2 094 706)
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External Interest Paid:-

Accrued Interest	-	1 845 998
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Total Payables from Exchange Transactions allocated to External Interest Paid	-	1 845 998
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2022	2021
R	R

Suppliers Paid:-

Control, Clearing and Interface Accounts: Goods Received / Invoices Received	4 141 436	1 067 810
Electricity Bulk Purchase	20 951 326	(10 540 033)
Payables and Accruals	(16 143 097)	11 267 697
Retentions	699 024	(896 972)

Total Payables from Exchange Transactions allocated to Suppliers Paid	9 648 689	898 503
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Other Payments:-

Control, Clearing and Interface Accounts: Cash and Bank	(381 988)	(133 411)
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Total Payables from Exchange Transactions allocated to Other Payments	(381 988)	(133 411)
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Total Payables from Exchange Transactions allocated to Cash Flow	7 886 832	(111 109)
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No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

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

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

14. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Transfers and Subsidies	145 311	145 311
Non-Exchange Receivables with Credit Balances	509 485	455 461
Total Payables from Non-exchange Transactions	654 796	600 772

14.1 Allocation for Cash Flow

Other Payments:-

Payables from Non-exchange Transactions - Opening Balance	-	600 772	-	227 336
Payables from Non-exchange Transactions - Closing Balance		654 796		600 772

Total Payables from Non-exchange Transactions allocated to Other Payments	54 025	373 436
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Total Payables from Non-exchange Transactions allocated to Cash Flow	54 025	373 436
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No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Households	1 601 717	1 601 717
National Government	5 624 915	13 909 967
Provincial Government	10 994 300	15 388 320

Total Unspent Conditional Grants and Receipts	18 220 932	30 900 003
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15.1 Allocation for Cash Flow

Transfers and Subsidies:-

Unspent Conditional Grants and Receipts - Opening Balance	(30 900 003)	(27 212 759)
Unspent Conditional Grants and Receipts - Closing Balance	18 220 932	30 900 003

Total Unspent Conditional Grants and Receipts allocated to Transfers and Subsidies	(12 679 072)	3 687 244
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Total Unspent Conditional Grants and Receipts allocated to Cash Flow	(12 679 072)	3 687 244
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The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

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

2022	2021
R	R

16. VAT PAYABLE

Vat Payable	-	2 266 859
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16.1 Allocation for Cash Flow

VAT Paid	(2 266 859)	(1 009 272)
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Total VAT allocated to Cash Flow	(2 266 859)	(1 009 272)
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VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to

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.

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

17. LEASE PAYABLES

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

17.1.1 Leasing Arrangements

The Municipality as Lessee:

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

17.1.2 Amounts Payable under Operating Leases

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

Other Equipment:		
Up to 1 year	-	89 920
Total Operating Lease Arrangements	-	89 920

The contract under operating lease expired as at 31 May 2022, the contract was not renewed.

Minimum lease payments	1 205 300	669 512
Total Operating Lease Expenses	1 205 300	669 512

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

- Buildings
- Office Equipment
- Vehicles

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

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

2022	2021
R	R

17.1.3 Allocation for Cash Flow

17.1.3.1 Current Portion:-

Movement in Current Portion of Finance Lease Payables:-

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

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

	2022 R	2021 R
18. BORROWINGS		
Long-Term Borrowings	216 120	864 173
Development Bank of South Africa	216 120	864 173
Less: Current Portion transferred to Current Borrowings:-	216 120	446 424
Development Bank of South Africa	216 120	446 424
Non-Current Portion of Borrowings	-	417 749
The obligations under annuity loans are schedule below:		
Payable within one year	221 556	749 593
Payable within two to five years	-	221 556
Less: Future finance cost	(5 436)	(107 161)
	216 120	863 988
18.1 Allocation for Cash Flow		
18.1.1 Current Portion:-		
Movement in Current Portion of Borrowings:-		
Current Portion of Borrowings - Opening Balance	(446 424)	(573 019)
Current Portion of Borrowings - Closing Balance	216 120	446 424
Total Movement in Current Portion of Borrowings	(230 303)	(126 595)
Adjustment for Non-cash Transactions:	230 303	126 595
- Transfer from Non-current Borrowings	230 303	126 595
Total Current Portion allocated to Repayment of Borrowings	-	-
18.1.2 Non-current Portion:-		
Movement in Non-current Borrowings:-		
Non-current Borrowings - Opening Balance	(417 749)	(863 466)
Non-current Borrowings - Closing Balance	-	417 749
Total Movement in Non-current Borrowings	(417 749)	(445 717)
Adjustment for Non-cash Transactions:	(230 303)	(126 595)
- Transfer to Current Portion of Long-term Liabilities	(230 303)	(126 595)
Total Non-current Long-term Liabilities allocated to Repayment of Borrowings	(648 052)	(572 312)
Total Long-term Liabilities allocated to Cash Flow	(648 052)	(572 312)
18.2 Summary of Arrangements		
The fixed term loan is over a period of 15 years was taken up with the Development Bank of Southern Africa to consolidate previous loans with a new rescheduled loan amounted to R11 587 526,79. In terms of the service level agreement, as amended, the loan will be repaid in monthly instalments at a interest rate of 12,50%. The calculation of the instalments is based on the actual number of days and shall be payable in arrears on the last business day of each month.		
18.3 Obligations under Borrowings		
Annuity and Bullet Loans	-	417 749
Current Portion transferred to Current Liabilities:-	216 120	446 424
Annuity and Bullet Loans	216 120	446 424
Total Borrowings	216 120	864 173

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

	2022 R	2021 R
19. EMPLOYEE BENEFIT LIABILITIES		
Employee Benefit Liabilities	15 425 000	13 111 000
Post-retirement Health Care Benefits Liability	12 866 000	10 801 000
Long Service Awards Liability	2 559 000	2 310 000
Less: Current Portion of Employee Benefit Liabilities	2 081 000	920 000
Post-retirement Health Care Benefits Liability	1 326 000	441 000
Long Service Awards Liability	755 000	479 000
Non-Current Portion of Employee Benefit Liabilities	13 344 000	12 191 000

The prior year amount for Employee Benefit Liabilities has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

19.1 Allocation for Cash Flow

19.1.1 Current Portion

Liabilities at Beginning of Year	920 000	706 000
Movement in Non-cash Transactions:-		
Defined Benefit Obligations	885 000	404 000
Long Service Awards Liability	-	266 000
Total Provisions allocated to Non-cash Transactions	885 000	670 000
Movement in Employee Related Costs:-		
Actual Benefit Payments	-	(456 000)
Total Provisions allocated to Employee Related Costs	276 000	(456 000)
Liabilities at End of Year	2 081 000	920 000

19.1.2 Non-current Portion

Employee Benefit Liabilities at Beginning of Year	12 191 000	10 887 000
Movement in Non-cash Transactions:-		
Long-service Awards	452 000	187 000
Post Retirement Health Care	1 621 000	1 367 000
Total Employee Benefit Liabilities allocated to Non-cash Transactions	2 073 000	1 554 000
Movement in Employee Related Costs:-		
Long-service Awards: Reductions (Outflow of Economic Benefits)	(479 000)	(213 000)
Post Retirement Health Care: Actual Employer Benefit Payments	(441 000)	(37 000)
Total Employee Benefit Liabilities allocated to Employee Related Costs	(920 000)	(250 000)
Employee Benefit Liabilities at End of Year	13 344 000	12 191 000

19.2 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 2022		
Opening Balance	441 000	479 000
Increases	-	-
Actual employer benefit payments	-	276 000
Actuarial loss/ (gain) recognised in the year	885 000	-
Reversals	-	-
Balance at end of year	1 326 000	755 000

Medical Aid
R



Long-term
Service
R

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

30 June 2021

Opening Balance	493 000	213 000
Increases	-	266 000
Actual employer benefit payments	(456 000)	-
Actuarial loss/ (gain) recognised in the year	404 000	-
Reversals	-	-

Balance at end of year	441 000	479 000
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19.3 Post-retirement Health Care Benefits Liability

Opening Balance	10 801 000	9 523 000
Interest Cost	1 074 000	963 000
Current Service Cost	547 000	404 000
Actual Employer Benefit Payments	(441 000)	(493 000)
Actuarial Loss/ (Gain) recognised in the year	885 000	404 000

Balance at end of Year	12 866 000	10 801 000
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Transfer to Current Provisions	1 326 000	441 000
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Total Post-retirement Health Care Benefits Liability	11 540 000	10 360 000
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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 2022 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.

	2022 R	2021 R
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	55	55
In-service Non-members (Employees)	113	111
Continuation Members (Retirees, widowers and orphans)	15	13
Total Members	183	179

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

In-service Members	4067000	4 246 000
In-service Non-members	1748000	1 362 000
Continuation Members	7051000	5 193 000
Total Liability	12 866 000	10 801 000

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

- Bonitas
- Keyhealth
- LA Health
- Hosmed
- Samwumed

The Current-service Cost for the year ending 30 June 2022 is estimated to be R547 000, whereas the cost for the ensuing year is estimated to be R724 000 (30 June 2021: R404 000 and R547 000 respectively).

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

Discount Rate	11,28%	10,15%
Health Care Cost Inflation Rate	8,44%	6,80%
Net Effective Discount Rate	3,12%	3,14%

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

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 11.16% per annum has been used. The corresponding index-linked yield at this term is 4.07%. 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 2022.

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.

2022
R

2021
R

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

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

Opening Balance	10 801 000	9 523 000
Interest Cost	1 074 000	963 000
Current Service Cost	547 000	404 000
Benefits Paid	(441 000)	(493 000)
Actuarial Losses / (Gains)	885 000	404 000
Total Recognised Benefit Liability	<u>12 866 000</u>	<u>10 801 000</u>

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

Present Value of Fund Obligations	12 866 000	10 801 000
Total Benefit Liability	<u>12 866 000</u>	<u>10 801 000</u>

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

Current service cost	547 000	963 000
Interest cost	1 074 000	404 000
Actuarial losses / (gains)	885 000	404 000
Total Post-retirement Benefit included in Employee Related Costs (Note 33.)	<u>2 506 000</u>	<u>1 771 000</u>

The history of fair values are as follows:

	2022 R	2021 R	2020 R	2019 R	2018 R
Present Value of Defined Benefit Obligation	12 866 000	10 801 000	9 523 000	11 227 132	11 606 446
Deficit	<u>12 866 000</u>	<u>10 801 000</u>	<u>9 523 000</u>	<u>11 227 132</u>	<u>11 606 446</u>
Experienced adjustments on Plan Liabilities	846 000	(469 000)	(725 000)	1 035 000	(1 854 000)

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

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	16 210	13 670
Effect on the defined benefit obligation	128 660	108 010

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(16 210)	(13 670)
Effect on the defined benefit obligation	(128 660)	(108 010)

The municipality expects to make a contribution of R536 000 (2021: R1 621 000) to the Defined Benefit Plans during the next financial year.

Refer to Note 54., "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.

	2022 R	2021 R
19.4 Long Service Awards Liability		
Opening Balance	2 310 000	2 070 000
Increases (Current Service & Interest Cost)	452 000	381 000
Payments Made	(203 000)	(213 000)
Increases (Passage of Time/Discounted Rate)	-	72 000
Balance at end of Year	<u>2 559 000</u>	<u>2 310 000</u>
Transfer to Current Provisions	755 000	479 000
Total Long Service Awards Liability	<u>1 804 000</u>	<u>1 831 000</u>

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 2022 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, 168 (2021: 166) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2022 is estimated to be R258 000, whereas the cost for the ensuing year is estimated to be R258 000 (30 June 2021: R238 000 and R258 000 respectively).

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

Discount Rate	11,16%	9,35%
Cost Inflation Rate	7,33%	5,81%
Net Effective Discount Rate	3,57%	3,35%
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.

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

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 11.16% 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 4.07%.

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.

	2022	2021
	R	R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening Balance	2 310 000	2 070 000
Interest Cost	194 000	143 000
Current Service Cost	258 000	238 000
Benefits Paid	479 000	(213 000)
Actuarial Losses / (Gains)	276 000	72 000
Total Recognised Benefit Liability	<u>3 517 000</u>	<u>2 310 000</u>
	958 000,00	
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 517 000	2 310 000
Total Benefit Liability	<u>3 517 000</u>	<u>2 310 000</u>
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	194 000	143 000
Interest cost	258 000	238 000
Actuarial losses / (gains)	276 000	72 000
Total Post-retirement Benefit included in Employee Related Costs (Note 33.)	<u>728 000</u>	<u>453 000</u>

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

The history of experienced adjustments is as follows:

	2022 R	2021 R	2020 R	2019 R	2018 R
Present Value of Defined Benefit Obligation	3 517 000	2 310 000	2 070 000	2 048 000	2 191 702
Deficit	<u>3 517 000</u>	<u>2 310 000</u>	<u>2 070 000</u>	<u>2 048 000</u>	<u>2 191 702</u>
Experienced adjustments on Plan Liabilities	332 000	107 000	31 000	(129 440)	(71 658)

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	4 520	3 810
Effect on the defined benefit obligation	35 170	23 100

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(4 520)	(3 810)
Effect on the defined benefit obligation	(35 170)	(23 100)

The municipality expects to make a contribution of R163 000 (2021: R452 000,00) to the defined benefit plans during the next financial year.

