



KNYSNA
Municipality
Munisipaliteit
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Knysna Municipality
Annual Financial statements
for the year ended 30 June 2023



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30 November 2023

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Mayoral committee	Previous	Current
Executive Mayor	L Davis	A Tsengwa
Deputy Executive Mayor	M Willemse	A Marbi
Speaker	J Lopez	MD Skosana
Executive Councillor	M Willemse (Chairperson: Integrated Human Settlements & Planning Committee)	A Marbi (Chairperson: Planning, Economic Development & Tourism Committee)
Executive Councillor	P Bester (Chairperson: Infrastructure Services Committee)	B Charlie (Chairperson: Infrastructure Services Committee)
Executive Councillor	E Maxim (Chairperson: Community Services Committee)	W Grootboom (Chairperson: Community Services Committee)
Executive Councillor	S Campbell (Chairperson: Corporate Services Committee)	T Matika (Chairperson: Finance and Governance Committee)
Executive Councillor	S Sabbagh (Chairperson: Finance and Economy Committee)	K Andrews (Chairperson: Integrated Human Settlements Committee)

Councillors

Ward	Current
1	L Davis
2	C Vanston
3	M Skosana
4	P Petros
5	H Stroebel
6	K Andrews
7	M Khumelwana
8	A Tsengwa
9	S Sabbagh
10	P Bester
11	R Arends
Proportional	T Matika
Proportional	J Lopes
Proportional	E Maxim
Proportional	J White
Proportional	N Louw
Proportional	S Campbell
Proportional	M Willemse
Proportional	B Charlie
Proportional	W Grootboom
Proportional	A Marbi

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Registered office	Civic Centre Clyde Street Knysna 6570
Postal address	PO Box 21 Knysna 6570
Bankers	Nedbank Corporate P O Box 472 Knysna 6570
Auditors	Auditor-General of South Africa Private Bag X1 Chempet 7442
Website	www.knysna.gov.za
Contact numbers	Tel: 044-302 6300 Fax: 044-302 6333
Jurisdiction	Greater Knysna areas which includes: Knysna Sedgefield Rheenendal Karatara Brenton Belvidere Knoetzie
Relevant legislation	Constitution of the Republic of South Africa (Act no 108 of 1996) Municipal Finance Management Act (Act no 56 of 2003) Division of Revenue Act The Income Tax Act 58 of 1962 Value Added Tax Act 89 of 1991 Municipal Structures Act (Act no 117 of 1998) Municipal Systems Act (Act no 32 of 2000) Water Services Act (Act no 108 of 1997) Housing Act (Act no 107 of 1997) Municipal Property Rates Act (Act no 6 of 2004) Electricity Act (Act no 41 of 1987) Skills Development Levies Act (Act no 9 of 1999) Employment Equity Act (Act no 55 of 1998) Unemployment Insurance Act (Act no 30 of 1966) Basic Conditions of Employment Act (Act no 75 of 1997)

Knysna Municipality

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

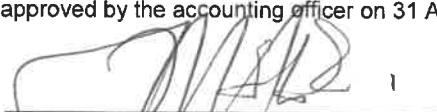
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 117, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:



Mr OP Sebola
Municipal Manager

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	12,693,436	13,817,541
Construction contracts and receivables	4	6,706,886	5,068,369
Receivables from exchange transactions	5	58,334,926	57,675,123
Receivables from non-exchange transactions	6	82,105,993	75,732,412
VAT receivable	8	20,363,025	27,279,636
Prepayments		483,992	498,993
Cash and cash equivalents	10	20,357,727	40,524,393
		201,045,985	220,596,467
Non-Current Assets			
Long-term investments and receivables	11	2,931,652	2,744,697
Investment property	12	67,661,447	68,864,647
Property, plant and equipment	13	1,457,614,072	1,413,041,803
Intangible assets	14	64,341	80,434
Heritage assets	15	14,613,046	17,435,046
Operating lease asset	16	3,218,372	2,708,484
		1,546,102,930	1,504,875,111
Total Assets		1,747,148,915	1,725,471,578
Liabilities			
Current Liabilities			
Unspent conditional grants and receipts	9	3,255,026	6,533,336
Long-term liabilities	17	41,252,806	48,330,255
Finance lease obligation	18	893,435	3,117,701
Payables from exchange transactions	19	206,247,658	174,115,471
Consumer deposits	20	14,927,636	14,572,557
Employee benefit obligation	21	38,079,358	35,721,403
Provisions	22	907,340	907,340
		305,563,259	283,298,063
Non-Current Liabilities			
Long-term liabilities	17	325,747,804	290,766,016
Finance lease obligation	18	-	893,435
Employee benefit obligation	21	107,985,947	112,241,534
Provisions	22	21,842,435	17,123,560
		455,576,186	421,024,545
Total Liabilities		761,139,445	704,322,608
Net Assets		986,009,470	1,021,148,970
Accumulated surplus		986,009,470	1,021,148,970

* See Note 48

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

		2023	2022 Restated*
	Note(s)		
Revenue			
Revenue from exchange transactions			
Service charges	23	429,181,844	427,960,997
Sales of goods and rendering of services		6,235,728	5,751,946
Construction revenue		13,361,671	21,384,241
Rental of facilities and equipment	24	6,395,968	4,830,412
Interest received - outstanding debtors		22,439,713	14,008,624
Interest received - external investments		2,014,369	1,982,445
Agency services		4,085,719	3,997,065
Licences and permits		1,448,262	1,465,770
Third Party Payments (Insurance Claims)		136,477	486,226
Operational revenue	25	7,774,359	5,018,234
Gain on disposal of assets		852,712	651,752
Total revenue from exchange transactions		493,926,822	487,537,712
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	260,888,545	247,160,951
Transfer revenue			
Transfers and Subsidies – Operational	27	133,949,251	119,119,471
Other revenue			
Fines, penalties and forfeits	28	95,363,656	102,881,369
Availability fees	29	11,101,485	11,490,214
Total revenue from non-exchange transactions		501,302,937	480,652,005
Total revenue		995,229,759	968,189,717
Expenditure			
Employee related costs	31	292,468,756	284,143,555
Remuneration of councillors	32	9,787,116	9,401,496
Debt Impairment	33	128,576,806	147,703,327
Depreciation and amortisation	34	51,416,051	49,316,189
Impairment of assets	35	6,059,535	7,380,157
Finance costs	36	35,275,562	27,206,204
Lease rentals on operating lease	37	13,785,097	12,785,219
Bulk purchases	38	238,307,168	240,866,328
Contracted services	39	187,503,590	156,752,837
Transfers and Subsidies	40	1,933,565	1,938,532
Inventory consumed and adjustments	41	55,758,718	46,566,211
Operational costs	42	48,398,743	43,471,640
Total expenditure		1,069,270,707	1,027,531,695
Surplus /(Deficit)		(74,040,948)	(59,341,978)
Contributions recognised - donated assets	30	1,030	223,126
Transfers and subsidies – Capital	27	38,900,783	40,014,618
Deficit for the year		(35,139,135)	(19,104,234)

* See Note 48

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

		Accumulated surplus	Total net assets
Opening balance as previously reported		1,039,998,461	1,039,998,461
Adjustments			
Correction of errors	48	254,743	254,743
Balance at 01 July 2021 as restated*		1,040,253,204	1,040,253,204
Changes in net assets			
Restated surplus for the year	48	(19,104,234)	(19,104,234)
Total changes		(19,104,234)	(19,104,234)
Restated* Balance at 01 July 2022		1,021,148,605	1,021,148,605
Changes in net assets			
Surplus for the year		(35,139,135)	(35,139,135)
Total changes		(35,139,135)	(35,139,135)
Balance at 30 June 2023		986,009,470	986,009,470

* See Note 48

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

	2023	2022 Restated*
Note(s)		
Cash flows from operating activities		
Receipts		
Taxation and fines revenue	266,481,130	258,653,862
Sale of goods and services	426,353,795	414,093,784
Grants and conditional receipts	169,571,724	157,486,247
Interest income	2,014,369	1,982,445
Construction contracts and receivables	11,723,156	20,599,623
Other income	16,452,862	14,323,881
	892,597,036	867,139,842
Payments		
Employee costs	(304,153,492)	(290,301,173)
Suppliers	(505,514,104)	(473,944,531)
Finance costs	(33,678,736)	(25,154,001)
	(843,346,332)	(789,399,705)
Net cash flows from operating activities	43 49,250,704	77,740,137
Cash flows from investing activities		
Purchase of property, plant and equipment	13 (97,234,574)	(133,016,743)
Proceeds from sale of Property, plant and equipment and Investment property	13 3,217,521	894,545
Movement in Long-term investments and receivables	11 (186,955)	1,366,205
Net cash flows from investing activities	(94,204,008)	(130,755,993)
Cash flows from financing activities		
Proceeds from long-term liabilities	17 66,256,072	86,902,500
Repayment of long-term liabilities	(38,351,733)	(33,118,230)
Finance lease payments	(3,117,701)	(2,574,382)
Net cash flows from financing activities	24,786,638	51,209,888
Net increase/(decrease) in cash and cash equivalents	(20,166,666)	(1,805,968)
Cash and cash equivalents at the beginning of the year	40,524,393	42,330,361
Cash and cash equivalents at the end of the year	10 20,357,727	40,524,393

* See Note 48

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	261,551,911	(3,032,330)	258,519,581	260,888,545	2,368,964	Difference less than 10%
Service charges	486,050,100	(17,036,261)	469,013,839	429,181,844	(39,831,995)	Difference less than 10%
Investment revenue	2,046,273	(311,903)	1,734,370	2,014,369	279,999	Less than R1m
Transfers recognised - operational	154,945,913	(19,959,135)	134,986,778	133,949,251	(1,037,527)	Difference less than 10%
Other own revenue	157,464,839	58,480,434	215,945,273	169,195,750	(46,749,523)	Less than R1m
Total Revenue (excluding capital transfers and contributions)	1,062,059,036	18,140,805	1,080,199,841	995,229,759	(84,970,082)	
Expenditure by type						
Employee costs	(299,851,209)	9,838,218	(290,012,991)	(292,468,756)	(2,455,765)	Difference less than 10%
Remuneration of councillors	(9,749,165)	(39,477)	(9,788,642)	(9,787,116)	1,526	Less than R1m
Debt impairment	(148,240,813)	3,389,861	(144,850,952)	(128,576,806)	16,274,146	Difference less than 10%
Depreciation & asset impairment	(43,687,538)	-	(43,687,538)	(57,475,586)	(13,788,048)	58.1
Finance costs	(28,846,141)	500,001	(28,346,140)	(35,275,562)	(6,929,422)	58.2
Materials and bulk purchases	(262,156,491)	5,651,000	(256,505,491)	(238,307,168)	18,198,323	Difference less than 10%
Other materials	(38,783,549)	(7,692,175)	(46,475,724)	(55,758,718)	(9,282,994)	58.3
Transfers and grants	(1,916,506)	(891,958)	(2,808,464)	(1,933,565)	874,899	Less than R1 mil
Contracted services	(166,577,351)	(23,856,067)	(190,433,418)	(187,503,590)	2,929,828	Difference less than 10%
Other expenditure	(61,466,236)	(5,460,625)	(66,926,861)	(62,183,840)	4,743,021	Difference less than 10%
Total expenditure	(1,061,274,999)	(18,561,222)	(1,079,836,221)	(1,069,270,707)	10,565,514	
Surplus / (Deficit)	784,037	(420,417)	363,620	(74,040,948)	(74,404,568)	
Transfers recognised - capital	46,468,087	(473,957)	45,994,130	38,900,783	(7,093,347)	58.4
Contributions recognised - capital & contributed assets	-	-	-	1,030	1,030	Less than R1 mil
Surplus after capital transfers & contributions	47,252,124	(894,374)	46,357,750	(35,139,135)	(81,496,885)	
Surplus for the year	47,252,124	(894,374)	46,357,750	(35,139,135)	(81,496,885)	