	2022 R	2021 R
20. PROVISIONS		
Current Provisions	6 308 504	6 376 260
Non-current Provisions	20 539 962	25 546 933
Total Provisions	<u>26 848 466</u>	<u>31 923 193</u>
20.1 Current Provisions		
Current Portion of Non-Current Provisions:	6 308 504	6 376 260
Bonus	1 738 887	1 529 167
Insurance Claims	57 832	57 832
Leave	4 511 785	4 789 261
Total Provisions	<u>6 308 504</u>	<u>6 376 260</u>
20.1.1 Allocation for Cash Flow		
Provisions at Beginning of Year	6 376 260	5 623 013
Movement in Non-cash Transactions:-		
Provisions	(67 756)	753 247
Total Provisions allocated to Non-cash Transactions	<u>(67 756)</u>	<u>753 247</u>

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

	6 308 504	6 376 260
Provisions at End of Year		
The movement in Current Provisions is reconciled as follows:		
Current Portion of Non-Current Provisions:		
Staff Benefit Provisions:		
	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	Leave Provision
	R	R
30 June 2021		
Opening Balance	1 308 539	4 256 642
Increases	220 627	1 402 928
Payments Made	-	-
Other Reductions	-	(870 309)
Reversals	-	-
Increases (Passage of Time/Discounted Rate)	-	-
Balance at end of year	1 529 167	4 789 261
Balance at end of year	-	-

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.

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

	2022 R	2021 R
20.2 Non-current Provisions		
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	20 539 789	25 546 760
Ex-gratia Pension	173	173
Total Non-current Provisions	20 539 962	25 546 933
20.2.1 Allocation for Cash Flow		
Non-current Provisions at Beginning of Year	25 546 933	17 769 887
Movement in Non-cash Transactions:-		
Decommissioning, Restoration and Similar Liabilities	(5 006 971)	7 777 046
Total Non-current Provisions allocated to Non-cash Transactions	(5 006 971)	7 777 046
Non-current Provisions at End of Year	20 539 962	25 546 933
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

20.3 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the Municipality will incur licencing and rehabilitation costs of R28 509 579) (2021: 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
Ladismith Landfill	2038/06/30	9 058 703
Van Wyksdorp Landfill	2021/06/30	3 547 744
Zoar Landfill	2026/06/30	5 028 853
		28 509 579
		33 516 549

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

	2022 R	2021 R
21. RESERVES		
Valuation Reserve	469 512	469 512
Total Reserves	<u>469 512</u>	<u>469 512</u>
21.1 Allocation for Cash Flow		
Reserves at Beginning of Year	469 512	-
Movement in Non-cash Transactions:-		
Appropriation of Reserves	- 1	469 512
Total Reserves allocated to Non-cash Transactions	<u>- 1</u>	<u>469 512</u>
Reserves at End of Year	<u>469 512</u>	<u>469 512</u>
22. ACCUMULATED SURPLUS		
Accumulated Surplus / (Deficit) due to the results of Operations	237 734 135	245 205 327
Total Accumulated Surplus	<u>237 734 135</u>	<u>245 205 327</u>
22.1 Allocation for Cash Flow		
Accumulated Surplus at Beginning of Year	245 205 327	252 464 228
Changes in Net Assets:-		
Correction of Prior Period Error	6 533 994	-
Total Accumulated Surplus allocated to Changes in Net Assets	<u>6 533 994</u>	<u>-</u>
Surplus / (Deficit):-		
Accumulated Surplus As Per Financial Performance	- 14 005 185	- 7 258 901
Total Accumulated Surplus allocated to Surplus / (Deficit)	<u>- 14 005 185</u>	<u>- 7 258 901</u>
Accumulated Surplus at End of Year	<u>237 734 135</u>	<u>245 205 327</u>

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 2022

	2022 R	2021 R
23. PROPERTY RATES		
Property Rates Levies	25 891 439	19 319 923
Total Property Rates	25 891 439	19 319 923
23.1 Allocation for Cash Flow:		
Total Property Rates	25 891 439	19 319 923
Total Property Rates allocated to Cash Flow	25 891 439	19 319 923
23.2 Calculation of Cash Flow:		
Property Rates Income	25 891 439	19 319 923
Non-exchange Interest Earned	1 577 374	775 682
Cash Flow from Non-exchange Receivables	(5 252 147)	(2 515 330)
Total Receipts for Property Rates	22 216 667	17 580 275

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	3 011 113 000	2 488 211 632

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.

24. FINES, PENALTIES AND FORFEITS

Traffic Fines:	51 528	140 900
Court Fines	-	391
Municipal	36 783	57 965
Service Provider	14 745	82 544
Other Fines:	580	527
Overdue Books Fine	580	527
Penalties	(13 456)	164
Property Rates	(13 456)	164
Total Fines, Penalties and Forfeits	38 651	141 591

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

2022
R

2021
R

24.1 Allocation for Cash Flow:

Total Fines, Penalties and Forfeits	38 651	141 591
Total Fines, Penalties and Forfeits allocated to Other Receipts	38 651	141 591

25. LICENCES AND PERMITS

	Exchange Transactions 2022 R	Exchange Transactions 2021 R	Non-Exchange Transactions 2022 R	Non-Exchange Transactions 2021 R
Road and Transport:	134 581	198 600	21 955	-
Learner Licence Application	134 581	198 600	-	-
Motor Vehicle Licence	-	-	21 955	-
Total Licences and Permits	134 696	217 217	24 572	-

25.1 Allocation for Cash Flow:

Total Licences and Permits	159 268	217 217
Total Licences and Permits allocated to Other Receipts	159 268	217 217

26. TRANSFERS AND SUBSIDIES RECEIVED

Capital Grants	18 888 870	19 557 909
Allocations In-kind	-	33 827
Monetary Allocations	18 888 870	19 524 083
Operational Grants	41 701 250	42 601 255
Allocations In-kind	1 723 774	40 078
Monetary Allocations	39 977 476	42 561 178
Total Transfers and Subsidies Received	60 590 121	62 159 165

26.1 Allocation for Cash Flow:

Total Transfers and Subsidies Received	60 590 121	62 159 165
- Donated Capital Assets	-	(33 827)
Total Transfers and Subsidies Received allocated to Cash Flow	60 590 121	62 125 338

26.2 Calculation of Cash Flow:

Government Grants and Subsidies Income	Note 26.1	60 590 121	62 125 338
Cash Flow from Unspent Government Grants	Note 15.1	(12 679 072)	3 687 244
Total Receipts for Government Grants and Subsidies		47 911 049	65 812 583

26.3 Summary of Grants:

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

26.3.1 Capital Grants

	Allocations In-kind		Monetary Allocations	
	2022	2021	2022	2021
National Governments	-	-	16 169 760	16 747 167
Provincial Government	-	33 827	2 719 110	2 776 916
Total Capital Grants Received	-	33 827	18 888 870	19 524 083

26.3.2 Operational Grants

	Allocations In-kind		Monetary Allocations	
	2022	2021	2022	2021
Departmental Agencies and Accounts	1 723 774	40 078	133 704	-
National Governments	-	-	4 795 021	4 234 248
National Revenue Fund	-	-	30 574 386	34 050 348
Provincial Government	-	-	4 474 366	4 276 581
Total Operational Grants Received	1 723 774	40 078	39 977 476	42 561 178
			2022	2021
			R	R

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

26.4 Detailed Summaries

Operating Grants

Equitable Share	30 567 000	34 011 000
National: EPWP Grant	1 371 262	1 158 500
National: Local Government Financial Management Grant (FMG)	2 893 803	2 564 098
National: Municipal Infrastructure Grant (MIG)	-	-
National: Municipal Infrastructure Grant (MIG) PMU	529 700	511 650
Provincial: WC Financial Management Support Grant - General	-	-
Provincial: WC Financial Management Support Grant - Capacity Building	-	-
Provincial: MRF Grant	3 129 322	3 034 816
Provincial: CDW Grant	39 476	185 856
Provincial: Bursary Grant	-	5 659
Grant	-	39 348
Provincial: Employee Support Grant	773 764	-
Provincial: Human Settlement	531 805	-
Other: SETA Grant	133 704	-
Other: Starter Pack Grant	-	-
Total Operating Grants	39 969 835	41 510 926

Capital Grants

National: Municipal Infrastructure Grant (MIG)	9 237 930	8 987 027
National: Integrated National Electrification Grant	2 131 126	1 122 718
National: Water Services Infrastructure Grant	4 800 703	6 637 422
Provincial: Library Conditional Grant	775 250	817 197
Provincial: Drought Relief	1 943 860	1 959 719
Provincial: Employee Support Grant	-	-
Residential Properties (This will also represent the base rate)	5 381 484	19 524 083
Business and Commercial Properties	45 351 319	61 035 009

26.4.1 Equitable Share

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	17 059 614	34 011 000
Transferred to Revenue	(30 567 000)	(34 011 000)
Unspent Balance at the End of the Year	0	-

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

	2022	2021
	R	R
26.4.2 National: EPWP Grant		
Unspent Balance at the Beginning of the Year	12 652	41 152
Current Year Receipts	1 359 000	1 171 000
Conditions Met - Transferred to Revenue: Operating Expenses	(1 371 262)	(1 158 500)
Repaid to National Revenue Fund	-	(41 000)
Unspent Balance at the End of the Year	390	12 652

26.4.3 National: Local Government Financial Management Grant (FMG)

Unspent Balance at the Beginning of the Year	82 902	401 936
Current Year Receipts	2 811 000	2 647 000
Conditions Met - Transferred to Revenue: Operating Expenses	(2 893 803)	(2 564 098)
Repaid to National Revenue Fund	-	(254 662)
Other Adjustments	-	(147 274)
Unspent Balance at the End of the Year	99	82 902

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

26.4.4 National: Municipal Infrastructure Grant (MIG)

Unspent Balance at the Beginning of the Year	3 370 301	2 796 979
Current Year Receipts	10 064 300	9 595 350
Conditions Met - Transferred to Revenue: Operating Expenses	-	-
Conditions Met - Transferred to Revenue: Capital Expenses	(9 237 930)	(8 987 027)
Repaid to National Revenue Fund	(3 015 411)	-
Other Adjustments	-	(35 001)
Unspent Balance at the End of the Year	533 163	3 370 301

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

26.4.5 National: Municipal Infrastructure Grant (MIG) PMU

Unspent Balance at the Beginning of the Year	-	-
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KANNALAND MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Conditions Met - Transferred to Revenue: Operating Expenses	(529 700)	(511 650)
Unspent Balance at the End of the Year	<u>-</u>	<u>-</u>

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

26.4.6 National: Integrated National Electrification Grant

Unspent Balance at the Beginning of the Year	1 576 282	2 226 047
Current Year Receipts	2 699 000	-
Conditions Met - Transferred to Revenue: Capital Expenses	(2 131 126)	(1 122 718)
Repaid to National Revenue Fund	(1 576 282)	-
Other Adjustments	-	472 953
Unspent Balance at the End of the Year	<u>567 874</u>	<u>1 576 282</u>

26.4.7 National: Water Services Infrastructure Grant

Unspent Balance at the Beginning of the Year	8 978 389	5 440 593
Current Year Receipts	10 000 000	10 000 000
Conditions Met - Transferred to Revenue: Capital Expenses	(4 800 703)	(6 637 422)
Repaid to National Revenue Fund	(8 915 692)	-
Other Adjustments	-	175 218
Unspent Balance at the End of the Year	<u>5 261 994</u>	<u>8 978 389</u>

26.4.8 National: Zoar Streets

Unspent Balance at the Beginning of the Year	-	180 453
Other Adjustments	-	(180 453)
Unspent Balance at the End of the Year	<u>-</u>	<u>-</u>

26.4.9 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	<u>573 634</u>	<u>573 634</u>

	2022 R	2021 R
26.4.10 Provincial: WC Financial Management Support Grant - Capacity Building		
Unspent Balance at the Beginning of the Year	370 080	481 080