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash	22,613,113	(6,989,394)	15,623,719	20,357,727	4,734,008	58.5
Consumer debtors	130,891,663	(53,794,783)	77,096,880	55,636,541	(21,460,339)	58.6
Other debtors	133,018,556	(22,788,477)	110,230,079	112,358,281	2,128,202	58.7
Current portion of long-term receivables	3,866	(3,866)	-	-	-	- Difference less than 10%
Inventory	13,708,635	108,906	13,817,541	12,693,436	(1,124,105)	Difference less than 10%
	300,235,833	(83,467,614)	216,768,219	201,045,985	(15,722,234)	
Non-Current Assets						
Investments	6,426,465	(1,223,747)	5,202,718	2,931,652	(2,271,066)	Less than R1m
Investment property	69,521,071	(881,069)	68,640,002	67,661,447	(978,555)	Less than R1m
Property, plant and equipment	1,527,016,111	(45,443,974)	1,481,572,137	1,457,614,072	(23,958,065)	Difference less than 10%
Agricultural Intangible	500,000	(500,000)	-	-	-	-
	64,130	2,808	66,938	64,341	(2,597)	Less than R1 mil
Other non-current assets	17,435,046	-	17,435,046	17,831,418	396,372	Less than R1 mil
	1,620,962,823	(48,045,982)	1,572,916,841	1,546,102,930	(26,813,911)	
Total Assets	1,921,198,656	(131,513,596)	1,789,685,060	1,747,148,915	(42,536,145)	
Liabilities						
Current Liabilities						
Borrowing	36,991,904	14,054,430	51,046,334	42,146,241	(8,900,093)	58.8
Consumer deposits	13,509,279	1,063,277	14,572,556	14,927,636	355,080	Less than R1 mil
Trade and other payables	152,948,655	900,597	153,849,252	209,502,684	55,653,432	58.9
Provisions	35,783,905	18,268,081	54,051,986	38,986,698	(15,065,288)	58.10
	239,233,743	34,286,385	273,520,128	305,563,259	32,043,131	
Non-Current Liabilities						
Borrowing	333,269,113	(14,882,540)	318,386,573	325,747,804	7,361,231	Difference less than 10%
Provisions	142,687,258	(11,863,887)	130,823,371	129,828,382	(994,989)	Less than R1 mil
	475,956,371	(26,746,427)	449,209,944	455,576,186	6,366,242	
Total Liabilities	715,190,114	7,539,958	722,730,072	761,139,445	38,409,373	
Net Assets	1,206,008,542	(139,053,554)	1,066,954,988	986,009,470	(80,945,518)	
Community wealth/equity						
Accumulated Surplus/(Deficit)	1,206,008,542	(139,053,554)	1,066,954,988	986,009,470	(80,945,518)	Difference less than 10%
Total community wealth/equity	1,206,008,542	(139,053,554)	1,066,954,988	986,009,470	(80,945,518)	

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	741,401,000	30,689,719	772,090,719	709,287,773	(62,802,946)	Difference less than 10%
Government grants, conditional receipts and construction contracts	201,414,000	(26,115,000)	175,299,000	181,294,880	5,995,880	Difference less than 10%
Interest	2,046,000	(312,000)	1,734,000	2,014,369	280,369	Less than R1m
	944,861,000	4,262,719	949,123,719	892,597,022	(56,526,697)	
Payments						
Suppliers and employees	(825,868,000)	(33,938,000)	(859,806,000)	(807,734,017)	52,071,983	Difference less than 10%
Finance charges	(28,846,000)	500,000	(28,346,000)	(33,678,736)	(5,332,736)	58.11
Transfers and Grants	(1,917,000)	367,000	(1,550,000)	(1,933,565)	(383,565)	Less than R1m
	(856,631,000)	(33,071,000)	(889,702,000)	(843,346,318)	46,355,682	
Net cash flows from operating activities	88,230,000	(28,808,281)	59,421,719	49,250,704	(10,171,015)	
Cash flows from investing activities						
Receipts						
Proceeds on disposal of assets	250,000	1,855,000	2,105,000	3,217,521	1,112,521	58.12
Decrease (increase) in non-current investments	-	-	-	(186,955)	(186,955)	Less than R1m
	250,000	1,855,000	2,105,000	3,030,566	925,566	
Payments						
Capital assets	(117,574,000)	4,417,000	(113,157,000)	(97,234,574)	15,922,426	58.13
Net cash flows from investing activities	(117,324,000)	6,272,000	(111,052,000)	(94,204,008)	16,847,992	
Cash flows from financing activities						
Receipts						
Borrowing long term/refinancing	61,190,000	4,162,000	65,352,000	66,256,072	904,072	Difference less than 10%
Payments						
Repayment of borrowing	(34,865,000)	-	(34,865,000)	(41,469,434)	(6,604,434)	58.14
Net cash flows from financing activities	26,325,000	4,162,000	30,487,000	24,786,638	(5,700,362)	



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Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net increase/(decrease) in cash held	(2,769,000)	(18,374,281)	(21,143,281)	(20,166,666)	976,615	
Cash/cash equivalents at the year begin:	25,381,000	11,386,000	36,767,000	40,524,393	3,757,393	
Cash and cash equivalents at the end of the year	22,612,000	(6,988,281)	15,623,719	20,357,727	4,734,008	

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and are rounded to the nearest South African Rand.

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not necessarily correlate with the external auditor's materiality.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in conformity with GRAP, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment of 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 was performed per service-identifiable categories across all classes of debtors.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement 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.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides were used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Post-retirement medical obligations, long service awards and ex-gratia pension benefits

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material. Additional disclosure of these estimates of provisions and contingent liabilities are included in note 22 - Provisions and note 46 - Contingencies.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is 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 recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers are utilised annually to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates linked to appropriate government bond rates were used to calculate the effect of time value of money.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

IGRAP 18 Recognition and Derecognition of land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follows (IGRAP 18 par 40):

Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use the land and also by the right to direct access to the land, and to restrict or deny access of other to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follows (IGRAP 18 par 41):

Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the entity. The municipality does not have the ability to use, or direct others to use the land. The municipality does not have right to direct access to the land, and to restrict or deny access of other to the land. There are various housing scheme land where the municipality are still the legal owner per the deeds office, but control and substantive rights were transferred. These land are not recognised by the municipality.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Segment reporting

The municipality is structured in terms of core functions mandated in legislation. Information regarding progress in the performance of mandated functions, is reported to management for the purpose of evaluating segment performance and the allocation of resources to various activities in lieu of strategic objectives. Where more than one set of segments has been identified, management may report such information separately or as a matrix. In addition, management may choose to adopt a primary and secondary reporting structure with limited disclosures made about secondary segments.

The segment information has been prepared on the accrual basis of accounting in accordance with the historical cost convention, unless specified otherwise.

GRAP 18 permits the aggregation of two or more segments into a single segment where segments have similar economic characteristics and share a majority of the following:

- a.) the nature of the goods and/or services delivered;
- b.) the type or class of customer or consumer to which goods and services are delivered;
- c.) the methods used to distribute the goods or provide the services; or
- d.) the nature of the regulatory environment that applies to the segment.

In accordance with section 153 of the Constitution of South Africa, the municipality's administration, budget and planning processes are structured in order to give priority to the basic needs of the community, as well as to promote the social and economic development of the community. Management has thus decided to organise segments around the nature of goods and/or services delivered in accordance with the objects of local government as stipulated in section 152(1) of the Constitution.

1.5 Investment property

Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under an operating lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

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

Transfers are made to or from investment property only when there is a change in use.

Subsequent Measurement - Cost model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	100 years



Accounting Policies

1.5 Investment property (continued)

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (refer to note 12).

Investment property is not used as security unless stated otherwise in the notes.

1.6 Property, plant and equipment

Initial recognition

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity for future economic benefits or service potential associated with the asset.

Accounting Policies

1.6 Property, plant and equipment (continued) Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	None	Indefinite
Buildings	Straight line	100 years
Infrastructure - Sewerage	Straight line	10 - 100 years
Infrastructure - Electricity	Straight line	10 - 100 years
Infrastructure - Water	Straight line	10 - 182 years
Infrastructure - Roads	Straight line	7 - 100 years
Infrastructure - Security measures	Straight line	5 - 80 years
Community asset	Straight line	5 - 100 years
Leased assets	Straight line	2 - 6 years
Other assets - Bins and containers	Straight line	15 years
Other assets - Other	Straight line	3 - 100 years
Other assets - Office Equipment	Straight line	2 - 35 years
Other assets - Vehicles and specialised vehicles	Straight line	7 - 50 years

Should the useful life of an asset be adjusted after review, annual depreciation will be calculated on the carrying value divided by the opening balance of the remaining useful life of that asset for the reporting period.

The residual value, and the useful life and depreciation method of each asset are assessed based on the occurrence of certain indicators. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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 charge for each period is recognised in the Statement of Financial Performance unless it is included in the carrying amount of another asset.

Property, plant and equipment are reviewed for any indication of impairment. If any such indication exists, the accounting policy as disclosed under 1.15 or 1.16 (which ever is relevant) is applied.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.7 Intangible assets

Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

Subsequent Measurement - Cost model

Intangible assets are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation

Amortisation is charged so as to write-off the cost of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are assessed based on the occurrence of certain indicators, with the effect of any changes in estimate accounted for on a prospective basis.

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

Item	Useful life
Computer software and website	5 - 10 years

Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Accounting Policies

1.7 Intangible assets (continued)

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (refer to note 15).

Initial recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost of the asset can be measured reliably.

Initial measurement

Heritage assets are initially measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement - Cost model

After recognition as an asset, a class of heritage assets is carried at cost less any accumulated impairment losses.

Heritage assets are not depreciated.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

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Accounting Policies

1.9 Financial instruments

Financial instruments recognised on the Statement of Financial Position include receivables, cash and cash equivalents, annuity loans and payables and non-current investments.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long-term investments and receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long-term liabilities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, are subject to an impairment review.

Receivables

Receivables are classified as financial assets at amortised cost, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

For amounts due from receivable carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant at the end of each reporting period. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Accounting Policies

1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is recognised in the surplus or deficit.

The present value of the estimated future cash flows is discounted at the original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the original effective interest rate.

Payables and long term liabilities

Financial liabilities consist of payables and long term liabilities. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

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

Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Gains and losses

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

Accounting Policies

1.9 Financial instruments (continued)

Financial liabilities

A financial liability (or a part of a financial liability) is derecognised from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

The difference between the carrying amount of a 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, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance note 1.23

Offsetting of financial instruments

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.10 Statutory receivables

Identification

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

Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.10 Statutory receivables (continued)

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

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

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

1.11 Taxes - Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

From 1 April 2018 value added tax is levied at the standard rate of 15% on the supply of goods and services.

Value added tax is recognised on the payments basis.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined revenue and actual payments received will give rise to an asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

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Accounting Policies

1.12 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

1.13 Inventories

Initial measurement

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Cost generally refers to the purchase price, plus non-recoverable 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.

Subsequent measurement

Inventories, consisting of consumable stores, maintenance materials and water are subsequently measured at the lower of cost and net realisable value.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are 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.

Accounting Policies

1.14 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.15 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Value in use

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

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Impairment of non-cash-generating assets

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

Accounting Policies

1.16 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approaches, depending on the nature of the asset in question:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Accounting Policies

1.17 Employee benefits

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Long service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs.

Accrual 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 for compulsory leave and basic salary for accumulated non-compulsory leave.

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.

Accounting Policies

1.17 Employee benefits (continued)

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.

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 accrues to Section 57 employees. The Municipality's performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-retirement medical obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

Ex gratia gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable.

Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Accounting Policies

1.18 Unspent grants and receipts

Conditional grants and receipts are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

A liability for unspent conditional grants and receipts is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

Unspent conditional grants and receipts are not considered to be financial instruments as there are no amount to be settled through cash or another financial instrument as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this liability:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the liability is invested as individual investment or part of the operating account of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.19 Unpaid grants and receipts

Unpaid conditional grants are assets in terms of GRAP that are separately reflected on the Statement of Financial Position. The asset is recognised when the municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.20 Provisions and contingencies

Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as a finance cost.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for deficits arising from future operating activities.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.20 Provisions and contingencies (continued)

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Contingencies are disclosed in note 46.

Management judgement is required when recognising and measuring contingent liabilities.

1.21 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.22 Revenue from exchange transactions

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

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would give rise to an impairment of the receivable and a separate expense to be recognised.

Measurement

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

Sale of goods

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

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

Accounting Policies

1.22 Revenue from exchange transactions (continued)

Service charges

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created based on past patterns. The provisional estimates of consumption are recognised as revenue when 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.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Pre-paid electricity

Revenue from the sale of electricity prepaid meter cards is initially recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. Subsequently, the pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position in order to only recognise pre-paid electricity consumed.

Interest earned

Interest revenue is recognised in surplus and deficit as it accrues, using the effective interest rate method.

Rentals received

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

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 tariff. This includes the issuing of licences and permits.

Agency services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Third party payments

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and it is probable that inflow will occur and it is not being offset against the related expenses of repairs or renewals of the impaired assets.

Accounting Policies

1.22 Revenue from exchange transactions (continued)

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.23 Revenue from non-exchange transactions

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

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rates are levied both monthly and annually and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

Fines

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the offence occurs to the extent that the municipality expects legal entitlement.

Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

Public donations and contributions

Revenue from public contributions and donations 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 qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

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

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Unconditional grants

Grants without any conditions attached are recognised as revenue when the grant is receivable.

Conditional grants and receipts

Income received from 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. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

The liability is transferred to revenue as and when the conditions attached to the grant are met.

Other receipts

All unclaimed deposits are initially recognised as a liability. After 12 months all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

1.24 Borrowing costs

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

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.25 Accounting by principals and agents

Identification

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

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

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

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.25 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.26 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, 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 a 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 recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.27 Fruitless and wasteful expenditure (continued)

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

1.28 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.

1.29 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.30 Budget information

The Municipality is subject to budgetary limits in the form of a council approved budget, which is given effect through authorising legislation.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.30 Budget information (continued)

Explanations for material variances between the final budget amounts and comparable actual amounts are included the Notes to the Financial Statements. Material variances are being defined by Management as 10% of a specific line-item with a minimum threshold of R1 million.

Explanations for variances between the approved and final budget are included in the Notes to the Financial Statements as well as the Statements of Comparison of Budget and Actual Amounts.