KANNALAND MUNICIPALITY

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

Repaid to National Revenue Fund	(131 080)	
Other Adjustments	-	(111 000)
Unspent Balance at the End of the Year	239 000	370 080
26.4.11 Provincial: Human Settlement Development Grant		
Unspent Balance at the Beginning of the Year	1 007 923	1 009 921
Other Adjustments	-	(1 998)
Unspent Balance at the End of the Year	1 007 923	1 007 923
26.4.12 Provincial: Library Conditional Grant		
Unspent Balance at the Beginning of the Year	832 803	1 114 210
Current Year Receipts	-	1 000 000
Conditions Met - Transferred to Revenue: Capital Expenses	(775 250)	(817 197)
Other Adjustments	-	(464 210)
Unspent Balance at the End of the Year	57 553	832 803
26.4.13 Provincial: MRF Grant		
Unspent Balance at the Beginning of the Year	288 519	274 335
Current Year Receipts	3 217 000	3 049 000
Conditions Met - Transferred to Revenue: Operating Expenses	(3 129 322)	(3 034 816)
Unspent Balance at the End of the Year	376 197	288 519
26.4.14 Provincial: CDW Grant		
Unspent Balance at the Beginning of the Year	208 255	282 111
Current Year Receipts	113 000	112 000
Conditions Met - Transferred to Revenue: Operating Expenses	(39 476)	(185 856)
Repaid to National Revenue Fund	(145 311)	-
Unspent Balance at the End of the Year	136 468	208 255
26.4.15 Provincial: Bursary Grant		
Unspent Balance at the Beginning of the Year	1 274 341	980 000
Current Year Receipts	250 000	300 000
Conditions Met - Transferred to Revenue: Operating Expenses	-	(5 659)
Repaid to National Revenue Fund	(1 274 341)	-
Unspent Balance at the End of the Year	250 000	1 274 341
26.4.16 Provincial: Drought Relief		
Unspent Balance at the Beginning of the Year	2 435 390	1 662 747
Current Year Receipts	-	2 600 000
Conditions Met - Transferred to Revenue: Capital Expenses	(1 943 860)	(1 959 719)
Repaid to National Revenue Fund	(409 021)	-
Other Adjustments	-	132 362
Unspent Balance at the End of the Year	82 509	2 435 390
26.4.17 Provincial: Fire and Drought Relief		
Unspent Balance at the Beginning of the Year	85 805	85 805
Repaid to National Revenue Fund	(85 805)	-
Unspent Balance at the End of the Year	-	85 805
26.4.18 Grant		
Unspent Balance at the Beginning of the Year	-	39 348
Conditions Met - Transferred to Revenue: Operating Expenses	-	(39 348)
Unspent Balance at the End of the Year	-	-
26.4.19 Provincial: CFO Appointment Grant		
Unspent Balance at the Beginning of the Year	6 018	6 018
Unspent Balance at the End of the Year	6 018	6 018
	2022	2021
	R	R
26.4.20 Provincial: Deeds Registration Grant		
Unspent Balance at the Beginning of the Year	1 030 000	1 030 000

KANNALAND MUNICIPALITY

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

Unspent Balance at the End of the Year	<u><u>1 030 000</u></u>	<u><u>1 030 000</u></u>
26.4.21 Provincial: Disaster Grant - Zoar		
Unspent Balance at the Beginning of the Year	<u>522 298</u>	<u>522 298</u>
Unspent Balance at the End of the Year	<u><u>522 298</u></u>	<u><u>522 298</u></u>
26.4.22 Provincial: DWAF - RBIG Grant		
Unspent Balance at the Beginning of the Year	<u>319 438</u>	<u>319 438</u>
Unspent Balance at the End of the Year	<u><u>319 438</u></u>	<u><u>319 438</u></u>
26.4.23 Provincial: Flood Damage Grant		
Unspent Balance at the Beginning of the Year	<u>447 890</u>	<u>447 890</u>
Unspent Balance at the End of the Year	<u><u>447 890</u></u>	<u><u>447 890</u></u>
26.4.24 Provincial: IDC Grant		
Unspent Balance at the Beginning of the Year	<u>1 650 000</u>	<u>1 650 000</u>
Unspent Balance at the End of the Year	<u><u>1 650 000</u></u>	<u><u>1 650 000</u></u>
26.4.25 Provincial: IDP Grant		
Unspent Balance at the Beginning of the Year	<u>175 439</u>	<u>175 439</u>
Unspent Balance at the End of the Year	<u><u>175 439</u></u>	<u><u>175 439</u></u>
26.4.26 Provincial: Local Government Financial Support Grant		
Unspent Balance at the Beginning of the Year	<u>1 540 000</u>	<u>1 540 000</u>
Unspent Balance at the End of the Year	<u><u>1 540 000</u></u>	<u><u>1 540 000</u></u>
26.4.27 Provincial: Local Government Financial Support Grant		
Unspent Balance at the Beginning of the Year	<u>350 000</u>	<u>350 000</u>
Unspent Balance at the End of the Year	<u><u>350 000</u></u>	<u><u>350 000</u></u>
26.4.28 Provincial: Nissanville Paving Grant		
Unspent Balance at the Beginning of the Year	<u>100 238</u>	<u>100 238</u>
Unspent Balance at the End of the Year	<u><u>100 238</u></u>	<u><u>100 238</u></u>
26.4.29 Provincial: Revenue Enhancement Grant		
Unspent Balance at the Beginning of the Year	<u>2 393</u>	<u>2 393</u>
Unspent Balance at the End of the Year	<u><u>2 393</u></u>	<u><u>2 393</u></u>
26.4.30 Provincial: SDBIP Grant		
Unspent Balance at the Beginning of the Year	<u>238 657</u>	<u>238 657</u>
Unspent Balance at the End of the Year	<u><u>238 657</u></u>	<u><u>238 657</u></u>
	2022	2021
	R	R
26.4.31 Provincial: Taxi Ranks Grant		
Unspent Balance at the Beginning of the Year	306 463	306 463

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

Unspent Balance at the End of the Year	306 463	306 463
26.4.32 Provincial: Thusong Municipal Service Delivery Capacity Building Grant		
Unspent Balance at the Beginning of the Year	175 160	175 160
Current Year Receipts	-	-
Repaid to National Revenue Fund	(175 160)	-
Unspent Balance at the End of the Year	-	175 160
26.4.33 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
26.4.34 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
26.4.35 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
26.4.36 Provincial: Employee Support Grant		
Current Year Receipts	900 000	-
Conditions Met - Transferred to Revenue: Operating Expenses	(773 764)	-
Unspent Balance at the End of the Year	126 236	-
26.4.37 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	-	-
26.4.38 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
26.4.39 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	128 118
26.4.40 Other: SETA Grant		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	133 704	-
Conditions Met - Transferred to Revenue: Operating Expenses	(133 704)	-
Unspent Balance at the End of the Year	-	-
26.4.41 Total Grants		
Unspent Balance at the Beginning of the Year	30 900 132	27 393 206
Current Year Receipts	49 668 123	64 997 000
Conditions Met - Transferred to Revenue: Operating Expenses	(39 969 835)	(41 510 926)
Conditions Met - Transferred to Revenue: Capital Expenses	(18 888 870)	(19 524 083)
Repaid to National Revenue Fund	(2 220 718)	(295 662)
Other Adjustments	-	(159 403)
Unspent Balance at the End of the Year	19 488 832	30 900 132

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

27. SERVICE CHARGES

Sale of Electricity	64 749 695	55 432 129
Sale of Water	20 355 101	17 927 389
Refuse Removal	8 582 968	7 036 673
Sewerage and Sanitation Charges	8 706 318	7 454 961

Total Service Charges	102 394 082	87 851 152
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27.1 Allocation for Cash Flow:

Total Service Charges	102 394 082	87 851 152
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Total Service Charges allocated to Cash Flow	102 394 082	87 851 152
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27.2 Calculation of Cash Flow:

Service Charges Income	Note 27.1	102 394 082	87 851 152
Exchange Interest Earned	Note 31.1	3 406 674	2 765 470
Cash Flow from Exchange Receivables	Note 3.1	18 165 327	(14 239 518)
Cash Flow from Consumer Deposits	Note 12.1	97 364	91 835
Cash Flow from Exchange Payables	Note 13.1	400 386	(162 942)
Exchange Receivables: Amounts written-off as uncollectible	Note 3.3.1	-	-
Bad Debt Written-off	Note 36.1	(38 627 414)	(208 442)

Total Receipts for Service Charges	85 836 419	76 097 556
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The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

28. SALES OF GOODS AND RENDERING OF SERVICES

Building Plan Approval	153 199	194 515
Cemetery and Burial	34 836	43 940
Clearance Certificates	102 226	178 087
Encroachment Fees	-	4 458
Fire Services	(592)	(5 469)
Library Fees	-	-
Photocopies and Faxes	7 119	1 137
Removal of Restrictions	1 761	183
Sale of Goods	482	38 332
Town Planning and Servitudes	2 533	11 613
Valuation Services	5 719	6 591

Total Sales of Goods and Rendering of Services	307 284	473 386
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28.1 Allocation for Cash Flow:

Total Sales of Goods and Rendering of Services	307 284	473 386
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Total Sales of Goods and Rendering of Services allocated to Other Receipts	307 284	473 386
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2022	2021
R	R

29. INCOME FROM AGENCY SERVICES

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

Commission on Vehicle Registration	1 098 291	1 083 022
Total Income from Agency Services	<u>1 098 291</u>	<u>1 083 022</u>

29.1 Allocation for Cash Flow:

Total Income from Agency Services	1 098 291	1 083 022
Total Income from Agency Services allocated to Other Receipts	<u>1 098 291</u>	<u>1 083 022</u>

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	1 263 035	1 083 022
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Amount of revenue received on behalf of the principle during the reporting period

Motor vehicle licence fees	474 624	446 040
RTMC transaction fees	6 426 368	6 186 750

30. RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue

Investment Property	17 623	101 133
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Other Rental income

Ad-hoc Rental Income from Other Fixed Assets:	533 947	504 641
Biological Assets	533 947	504 641
Property Plant and Equipment	-	-

Income from Land Rented	-	(35 527)
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Total Rental of Facilities and Equipment	<u>551 569</u>	<u>570 247</u>
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30.1 Allocation for Cash Flow:

Total Rental of Facilities and Equipment	551 569	570 247
Total Rental of Facilities and Equipment allocated to Other Receipts	<u>551 569</u>	<u>570 247</u>

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

31. INTEREST, DIVIDENDS AND RENT ON LAND EARNED

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

Non-exchange Receivables:

Outstanding Billing Debtors	1 577 374	775 682
Total Non-exchange Interest, Dividends and Rent on Land Earned	1 577 374	775 682

External Investments:

Investments	1 232 382	1 150 490
	1 232 382	1 150 490

Outstanding Exchange Receivables:

	2022 R	2021 R
Outstanding Billing Debtors	3 406 674	2 765 470
Electricity	153 193	116 937
Waste Management	1 043 710	815 032
Waste Water Management	911 340	732 103
Water	1 276 049	1 101 398
	3 406 674	2 765 470

Total Exchange Interest, Dividends and Rent on Land Earned

Total Interest, Dividends and Rent on Land Earned

31.1 Allocation for Cash Flow:

Property Rates:-

Interest on Outstanding Non-exchange Receivables	1 577 374	775 682
Total Interest, Dividends and Rent on Land Earned allocated to Property Rates	1 577 374	775 682

Service Charges:-

Interest on Outstanding Exchange Receivables	3 406 674	2 765 470
Total Interest, Dividends and Rent on Land Earned allocated to Service Charges	3 406 674	2 765 470

External Interest and Dividends Received:-

Interest on External Investments	1 232 382	1 150 490
Total Interest, Dividends and Rent on Land Earned allocated to External Interest and Dividends Received	1 232 382	1 150 490

Total External Interest and Dividends Received allocated to Cash Flow

31.2 Calculation of Cash Flow:

External Interest and Dividends Income	1 232 382	1 150 490
Total Receipts for Interest and Dividends Received	1 232 382	1 150 490

32. OPERATIONAL REVENUE

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

Collection Charges	21	57 826
Commission	193 826	216 290
Incidental Cash Surpluses	305	57 377
Request for Information	-	142
Total Operational Revenue	241 343	331 634

	2022 R	2021 R
32.1 Allocation for Cash Flow:		
Total Operational Revenue	241 343	331 634
Total Operational Revenue allocated to Other Receipts	241 343	331 634