1.31 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

The Municipality previously resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or entity:

- with the ability to control or jointly control the other party;
- or exercise significant influence over the other party in making financial and operating decisions;
- or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that members of management in their dealings with the municipality.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023 2022

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 104 (amended): Financial Instruments	Unknown
• Guideline: Guideline on Accounting for Landfill Sites	1 April 2023
• Guideline: Guideline on the Application of Materiality to Financial Statements	Unknown
• iGRAP 21: The Effect of Past Decisions on Materiality	1 April 2023
• iGRAP 7: The limit on a defined benefit asset, minimum funding requirement and their interaction	1 April 2023
• GRAP 1: Presentation of Financial statements: Going Concern	Unknown
• iGRAP 1: Presentation to financial statements: Materiality	1 April 2023
• GRAP 103: Heritage assets	Unknown
• GRAP 25: Employee benefits	1 April 2023
• Improvements to GRAP standards: The improvements are to address concerns by prepares and updated wording of selected standards. The changes will improve the application of accounting policies and therefore not major changes expected..	1 April 2023

The impact of the new standards and interpretations issued, but not yet effective is currently being assessed.

3. Inventories

Consumable stores	1,915,431	2,602,069
Maintenance materials	9,509,093	10,425,846
Water for distribution	1,268,912	789,626
	12,693,436	13,817,541
Dormant and slow moving stock at year end	566,845	1,680,636
Inventories recognised as an expense during the year	58,457,469	43,350,668
Consumable stores materials (losses)/surpluses identified during the annual stores count	2,698,751	(3,215,543)

Inventory pledged as security

No inventory assets were pledged as security for liabilities.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
4. Construction contracts and receivables		
Contracts in progress at statement of financial position date		
Construction contracts and receivables	6,706,886	5,068,369
Amounts due from/(prepaid by) customers		
Opening balance	5,068,369	4,283,751
Contracted revenue	13,361,671	21,384,241
Payments (Tranches) received during the period	(11,723,154)	(20,599,623)
Less retention held*	-	-
Total due from /(prepaid by) customers	6,706,886	5,068,369
* Contracts with the Provincial Department and its beneficiaries are not subject to any retention.		
The aggregate amount of costs incurred to date is R 533,222,174 (2022: R 519,860,503).		
The current year costs are included in contracted services R 13,252,005 and inventory consumed R 109 666. The municipality recognised contracted revenue as the cost incurred.		
5. Receivables from exchange transactions		
Gross balances		
Electricity	76,991,383	76,300,251
Water	63,477,673	54,721,138
Sewerage	61,885,261	58,405,734
Refuse	53,956,746	48,560,281
Housing rental	8,111,164	7,736,658
Other (Sundry amounts)	16,484,619	14,820,861
	280,906,846	260,544,923
Less: Allowance for impairment		
Electricity	(46,487,507)	(37,690,709)
Water	(51,358,470)	(44,878,313)
Sewerage	(56,860,432)	(54,290,643)
Refuse	(47,230,384)	(45,705,922)
Housing rental	(6,848,893)	(6,652,997)
Other (Sundry amounts)	(13,786,234)	(13,651,216)
	(222,571,920)	(202,869,800)
Net balance		
Electricity	30,503,876	38,609,542
Water	12,119,203	9,842,825
Sewerage	5,024,829	4,115,091
Refuse	6,726,362	2,854,359
Housing rental	1,262,271	1,083,661
Other (Sundry amounts)	2,698,385	1,169,645
	58,334,926	57,675,123

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
5. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	19,359,474	27,314,211
31 - 60 days	5,549,579	4,376,627
61 - 90 days	3,072,564	2,775,610
91 + days	49,009,766	41,833,803
Allowance for impairment	(46,487,507)	(37,690,709)
	30,503,876	38,609,542
Water		
Current (0 -30 days)	6,781,465	6,035,658
31 - 60 days	2,705,816	2,465,872
61 - 90 days	2,589,290	1,778,700
91 + days	51,401,102	44,440,908
Allowance for impairment	(51,358,470)	(44,878,313)
	12,119,203	9,842,825
Sewerage		
Current (0 -30 days)	2,620,018	1,399,036
31 - 60 days	1,295,120	1,156,517
61 - 90 days	1,056,316	914,804
91 + days	56,913,807	54,935,377
Allowance for impairment	(56,860,432)	(54,290,643)
	5,024,829	4,115,091
Refuse		
Current (0 -30 days)	2,585,196	738,174
31 - 60 days	1,158,502	936,178
61 - 90 days	903,677	697,252
91 + days	49,309,371	46,188,677
Allowance for impairment	(47,230,384)	(45,705,922)
	6,726,362	2,854,359
Housing rental		
Current (0 -30 days)	413,999	339,467
31 - 60 days	148,168	156,279
61 - 90 days	95,712	136,166
91 + days	7,453,285	7,104,746
Allowance for impairment	(6,848,893)	(6,652,997)
	1,262,271	1,083,661
Other (Sundry amounts)		
Current (0 -30 days)	181,090	212,141
31 - 60 days	146,654	118,750
61 - 90 days	156,031	164,115
91 + days	16,000,844	14,325,855
Allowance for impairment	(13,786,234)	(13,651,216)
	2,698,385	1,169,645

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
5. Receivables from exchange transactions (continued)		
Total		
Current (0 -30 days)	31,941,242	36,038,687
31 - 60 days	11,003,838	9,210,223
61 - 90 days	7,873,590	6,466,647
91 + days	230,088,176	208,829,366
Allowance for impairment	(222,571,920)	(202,869,800)
	58,334,926	57,675,123

30 June 2023

	Residential, Industrial & Commercial	Other debtors	National and Provincial Government	Total
Total receivables	261,541,494	7,117,057	12,248,295	280,906,846
Less: Allowance for impairment	(218,165,625)	(4,406,295)	-	(222,571,920)
	43,375,869	2,710,762	12,248,295	58,334,926

30 June 2022

	Residential, Industrial & Commercial	Other debtors	National and Provincial Government	Total
Total receivables	251,558,127	4,482,432	4,504,365	260,544,924
Less: Allowance for impairment	(199,377,760)	(3,492,040)	-	(202,869,800)
	52,180,367	990,392	4,504,365	57,675,124

Credit quality of receivables from exchange transactions

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Concentrations of credit risk with respect to trade receivables are limited due to the customer base being large and unrelated. The municipality's historical experience in collection of receivables transactions falls within recorded allowances. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

Receivables from exchange transactions past due but not impaired

All services are payable within 30 days from the invoice date. At 30 June 2023, R 34,297,788 (2022: R 23,968,285) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	8,459,220	7,294,976
2 months past due	25,838,568	16,673,309

Receivables from exchange transactions impaired

As of 30 June 2023, consumer debtors of R 222,571,920 (2022: R 202,869,800) were impaired and provided for.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
5. Receivables from exchange transactions (continued)		
Reconciliation of allowance for impairment of receivables from exchange transactions		
Opening balance	202,869,800	163,271,124
Allowance for impairment	46,177,007	59,219,908
Amounts written off as uncollectible	(26,474,887)	(19,621,232)
	222,571,920	202,869,800
6. Receivables from non-exchange transactions		
Gross balances		
Rates	105,083,985	96,095,425
Fines	145,168,563	154,949,518
Miscellaneous	6,749,111	3,870,044
Availability fees	10,561,157	9,483,141
	267,562,816	264,398,128
Less: Allowance for impairment		
Rates	(48,214,957)	(41,136,503)
Fines	(129,391,723)	(140,474,584)
Availability fees	(7,850,143)	(7,054,629)
	(185,456,823)	(188,665,716)
Net balance		
Rates	56,869,028	54,958,922
Fines	15,776,840	14,474,934
Miscellaneous	6,749,111	3,870,044
Availability fees	2,711,014	2,428,512
	82,105,993	75,732,412
Ageing of receivables from non-exchange transactions:		
Rates		
Current (0-30 days)	15,869,945	13,426,225
31 - 60 days	6,340,472	5,378,547
61 - 90 days	3,561,272	2,846,187
91+ days	79,312,296	74,444,466
	105,083,985	96,095,425
Less: Allowance for impairment	(48,214,957)	(41,136,503)
	56,869,028	54,958,922

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
6. Receivables from non-exchange transactions (continued)		
Fines and Other		
Current (0-30 days)	12,267,382	6,288,569
31 - 60 days	6,731,850	3,828,008
61 - 90 days	9,735,550	4,646,196
91+ days	123,182,892	144,056,789
	<u>151,917,674</u>	<u>158,819,562</u>
Less: Allowance for impairment	(129,391,723)	(140,474,584)
	<u>22,525,951</u>	<u>18,344,978</u>
Availability charges		
Current (0-30 days)	957,362	1,121,903
31 - 60 days	518,909	543,338
61 - 90 days	302,201	298,172
91+ days	8,782,686	7,519,728
	<u>10,561,158</u>	<u>9,483,141</u>
Less: Allowance for impairment	(7,850,144)	(7,054,628)
	<u>2,711,014</u>	<u>2,428,513</u>
Total		
Current (0-30 days)	29,094,689	20,836,697
31 - 60 days	13,591,231	9,749,893
61 - 90 days	13,599,023	7,790,555
91+ days	211,277,874	226,020,983
	<u>267,562,817</u>	<u>264,398,128</u>
Less: Allowance for impairment	(185,456,824)	(188,665,715)
	<u>82,105,993</u>	<u>75,732,413</u>

Availability fees with regards to rates, are grouped under "rates" in this note.

Credit quality of receivables from non-exchange transactions

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Concentrations of credit risk with respect to trade receivables are limited due to the customer base being large and unrelated. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

Receivables from non-exchange transactions past due but not impaired

All rates are payable within 30 days from the invoice date. At 30 June 2023, R 92,829,367 (2022: R 86,458,713) were past due but not impaired.

The ageing of rates, availability fees and fines past due but not impaired is as follows:

1 month past due	14,382,419	11,966,996
2 months past due	78,446,948	74,491,717

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023 2022

6. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2023, other receivables from non-exchange transactions of R 185,456,826 (2022: R 188,665,715) were impaired and provided for.

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	188,665,715	162,252,377
Provision for impairment	86,559,058	99,539,633
Amounts written off as uncollectible	(89,767,947)	(73,126,295)
	185,456,826	188,665,715

In terms of the requirements of GRAP 23 and IGRAP1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue. The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. The provision for impairment is based on current and past collection rates applicable to fines. Any fine reductions or cancellations subsequent to the financial year-end is recorded as a write off against the provision raised.

All Non-Government debtors were either specifically impaired or subject to collective impairment.

Debts are required to be settled after 30 days. Interest is charged on all classes of receivables except fines and other receivables at prime +1%.

7. Statutory receivables

The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

Consumer debtors - Rates	56,869,028	54,958,922
Fines	15,776,840	14,474,934
VAT	20,363,025	27,279,636
	93,008,893	96,713,492

Statutory receivables general information

Transaction(s) arising from statute

Rates - Municipal Property Rates Act (MPR Act) section 2 states that a metropolitan or local municipality may levy a rate on property in its area.

Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

VAT - VAT is received and paid as required per the Value Added Tax Act No 89 of 1991.

Determination of transaction amount

Rates - Rates amount are determined in terms of section 11 of the MPR act and the approved rates policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

VAT - VAT is applied to all relevant goods or services as stated in the VAT act and the amount thereof is determined in terms of the VAT act.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023 2022

Statutory receivables (continued)

Interest or other charges levied/charged

Rates - Interest is charged on outstanding rates.

Fines - No interest or other charges are charged on outstanding fines.

VAT - VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts.

No discount rate applied on the above mentioned statutory receivables to estimate future cash flows.

Statutory receivables past due but not impaired

Rates - Payment percentage of receivables are used to assess whether the receivable is impaired.

Refer to note 6 for more detail on the impairment and ageing of statutory receivable past due not impaired.

Fines - Payment percentage of fines are used to assess whether the fines are impaired.

Refer to note 6 for more detail on the impairment provision and ageing of statutory receivables past due not impaired.

VAT - VAT receivables from SARS is not impaired as South African Receiver of Revenue has sufficient funds to pay any outstanding amounts. VAT on output provision is assessed with the debtors impairment provision and included therein. Refer to note 8 for more detail on the impairment provision.

8. VAT receivable

VAT	20,363,025	27,279,636
VAT payable	(35,840,313)	(31,598,085)
Less: Contribution to provision for impairment of trade receivables from exchange transactions	37,260,850	33,101,591
VAT receivable	20,024,142	18,904,095
Subtotal	21,444,679	20,506,731
VAT receivable / (payable) to the Receiver of Revenue - Refer to note 54	(1,081,654)	6,872,035
	20,363,025	27,279,636

VAT is payable on the payment basis. Only once payment is received from debtors is VAT paid over to SARS.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
9. Unspent conditional grants and receipts		
Unspent Grants and receipts		
National Government Grants	4,070,870	3,507,436
Provincial Government Grants	67,993	1,669,224
Other organisational Grants	22,903	236,676
District - Garden Route District Municipal Grants	-	1,120,000
	4,161,766	6,533,336
Less: Unpaid Grants		
Provincial Government Grants	906,740	-
	3,255,026	6,533,336
Net unspent/(unpaid) grants and receipts	3,255,026	6,533,336
Unspent and unpaid grants and receipts comprises of:		
Unspent conditional grants and receipts		
National: Municipal Infrastructure Grant (MIG)	1,918,398	155,006
National: Energy Efficiency and Demand Side Management Grant (EEDSMG)	56,884	56,884
National: Neighbourhood Development Partnership Grant (NDPG)	2,095,553	2,524,386
National: Water Services Infrastructure Grant	-	771,160
National: Integrated National Electrification Program	35	-
Provincial: Integrated Housing and Human Settlement Grant (IHHS)	(906,740)	320,979
Provincial: Other Provincial Grants	67,993	1,348,245
Other Organisational Grants: Nedbank: SMME Incubat	22,903	236,676
District - Garden Route District Municipal Grants	-	1,120,000
	3,255,026	6,533,336

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

Also refer to appendix "B" for a reconciliation of grants from other sources. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Unconditional Grants

Equitable share

Current year receipts	111,172,196	98,572,000
Transferred to revenue - operating	(111,172,196)	(98,572,000)
	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Conditional Grants

National: Financial Management Grant (FMG)

Current year receipts	1,721,000	1,550,000
Conditions met - transferred to revenue - operating	(1,721,000)	(1,550,000)
	-	-

Knysna Municipality

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2023 2022

9. Unspent conditional grants and receipts (continued)

The FMG grant is a conditional grant to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

National: Municipal Infrastructure Grant (MIG)

Opening balance	155,006	1
Current year receipts	29,714,000	24,460,000
Conditions met - transferred to revenue - operating	(4,655,262)	(4,270,075)
Conditions met – transferred to revenue – capital	(23,140,341)	(20,034,920)
Adjustments	(155,005)	-
	1,918,398	155,006

The MIG grant is a conditional grant to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

The adjustments above relates to repayments of unspent grants to National treasury based on the roll over application of grants

National: Energy Efficiency and Demand Side Management Grant (EEDSMG)

Opening balance	56,884	56,884
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The EEDSM grant is a conditional grant to focus on the determination of energy consumption baseline, supply and installation of energy efficient technologies within Municipal facilities.

National: Integrated National Electrification Program Grant (INEP)

Current year receipts	10,730,000	-
Conditions met - transferred to revenue - operating	(1,399,561)	-
Conditions met – transferred to revenue – capital	(9,330,404)	-
	35	-

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

Knysna Municipality

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	2023	2022
9. Unspent conditional grants and receipts (continued)		
National: Extended Public Works Program (EPWP)		
Current year receipts	1,044,000	1,118,000
Conditions met - transferred to revenue - operating	(1,044,000)	(1,118,000)
	<u>-</u>	<u>-</u>

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

National: Neighbourhood Development Partnership Grant (NDPG)		
Opening balance	2,524,386	293,569
Current year receipts	5,000,000	10,000,000
Conditions met - transferred to revenue - operating	(378,841)	(975,080)
Conditions met - transferred to revenue - capital	(2,525,606)	(6,500,534)
Adjustments	(2,524,386)	(293,569)
	<u>2,095,553</u>	<u>2,524,386</u>

The NDPG grant is a conditional grant is to fund, support and facilitate the planning and development of neighbourhood development programmes and projects that will be catalysts for further development in these areas. The adjustments above relates to repayments of unspent grants to National Treasury based on the roll over application of grants.

Provincial: Integrated Housing and Human Settlement Grant (IHHS)

Opening balance	320,977	641,729
Current year receipts	469,876	3,242,999
Conditions met – transferred to revenue – capital	(1,697,593)	(3,563,749)
	<u>(906,740)</u>	<u>320,979</u>

The housing allocation is a conditional grant to support the creation of sustainable human settlements that enables and improve quality of household life, provision of basic infrastructure, top structures and basic social and economic amenities.

Provincial: Other Provincial Grants

Opening balance	1,348,246	1,410,244
Current year receipts	3,006,000	2,317,000
Conditions met - transferred to revenue - operating	(1,705,618)	(750,817)
Conditions met - transferred to revenue - capital	(2,086,840)	(1,000,000)
Adjustments	(493,795)	(628,182)
	<u>67,993</u>	<u>1,348,245</u>

The other provincial grants is mainly allocated to provide financial assistance to municipalities to improve overall financial governance within municipalities, improving credibility and responsiveness of municipal budgets, improving audit outcomes and addressing institutional challenges, to cover operational and capital costs pertaining to the line functions of CDW's, to ensure functional and compliant performance management systems. The unspent portion relates to conditions not yet met at year-end.

The adjustments above relates to repayments of unspent grants to provincial treasury based on the roll over application of grants.

Knysna Municipality

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9. Unspent conditional grants and receipts (continued)

Other Organisational Grants: Nedbank: SMME Incubat

Opening balance	236,676	440,000
Conditions met - transferred to revenue - operating	(213,773)	(203,324)
	22,903	236,676

The grant will be used solely for interventions and activities specific to the SMME Incubator and on condition that the beneficiaries benefit directly from the proceeds.

National: Water Services Infrastructure Grant

Opening balance	771,161	5,338,749
Current year receipts	(771,161)	5,107,000
Conditions met - transferred to revenue - operating	-	(1,239,727)
Conditions met - transfer to revenue - capital	-	(8,434,862)
	-	771,160

The Water Services Infrastructure Grant is conditional grant to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services.

Provincial: Community Library Service Grant

Current year receipts	10,659,000	10,921,000
Conditions met – transferred to revenue – operating	(10,659,000)	(10,440,448)
Conditions met – transferred to revenue – capital	-	(480,552)
	-	-

The grant relates to transform urban and rural public library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

District - Garden Route District Municipal Grants

Opening balance	1,120,000	-
Current year receipts	-	1,120,000
Conditions met - transferred to revenue - operating	(1,000,000)	-
Conditions met – transferred to revenue – capital	(120,000)	-
	-	1,120,000

The grant receipts consist of security cameras and food security amounting to R120,000 and R1,000,000 respectively.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10,350	10,350
Short-term deposits	19,266	6,621,463
Bank balances	20,328,111	33,892,580
	20,357,727	40,524,393

Knysna Municipality

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10. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

Credit rating

Ba2 (Nedbank, ABSA, Standard Bank and Investec) 23,276,615 43,256,326

Cash and cash equivalents pledged as collateral

Cash and cash equivalents to an amount of R 4,161,766 (2022: R 6,533,336) are held to fund the Unspent Conditional Grants. Refer to note 9.

Guarantees Issued

156,100 156,100

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Nedbank - Primary bank account - 162 656 1826	1,563,706	32,448,866	27,129,507	1,563,705	32,895,199	27,401,952
Nedbank - Secondary account - 162 656 1834	-	140	22,134	-	140	22,134
Nedbank - Tertiary account (SARS VAT receipts) - 162 657 1139	-	891,785	473	-	891,785	473
Nedbank - Emergency Fund - 114 792 0699	-	105,457	106,220	5	105,457	106,220
Nedbank - 101 475 6022 (inactive)	-	-	-	-	-	-
Nedbank - 117 490 9129 (inactive)	-	-	-	-	-	-
Standard Bank - Primary bank account - 303265043	18,346,406	-	-	18,764,400	-	-
Total	19,910,112	33,446,248	27,258,334	20,328,110	33,892,581	27,530,779

Call Investment Deposits consist of the following accounts:

Investec - 021941-503	19,264	18,035
Investec - 021941-501	2	1
Nedbank - 03/7881042702/17	-	866,110
Nedbank - 03/7881068957/10	-	-
Nedbank - 03/7881085932/03	-	1,133,106
Nedbank - 03/7881173637/02	-	964,687
Nedbank - 03/7881531940/54 (2021: Pledged to DBSA)	-	2,530,948
Standard Bank - 288567420-031	-	1,108,576
Standard bank - 288567420-029	-	-
Standard bank - 288567420-030	-	-
	19,266	6,621,463

Knysna Municipality

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	2023	2022
11. Long-term investments and receivables		
At amortised cost		
Fixed Deposits	2,929,238	2,742,283
Staff Housing Loans	3,866	3,866
Old Age Homes / Creche	426,245	426,245
Sundry deposits	6,800	6,800
	<u>3,366,149</u>	<u>3,179,194</u>
Impairments	(434,497)	(434,497)
	<u>2,931,652</u>	<u>2,744,697</u>
Non-current assets		
At amortised cost	2,931,652	2,744,697
Fixed Deposits		
Included in Non-Current Investments is the Investec Fixed Deposit (Acc 021941500) of R 2,929,238 (2022: R 2,742,283) which have been pledged to DBSA as guarantees on external loans taken up. Refer to note 17. These loans are non-current and consequently it is highly unlikely that the Investment will be redeemable in the following financial year.		
Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.		
Staff Housing Loans		
Staff housing loans are no longer granted. The outstanding amount relates to prior years and is impaired.		
Old Age Homes / Creche		
New loans are not granted to organisations. The loans are repayable over periods up to forty years at a rate of 1% per annum, with the last loan redeemable in 2032.		
Financial assets at amortised cost impaired		
The allowance for impairment on financial assets exists due to the possibility that not all these debts will be recovered. Financial assets and amortised cost were assessed individually and grouped together at the Statement of Financial position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.		
As of 30 June 2023, financial assets of R 434,497 (2022: R 434,497) were impaired and provided for.		
Reconciliation of provision for impairment of financial assets at amortised cost		
Opening balance	434,497	434,497

Knysna Municipality

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12. Investment property

	2023		2022			
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Investment property	150,218,108	(82,556,661)	67,661,447	152,062,108	(83,197,461)	68,864,647

Reconciliation of investment property - 2023

	Opening balance	Additions	Disposals	Disposals - impairments	Depreciation	Disposals - Depreciation	Total
Investment property	68,864,647	-	(1,844,000)	651,800	(137,208)	126,208	67,661,447

Reconciliation of investment property - 2022

	Opening balance	Additions	Disposals	Disposals - impairments	Depreciation	Disposals - Depreciation	Total
Investment property	69,818,713	-	(975,000)	105,000	(145,377)	61,311	68,864,647

Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in note 1.4. The land of the municipality are under the control of the municipality due to a vesting substantive right over the land. These land represents mainly public open spaces and roads vesting to the municipality.

Carrying value of land included in the carrying value of investment properties 11,189,000 11,189,000

Knysna Municipality

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2023 2022

12. Investment property (continued)

Investment property in the process of being constructed or developed

No investment property is in the process of being constructed or developed.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	5,565,042	3,730,976
From Investment property that generated rental revenue		
Contracted services	157,497	76,502
Operational cost	2,623	601,654
	160,120	678,156

Other

The ownership of Erf 216/54 Brenton with a fair value of R10,600,000 is the subject of a legal dispute and according to the legal opinion obtained by the Municipality, ownership of this property vests with the Municipality. There are no other restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

13. Property, plant and equipment

	2023			2022		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	123,289,717	-	123,289,717	121,297,717	-	121,297,717
Buildings	221,892,672	(183,334,450)	38,558,222	219,414,944	(181,538,583)	37,876,361
Infrastructure	1,556,162,805	(456,892,845)	1,099,269,960	1,462,391,710	(414,247,064)	1,048,144,646
Community assets	137,211,074	(20,189,001)	117,022,073	142,522,826	(16,590,460)	125,932,366
Computer equipment	14,859,808	(10,603,429)	4,256,379	15,119,980	(10,238,862)	4,881,118
Furniture and office equipment	14,064,123	(9,210,699)	4,853,424	13,672,913	(7,866,673)	5,806,240
Machinery and equipment	43,347,731	(22,867,132)	20,480,599	41,314,785	(19,719,345)	21,595,440
Transport assets	80,104,031	(30,220,333)	49,883,698	76,512,758	(29,004,843)	47,507,915
Total	2,190,931,961	(733,317,889)	1,457,614,072	2,092,247,633	(679,205,830)	1,413,041,803

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13. Property, plant and equipment (continued) Reconciliation of property, plant and equipment - 2023

	Carrying Value		Cost		Accumulated Depreciation and Impairments					Carrying Value	
	Opening balance		Additions	Disposals	Transfer from Heritageasset	Transfer to completed	IGRAP2 adjustment	Depreciation charge	Disposals - Depreciation	Impairments*	Closing balance
Operational land	121,297,717	-	-	(108,000)	2,100,000	-	-	-	-	-	123,289,717
Operational buildings	37,876,359	920,219	920,219	(2,868)	715,933	838,376	(1,789,979)	179	-	-	38,558,219
Infrastructure	1,048,144,645	85,822,154	85,822,154	(835,267)	-	5,662,158	(38,412,861)	400,159	-	(4,633,079)	1,099,269,962
Community assets	125,932,366	1,188,782	1,188,782	-	-	(6,500,534)	(2,172,085)	-	-	(1,426,456)	117,022,073
Computer equipment	4,881,130	344,979	344,979	(605,151)	-	-	(899,604)	535,037	-	-	4,256,391
Furniture and office equipment	5,791,111	488,627	488,627	(97,417)	-	-	(1,429,361)	85,335	-	-	4,838,295
Machinery and equipment	21,610,561	2,079,977	2,079,977	(47,031)	-	-	(3,194,816)	47,030	-	-	20,495,721
Transport assets	47,507,915	6,389,836	6,389,836	(2,798,567)	-	-	(3,450,922)	2,181,589	53,843	-	49,883,694
	1,413,041,804	97,234,574	97,234,574	(4,494,301)	2,815,933	-	3,122,053	(51,349,628)	3,249,329	53,843	1,457,614,072