32.2 Calculation of Cash Flow:		
Income from Operational Revenue	Note 32.1	
Income from Rental from Fixed Assets	Note 30.1	
Income from Agency Services	Note 29.1	
Income from Sales of Goods and Rendering of Services	Note 28.1	
Income from Licences and Permits	Note 25.1	
Income from Fines, Penalties and Forfeits	Note 24.1	
Cash Flow from Exchange Receivables	Note 3.1	
Cash Flow from Statutory Non-exchange Receivables	Note 5.1	
Cash Flow from Consumer Deposits	Note 12.1	
Cash Flow from Exchange Payables	Note 13.1	
Total Receipts for Other Revenue		
		8 521 264
		2 427 033

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

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

	2022 R	2021 R
33. EMPLOYEE RELATED COSTS		
Salaries and Wages:		
Basic	47 446 989	43 574 637
Long Service Awards	249 000	(391 286)
Bonuses	1 563 651	2 012 192
Leave	(243 418)	687 853
Overtime	1 632 042	2 702 997
Allowances:		
Accommodation, Travel and Incidental	(164 389)	15 104
Acting and Post Related Allowances	2 270 538	1 157 235
Bonus Allowance	1 630 801	1 159 893
Cellular and Telephone	201 100	154 000
Housing Benefits	314 759	268 727
Standby Allowance	2 369 277	2 414 545
Travel or Motor Vehicle	2 523 245	2 090 008
Social Contributions:		
Bargaining Council	641 187	28 710
Group Life Insurance	53 814	75 486
Medical	2 433 670	2 767 748
Pension	6 370 830	5 152 321
Unemployment Insurance	370 624	320 387
Post-retirement Benefits:		
Current Service Cost	547 000	321 000
Interest Cost	1 074 000	1 808 000
Actuarial Gains and Losses	-	476 000
Total Employee Related Costs	71 598 209	66 795 557
33.1 Allocation for Cash Flow:		
Employee Related Costs	71 598 209	66 795 557
Adjustment for Non-cash Transactions:	(2 890 244)	(2 977 247)
Provisions and Non-current Provisions:-	67 756	(753 247)
Performance Bonus	(209 720)	(220 627)
Leave	277 476	(532 619)
Employee Benefit Liabilities:-	(2 958 000)	(2 224 000)
Long-service Awards	(452 000)	(453 000)
Medical	(2 506 000)	(1 771 000)
Total Employee Related Costs allocated to Cash Flow	68 707 964	63 818 310
33.2 Calculation of Cash Flow:		
Employee Related Costs Expenditure	68 707 964	63 818 310
Cash Flow from Exchange Payables	1 333 648	2 094 706
Cash Flow from Employee Benefit Liabilities	644 000	706 000
Total Payments for Employee Related Costs	70 685 612	66 619 016
33.3 Remuneration of Section 57 Employees:		
Remuneration of the Municipal Manager - R. Stevens		
Annual Remuneration	250 391	1 009 972
Car and Other Allowances	39 915	159 660
Other Payments (Travelling reimbursement)	2 480	9 000
Other Payments (Settlement agreement and Leave Payout)	445 400	
Company Contributions to UIF, Medical and Pension Funds	13 790	45 774
Total	751 976	1 224 406

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

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

Remuneration of the Municipal Manager - M.M. Hoogbaard

Annual Remuneration	519 441	-
Car and Other Allowances	68 025	-
Other Payments (Travelling reimbursement)	23 000	-
Other Payments (Settlement agreement and Leave Payout)	136 372	-
Company Contributions to UIF, Medical and Pension Funds	886	-
Total	<u>747 724</u>	<u>-</u>

Mr Hoogbaard acted as Municipal Manager from August 2021 to January 2022

Remuneration of the Municipal Manager - I. Avontuur

Annual Remuneration	376 397	-
Car and Other Allowances	72 306	-
Company Contributions to UIF, Medical and Pension Funds	937	-
Total	<u>449 640</u>	<u>-</u>

Mr Avontuur acted as Municipal Manager from January 2022 to May 2022 and for the latter part June 2022.

Remuneration of the Municipal Manager - E. Constable

Annual Remuneration	23 783	-
Total	<u>23 783</u>	<u>-</u>

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

	2022 R	2021 R
Remuneration of the Acting Municipal Manager - R. F. Butler		
Annual Remuneration	19 651	196 507
Total	<u>19 651</u>	<u>196 507</u>

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

Annual Remuneration	1 015 140	968 327
Car and Other Allowances	119 613	143 613
Other Payments (Travelling reimbursement)	1 613	-
Company Contributions to UIF, Medical and Pension Funds	33 764	34 661
Total	<u>1 170 130</u>	<u>1 146 601</u>

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 during October 2021 the led to various acting arrangements pertaining to the position of CFO.

Remuneration of the Acting Chief Financial Officer - P. Mngeni

Annual Remuneration	54 161	86 514
Total	<u>54 161</u>	<u>86 514</u>

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	<u>42 080</u>	<u>-</u>

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

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

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	248 203	-
Car and Other Allowances	50 303	
Company Contributions to UIF, Medical and Pension Funds	531	
Total	299 037	-

Mr. Groenewald acting as CFO from April 2022 until June 2022.

Remuneration of the Head: Technical Services - N. Jonker

Annual Remuneration	-	472 164
Car and Other Allowances	-	83 807
Other Payments (Travelling reimbursement)	-	-
Settlement agreement	259 969	
Company Contributions to UIF, Medical and Pension Funds	-	15 546
Total	259 969	571 516

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

Remuneration of Director: Corporate Services – H Barnard

Annual Remuneration	928 347	320 963
Car and Other Allowances	128 905	44 362
Other Payments (Lump Sum)	-	32 964
Other Payments (Travelling reimbursement)	3 950	-
Company Contributions to UIF, Medical and Pension Funds	181 143	10 045
Total	1 242 345	408 334

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	-
Total	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	5 266 564	3 633 878
Total Remuneration of Section 57 Employees	5 266 564	3 633 878

Summary of Remuneration of Section 57 Employees

Annual Remuneration	3 660 983,00	2 771 426,00
Performance Bonus	-	
Car and Other Allowances	501 746	714 463,00
Other Payments	872 784	41 964,00
Company Contributions to UIF, Medical and Pension Funds	231 051	106 026,00
Total Remuneration of Section 57 employees	5 266 564	3 633 879

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

34. REMUNERATION OF COUNCILLORS

Executive Mayor	841 702	850 466
Deputy Executive Mayor	408 361	404 143
Speaker	673 007	689 253
Executive Committee Members	358 320	216 864
Total for All Other Councillors	866 594	1 023 253
Total Councillors' Remuneration	<u>3 147 985</u>	<u>3 183 979</u>
Detail Remuneration of Councillors		
Executive Mayor - M Barry		
Salary	261 218	784 137
Allowances	14 800	44 400
Medical Aid	7 470	21 929
	<u>283 488</u>	<u>850 466</u>
Executive Mayor - J Donson		
Salary	121 962	-
Allowances	28 401	-
Medical Aid	27 901	-
Disbursements	-	-
	<u>178 264</u>	<u>-</u>
Executive Mayor - N Valentyn		
Salary	361 450	-
Allowances	18 500	-
Medical Aid	-	-
Disbursements	-	-
	<u>379 950</u>	<u>-</u>
Deputy Executive Mayor - PJ Antonie		
Salary	29 979	359 743,00
Allowances	3 700	44 400,00
	<u>33 679</u>	<u>404 143</u>
Deputy Executive Mayor - N Valentyn		
Salary	98 236	-
Allowances	11 100	-
	<u>109 336</u>	<u>-</u>
Deputy Executive Mayor - W Meshoa		
Salary	64 742	-
Allowances	11 100	-
Medical Aid	9 689,00	-
	<u>85 531</u>	<u>-</u>
Deputy Executive Mayor - L Stuurman		
Salary	149 333	-
Allowances	18 500	-
Medical Aid	11 982,00	-
	<u>179 815</u>	<u>-</u>

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

Speaker - A Theron		
Salary	-	186 116,00
Allowances	-	14 800,00
Travel Allowance	-	36 000,00
	<u>-</u>	<u>236 916</u>
Speaker – W Meshoa		
Salary	202 253	400 289,00
Allowances	14 800	29 600,00
Medical Aid	12 692	25 278,00
	<u>229 745</u>	<u>455 167</u>
Speaker – N Valentyn		
Salary	124 502	-
Allowances	11 100	-
	<u>135 602</u>	<u>-</u>
Speaker – R. Albertus		
Salary	289 160	-
Allowances	18 500	-
	<u>307 660</u>	<u>-</u>
Councillor - HD Ruiters		
Salary	233 332	235 763
Allowances	44 400	44 400
Medical Aid	20 639	19 328
	<u>298 371</u>	<u>299 491</u>
Councillor - WP Meshoa		
Salary	97 667	72 550
Allowances	18 500	14 800
Medical Aid	16 717	12 480
	<u>132 884</u>	<u>99 830</u>
Councillor - J Johnson		
Salary	57 030,00	171 091,00
Allowances	42 800,00	44 400,00
Travel Allowance	-	84 000,00
	<u>99 830</u>	<u>299 491</u>
Councillor - A Theron		
Salary	63 771,00	167 222,00
Allowances	11 100,00	29 600,00
	<u>74 871</u>	<u>196 822</u>
Councillor - L Stuurman		
Salary	52 776,00	-
Allowances	11 100,00	-
	<u>63 876</u>	<u>-</u>
Councillor - AW Steenkamp		
Salary	51 874,00	-
Allowances	20 100,00	-
	<u>71 974</u>	<u>-</u>
Councillor - J Donson		
Salary	53 587,00	174 140,00
Allowances	47 335,00	44 400,00
Travel Allowance	23 866,00	69 204,00
	<u>124 788</u>	<u>287 744</u>
Section 79 - J Donson		
Salary	68 085	-
Other Allowances	37 868	-
Medical Aid	18 531	-
	<u>124 484</u>	<u>-</u>
Section 79 - R Albertus		
Salary	67 833,00	-
Allowances	11 100,00	-
	<u>78 933</u>	<u>-</u>

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

Section 79 - A W Steenkamp

Salary	111 403,00	-
Allowances	43 500,00	-

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

Medical Aid and Pension	-	-
	<u>154 903</u>	<u>-</u>

34.1 Allocation for Cash Flow:

Total Councillors' Remuneration	3 147 985	3 183 979
Total Councillors' Remuneration allocated to Cash Flow	<u>3 147 985</u>	<u>3 183 979</u>

34.2 Calculation of Cash Flow:

Remuneration of Councillors Expenditure	Note 34.1	3 147 985	3 183 979
Total Payments for Employee Related Costs		<u>3 147 985</u>	<u>3 183 979</u>

Remuneration of Councillors:

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 of the Council.

35. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	13 711 914	11 059 445
Amortisation: Intangible Assets	3 954	7 950
Total Depreciation and Amortisation	<u>13 715 868</u>	<u>11 067 396</u>

The prior year amount for Depreciation and Amortisation has been adjusted. Refer to Note 46.2 on "Correction of Error" for details of the restatement.

35.1 Allocation for Cash Flow:

Total Depreciation and Amortisation	13 715 868	11 067 396
Adjustment for Non-cash Transactions:-	(13 715 868)	(11 067 396)
Depreciation and Amortisation for the Year	(13 715 868)	(11 067 396)
Transferred in lieu of Discontinued Operations	-	-
Total Depreciation and Amortisation allocated to Cash Flow	<u>-</u>	<u>-</u>

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

	2022 R	2021 R
36. IMPAIRMENT LOSSES		
Impairment Losses on Fixed Assets	2 872 418	1 184 228
Impairment Losses on Financial Assets	24 299 960	21 016 210
Total Impairment Losses	29 203 021	22 200 438
36.1 Allocation for Cash Flow:		
Total Impairment Losses	29 203 021	22 200 438
Adjustment for Non-cash Transactions:	9 424 392	(21 991 996)
Impairment Losses on Fixed Assets	(2 872 418)	(1 184 228)
Impairment Losses on Financial Assets (excluding Bad Debts Written-off)	14 327 454	(20 807 769)
Total Impairment Losses allocated to Service Charges	38 627 414	208 442
36.2 Impairment Losses on Fixed Assets		
		-
Impairment Losses	2 872 418	1 184 228
Property, Plant and Equipment	2 872 418	1 184 228
	2 872 418	1 184 228
36.3 Impairment Losses on Financial Assets		
Impairment Losses	(14 327 454)	18 313 120
Other Receivables from Non-exchange Revenue	4 268 875	1 399 871
Trade and Other Receivables from Exchange Transactions	(18 596 329)	16 913 249
Bad Debts Written Off	38 627 414	208 442
Reversal of Impairment Losses	-	2 494 649
Other Receivables from Non-exchange Revenue	-	2 494 649
Trade and Other Receivables from Exchange Transactions	-	-
	24 299 960	21 016 210
37. INTEREST AND RENT ON LAND PAID		
Interest Paid:	4 244 366	3 301 250
Borrowings	71 948	147 688
Finance Leases	27 612	24 348
Interest costs non-current Provisions	1 358 433	1 104 363
Long Service Awards	-	(143 000)
Overdue Accounts	2 786 373	2 167 851
Total Interest and Rent on Land Paid	4 244 366	3 301 250
37.1 Allocation for Cash Flow:		
Non-cash Transactions:-		
Interest Paid	1 358 433	961 362
Total Interest and Rent on Land Paid allocated to Non-cash Transactions	1 358 433	961 362
External Interest Paid:-		
Interest Paid	2 885 933	2 339 888
Total Interest and Rent on Land Paid allocated to External Interest and Dividends Paid	2 885 933	2 339 888
Total External Interest Dividends Paid allocated to Cash Flow	4 244 366	3 301 250

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

		2022 R	2021 R
37.2 Calculation of Cash Flow:			
Interest and Rent on Land Paid Expenditure	Note 37.1	2 885 933	2 339 888
Cash Flow from Exchange Payables	Note 13.1	-	(1 845 998)
Total Payments for External Interest Paid		<u>2 885 933</u>	<u>493 890</u>
38. BULK PURCHASES			
Electricity		50 752 318	44 054 091
Water		-	222 673
Total Bulk Purchases		<u>50 752 318</u>	<u>44 276 763</u>
38.1 Allocation for Cash Flow:			
Total Bulk Purchases		50 752 318	44 276 763
Total Bulk Purchases allocated to Suppliers Paid		<u>50 752 318</u>	<u>44 276 763</u>
39. CONTRACTED SERVICES			
Outsourced Services		3 693 314	2 557 894
Consultants and Professional Services		7 479 037	3 171 983
Contractors		2 504 444	2 154 823
Total Contracted Services		<u>13 676 795</u>	<u>7 884 700</u>
39.1 Allocation for Cash Flow:			
Total Contracted Services		13 676 795	7 884 700
Total Contracted Services allocated to Suppliers Paid		<u>13 676 795</u>	<u>7 884 700</u>
39.2 Outsourced Services			
Burial Services		8 300	4 000
Business and Advisory		3 178 587	1 891 359
Catering Services		6 225	20 225
Cleaning Services		117 151	32 325
Meter Management		381 200	405 443
Traffic Fines Management		-	199 748
Transport Services		1 851	4 794
		<u>3 693 314</u>	<u>2 557 894</u>
39.3 Consultants and Professional Services			
Business and Advisory		859 625	1 325 121
Laboratory Services		535 324	(551)
Legal Cost		6 084 088	1 847 414
		<u>7 479 037</u>	<u>3 171 983</u>
39.4 Contractors			
Catering Services		-	-
Employee Wellness		-	2 250
Maintenance of Buildings and Facilities		668 652	519 368
Maintenance of Equipment		684 830	905 470
Maintenance of Computer Software		632 498	156 432
Safeguard and Security		-	-
Sewerage Services		506 864	571 304
		<u>2 504 444</u>	<u>2 154 823</u>

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

40. INVENTORY CONSUMED

Consumables	3 275	1 673 312
Materials and Supplies	3 504 738	3 775 757
Water	27 814	87 100
Total Inventory Consumed	3 535 827	5 536 169

40.1 Allocation for Cash Flow:

Total Inventory Consumed	3 535 827	5 536 169
Total Inventory Consumed allocated to Suppliers Paid	3 535 827	5 536 169

40.2 Calculation of Cash Flow:

Expenditure for Inventory Consumed	Note 40.1	3 535 827	5 536 169
Expenditure for Contracted Services	Note 39.1	13 676 795	7 884 700
Expenditure for Bulk Purchases	Note 38.1	50 752 318	44 276 763
Cash Flow from Inventories	Note 2.1	1 050 130	794 007
Cash Flow from Exchange Payables	Note 13.1	(9 648 689)	(898 503)
Total for Suppliers Paid		59 366 381	57 593 138

41. TRANSFERS AND SUBSIDIES PAID

Operational Grants	240 000	245 659
Monetary Allocations	240 000	245 659
Total Transfers and Subsidies Paid	240 000	245 659

41.1 Allocation for Cash Flow:

Total Transfers and Subsidies Paid	240 000	245 659
Total Transfers and Subsidies Paid allocated to Other Payments	240 000	245 659

41.2 Operational Grants

	Allocations In-kind		Monetary Allocations	
	2022	2021	2022	2021
Non-profit Institutions	-	-	240 000	240 000
Total Operational Grants Paid	-	-	240 000	245 659

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

	2022 R	2021 R
42. OPERATING LEASES		
Furniture and Office Equipment	269 700	253 001
Investment Properties	482 720	383 041
Libraries	41 988	36 511
Other Assets	7 667	4 983
Transport Assets	-	(8 025)
Total Operating Leases	1 205 300	669 512

42.1 Allocation for Cash Flow:

Total Operating Leases	1 205 300	669 512
Total Operating Leases allocated to Other Payments	1 205 300	669 512

42.2 Leasing Arrangements

The Municipality as Lessee:

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

42.3 Amounts Payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment,

Other Equipment:	-	89 220
Up to 1 year	-	89 220
Total Operating Lease Arrangements	-	89 220

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

Minimum lease payments	1 205 300	669 512
Total Operating Lease Expenses	1 205 300	669 512

43. OPERATIONAL COSTS

Included in General Expenses are the following:

Advertising, Publicity and Marketing	117 967	19 393
Assets less than the Capitalisation Threshold	21 834	10
Bank Charges, Facility and Card Fees	301 208	326 002
Commission	785 395	975 557
Communication	888 346	737 186
Contribution to Provisions	28 851	8 709 754
Deeds	12 993	17 683
Entertainment	105 853	12 940
External Audit Fees	3 300 874	3 371 382
External Computer Service	464 039	968 485
Insurance Underwriting	837 485	661 893
Licences	105 848	68 547
Municipal Services	3 565 674	1 818 198
Printing, Publications and Books	654 706	382 638
Professional Bodies, Membership and Subscription	-	2 843
Registration Fees	36 000	19 190
Remuneration to Ward Committees	80 000	-
Resettlement Cost	14 100	-
Skills Development Fund Levy	556 096	462 478
Travel and Subsistence	731 763	178 256
Uniform and Protective Clothing	110 431	154 103
Wet Fuel	2 052 259	-
Total Operational Costs	15 368 141	18 886 537

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

	2022 R	2021 R
43.1 Allocation for Cash Flow:		
Total Operational Costs	15 368 141	18 886 537
Adjustment for Non-cash Transactions	7 969 790	(8 515 520)
Total Operational Costs allocated to Other Payments	<u>23 337 931</u>	<u>10 371 016</u>
43.2 Calculation of Cash Flow:		
Expenditure for Operational Costs	23 337 931	10 371 016
Expenditure for Operating Leases	1 205 300	669 512
Expenditure for Transfers and Subsidies Paid	240 000	245 659
Cash Flow from Non-exchange Receivables	1 485 057	317
Cash Flow from Exchange Payables	381 988	133 411
Cash Flow from Non-exchange Payables	(54 025)	(373 436)
Minor Variance on Other Non-cash Transactions	1	(469 512)
Total for Other Payments	<u>26 596 252</u>	<u>10 576 968</u>
43.3 Travel and Subsistence		
Domestic	731 763	178 256
Accommodation	271 017	38 585
Daily Allowance	172 574	31 778
Transport without Operator	288 173	107 893
	<u>731 763</u>	<u>178 256</u>
43.4 Material Losses	6 464 112	4 787 889
Distribution Losses:		
Electricity Losses	6 339 478	4 691 582
Water Losses	124 634	96 307

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.

44. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Property, Plant and Equipment	(4 805 834)	(49 922)
Total Gains on Disposal of Capital Assets	<u>-</u>	<u>-</u>
Total Losses on Disposal of Capital Assets	<u>4 805 834</u>	<u>49 922</u>
44.1 Allocation for Cash Flow:		
Disposal of Property, Plant and Equipment:		
Losses on Disposal of Capital Assets	(4 805 834)	(49 922)
Total Gains on Disposal of Capital Assets allocated to Property, Plant and Equipment	(4 805 834)	(49 922)
Total Gains / (Losses) on Disposal of Capital Assets allocated to Cash Flow	<u>(4 805 834)</u>	<u>(49 922)</u>

KANNALAND MUNICIPALITY

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

	2022 R	2021 R
45. RECLASSIFICATION OF ANNUAL FINANCIAL STATEMENTS		
45.1 Reclassification of Accumulated Surplus		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.		
The effect of the changes are as follows:		
		Accumulated Surplus
Balance published as at 30 June 2020		240 262 237
Correction of Error:-		
Adjustment for Exchange Receivables	(44 087)	
Adjustment for Non-exchange Statutory Receivables	(74 658)	
Adjustment for Acquisition of Capital Assets	487 521	
Adjustment for Depreciation on Capital Assets	1 655 227	
Adjustment for Impairment on Capital Assets	218 696	
Adjustment for Landfill Site Provision	9 959 292	
Restated Balance as at 30 June 2020		252 464 228
Transactions incurred for the Year 2020/21		(5 087 730)
Correction of Error:-		
Adjustment for Exchange Receivables	(89 449)	
Adjustment for Non-exchange Statutory Receivables	(16 770)	
Adjustment for Acquisition of Capital Assets	136 946	
Adjustment for Depreciation on Capital Assets	(212 395)	
Adjustment for Landfill Site Provision	(1 989 502)	
Adjustment for Rounding Errors	-	
Restated Balances as at 30 June 2021		245 205 327

45.2 Reclassification of Revenue

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

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
Property Rates	19 336 694	-	(16 770)	19 319 923
Fines, Penalties and Forfeits	141 591	-	-	141 591
Transfers and Subsidies	62 159 165	-	-	62 159 165
Interest, Dividends & Rent on Land Non-Exchange	775 682	-	-	775 682
Licences and Permits - Exchange	217 217	-	-	217 217
Service Charges	87 940 601	-	(89 449)	87 851 152
Sales of Goods and Rendering of Services	473 386	-	-	473 386
Income from Agency Services	1 083 022	-	-	1 083 022
Rental from Fixed Assets	570 247	-	-	570 247
Interest, Dividends & Rent on Land Exchange	3 915 961	-	-	3 915 961
Operational Revenue	331 634	-	-	331 634
	176 945 200	-	(106 220)	176 838 980

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

45.3 Reclassification of Expenditure

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

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
Employee Related Costs	66 795 557	-	-	66 795 557
Remuneration of Councillors	3 183 979	-	-	3 183 979
Depreciation and Amortisation	10 855 001	-	212 395	11 067 396
Impairment Losses	22 200 438	-	-	22 200 438
Interest, Dividends and Rent on Land	3 044 931	-	256 319	3 301 250
Bulk Purchases	44 276 763	-	-	44 276 763
Contracted Services	8 021 647	-	(136 946)	7 884 700
Inventory Consumed	5 536 169	-	-	5 536 169
Transfers and Subsidies Paid	245 659	-	-	245 659
Operating Leases	669 512	-	-	669 512
Operational Costs	17 153 353	-	1 733 184	18 886 537
Loss on Disposal of PPE	49 922	-	-	49 922
	182 032 930	-	2 064 951	184 097 882

45.4 Reclassification of Statement of Financial Position

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

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
Current Assets				
Inventories	3 237 046	-	-	3 237 046
Receivables from Exchange Transactions	4 139 408	-	(133 536)	4 005 872
Receivables from Non-exchange Transactions	224 533	-	-	224 533
Statutory Receivables from Non-exchange Transactions	1 616 771	-	(91 428)	1 525 343
Cash and Cash Equivalents	48 804 724	-	-	48 804 724
Lease Receivables	59 289	-	-	59 289
Non-Current Assets				
Property, Plant and Equipment	324 993 512	-	2 285 995	327 279 507
Intangible Assets	27 894	-	-	27 894
Investment Property	1 250 210	-	-	1 250 210
Current Liabilities				
Consumer Deposits	(1 118 645)	-	-	(1 118 645)
Payables from Exchange Transactions	(59 942 006)	-	-	(59 942 006)
Payables from Non-exchange Transactions	(600 772)	-	-	(600 772)
Unspent Conditional Grants and Receipts	(30 900 003)	-	-	(30 900 003)
VAT Payable	(2 266 859)	-	-	(2 266 859)
Lease Payables	(12 927)	-	-	(12 927)
Borrowings	(446 424)	-	-	(446 424)
Employee Benefit Liabilities	(920 000)	-	-	(920 000)
Provisions	(6 376 260)	-	-	(6 376 260)
Non-Current Liabilities				
Borrowings	(417 749)	-	-	(417 749)
Employee Benefit Liabilities	(12 191 000)	-	-	(12 191 000)
Provisions	(33 516 722)	-	7 969 790	(25 546 933)
Net Assets				
Reserves	(469 512)	-	-	(469 512)
Accumulated Surplus / (Deficit)	(235 174 507)	-	(10 030 820)	(245 205 327)
	-	-	-	-