* Includes iGrap 2 impairment of R3,122,053

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13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022 (Restated)

	Carrying Value		Cost		Accumulated Depreciation and Impairments						Carrying value
	Opening balance	121,297,717	Additions	Disposals	Transfer to completed	IGRAP 2 adjustment	Depreciation charge	Disposals - Depreciation	Disposals - Impairment	IGRAP 2 impairment	Closing balance
Operational land	35,523,214	1,263,901	-	-	2,676,945	-	(1,587,701)	-	-	-	121,297,717
Operational buildings	986,988,261	102,776,911	(508,422)	(84,000)	-	1,549,724	(36,948,369)	-	(4,163,736)	(1,549,724)	37,876,359
Infrastructure	119,931,843	10,716,732	(84,000)	(27,128)	(2,676,945)	-	(1,967,279)	12,015	-	-	1,048,144,645
Community assets	5,125,384	776,086	(22,590)	(6,282)	-	-	(1,000,788)	7,576	-	-	125,932,366
Computer equipment	3,938,781	3,339,128	(22,590)	(6,282)	-	-	(1,485,551)	21,343	-	-	4,881,130
Furniture and office equipment	23,837,663	1,134,769	(6,282)	-	-	-	(3,361,871)	6,282	-	-	5,791,111
Machinery and equipment	37,658,891	13,230,762	-	-	-	-	(2,800,842)	-	(580,896)	-	21,610,561
Transport assets											47,507,915
	1,334,301,754	133,238,289	(648,422)	(648,422)	-	1,549,724	(49,152,401)	47,216	(4,744,632)	(1,549,724)	1,413,041,804

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	2023	2022
13. Property, plant and equipment (continued)		
Assets subject to finance lease and pledged as security		
Machinery and equipment	797,883	1,627,592
Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)		
In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in note 1.4. The land of the municipality are under the control of the municipality due to a vesting substantive right over the land.		
Carrying value of land included in the carrying value of property, plant and equipment	14,145,100	14,374,700
Property, plant and equipment in the process of being constructed or developed:		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Buildings	288,603	1,272,544
Infrastructure	187,030,555	164,794,303
Community	4,596,284	10,876,818
Transport assets	51,040	-
	191,966,482	176,943,665
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Knysna Cemetery professional fees - Community asset Still in progress of land identification.	1,129,955	1,129,955
	1,129,955	1,129,955
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Greensite development and tipsite establishment - Infrastructure This project is not completed due to the funds that were reallocated. No impairment loss has been recognised as the project will continue as and when funding becomes available.	198,140	198,140
Erf 7057 Upgrade Bonganie Sportfield - Community This project is not completed due to the funds that were reallocated No impairment loss has been recognised as the project will continue as and when funding becomes available.	3,146,956	3,146,956
	3,345,096	3,345,096
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	53,550,513	38,705,171
Sale of goods/Inventory	2,264,873	1,707,767
General expenses	9,794,806	11,193,201
	65,610,192	51,606,139

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14. Intangible assets

	2023			2022		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and website	184,239	(119,898)	64,341	184,239	(103,805)	80,434

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software and website	80,434	-	(16,093)	64,341

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software and website	98,852	-	(18,418)	80,434

Pledged as security

There are no intangible assets pledged as security for liabilities.

Intangible assets in the process of being constructed or developed

No intangible assets in the process of being constructed or developed.

Restricted title

There are no intangible assets whose title is restricted.

Other information

No intangible assets were assessed having an indefinite useful life.

There are no contractual commitments for the acquisition of intangible assets.

Knysna Municipality

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15. Heritage assets

	2023			2022		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Land of historical significance and conservation areas	22,322,000	(9,711,000)	12,611,000	26,709,000	(11,998,000)	14,711,000
Historical buildings	1,671,952	(13,952)	1,658,000	2,393,952	(13,952)	2,380,000
Works of art	83,550	-	83,550	83,550	-	83,550
Historical monuments	18,871	-	18,871	18,871	-	18,871
Book collection of historical significance	241,625	-	241,625	241,625	-	241,625
Total	24,337,998	(9,724,952)	14,613,046	29,446,998	(12,011,952)	17,435,046

Reconciliation of heritage assets 2023

	Opening balance	Transfers	Total
Works of art	83,550	-	83,550
Historical monuments	18,871	-	18,871
Land of historical significance and conservation areas	14,711,000	(2,100,000)	12,611,000
Historical buildings	2,380,000	(722,000)	1,658,000
Book collection of historical significance	241,625	-	241,625
	17,435,046	(2,822,000)	14,613,046

Reconciliation of heritage assets 2022

	Opening balance	Total
Works of art	83,550	83,550
Historical monuments	18,871	18,871
Land of historical significance and conservation areas	14,711,000	14,711,000
Historical buildings	2,380,000	2,380,000
Book collection of historical significance	241,625	241,625
	17,435,046	17,435,046

Details of heritage assets

Heritage assets consist mainly of land, historical buildings and monuments older than 50 years.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop heritage assets or for repairs, maintenance or enhancements.

There are no heritage assets pledged as security for liabilities.

There are no third party payments received for losses and impairments incurred.

Knysna Municipality

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15. Heritage assets (continued)

Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in note 1.4. The land of the municipality are under the control of the municipality due to a vesting substantive right over the land.

Carrying value of land included in the carrying value of Heritage assets 8,000 8,000

Heritage assets used for more than one purpose

The following heritage assets are used by the entity for more than one purpose:

Erf 475 Knysna: Heritage tourism building *	-	2,822,000
Erf 1003 Knysna: Old gaol heritage building, museum and municipal offices	3,900,000	3,900,000
	3,900,000	6,722,000

* Erf 475: From 1 March 2023 the building is mainly used for offices and therefore reclassified to Property, plant and equipment.

Heritage assets in the process of being constructed or developed

No heritage assets are in the process of being constructed or developed.

Expenditure incurred to repair and maintain heritage assets

Expenditure incurred to repair and maintain heritage assets included in Statement of Financial Performance

Contracted services	140,342	52,574
General expenses	6,893	9,416
	147,235	61,990

16. Operating lease asset (liability)

Non-current assets	3,218,372	2,708,484
	3,218,372	2,708,484

Refer to note 45 for additional disclosure relating to the operating lease asset and accrual.

Knysna Municipality

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	2023	2022
17. Long-term liabilities		
At amortised cost		
Annuity loans	367,000,610	339,096,271
Annuity loans		
Annuity loans bear interest at rates between 7.93% and 11.69% per annum. Investec Fixed Deposit (Acc 021941-500) of R 2,929,238 has been pledged to DBSA as guaranty for external loans taken up. Refer to note 11.		
Non-current liabilities		
At amortised cost	325,747,804	290,766,016
Current liabilities		
At amortised cost	41,252,806	48,330,255
18. Finance lease obligation		
Minimum lease payments due		
- within one year	938,016	3,304,890
- in second to fifth year inclusive	-	938,016
	938,016	4,242,906
less: future finance charges	(44,581)	(231,770)
Present value of minimum lease payments	893,435	4,011,136
Present value of minimum lease payments due		
- within one year	893,435	3,117,700
- in second to fifth year inclusive	-	893,436
	893,435	4,011,136
Non-current liabilities	-	893,435
Current liabilities	893,435	3,117,701
	893,435	4,011,136

It is municipality policy to lease certain equipment under finance leases. The office equipment is leased from Konica Minolta.

The average lease term was 3 years and the effective borrowing rate was 9.09% to 9.66%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The maturity date of the leases is 30 June 2024 for the office equipment.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 13.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023 2022

19. Payables from exchange transactions

Accrued Interest on Loans	751,182	1,868,523
Trade payables	138,691,427	114,836,032
Payments received in advanced	21,496,296	17,720,692
Retentions	13,094,260	14,437,646
Hoarding fees	16,186,305	14,164,401
Other payables	15,215,894	10,731,374
Deposits: Other	812,290	356,824
	206,247,658	174,115,471

Discounting of trade and other payables on initial recognition is not deemed necessary.

All payables are unsecured.

Included in other payables is unidentified traffic fines paid, group scheme accruals and salary accruals.

Other deposits include Hall and Tender Deposits.

20. Consumer deposits

Electricity	8,206,884	7,948,554
Water	6,340,891	6,280,984
Other deposits	216,616	201,452
Town Hall rental	163,245	141,567
	14,927,636	14,572,557

21. Employee benefit obligations

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

Non-current liabilities

Post-Retirement Medical Aid benefits liability	89,645,000	95,727,018
Ex-gratia pension benefits liability	55,948	67,000
Long service awards	18,284,999	16,447,516
	107,985,947	112,241,534

Current liabilities

Post-Retirement Medical Aid benefits liability	5,077,000	4,562,981
Ex-gratia pension benefits liability	11,052	10,910
Long service awards	2,789,000	2,109,000
Performance bonus	1,154,171	1,688,694
Staff annual bonus	8,036,427	7,751,305
Staff leave	21,011,708	19,598,513
	38,079,358	35,721,403

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023 2022

21. Employee benefit obligations (continued)

Total liabilities

Post-Retirement Medical Aid benefits liability	94,722,000	100,289,999
Ex-gratia pension benefits liability	67,000	77,910
Long service awards	21,073,999	18,556,516
Performance bonus	1,154,171	1,688,694
Staff annual bonus	8,036,427	7,751,305
Staff leave	21,011,708	19,598,513
	146,065,305	147,962,937

Post-retirement medical aid benefit liability

The Post-retirement benefit plan is a wholly unfunded defined benefit plan, of which the members are made up as follows:

In-service (Employees) members	334	346
In-service (Employees) non-members	301	319
Continuation members	71	70
Total members	706	735

In-service members	44,105,000	45,310,000
Continuation members	48,316,000	53,146,000
Non-members	2,301,000	1,834,000
Total unfunded liability	94,722,000	100,290,000

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023 2022

21. Employee benefit obligations (continued)

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- LA Health
- Hosmed
- Keyhealth
- Samwumed

The Current-service cost for the year ending 30 June 2024 is estimated to be R 2 628 000 (2023: R 3 155 000 whereas the interest cost for the same year is estimated to be R 12 732 000 (2023: R 11 582 000).

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

i) Rate of interest		
Discount rate	13.61 %	11.81 %
Health care cost inflation rate	9.60 %	8.43 %
CPI (Consumer Price Inflation)	8.10 %	6.93 %
Net effective discount rate	3.66 %	3.12 %
Expected retirement age - females	62	62
Expected retirement age - males	62	62

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Mortality rates

Pre-retirement: SA 85-90 mortality table
 Post-retirement: PA (90) -1 ultimate mortality table

iii) Normal retirement age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

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

Present value of unfunded obligations	94,722,000	100,289,999
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Amounts recognised in the Statement of Financial Performance are as follows:

Current Service Cost and reduction in minimum membership transactions	3,155,000	4,682,000
Actuarial (Gains)/Losses	(15,667,862)	(5,285,040)
Interest cost	11,582,000	9,348,000
	(930,862)	8,744,960

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023 2022

21. Employee benefit obligations (continued)

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	100,290,000	95,885,000
- Current service cost	3,155,000	4,682,000
- Interest cost	11,582,000	9,348,000
- Actuarial losses / (gains)	(15,667,862)	(5,285,040)
- Benefits paid	(4,637,138)	(4,339,960)
Balance at the end of the year	94,722,000	100,290,000

The table below summarises the accrued liabilities for the current period and the previous four periods.

Liability History	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Accrued liability	91,018,833	83,998,000	95,885,000	100,290,000	94,722,000
	(91,018,833)	(83,998,000)	(95,885,000)	(100,290,000)	(94,722,000)

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Experience adjustments	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Liabilities: (Gain) / Loss	(382,000)	3,044,000	(3,312,000)	(4,407,000)	5,568,000
	(382,000)	3,044,000	(3,312,000)	(4,407,000)	5,568,000

Sensitivity analysis on the accrued liability	Change	In-service	Continuation	Total	% change
Central assumptions		46,406,000	48,316,000	94,722,000	
Health care inflation	1 %	55,215,000	51,965,000	107,180,000	13 %
Health care inflation	(1)%	39,278,000	45,045,000	84,323,000	(11)%
Discount rate	1 %	39,558,000	45,172,000	84,730,000	(11)%
Discount rate	(1)%	54,957,000	51,872,000	106,829,000	13 %
Post-retirement mortality	1 year	45,163,000	46,632,000	91,795,000	(3)%
Post-retirement mortality	-1 year	47,639,000	50,011,000	97,650,000	3 %
Average retirement age	-1 year	51,633,000	48,316,000	99,949,000	6 %
Continuation of membership at retirement	(10)%	40,893,000	48,316,000	89,209,000	(6)%

Sensitivity analysis on current-service and interest cost	Change	Current-service cost	Interest cost	Total	% change
Central assumptions		2,628,000	12,732,000	15,360,000	
Health care inflation	1 %	3,191,000	14,465,000	17,656,000	15 %
Health care inflation	(1)%	2,180,000	11,287,000	13,467,000	(12)%
Discount rate	1 %	2,198,000	11,343,000	13,541,000	(12)%
Discount rate	(1)%	3,174,000	14,417,000	17,591,000	15 %
Post-retirement mortality	1 year	2,558,000	12,329,000	14,887,000	(3)%
Post-retirement mortality	-1 year	2,697,000	13,135,000	15,832,000	3 %
Average retirement age	-1 year	2,816,000	13,452,000	16,268,000	6 %
Continuation of membership at retirement	(10)%	2,319,000	11,962,000	14,281,000	(7)%

Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2023, 1 pensioners (2022: 1) were eligible for payments in terms of this plan. In-Service members are not eligible.

There is no future-service costs as there are no current in-service members eligible for ex-gratia payments, whereas the interest cost for the year ending 30 June 2024 is estimated to be R 8 000 (2023: R7 350).

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023 2022

21. Employee benefit obligations (continued)

Pensioners	1	1
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The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	Yield curve	10.13 %

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Post-retirement: PA (90) -1 ultimate mortality table

iii) Actuarial valuation method

The Projected Unit Credit Method has been used to value the liabilities.

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

Post-Retirement Housing Subsidy obligation	67,000	77,910
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The amount recognised in the Statement of Financial Performance are as follows:

Interest cost	7,350	6,900
Recognised actuarial losses / (gains)	(7,208)	(6,838)
	142	62

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	77,910	88,900
Actuarial (Gains)/Losses	(7,208)	(6,838)
Interest cost	7,350	6,900
- Benefits paid	(11,052)	(11,052)
	67,000	77,910

The table below summarises the accrued liabilities for the current period and the previous four periods:

Liability History	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Accrued liability	98,662	104,130	88,900	77,910	67,000
Surplus / (Deficit)	(98,662)	(104,130)	(88,900)	(77,910)	(67,000)

The table below summarises the experience adjustments for the current period and the previous periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Experience adjustment	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Liabilities: (Gain) / Loss	(30,379)	2,649	1,655	2,272	3,208
	(30,379)	2,649	1,655	2,272	3,208

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023 2022

21. Employee benefit obligations (continued)

Sensitivity analysis on the unfunded accrued liability	Change	Total liability	% change
Central assumptions		67,000	
Discount rate	1 %	64,000	(4)%
Discount rate	(1)%	70,000	4 %
Post-retirement mortality	1 year	65,000	-3 %
Post-retirement mortality	- 1 year	68,000	1 %

Sensitivity analysis on the interest cost	Change	Interest cost	% change
Central assumptions		8,000	
Discount rate	1 %	7,000	(13)%
Discount rate	(1)%	8,000	- %
Post-retirement mortality	1 year	8,000	- %

Long service awards

The municipality's obligation for Long Service Awards is a defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).

The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.

The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2023.

At year end, 635 (2022: 665) employees were eligible for Long-services awards.

The future service cost for the ensuing year is estimated to be R 1,486,000 (2023: R 1,476,000), whereas the interest cost for the ensuing year is estimated to be R 2 302 000 (2023: R 1,940,000).

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

i) Rate of interest			
Discount rate		11.12 %	11.08 %
CPI (Consumer Price Inflation)		6.09 %	6.32 %
General salary inflation (long-term)		7.09 %	7.32 %
Net effective discount rate		3.76 %	3.50 %

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Mortality rates

Pre-retirement: SA 85-90 (mixed) ultimate mortality table

iii) Normal retirement age

It has been assumed that in-service members will retire at the average age of 65.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
21. Employee benefit obligations (continued)		
The amounts recognised in the Statement of Financial Position are as follows:		
Unfunded Long-Service Awards obligation	21,073,999	18,556,516
Amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1,465,484	1,389,000
Interest cost	1,940,000	1,520,000
Other	10,515	-
Actuarial (Gains)/Losses	809,734	(26,312)
	4,225,733	2,882,688
The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	18,556,517	17,446,604
- Current service cost	1,465,484	1,389,000
- Interest cost	1,940,000	1,520,000
- Recognised actuarial losses / (gains)	809,734	(26,312)
- Other	10,515	-
- Benefits paid	(1,708,251)	(1,772,775)
	21,073,999	18,556,517

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

Liability History	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Accrued Liability	14,906,329	16,530,603	17,445,000	18,556,517	21,073,999
Surplus / (Deficit)	(14,906,329)	(16,530,603)	(17,445,000)	(18,556,517)	(21,073,999)

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Liabilities: (Gain) / Loss	299,587	860,755	(295,392)	355,688	(1,313,734)
	299,587	860,755	(295,392)	355,688	(1,313,734)

Sensitivity analysis on the unfunded accrued liability

	Change	Liability	% change
Central assumptions		21,074,000	
General salary inflation	1 %	22,445,000	7 %
General salary inflation	(1)%	19,826,000	(6)%
Discount rate	1 %	19,880,000	(6)%
Discount rate	(1)%	22,404,000	6 %
Average retirement age	2 years	23,261,000	10 %
Average retirement age	-2 years	18,375,000	(13)%
Withdrawal rates	+100%	17,684,000	(16)%
Withdrawal rates	-50%	23,323,000	11 %

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

				2023	2022
21. Employee benefit obligations (continued)					
Sensitivity analysis on current-service and interest costs	Change	Current-service cost	Interest cost	Total	% change
Central assumptions		1,486,000	2,302,000	3,788,000	
General salary inflation	1 %	1,600,000	2,460,000	4,060,000	7 %
General salary inflation	(1)%	1,384,000	2,157,000	3,541,000	(7)%
Discount rate	1 %	1,389,000	2,163,000	3,552,000	(6)%
Discount rate	(1)%	1,596,000	2,456,000	4,052,000	7 %
Average retirement age	2 years	1,619,000	2,552,000	4,171,000	10 %
Average retirement age	-2 years	1,326,000	1,993,000	3,319,000	(12)%
Withdrawal rates	100%	1,175,000	1,907,000	3,082,000	(19)%
Withdrawal rates	-50%	1,703,000	2,564,000	4,267,000	13 %

Multi-employer retirement benefit information

Both the Consolidated Retirement Fund for local government and LA Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, multi-employer plans are defined as defined benefit plans. GRAP 25 also states that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claims that the pensioner data is confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the LA Retirement Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as a defined contribution plan.

LA Retirement Fund

The LA Retirement Fund's contribution rate payable is 9% by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2022 revealed that the fund is in a sound financial position with a funding level of 111.6%.

Council Contributions paid recognised in the Statements of Financial Performance	163,827	233,168
Employee Contributions paid recognised in the Statements of Financial Performance	81,914	116,584
	245,741	349,752

Consolidated Retirement Fund for local government

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2022 revealed that the fund is in a sound financial position with a funding level of 131.6%.

Council Contributions paid recognised in the Statements of Financial Performance	29,079,717	27,534,607
Employee Contributions paid recognised in the Statements of Financial Performance	14,770,000	13,913,213
	43,849,717	41,447,820

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023 2022

21. Employee benefit obligations (continued)

Municipal Councillors Pension Fund

Council contribute to the Municipal Council Pension Fund which is a defined contribution fund. 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.

Performance bonuses

The movement on the performance bonus obligation consist of the following:

Balance at the beginning of the year	1,688,694	2,126,010
Payments	(433,667)	-
Additional performance bonus accrual recognised during the year	(100,855)	(437,316)
	1,154,172	1,688,694

Performance bonuses are paid to the municipal Manager and section 56 Directors after an evaluation of performance by the council.

Staff annual bonus

The movement on the annual bonus accrual consist of the following:

Balance at the beginning of the year	7,751,305	7,172,727
Payments	(7,655,467)	(7,676,868)
Additional bonus accrual recognised during the year	7,940,589	8,255,446
	8,036,427	7,751,305

Annual bonuses are paid to all staff during November of each year. There is no possibility of reimbursement.

Staff leave

The movement on the leave accrual consist of the following:

Balance at the beginning of the year	19,597,498	21,999,811
Payments	(1,619,518)	(1,498,521)
Additional staff leave accrual recognised during the year	3,033,728	(903,792)
	21,011,708	19,597,498

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

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
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22. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Unwinding of discount	iGrap2 Adjustments	Total
Landfill site	18,030,900	1,596,822	3,122,053	22,749,775

Reconciliation of provisions - 2022

	Opening Balance	Utilised during the year	Unwinding of discount	iGrap2 Adjustments	Total
Landfill site	19,477,713	(5,048,741)	2,052,203	1,549,725	18,030,900
Non-current liabilities				21,842,435	17,123,560
Current liabilities				907,340	907,340
				22,749,775	18,030,900

Landfill sites

The provision is for the rehabilitation of 1 landfill sites and 2 refuse transfer stations. The municipality discontinued dumping waste within the municipal area and transport all waste to the Petro SA waste disposal site in Mossel Bay.

Rehabilitation cost was estimated using criteria for closure detailed in the Minimum Requirement for Waste Disposal by Landfill. Provision is made in terms of the municipality's licensing stipulations on the landfill waste sites, for the estimated cost of rehabilitating the waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by Delta Built Environment Consultants have been applied.

It is estimated that the rehabilitation process will be finalised in 2026 for the Old place landfill site. The rehabilitation process was finalised in 2022 for the Brenton on Sea landfill site.

The movement in the provision of the landfill site in the 2023 financial year is due to a new calculation obtained from engineers who calculated the estimate costs to rehabilitate the landfill site. The change in discount rates and estimates also impacted the IGRAP 2 adjustment.

The contribution to the provision is based on the average Consumer Price Index which is calculated at 7.05% (2022: 5.7%).

The cost as at 30 June 2023 has been escalated annually with the average Consumer Price Index until the estimated time of closure and discounted to present value using the relevant South African Government Bond rates. All other adjustments are in line with the provisions of IGRAP 2.

23. Service charges

Sale of electricity	300,828,040	309,278,889
Sale of water	73,963,044	69,373,024
Sewerage and sanitation charges	27,476,875	26,287,400
Refuse removal	26,913,885	23,021,684
	429,181,844	427,960,997

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 the approved tariffs.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
24. Rental of facilities and equipment		
Premises		
Hire of halls	149,657	132,904
Investment property	5,565,042	3,730,976
	5,714,699	3,863,880
Facilities and equipment		
Rental of equipment	50,983	42,240
Bulk containers	-	653
Caravan park	630,286	923,639
	681,269	966,532
	6,395,968	4,830,412
25. Operational revenue		
Collection charges	39,022	269,866
Incidental cash surpluses	1,749	9,810
Merchandising, jobbing and contracts	3,952,579	3,598,158
Request for information - Municipal information and statistics	55,866	58,899
Skills development levy refund	438,551	524,371
Sundries	3,286,592	557,130
	7,774,359	5,018,234

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
26. Property rates		
Rates received		
Rateable Land and Buildings		
Residential	197,318,118	186,269,801
Commercial	34,923,352	32,264,322
State	10,089,039	9,560,059
Agriculture / Rural	1,417,994	4,773,886
Accommodation	29,440,372	29,574,242
Church	286,145	186,359
Light Industrial	4,654,905	4,395,115
Other - Pensioners etc.	801,195	401,167
Rebates		
Less: Income forgone / Rebates	(18,042,575)	(20,264,000)
	260,888,545	247,160,951
Valuations (R'000)		
Residential	24,010,593	23,305,137
Commercial	2,102,529	2,114,669
State	625,270	616,336
Municipal	354,521	371,929
Agricultural / Rural	723,932	686,941
Accommodation	1,745,332	1,776,552
Church	114,574	113,473
Light industrial	278,446	275,596
Other - Pensioners etc.	-	222,635
Public benefit and - infrastructure	81,180	80,140
	30,036,377	29,563,408

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2022. Revaluations will be undertaken in terms of the Municipal Property Rates Act. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the Rand for domestic properties of R 0.0083571 was charged on the total market value. Businesses were charged at a rate of R 0.0167141 on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R 50 000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one percent.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
27. Transfers and subsidies		
Operating grants		
Equitable share	111,172,196	98,572,000
National : Financial Management Grant (FMG)	1,721,000	1,550,000
National : Municipal Infrastructure Grant (MIG)	4,655,262	4,270,075
National: Integrated National Electrification Program Grant (INEP)	1,399,561	-
National Extended Public Works Program (EPWP)	1,044,000	1,118,000
Other Provincial Grants	1,705,618	750,817
District : Garden Route District Municipal Grants	1,000,000	-
National: Water Services Infrastructure Grant	-	1,239,727
National: Neighbourhood Development Partnership Grant (NDPG)	378,841	975,080
Other Organisational Grants: Nedbank: SMME Incubat	213,773	203,324
Provincial: Community Library Service Grant	10,659,000	10,440,448
	133,949,251	119,119,471
Capital grants		
National: Municipal Infrastructure Grant (MIG)	23,140,340	20,034,920
National : Integrated National Electrification Program Grant (INEP)	9,330,404	-
Provincial: Integrated Housing and Human Settlement Grant (IHHS)	1,697,593	3,563,750
Provincial: Other Provincial Grants	2,086,840	1,000,000
District : Garden Route District Municipal Grants	120,000	-
National: Water Services Infrastructure Grant	-	8,434,862
National: Neighbourhood Development Partnership Grant (NDPG)	2,525,606	6,500,534
Provincial: Community Library Service Grant	-	480,552
	38,900,783	40,014,618
	172,850,034	159,134,089
Conditional and Unconditional		
Included in above are the following grants and subsidies recognised:		
Conditional grants recognised	61,677,838	60,562,089
Unconditional grants recognised	111,172,196	98,572,000
	172,850,034	159,134,089
Revenue recognised / expensed per vote as required by Section 123 (c) of the MFMA		
Equitable share	111,172,196	98,572,000
Community Services	11,779,000	12,671,819
Finance	2,084,360	1,550,000
Planning	2,207,006	4,885,073
Technical	43,909,879	41,455,197
Undefined Difference	(1,697,593)	-
	172,850,034	159,134,089
Grants received per directorate during the year (Excluding equitable share)		
Community services	10,655,205	11,115,001
Housing	469,876	3,242,999
Finance	2,271,000	1,550,000
Planning	1,100,000	2,061,131
Technical	47,076,634	39,567,000
	61,572,715	57,536,131