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

45.5 Reclassification of Cash Flow Statement

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

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
Receipts				
Property Rates	17 580 275	-	-	17 580 275
Transfers and Subsidies	65 812 583	-	-	65 812 583
Service Charges	76 097 556	-	-	76 097 556
External Interest and Dividends Received	1 150 490	-	-	1 150 490
Other Receipts	2 427 033	-	-	2 427 033
Payments				
Employee Related Costs	(66 619 016)	-	-	(66 619 016)
Remuneration of Councillors	(3 183 979)	-	-	(3 183 979)
External Interest and Dividends Paid	(493 890)	-	-	(493 890)
Suppliers Paid	(57 730 084)	-	136 946	(57 593 138)
Other Payments	(10 576 968)	-	(0)	(10 576 968)
VAT Paid	(1 009 272)	-	-	(1 009 272)
NET CASH FLOWS FROM OPERATING ACTIVITIES	23 454 729	-	136 946	23 591 676
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	(16 565 226)	-	(136 946)	(16 702 172)
Purchase of Intangible Assets	-	-	-	-
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(16 565 226)	-	(136 946)	(16 702 172)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in Borrowings (Loans Taken-on)	-	-	-	-
Decrease in Borrowings (Loans Redeemed)	(572 312)	-	-	(572 312)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(572 312)	-	-	(572 312)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVA	6 317 191	-	-	6 317 191
Cash and Cash Equivalents at Beginning of Period	42 487 533	-	-	42 487 533
Cash and Cash Equivalents at End of Period	48 804 724	-	-	48 804 724

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

	Operational Revenue	Intercompany/Par ent-subsiary Transactions	Gains on Disposal of PPE	Gains on Other Operations
Balance previously reported	331 634	-	-	-
Correction of Errors:- Restatement of Interest	-	-	-	-
Balances now published per AFS as at 30 June 2021	<u>331 634</u>	<u>-</u>	<u>-</u>	<u>-</u>

46.2 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	66 795 557	3 183 979	10 855 001
Correction of Errors:- Adjust Post-employment Health Benefit Contributions	-	-	-
Adjust Depreciation as per Revised Asset Register	-	-	212 395
Adjust Depreciation as per Audited Asset Register	-	-	-
Balances now published per AFS as at 30 June 2021	<u>66 795 557</u>	<u>3 183 979</u>	<u>11 067 396</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	22 200 438	3 044 931	44 276 763	8 021 647
Correction of Errors:- Adjust Cost of Assets as per Revised Asset Register	-	-	-	(136 946)
Adjust Interest Cost of Landfill Provision as per Valuation Repor	-	256 319	-	-
Balances now published per AFS as at 30 June 2021	<u>22 200 438</u>	<u>3 301 250</u>	<u>44 276 763</u>	<u>7 884 700</u>

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.

KANNALAND MUNICIPALITY

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

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	5 536 169	245 659	669 512	17 153 353
Correction of Errors:- Adjust Decommissioning of Assets as per Valuation Report	-	-	-	1 733 184
Balances now published per AFS as at 30 June 2021	<u>5 536 169</u>	<u>245 659</u>	<u>669 512</u>	<u>18 886 537</u>

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	-	-	49 922	-
Balances now published per AFS as at 30 June 2021	<u>-</u>	<u>-</u>	<u>49 922</u>	<u>-</u>

46.3 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 2020	2 443 038	6 841 148	-
Correction of Errors:- Adjustment for Exchange Receivables as per Working Papers	-	(44 087)	-
Balances now published per AFS as at 30 June 2020	<u>2 443 038</u>	<u>6 797 062</u>	<u>-</u>
Transactions incurred for the Year 2020/21	794 007	(2 701 740)	-
Correction of Errors:- Adjustment for Exchange Receivables as per Working Papers	-	(89 449)	-
Balances now published per AFS as at 30 June 2021	<u>3 237 046</u>	<u>4 005 872</u>	<u>-</u>

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 Sewrvices Debtors, restated as per Working Papers prepared.

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

	Receivables from Non-exchange Transactions	Statutory Receivables from Non-exchange Transactions	VAT Receivable
Balances previously published per AFS as at 30 June 2020	224 216	2 936 791	-
Correction of Errors:- Adjustment for Non-exchange Statutory Receivables as per Working Papers		(74 658)	-
Balances now published per AFS as at 30 June 2020	<u>224 216</u>	<u>2 862 133</u>	<u>-</u>
Transactions incurred for the Year 2020/21	317	(1 320 020)	-
Correction of Errors:- Adjustment for Non-exchange Statutory Receivables as per Working Papers	-	(16 770)	-
Balances now published per AFS as at 30 June 2021	<u><u>224 533</u></u>	<u><u>1 525 343</u></u>	<u><u>-</u></u>

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.

	Cash and Cash Equivalents	Lease Receivables	Long-term Receivables
Balances previously published per AFS as at	42 487 533	59 289	-
Correction of Errors:- Adjustment for Non-exchange Statutory Receivables	-	-	-
Balances now published per AFS as at	<u>42 487 533</u>	<u>59 289</u>	<u>-</u>
Transactions incurred for the Year	6 317 191	-	-
Balances now published per AFS as at 30 June 2021	<u><u>48 804 724</u></u>	<u><u>59 289</u></u>	<u><u>-</u></u>

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

	Property, Plant and Equipment	Intangible Assets	Investment Property	Long-term Receivables
Balances previously published per AFS as at 30 June 2020	322 061 218	35 844	1 364 487	-
Correction of Errors:-				
Adjust Cost of Assets as per Revised Asset Register	487 521	-	-	-
Adjust Depreciation of Assets as per Revised Asset Register	1 655 227	-	-	-
Adjust Impairment of Assets as per Revised Asset Register	218 696	-	-	-
Balances now published per AFS as at 30 June 2020	324 422 662	35 844	1 364 487	-
Transactions incurred for the Year 2020/21	2 932 294	(7 950)	(114 278)	-
Correction of Errors:-				
Adjust Cost of Assets as per Revised Asset Register	136 946	-	-	-
Adjust Depreciation of Assets as per Revised Asset Register	(212 395)	-	-	-
Balances now published per AFS as at 30 June 2021	327 279 507	27 894	1 250 210	-

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 2020	(1 027 382)	(60 053 115)	(227 336)
Balances now published per AFS as at 30 June 2020	(1 027 382)	(60 053 115)	(227 336)
Transactions incurred for the Year 2020/21	(91 264)	111 109	(373 436)
Balances now published per AFS as at 30 June 2021	(1 118 645)	(59 942 006)	(600 772)

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

	Unspent Conditional Grants and Receipts	VAT Payable	Lease Payables
Balances previously published per AFS as at 30 June 2020	(27 212 759)	(3 276 132)	(12 927)
Balances now published per AFS as at 30 June 2020	<u>(27 212 759)</u>	<u>(3 276 132)</u>	<u>(12 927)</u>
Transactions incurred for the Year 2020/21	(3 687 244)	1 009 272	-
Balances now published per AFS as at 30 June 2021	<u><u>(30 900 003)</u></u>	<u><u>(2 266 859)</u></u>	<u><u>(12 927)</u></u>
	Borrowings	Employee Benefit Liabilities	Provisions
Balances previously published per AFS as at 30 June 2020	(573 019)	(706 000)	(5 623 013)
Balances now published per AFS as at 30 June 2020	<u>(573 019)</u>	<u>(706 000)</u>	<u>(5 623 013)</u>
Transactions incurred for the Year 2020/21	126 595	(214 000)	(753 247)
Balances now published per AFS as at 30 June 2021	<u><u>(446 424)</u></u>	<u><u>(920 000)</u></u>	<u><u>(6 376 260)</u></u>

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

	Lease Payables	Borrowings	Employee Benefit Liabilities	Provisions
Balances previously published per AFS as at 30 June 2020	-	(863 466)	(10 887 000)	(27 729 179)
Correction of Errors:- Adjust Landfill Site Provision Contributions	-	-	-	9 959 292
Balances now published per AFS as at 30 June 2020	-	(863 466)	(10 887 000)	(17 769 887)
Transactions incurred for the Year 2020/21	-	445 717	(1 304 000)	(5 787 543)
Balances now published per AFS as at 30 June 2021	-	(417 749)	(12 191 000)	(25 546 933)

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.

46.4 Reclassification of Cash Flow Statement

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

Cash Flows from Operating Activities - Receipts:

	Property Rates	Transfers & Subsidies	Service Charges
Balance previously reported	17 580 275	65 812 583	76 097 556
Balances now published per AFS as at 30 June 2021	17 580 275	65 812 583	76 097 556

	Interest & Dividends Received	Other Receipts	VAT Received
Balance previously reported	1 150 490	2 427 033	-
Balances now published per AFS as at 30 June 2021	1 150 490	2 427 033	-

Cash Flows from Operating Activities - Payments:

	Employee Related Costs	Remuneration of Councillors	Interest & Dividends Paid
Balance previously reported	(66 619 016)	(3 183 979)	(493 890)
Balances now published per AFS as at 30 June 2021	(66 619 016)	(3 183 979)	(493 890)

KANNALAND MUNICIPALITY

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

	Suppliers Paid	Other Payments	VAT Paid
Balance previously reported	(57 730 084)	(10 576 968)	(1 009 272)
Correction of Errors:-			
Adjust Cost of Assets as per Revised Asset Register	136 946	-	-
Balances now published per AFS as at 30 June 2021	<u>(57 593 138)</u>	<u>(10 576 968)</u>	<u>(1 009 272)</u>
		0,01	

Suppliers Paid:

The **prior year amounts** for Suppliers Paid have been restated to correctly disclose cost of assets as per Asset Register compiled for the 2021/22 financial year.

Cash Flows from Investing Activities:

	Purchase of PPE	Purchase of Intangible Assets	Purchase of Investment Property
Balance previously reported	(16 565 226)	-	-
Correction of Errors:-			
Adjust Cost of Assets as per Revised Asset Register	(136 946)	-	-
Balances now published per AFS as at 30 June 2021	<u>(16 702 172)</u>	<u>-</u>	<u>-</u>

Purchase of Property, Plant and Equipment:

The **prior year amounts** for Property, Plant & Equipment have been restated to correctly disclose the value of Capital Assets as per Asset Register compiled for the 2021/22 financial year.