Knysna Municipality

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	2023	2022
28. Fines, Penalties and Forfeits		
Traffic fines	87,550,570	97,185,098
Property rates penalties	7,795,167	5,444,048
Other fines	17,919	234,085
Overdue Books Fines	-	18,138
	95,363,656	102,881,369
29. Availability fees		
Electricity	4,551,279	4,480,695
Water	3,234,924	3,224,089
Refuse	1,552,034	1,971,968
Sewerage	1,763,248	1,813,462
	11,101,485	11,490,214
<p>The availability fees with regards to rates are disclosed under property rates, note 26.</p>		
30. Contributions recognised - donated assets		
Contributed property, plant and equipment	-	221,546
General public - Millwood museum	1,030	1,580
	1,030	223,126
<p>Conditions still to be met - remain liabilities (see note 9)</p>		
31. Employee related costs		
Salaries and Wages	177,846,600	164,620,839
Contributions for UIF, Pensions and Medical Aids	48,962,796	46,883,227
Travel, motor car, accommodation, subsistence and other allowances	19,775,942	20,076,910
Housing benefits and allowances	2,684,013	2,626,419
Overtime payments	23,482,934	21,996,638
Performance bonuses	(171,352)	(559,261)
Bonus	13,569,594	13,273,170
Leave pay provision charge	3,033,731	(902,098)
Danger allowance	-	4,500,001
<u>Defined Benefit Plan Expenses: Post-Retirement Medical Aid</u>		
Current Service Cost	3,155,000	4,682,000
Actuarial (Gains)/Losses	(15,667,862)	(5,285,040)
Interest cost	11,582,000	9,348,000
<u>Defined Benefit Plan Expenses: Ex-gratia pension</u>		
Actuarial (Gains)/Losses	(7,208)	(6,838)
Interest cost	7,350	6,900
<u>Defined Benefit Plan Expenses: Long service awards</u>		
Current Service Cost	1,465,484	1,389,000
Actuarial (Gains)/Losses	809,734	(26,312)
Interest cost	1,940,000	1,520,000
	292,468,756	284,143,555

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Notes to the Annual Financial Statements

	2023	2022
31. Employee related costs (continued)		
Remuneration of the Municipal Manager:		
Remuneration of Municipal Manager - SW Vatala		
Annual Remuneration	-	117,984
Car Allowance	-	37,000
Contributions to UIF, Medical and Pension Funds	-	37,410
Leave pay	-	45,504
Housing allowances	-	10,091
	-	247,989
Remuneration of the previous Municipal Manager - J Jonker		
Annual Remuneration	330,389	-
Contributions to UIF, Medical and Pension Funds	4,235	-
Car Allowance and travel allowance	49,286	-
	383,910	-
Remuneration of the Acting Municipal Manager - DJ Adonis		
Acting Allowance	-	33,172
Remuneration of the Acting Municipal Manager - RF Butler		
Annual Remuneration	293,779	-
Contributions to UIF, Medical and Pension Funds	56,219	-
Leave pay	6,683	-
	356,681	-
Remuneration of the Municipal Manager - OP Sebola		
Annual Remuneration	407,243	-
Contributions to UIF, Medical and Pension Funds	78,745	-
Car Allowance and travel allowance	100,000	-
Telephone allowance	5,000	-
	590,988	-
Remuneration of the Acting Municipal Manager - J Jacobs		
Annual Remuneration	-	346,659
Contributions to UIF, Medical and Pension Funds	-	3,998
	-	350,657
Remuneration of the Acting Municipal Manager - POB Makoma		
Acting Allowance	-	2,391
Remuneration of the Director Financial Services:		
Remuneration of the Director Financial Services - Mr M Memami		
Performance Bonuses	-	108,767
Telephone allowance	-	1,265
	-	110,032

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Notes to the Annual Financial Statements

	2023	2022
31. Employee related costs (continued)		
Remuneration of the Acting Director Financial Services - J Carstens		
Annual Remuneration	-	691,642
Car Allowance and travel allowance	-	64,000
Performance Bonuses	105,790	-
Contributions to UIF, Medical and Pension Funds	1,235	8,973
	107,025	764,615
Remuneration of the Acting Director Financial Services - M Michaels		
Acting Allowance	2,634	-
Remuneration of the Acting Director Financial Services - AK Jagaysor		
Acting Allowance	2,898	8,582
Remuneration of Director Financial Services - BS Gunqisa		
Annual remuneration	31,485	-
Contributions to UIF, Medical and Pension Funds	492	-
	31,977	-
Remuneration of the Acting Director Financial Services - L Sotshede		
Annual remuneration	772,851	-
Contributions to UIF, Medical and Pension Funds	10,477	-
Car Allowance and travel allowance	144,286	-
	927,614	-
Remuneration of the Director Planning and Development:		
Remuneration of the Director Planning and Development - Ms M Boyce		
Annual Remuneration	574,170	547,545
Car Allowance	-	35,000
Performance Bonuses	169,193	108,767
Contributions to UIF, Medical and Pension Funds	10,751	147,867
Telephone Allowance	-	13,300
Leave pay	189,783	37,637
	943,897	890,116
Remuneration of the Acting Director Planning and Development - Mr RL Daames		
Acting Allowance	9,811	8,898
Remuneration of the Acting Director Planning and Development - JH Smit		
Acting Allowance	15,178	14,343
Remuneration of the Director Technical Services:		
Remuneration of the Director Technical Services - Mr P Hariparsad		
Annual Remuneration	1,031,807	977,463
Car Allowance and travel allowance	156,000	156,000
Performance Bonuses	158,685	99,233
Contributions to UIF, Medical and Pension Funds	44,799	43,491
	1,391,291	1,276,187
Remuneration of the Acting Director Technical Services - Mr RF Parry		
Acting Allowance	-	2,127

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Notes to the Annual Financial Statements

	2023	2022
31. Employee related costs (continued)		
Remuneration of the Director Corporate Services:		
Remuneration of the Director Corporate Services - Ms POB Makoma		
Annual Remuneration	-	280,548
Car and travel allowance	-	31,376
Performance Bonuses	-	99,233
Contributions to UIF, Medical and Pension Funds	-	84,749
Leave pay	-	6,760
	-	502,666
Remuneration of the Director Corporate Services - Mr L Loliwe		
Annual Remuneration	809,138	-
Contributions to UIF, Medical and Pension Funds	9,570	-
	818,708	-
Remuneration of the Acting Director Corporate services - M Paulsen		
Acting Allowance	10,197	22,975
Remuneration of the Director Community Services		
Remuneration of the Director Community Services - Mr E Phillips		
Performance Bonuses	-	99,233
Contributions to UIF, Medical and Pension Funds	-	1,169
	-	100,402
Remuneration of the Director Community Services - Mr SW Ngqele		
Annual Remuneration	895,221	780,088
Car and travel allowance	72,000	66,000
Contributions to UIF, Medical and Pension Funds	255,601	226,444
	1,222,822	1,072,532

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Notes to the Annual Financial Statements

	2023	2022
31. Employee related costs (continued)		
Remuneration of the Director Housing		
Remuneration of the Director Community Housing - Mr VJ Mkungwana		
Annual Remuneration	-	739
Contributions to UIF, Medical and Pension Funds	-	157
Leave pay	-	6,120
	-	7,016
Remuneration of the Acting Director Housing - LA Petuna		
Acting Allowance	118,690	181,029
Remuneration of the Acting Manager - Supply Chain Management Services (SCM) - M Mato		
Acting Allowance	43,680	-
Remuneration of the Manager - Supply Chain Management Services (SCM) - F Kruger		
Annual remuneration	729,864	682,536
Travel and Car allowance	141,316	141,316
Bonuses	60,822	56,682
Contributions to UIF, Medical and pension Funds	247,622	190,981
Housing allowance	9,106	11,574
	1,188,730	1,083,089
The aggregated effect of remuneration of key management personnel		
Annual remuneration	5,875,947	4,425,204
Car and travel Allowance	662,888	530,692
Housing Allowance	9,106	21,665
Contributions to UIF, Medical and Pension Funds	719,746	745,239
Telephone Allowance	5,000	14,565
Acting Allowance	203,088	273,517
Bonuses	494,490	571,915
Leave pay	196,466	96,022
	8,166,731	6,678,819

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Notes to the Annual Financial Statements

2023 2022

32. Remuneration of councillors

Councillor - H Stroebel	324,050	360,126
Councillor - L Opperman	5,359	105,398
Councillor - PJ Bester	388,089	548,601
Councillor - JA Lopes	368,694	579,832
Councillor - CD Croutz	14,457	233,174
Councillor - L Davis	409,998	676,907
Councillor - TM Gombo	15,506	247,911
Councillor - SI Kwinana	5,359	105,398
Councillor - MG Matiwane	5,359	106,680
Councillor - AJP Makhetha	5,084	91,843
Councillor - Petros PE	304,968	199,600
Councillor - MN Naki	5,359	105,398
Councillor - Vanston C	304,968	206,773
Councillor - MW Salaze	14,457	233,174
Councillor - MD Skosana	674,789	432,774
Councillor - ST Sabbagh	388,089	548,601
Councillor - NA Tsengwa	822,652	445,192
Councillor - L Tyokolo	5,359	105,398
Councillor - EO van Aswegen	19,703	306,856
Councillor - NG Louw	367,009	197,282
Councillor - ACF Weideman	5,359	107,798
Councillor - M Willemse	390,562	468,434
Councillor - JG White	304,968	201,764
Councillor - GR Wolmarans	5,359	107,798
Councillor - AC Marbi	662,257	217,609
Councillor - TC Matika	636,944	430,456
Councillor - SS Ngqeza	5,359	106,680
Councillor - KC Andrews	625,312	199,600
Councillor - RW Arends	304,068	197,282
Councillor - M Bouwer	1,238	25,198
Councillor - MS Campbell	384,073	440,803
Councillor - LB Charlie	637,662	227,758
Councillor - W Grootboom	625,312	296,614
Councillor - M Khumelwana	380,298	199,600
Councillor - E Maxim	369,037	337,182
	9,787,116	9,401,494

2023 - Remuneration paid to councillors can be summarised as follows

	Annual Remuneration	Car Allowance	Telephone Allowance	Medical Aid	Pension	Total
Executive Mayor	699,731	97,130	20,582	18,850	101,976	938,269
Executive deputy mayor	708,302	11,822	26,271	-	-	746,395
Speaker	618,309	4,197	23,388	30,042	75,115	751,051
Mayoral Committee Members	2,494,739	13,444	99,614	45,316	159,420	2,812,533
Councillors	2,990,520	136,740	327,076	12,320	261,790	3,728,446
Council Whip	338,100	-	22,565	-	38,714	399,379
Chair of Sec 79	336,232	-	24,365	-	50,446	411,043
	8,185,933	263,333	543,861	106,528	687,461	9,787,116



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Knysna Municipality

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Notes to the Annual Financial Statements

	2023	2022
32. Remuneration of councillors (continued)		
2022 - Remuneration paid to councillors can be summarised as follows		
	Annual Remuneration	Car Allowance
	Telephone Allowance	Medical Aid
	Pension	Total
Executive Mayor	637,077	884,046
Executive deputy mayor	555,317	700,368
Speaker	594,003	725,625
Mayoral Committee Members	2,289,636	2,642,830
Councillors	3,018,570	3,879,035
Council Whip	189,306	234,835
Chair of Sec 79	309,548	334,755
	7,593,457	9,401,494
	481,933	716,129
	87,561	522,414
	522,414	9,401,494
	9,401,494	9,401,494
33. Debt impairment		
Receivables from exchange transactions - Refer to note 5	46,177,007	59,219,908
Receivables from non-exchange transactions - Refer to note 6	86,559,058	99,539,633
Contributions from Value Added Tax - Refer to note 8	(4,159,259)	(11,056,214)
	128,576,806	147,703,327
34. Depreciation and amortisation		
Property, plant and equipment	51,262,749	49,152,394
Investment property	137,208	145,377
Intangible assets	16,094	18,418
	51,416,051	49,316,189
35. Impairment of assets		
Impairments		
Property, plant and equipment	6,059,535	6,394,483
Investment property	-	985,674
	6,059,535	7,380,157
The recoverable amount of the asset impaired was based on its value in use. The impairment loss / (gain) recognised for Property, Plant and Equipment relates to rehabilitation cost associated with landfill sites capitalised in terms of IGRAP 2. The portion being impaired relates to the fact that all landfill sites in the municipality already reached the end of its useful life. No further economic benefits is expected from these assets.		
36. Finance costs		
Annuity loans	33,467,286	24,500,654
Finance leases	187,190	642,357
Landfill Sites	1,596,823	2,052,203
Other	24,263	10,990
	35,275,562	27,206,204
37. Lease rentals on operating lease		
Premises		
Contractual amounts	6,208,197	5,875,703
Equipment		
Contractual amounts	7,576,900	6,909,516
	13,785,097	12,785,219