Cash Flows from Financing Activities:

	Increase in Finance Leases (Leases Taken-on)	Decrease in Finance Leases (Leases Redeemed)	Increase in Borrowings (Loans Taken-on)	Decrease in Borrowings (Loans Redeemed)
Balance previously reported	-	-	-	(572 312)
Restated Balance now reported	<u>-</u>	<u>-</u>	<u>-</u>	<u>(572 312)</u>
Net Increase / (Decrease) in Cash and Cash Equivalents:				
			Cash at Start of Period	Cash at Start of Period
Balance previously reported			42 487 533	48 804 724
Restated Balance now reported			<u>42 487 533</u>	<u>48 804 724</u>

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

	2022 R	2021 R
47. CHANGE IN ACCOUNTING ESTIMATES		
47.1 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 2021/22 financial year. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of Capital Assets	(562 406)	-
Increase / (Decrease) in Depreciation of Capital Assets	(562 406)	-
Depreciation as previously stated	14 278 274	11 067 396
Adjustment due to Change in Accounting Estimate	(562 406)	-
Depreciation as per Note 35.	13 715 868	11 067 396
48. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(14 005 185)	(7 258 901)
Adjustment for Non-cash Transactions included in Surplus / (Deficit):		
Transfers and Subsidies Received	Refer Note 26.1	-
Employee Related Costs	Refer Note 33.1	2 890 244
Depreciation and Amortisation	Refer Note 35.1	13 715 868
Impairment Losses	Refer Note 36.1	(9 424 392)
Interest, Dividends and Rent on Land	Refer Note 37.1	1 358 433
Operational Costs	Refer Note 43.1	(7 969 790)
	-	(33 827)
	2 890 244	2 977 247
	13 715 868	11 067 396
	(9 424 392)	21 991 996
	1 358 433	961 362
	(7 969 790)	8 515 520
Adjustment for Cash Transactions not included in Surplus / (Deficit):		
Expenditure from Current Employee Benefit Liabilities	Refer Note 19.1.1	276 000
Expenditure from Non-current Employee Benefit Liabilities	Refer Note 19.1.2	(920 000)
	276 000	(456 000)
	(920 000)	(250 000)
Adjustment for Non-cash Transactions included in Working Capital:		
Inventories	Refer Note 2.1	(2 030 643)
Decrease/(Increase) in Impairment of Exchange Receivables	Refer Note 3.3	18 596 329
Decrease/(Increase) in Impairment of Statutory Non-exchange Receivables	Refer Note 5.3	(4 268 875)
	(2 030 643)	-
	18 596 329	(16 913 249)
	(4 268 875)	(3 894 520)
Adjustment for Transactions included in Surplus / (Deficit) directly recognised in Cash Flow:		
Gains / (Losses) on Disposal of Capital Assets	Refer Note 44.1	4 805 834
Minor Variance on Other Non-cash Transactions		(1)
	4 805 834	49 922
	(1)	469 512
Operating Surplus before Working Capital Changes	9 557 815	17 226 459
Decrease/(Increase) in Inventories	980 513	(794 007)
Decrease/(Increase) in Receivables from Exchange Transactions	(371 272)	2 791 189
Decrease/(Increase) in Receivables from Non-exchange Transactions	(1 485 057)	(317)
Decrease/(Increase) in Statutory Receivables from Non-exchange Transactions	(1 006 272)	1 336 790
Decrease/(Increase) in VAT Receivable	(2 450 325)	-
Increase/(Decrease) in Consumer Deposits	98 104	91 264
Increase/(Decrease) in Payables from Exchange Transactions	7 886 832	(111 109)
Increase/(Decrease) in Payables from Non-exchange Transactions	54 025	373 436
Increase/(Decrease) in Unspent Conditional Grants and Receipts	(12 679 072)	3 687 244
Increase/(Decrease) in VAT Payable	(2 266 859)	(1 009 272)
Cash Generated by / (Utilised in) Operations	(1 681 568)	23 591 676

KANNALAND MUNICIPALITY

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

49. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 20.)	-	417 749
Used to finance Property, Plant and Equipment - at cost	-	(417 749)
Sub-total	<u>-</u>	<u>-</u>

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.

2022	2021
R	R

50. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

50.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening Balance:	23 064 200	16 364 777
Unauthorised Expenditure Current Year:	36 670 076	6 699 423
Approved/Condoned by Council:	-	-
Unauthorised Expenditure awaiting authorisation	<u>59 734 276</u>	<u>23 064 200</u>

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	
Municipal Manager & Council - R1,841,063	To be condoned by Council
Financial Services - R34,829,012	To be condoned by Council

50.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure:

Opening Balance	2 795 358	6 638 202
Fruitless and Wasteful Expenditure Current Year	2 786 373	2 167 895
Expenditure investigated and approved by Council	-	(6 010 739)
Fruitless and Wasteful Expenditure awaiting condonement	<u>5 581 731</u>	<u>2 795 358</u>

Incident	Disciplinary Steps / Criminal Proceedings
Interest and penalties on late payment of trade creditors. - R2 786 373 (2021: R2 167 851)	Currently None - subject to possible future investigation
Settlement Agreements. - R0 (2021: R0)	To be recovered - Receivables from Exchange Transactions
Adjustment for Interest - R0 (2021: R44)	Currently None - subject to possible future investigation

50.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening Balance:	111 815 159	142 500 900
Irregular Expenditure Current Year (Subject to investigation)*:	5 084 145	17 958 489
Condoned/Written-off by Council:	-	(48 644 230)
Irregular Expenditure awaiting condonation	<u>116 899 304</u>	<u>111 815 159</u>

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

Current Year:

Incident	Deviation
Non-compliance with Municipal SCM Regulations:	
- Deviations from SCM Procedures - R5 084 145 (2021: R4 514 924)	Still to be investigated.

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

	2022 R	2021 R
51. ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION		
51.1 MUNICIPAL FINANCE MANAGEMENT ACT		
51.1.1 Contributions to Organised Local Government - SALGA		
Opening Balance	4 729 740	4 194 071
Council Subscriptions	730 230	610 669
Amount Paid - current year	(165 000)	(75 000)
Balance Unpaid (included in Creditors)	5 294 970	4 729 740
51.1.2 Pension and Medical Aid Deductions		
Opening Balance	1 074 350	1 609 746
Current Year Contributions	14 100 143	12 563 345
Amount Paid - current year	(12 899 557)	(11 488 995)
Amount Paid - previous years	(1 074 350)	(1 609 746)
Balance Unpaid (included in Creditors)	1 200 586	1 074 350
51.1.3 Audit Fees		
Opening Balance	9 064 446	8 136 513
Current year Audit Fees	3 796 005	3 877 067
Interest Raised on Late / Non-payment	623 790	566 933
Amount Paid - current year	(5 444 121)	(3 516 067)
Balance Unpaid (included in Creditors)	8 040 120	9 064 446
51.1.4 PAYE, Skills Development Levy and UIF		
Opening Balance	473 885	370 224
Current year Payroll Deductions	11 010 203	9 720 611
Amount Paid - current year	(10 604 895)	(9 001 721)
Amount Paid - previous years	(473 885)	(615 229)
Balance Unpaid (included in Creditors)	405 308	473 885

KANNALAND MUNICIPALITY

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

51.1.5 Councillor's arrear Consumer Accounts

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

30 June 2022	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Theron A	-	-	-
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

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

51.1.6 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 2022

Department	Tenderer	Reason	Amount
Executive Council	Various (20)	Various reasons like impracticality/ urgency/ Continuity and	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

30 June 2021

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

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

51.1.7 (d)(i) of the MFMA

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

Electricity:

		Lost Units	Tariff	Value
30 June 2022	Unaccounted Electricity Losses	<u>4 766 525</u>	<u>1,3300</u>	<u>6 339 478</u>
30 June 2021	Unaccounted Electricity Losses	<u>4 092 569</u>	<u>1,1464</u>	<u>4 691 582</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.

	2022	2021
Volumes in kWh/year:		
System Input Volume	37 760 480	36 023 982
Billed Consumption	<u>32 993 955</u>	<u>31 931 413</u>
Unaccounted	4 766 525	4 092 569
Normal distribution losses - 8% of electricity purchases	<u>3 020 838</u>	<u>2 881 919</u>
	<u>1 745 687</u>	<u>1 210 650</u>
Percentage Distribution Loss	4,62%	3,36%

Water:

		Lost Units	Tariff	Value
30 June 2022	Unaccounted Water Losses	<u>451 572</u>	<u>0,2760</u>	<u>124 634</u>
30 June 2021	Unaccounted Water Losses	<u>500 411</u>	<u>0,1925</u>	<u>96 307</u>

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

	2022	2021
Volumes in Kl/year:		
System Input Volume	1 950 208	1 897 059,0000
Billed Consumption	<u>1 498 636</u>	<u>1 396 648</u>
Distribution Loss	<u>451 572</u>	<u>500 411</u>
Percentage Distribution Loss	23,16%	26,38%

KANNALAND MUNICIPALITY

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

52. COMMITMENTS FOR EXPENDITURE

52.1 Capital Commitments

- Approved and Contracted for:-

	18 959 850	33 963 006
Infrastructure	18 959 850	31 102 337
Community	-	2 860 669

Total Capital Commitments

18 959 850	33 963 006
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This expenditure will be financed from:

Government Grants or Equitable Share	18 959 850	33 963 006
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18 959 850	33 963 006
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The Capital Commitments are VAT inclusive.

53. FINANCIAL INSTRUMENTS

53.1 Classification

FINANCIAL ASSETS:

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

Financial Assets at Amortised Cost:

Receivables from Exchange Transactions	Electricity	1 305 622	1 071 320
Receivables from Exchange Transactions	Refuse	699 000	570 023
Receivables from Exchange Transactions	Sewerage	755 044	626 778
Receivables from Exchange Transactions	Merchandising, Jobbing and Contracts	553 046	4 496
Receivables from Exchange Transactions	Other Service Charges	(496 131)	87 616
Receivables from Exchange Transactions	Water	860 395	945 472
Receivables from Exchange Transactions	Property Rental Debtors	155	155
Receivables from Exchange Transactions	Deposits for Land	10 308	10 308
Receivables from Non-exchange Transactions	Unauthorised, Irregular, Fruitless and Wasteful Expenditure	1 709 591	224 533
Payables from Exchange Transactions	Salary Related Payables	689 704	689 704
Cash and Cash Equivalents	Call Deposits	27 292 284	40 236 178
Cash and Cash Equivalents	Bank Balances	3 637 454	8 564 046
Cash and Cash Equivalents	Cash Floats and Advances	4 500	4 500
Total Financial Assets		37 112 758	53 035 129

KANNALAND MUNICIPALITY

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

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	536 279	790 966
Consumer Deposits	Water	504 073	152 021
Consumer Deposits	Other Deposits	176 398	175 658
Payables from Exchange Transactions	Other Payables	7 398 969	5 419 776
Payables from Exchange Transactions	Retentions	2 608 184	1 909 160
Payables from Exchange Transactions	Trade Creditors	54 267 405	49 459 176
Payables from Non-exchange Transactions	Transfers and subsidies	145 311	145 311
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	962 915	903 185
Receivables from Non-exchange Transactions	Insurance Claims	509 485	455 461
Unspent Conditional Grants and Receipts	Households	1 601 717	1 601 717
Unspent Conditional Grants and Receipts	National Government	5 624 915	13 909 967
Unspent Conditional Grants and Receipts	Provincial Government	10 994 300	15 388 320
Current Finance Lease Obligations	Current Finance Lease Obligations	(12 927)	(12 927)
Current Borrowings	Development Bank of South Africa	216 120	446 424
Total Financial Liabilities		85 546 072	91 174 891

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

53.2 Capital Risk Management

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

Gearing Ratio

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

Debt	689 704	864 173
Cash and Cash Equivalents	(31 026 023)	(48 804 724)
Net Debt	<u>(30 336 319)</u>	<u>(47 940 551)</u>
Equity	<u>238 203 647</u>	<u>245 674 839</u>
Net debt to equity ratio	<u>-12,74%</u>	<u>-19,51%</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.

53.3 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.

53.4 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.

53.5 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.

53.5.1 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.

53.5.2 Interest Rate Risk Management

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

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

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

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

The municipality is exposed to credit interest rate risk as the municipality has borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 25 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 53.8 below:

Cash and Cash Equivalents:

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

- Surplus for the year ended 30 June 2022 would have increased / decreased by R99 662 (30 June 2021: R114 104). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

53.6 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.

KANNALAND MUNICIPALITY

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

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.

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

	2022 R	2021 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as		
Receivables from Exchange Transactions	61 441 106	79 666 163
Receivables from Non-exchange Transactions	1 709 591	224 533
Bank, Cash and Cash Equivalents	30 934 238	48 804 724
Maximum Credit and Interest Risk Exposure	94 084 935	128 695 420

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	96,12%	98,79%
- Other Receivables	0,06%	0,05%
- Other Minor Classes	1,11%	0,88%
Non-Exchange Debtors:		
- Other not Classified	2,71%	0,28%
Total Credit Risk	100,00%	100,00%

Bank and Cash Balances

Standard Bank	30 929 738	58 976 482
Cash Equivalents	4 500	4 500
Total Bank and Cash Balances	30 934 238	58 980 982

10 176 258,29

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Counterparties without external credit rating:-

High	1 768 820	2 175 318
Medium	452 200	556 121
Low	-	-
	2 221 020	2 731 439
Total Receivables from Exchange Transactions	2 221 020	2 731 439

Receivables from Non-exchange Transactions

High	1 709 591	224 533
Total Receivables from Non-exchange Transactions	1 709 591	224 533

Credit quality Groupings:

High - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Medium - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Low - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing, have been renegotiated in the last year.

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

53. FINANCIAL INSTRUMENTS (Continued)

53.1 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 2022							
Non-interest Bearing	0,00%	85 329 952	30 305 893	11 816 287	-	43 207 771	-
Fixed Interest Rate Instruments	12,50%	241 974	241 974	-	-	-	-
		85 571 926	30 547 868	11 816 287	-	43 207 771	-
30 June 2021							
Non-interest Bearing	0,00%	90 310 718	34 337 849	24 463 884	-	31 508 985	-
Fixed Interest Rate Instruments	12,50%	864 173	864 173	-	-	-	-
		91 174 891	35 202 022	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 2022							
Non-interest Bearing	0,00%	6 091 235	6 084 235	3 000	3 000	1 000	-
Variable Interest Rate Instruments	3,09%	30 929 738	30 929 738	-	-	-	-
		37 112 758	37 105 758	3 000	3 000	1 000	-
30 June 2021							
Non-interest Bearing	0,00%	4 234 905	4 224 905	3 000	3 000	4 000	-
Variable Interest Rate Instruments	2,52%	48 800 224	48 800 224	-	-	-	-
		53 035 129	53 025 129	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.

53.2 Other Price Risks

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

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

2022	2021
R	R

54. 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

The total expense recognised in the Statement of Financial Performance of R6 370 830 (2021: R5 152 321) 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.

54.1 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.

54.2 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.

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

55. RELATED PARTY TRANSACTIONS

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

55.1 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	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
Councillors	12 104	56 730	-	10 954
Municipal Manager and Section 57 Personnel	13 667	27 594	-	5 147
Total Services	25 771	84 324	-	16 101

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.

55.2 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.

55.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 33 and 34, and Appendix G, to the Annual Financial Statements.

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

2022
R 2021
R

55.4 Purchases from Related Parties

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

Company Name	Related Person	Municipal Capacity	Nature of relationship	Purchases for the Year	Purchases for the Year
				2022 R	2021 R
Lucrumsoft (Pty) Ltd	N. Lesiela	Official	Director	-	466 260

56. CONTINGENT LIABILITIES

56.1 Court Proceedings:

1 500 000 2 275 400

Court Proceedings arose due to various claims brought against the Municipality. The attorneys suggested that the matters will be defended, due to the likelihood of successfully defending the claims, as well as the timing and possible costs thereof, cannot be determined at this time.

(i) Susan Steyn / Kannaland Municipality: Pending arbitration against the Municipality for unfair Dismissal.	-	765 000
(ii) Frank Vergotine / Kannaland Municipality: The award was made in favour of Kannaland for the dismissal of the employee. However the employee has sought leave to appeal the judgement at the Labour Court.	-	1 310 400
(iii) M. Hoogbaard / Kannaland Municipality Arbitration case lodged by Mr. M Hoogbaard	-	200 000
(iv) Calitzdorp Spa Transfer of ownership in terms of s16 of the Deeds Registries Act from Eden District Municipality	30 000	-
(v) Urgent Self-review Application Notice of motion in respect of employees	400 000	-
(vi) D Opperman and J Snyman	25 000	-
(vii) R Timmie Disciplinary hearing in terms of s10 of the Disciplinary Procedure	25 000	-
(viii) Case No.229/2021 MEC/KLM	20 000	-
(ix) Councillor Donson, Meshoa, and Luiters Legal advice and assistance to Council and Speaker	500 000	-
(x) Case No. 1446/22, and 6709/22 Legal advice and assistance to Administration	500 000	-

56.2 Insurance Claims:

10 030 25 335

(i) Alleged Damages Incurred: Claims lodged against the municipality for alleged damages caused by incidents of which the municipality should take ownership, have been referred to the municipality's insurers.	10 030	17 895
(ii) Various Claim: Claims lodged against the municipality, were rejected as falling within the access payable and the municipality legal office to advise on acknowledging claim.	-	7 440

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

57. CONTINGENT ASSETS

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

57.1 Insurance Claims:	<u>83 715</u>	<u>157 873</u>
(i) Lost / Damaged Assets: The municipality has claims outstanding against its Insurers for lost and/or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of R0 (2021: R157 873) will be recovered.	-	157 873
(ii) Motor Vehicle Accident: Third party liabilities.	83 715	-
57.2 Other:	<u>204 640</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	204 640,00

58. IN-KIND DONATIONS AND ASSISTANCE

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

(i) Property, Plant and Equipment received from National Government	-	33 827
(ii) National Treasury paid external audit fees on behalf of Kannaland Local Municipality	1 723 774	2 895 347

59. EVENTS AFTER THE REPORTING DATE

No event after the reporting date have been identified to date by management of the municipality.

60. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 46.).

61. OTHER EXTRAORDINARY DISCLOSURES

61.1 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.

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

	2022	2021
	R	R
The table below indicates the total COVID-19 response expenditure (excluding VAT) for the period ending 30 June 2022:		
COVID-19 EXPENDITURE		
Operating Expenditure		
Materials, Supplies and Other Covid - 19 related Expenses	-	4 208 000
Total Operating Expenditure	<u>-</u>	<u>4 208 000</u>
Total COVID-19 Expenditure	<u>-</u>	<u>4 208 000</u>

The table below indicates the Funding Sources for the total COVID-19 response expenditure (excluding VAT) for the period ending 30 June 2022:

COVID-19 FUNDING		
Funding Sources for COVID-19 Expenditure		
Additional Equitable Share	-	4 208 000
Total Funding for COVID-19 Expenditure	<u>-</u>	<u>4 208 000</u>

62. 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

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 R27 292 284 compared to R40 236 178 in the prior year.

(iii) The municipality had an actual surplus of R-14 005 185 for the current financial year compared to R-7 258 901 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 R52 221 133 (2021: R44 727 089).

(vi) The average debtors' payment days decreased from 145 days to 141 days. The average creditors' payment days increased to 212 days from

(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

Unless sustainable economic growth is achieved, the municipality will face challenges to function as a going concern without government grants and subsidies going forward.

63. 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	Caltzidop
2	Ladismith
3	Van Wyksdorp
4	Zoar

The municipality does however not monitor operating results for these geographical segments, and operational results are only monitored within the business units as previously disclosed.

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

63.1 Segmental Analysis of Financial Performance

Year Ended 30 June 2022

Description	Executive and Council	Finance and Administration	Internal Audit	Community and Social Services	Public Safety	Sport and Recreation	Housing	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
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 Ea	-	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 Service	-	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 Ea	-	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	11 859 974	28 285 665	-	4 947 214	1 241 840	49 269	966 037	5 640 592	3 360 272	6 792 044	2 945 836	5 509 465	-	71 598 209
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
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	-	-	-	-	-	-	-	-	50 752 318	-	-	-	-	50 752 318
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
Total Expenditure	23 510 834	78 704 433	-	10 670 459	1 276 075	397 257	1 513 526	9 108 135	38 407 249	14 506 642	9 969 481	21 398 930	-	209 463 021
Surplus/(Deficit) for the Year	5 263 565	(47 915 744)	-	3 896 582	(1 196 166)	(397 257)	(981 722)	(7 352 563)	32 963 766	(4 879 965)	(351 823)	6 976 783,62	-	(14 005 185)

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

Year Ended 30 June 2021

	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE														
Revenue from Non-exchange Transactions														
Property Rates	-	19 319 923	-	-	-	-	-	-	-	-	-	-	-	19 319 923
Fines, Penalties and Forfeits	-	164	-	527	58 357	-	-	82 544	-	-	-	-	-	141 591
Licences and Permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and Subsidies	34 236 973	2 642 932	-	15 047 752	-	-	-	511 650	1 122 718	-	-	8 597 140	-	62 159 165
Interest, Dividends and Rent on Land Ea	-	775 682	-	-	-	-	-	-	-	-	-	-	-	775 682
Revenue from Exchange Transactions														
Licences and Permits	-	18 617	-	-	198 600	-	-	-	-	-	-	-	-	217 217
Service Charges	-	-	-	-	-	-	-	-	55 432 129	7 036 673	7 454 961	17 927 389	-	87 851 152
Sales of Goods and Rendering of Service	-	434 916	-	43 940	(5 469)	-	-	-	-	-	-	-	-	473 386
Income from Agency Services	-	-	-	-	-	-	-	1 083 022	-	-	-	-	-	1 083 022
Rental from Fixed Assets	-	504 753	-	101 021	-	-	-	-	-	-	-	-	-	605 774
Interest, Dividends and Rent on Land Ea	-	1 150 490	-	-	-	-	(35 527)	-	116 937	815 032	732 103	1 101 398	-	3 880 434
Operational Revenue	-	331 634	-	-	-	-	-	-	-	-	-	-	-	331 634
Total Revenue	34 236 973	25 179 111	-	15 193 240	251 487	-	(35 527)	1 677 216	56 671 784	7 851 705	8 187 063	27 625 928	-	176 838 980
EXPENDITURE														
Employee Related Costs	8 215 274	25 100 679	-	4 558 867	1 497 036	32 331	860 456	4 216 984	5 355 215	7 526 087	3 019 662	6 412 966	-	66 795 557
Remuneration of Councillors	3 183 979	-	-	-	-	-	-	-	-	-	-	-	-	3 183 979
Depreciation and Amortisation	213 559	275 855	-	381 853	-	138 941	-	2 669 861	2 638 286	(949 801)	2 093 846	3 604 997	-	11 067 396
Impairment Losses	777 299	2 703 090	-	-	-	-	-	41 260	1 184 228	-	-	17 494 561	-	22 200 438
Interest, Dividends and Rent on Land	-	2 049 199	-	1 104 363	-	-	-	8 081	52 875	-	24 328	62 404	-	3 301 250
Bulk Purchases	-	-	-	-	-	-	-	-	44 054 091	-	-	222 673	-	44 276 763
Contracted Services	2 216 884	3 617 723	-	523 165	-	-	-	399 870	817 131	11 035	251 967	46 927	-	7 884 700
Inventory Consumed	207 044	361 805	-	226 616	55 279	176 263	-	577 985	532 418	1 401 075	78 984	1 918 700	-	5 536 169
Transfers and Subsidies Paid	240 000	5 659	-	-	-	-	-	-	-	-	-	-	-	245 659
Operating Leases	4 983	576 491	-	36 511	-	-	-	-	52 174	(155)	-	(492)	-	669 512
Operational Costs	475 180	5 754 488	-	1 142 180	26 787	32 776	16 364	517 483	1 440 445	8 775 631	290 703	414 500	-	18 886 537
Loss on Disposal of Property, Plant and E	-	-	-	-	-	-	-	-	49 922	-	-	-	-	49 922
Total Expenditure	15 534 202	40 444 988	-	7 973 555	1 579 101	380 311	876 820	8 431 523	56 176 783	16 763 872	5 759 490	30 177 236	-	184 097 882
Surplus/(Deficit) for the Year	18 702 772	(15 265 877)	-	7 219 684	(1 327 614)	(380 311)	(912 347)	(6 754 307)	495 001	(8 912 167)	2 427 573	(2 551 308,18)	-	(7 258 901)

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

63.2 Other Segmental Analysis Disclosures

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
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Financial Position														
The main components of the Financial Position that is currently considered, and managed, within the defined municipal segments have been determined as follows:														
Receivables from Exchange Transactions:														
- Electricity									1 305 622					1 305 622
- Refuse										699 000				699 000
- Sewerage											755 044			755 044
- Water												860 395		860 395
	-	-	-	-	-	-	-	-	1 305 622	699 000	755 044	860 395	-	3 620 061
Statutory Receivables from Non-exchange Transactions:														
- Fines					1 759									
- Property Rates		2 529 856												2 529 856
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total for Financial Position	-	2 529 856	-	-	1 759	-	-	-	1 305 622	699 000	755 044	860 395	-	6 149 917
Capital Expenditure														
Property, Plant and Equipment	-	905 595	-	2 320 045	-	-	-	182 293	800 685	1 699 837	2 343 787	10 401 486	-	15 254 055
Intangible Assets														-
Investment Property														-
Heritage Assets														-
Total for Capital Expenditure	-	905 595	-	2 320 045	-	-	-	182 293	800 685	(1 699 837)	2 343 787	10 401 485,95	-	15 254 055

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

Year Ended 30 June 2021

Description	Executive and Council	Finance and Administration	Internal Audit	Community and Social Services	Public Safety	Sport and Recreation	Housing	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
Financial Position														
The main components of the Financial Position that is currently considered, and managed, within the defined municipal segments have been determined as follows:														
Receivables from Exchange Transactions:														
- Electricity									1 071 320					1 071 320
- Refuse										570 023				570 023
- Sewerage											626 778			626 778
- Water												945 472		945 472
	-	-	-	-	-	-	-	-	1 071 320	570 023	626 778	945 472	-	3 213 593
Statutory Receivables from Non-exchange Transactions:														
- Fines					1 140									
- Property Rates		1 524 203												1 524 203
	-	1 524 203	-	-	1 140	-	-	-	-	-	-	-	-	1 524 203
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total for Financial Position	-	1 524 203	-	-	1 140	-	-	-	1 071 320	570 023	626 778	945 472	-	4 737 796
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