Knysna Municipality

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	2023	2022
38. Bulk purchases		
Electricity - Eskom	238,307,168	240,866,328
39. Contracted services		
Consultants and Professional Services		
Business and Advisory: Project Management	1,062,077	1,202,568
Business and Advisory: Business and Financial Services	400,933	-
Business and Advisory: Valuer and Assessors	1,081,845	1,018,564
Business and Advisory: Other	1,688,916	2,206,704
Infrastructure and Planning: Engineering	3,769,084	4,322,878
Infrastructure and Planning: Other	1,270,236	439,130
Legal costs	6,370,002	5,161,112
Other	2,325,375	83,026
Contractors		
Buildings	30,123,043	23,937,780
Electrical	7,524,088	4,757,726
Maintenance	54,759,961	41,297,191
Management of Informal Settlements	1,402,587	2,790,856
Prepaid Electricity Vendors	10,232,821	11,337,422
Sewerage Services	797,995	1,211,339
Prepaid Water Vendors	3,609,695	2,488,588
Other	6,257,282	2,487,709
Outsourced Services		
Administrative and Support Staff	9,473,266	6,708,875
Business and Advisory	1,914,238	5,425,521
Clearing and Grass Cutting Services	4,292,436	3,478,357
Internal Auditors	1,612,781	2,059,086
Meter Management	1,562,952	1,805,775
Refuse Removal	2,913,020	1,721,915
Security Services	19,843,470	18,443,726
Traffic Fines Management	6,363,955	7,571,840
Alien Vegetation Control	445,974	225,602
Litter Picking and Street Cleaning	896,499	1,249,110
Other	5,509,057	3,320,437
	187,503,588	156,752,837
40. Transfers and subsidies		
Other subsidies		
Grants-in-aid and donations	397,148	398,000
Knysna Tourism	663,340	136,440
Bursaries	315,965	579,294
Social relief	557,112	824,798
	1,933,565	1,938,532
41. Inventory consumed		
Consumables - Standard rated	10,594,396	9,149,586
Consumables - Zero rated	19,026,218	10,754,395
Materials and supplies	28,836,855	23,446,687
Inventory adjustments	(2,698,751)	3,215,543
	55,758,718	46,566,211

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Notes to the Annual Financial Statements

	2023	2022
42. Operational costs		
Advertising and media	1,901,764	1,299,684
Auditors remuneration	6,195,687	6,093,746
Bank charges	1,460,598	1,506,344
Clearing of alien vegetation	476,260	513,841
Delivery expenses	1,576,610	1,590,351
Gifts	18,000	-
Hire	6,003,717	5,829,050
IT expenses	7,265,382	6,946,979
Insurance	6,324,467	5,039,291
Levies	2,870,986	2,724,332
Other expenses*	5,154,919	4,469,710
Printing, publications and books	260,497	122,112
Staff related (recruitment, training, etc.)	1,142,651	295,945
Subscriptions and membership fees	6,326,861	6,326,282
Title deed search fees	447,645	270,119
Travel - local	972,699	443,854
	48,398,743	43,471,640

*Other expenses largely include costs incurred relating refuse removal.

43. Cash generated from operations

Deficit	(35,139,135)	(19,104,234)
Adjustments for:		
Depreciation and amortisation	51,416,051	49,230,748
Loss / (gain) on sale of assets and liabilities	(852,712)	(651,752)
Impairment loss	6,059,535	7,465,592
Debt impairment	128,576,806	147,703,327
Movements in operating lease assets and accruals	(509,888)	(163,622)
Movements in employee benefit obligations	(1,897,632)	3,243,886
Movements in provisions (excluding IGRAP2 adjustment)	1,596,822	(2,996,538)
Donated asset receipt included in other income	-	(221,546)
Grants and conditional public contributions received	169,571,724	157,486,247
Grants recognised	(172,850,032)	(159,134,087)
Changes in working capital:		
Inventories	1,124,105	(1,310,319)
Receivables from exchange transactions	(42,960,052)	(46,181,274)
Other receivables from non-exchange transactions	(92,650,138)	(92,890,662)
Prepayments	15,001	307,393
Construction contracts and receivables	(1,638,517)	(784,618)
Payables from exchange transactions	32,117,076	35,677,331
VAT	6,916,611	(999,012)
Consumer deposits	355,079	1,063,277
	49,250,704	77,740,137

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Notes to the Annual Financial Statements

	2023	2022
44. Financial instruments disclosure		
Categories of financial instruments		
2023		
Financial assets		
	At amortised cost	Total
Long-term investments and receivables		
Fixed deposits	2,929,238	2,929,238
Sundry deposits	6,800	6,800
Construction contracts and receivables	6,706,886	6,706,886
Receivables from exchange transactions		
Service debtors	54,374,270	54,374,270
Housing debtors	1,262,271	1,262,271
Other debtors	2,698,385	2,698,385
Receivables from non-exchange transactions		
Availability fees	2,711,014	2,711,014
Cash and cash equivalents	20,357,727	20,357,727
	91,046,591	91,046,591
Financial liabilities		
	At amortised cost	Total
Other financial liabilities		
Annuity loans	367,000,610	367,000,610
Trade and other payables from exchange transactions (Excl payments received in advance)	184,751,362	184,751,362
Consumer deposits	14,927,636	14,927,636
Finance lease obligations	893,435	893,435
	567,573,043	567,573,043
2022 - Restated		
Financial assets		
	At amortised cost	Total
Long-term investments and receivables		
Fixed deposits	2,742,283	2,742,283
Sundry deposits	6,800	6,800
Construction contracts and receivables	5,068,369	5,068,369
Receivables from exchange transactions		
Service debtors	55,421,817	55,421,817
Housing debtors	1,083,661	1,083,661
Other debtors	1,169,645	1,169,645
Receivables from non- exchange transactions		
Availability fees	2,428,512	2,428,512
Cash and cash equivalents	40,524,393	40,524,393
	108,445,480	108,445,480



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	2023	2022
Financial instruments disclosure (continued)		
Financial liabilities		
	At amortised cost	Total
Other financial liabilities		
Annuity loans	339,096,271	339,096,271
Trade and other payables from exchange transactions (Excl payments received in advance)	156,394,779	156,394,779
Consumer deposits	14,572,557	14,572,557
Finance lease obligations	4,011,136	4,011,136
	514,074,743	514,074,743
45. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	61,350,382	57,126,393
• Other assets	-	6,233,883
	61,350,382	63,360,276
This expenditure will be financed from:		
External loans	7,172,824	33,658,011
Government grants	52,251,136	29,056,090
Own resources	1,926,422	646,175
	61,350,382	63,360,276
The commitments are disclosed VAT exclusive.		
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	1,019,193	280,753
- in second to fifth year inclusive	4,845,585	1,294,109
- later than five years	16,514,400	11,801,129
	22,379,178	13,375,991

The comparative figures are restated. Refer to note 48 for more details.

This lease income was determined from contracts that have a specific conditional contractual income. The leases are in respect of land and buildings being leased for periods ranging until 2088.

The municipality does not engage in any sub-lease arrangements. The municipality did not receive any contingent rent during the year.

Knysna Municipality

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Notes to the Annual Financial Statements

	2023	2022
46. Contingencies		
Contingent liabilities		
The municipality is currently engaged in litigation which could result in damages / costs being awarded against Council if claimants are successful in their actions. The following are the estimates:		
Claims against council		
PL Bruwer vs The RAF and KM (Case no. 72310/2012) . The municipality is the second respondent in a claim for personal injury due to a road accident.	1,000,000	1,000,000
Thabo Pitsi Mabula vs KM and 1 other (Case no. 21933/16). This is a High Court litigious matter. Plaintiff appointed an attorney of record.	-	20,500,000
The state / Edwin Errol Claasen and Knysna municipality	10,000,000	
Elphash Trading Enterprise CC v Knysna Municipality and others (Case No.: 785/23)	750,000	-
Granville R Bond o.b.o Jineil Jaffa	8,260,000	8,260,000
Garth Bock vs KM - Alleged breach of contract in respect of the upgrading of the ablution facilities at the Hornlee Sportsgrounds (Damages claim)	204,095	204,095
Thabo Pitsi Mabula vs KM and 1 other (Case no. 21937/16). This is a High Court litigious matter . Status: Plaintiff has withdrawn the proceedings against defendants and tendered costs on a party to party scale.		21,400,000
MEC v Knysna Municipality & Others – Case NO: 4441/23DA v Speaker of Knysna Municipality & Others Case NO: 4247/23	1,500,000	-
LOPES & ANOTHER v MAYOR OF THE KNYSNA LOCAL MUNICIPALITY & OTHERS – CASE 17727/2022 & 19228/2022	611,065	-
DALE MEAKER V KNYSNA MUNICIPALITY	3,120,000	3,120,000
Accountability group // Knysna Municipality and others	1,000,000	800,000
MEC // Knysna Municipality and others	8,000,000	8,000,000
William Clayton // Knysna Municipality	100,000	100,000
DENRON PLANT (PTY) LTD & 2 OTHERS // KNYSNA MUNICIPALITY & 2 OTHERS (CASE NO: 1363/2021)	-	1,620,193
Thabo Pitsi Mabula vs KM and two others (LC Case no. 955/2015). This is a labour court matter against the KM.	1,000,000	1,000,000
Rotter vs KM - The plaintiff instituted action against KM for damages together with interest and costs resultant from injuries suffered after a manhole cover collapsed.	-	525,000
MG Parkin and Twenty Others vs Knysna Local Municipality. Action proceedings in the Western Cape High Court, case no 5855/20. Damages claims by Twenty Plaintiffs arising from the fire that allegedly started at Elandskraal on 7 June 2017.	18,231,184	18,231,184
Velile Waxa // Independent Electoral Commission and others.	100,000	100,000
Svuyile Mastoba//South African Local Government Bargaining Council and Knysna Municipality; Case No: PR99/21	-	150,000
Eskom Holding Soc Limited // Knysna Municipality	-	100,000
KM vs Erf 426 Boggomsbaai CC REF ES1179 Outstanding rates and taxes	133,980	133,980
KM vs Erf 426 Boggomsbaai CC REF ES1396	-	88,980
KM vs Marina REF: ES1645 Outstanding rates and taxes	-	60,000
KM vs CF & LM Guthrie Outstanding rates and taxes	-	60,000
Yulin Davids v Knysna Municipality C&C ref: 10285081/A Costa/ L Menachemi	560,000	-
Angelique Loureen Borchers and Harry Borchers v Knysna Municipality	800,000	-
000Claim against municipal Insurance		
KM vs Myles Betrand Dent (Case no: 0001224/18)	26,821	26,821
KM vs Birgit Christine Lutzen - (There is a possibility that the Municipality will be reimbursed partially or wholly for the litigation they face.)	4,800,000	4,800,000
	60,197,145	90,280,253



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46. Contingencies (continued)

The separation of funding and implementation responsibilities often results in unfunded mandates being imposed on municipalities. The municipality is not assigned a Library function, and is also not acting formally in terms of an SLA as agent of the province, but it is also expected to contribute financially to provision of library services. The Municipality is therefore unclear on the VAT treatment on all contributions received, till such time that clarity is obtained it will be disclosed as a contingent liability. The amount is currently undeterminable as no government gazette have been issued on the VAT treatment of the allocation.

Contingent assets

It has been unanimously resolved at the council meeting dated 6 August 2020 that the Acting Municipal Manager be instructed to address correspondence to the Garden Route District Municipality to request the transfer of the following properties to the Knysna Municipality estimated to the value of R 64 080 000.

1. Portions 1, 2 & 3 of the Farm Walker's point (Erf 228 Buffalo bay) (R20 200 000)
2. Erf 2790, Knysna (R2 900 0000)
3. Erf 20,21,22 Belvidere (R460 000 ; R460 000; R460 000)
4. Portion 22 of the farm Westford (R600 000)
5. Portion 0,1 and 2 of the farm 185 George; (R39 000 000)

The contingent assets, as disclosed in Note 46 of the Annual Financial Statements as at 30 June 2021, are continuously assessed by management.

In consideration of the reasons provided hereunder, Knysna Municipality is firmly of the opinion that there is more than a 50% probability of success in the disputed properties being transferred to Knysna Municipality. Based on the legal opinions considered by the Knysna Municipality which were provided by senior counsel to the Garden Route District Municipality and the Knysna Municipality respectively. Based on the user principle, Knysna Municipality manages several of the properties for which income is derived, and therefore provides an economic benefit to the Knysna Municipality. Based on the fact that the Garden Route District Municipality has not raised any objection in an attempt to prevent Knysna Municipality from utilising any of the disputed properties.

On 04 September 2020 a formal notification was provided to the Municipal Manager of the Garden Route District Municipality with regards to the dispute of the abovementioned properties.

The notification was made on the basis that the parties have attempted to negotiate a resolution of the dispute and have not been successful in achieving settlement and have complied with the provisions of the Intergovernmental Relations Framework Act 13 of 2005, in that the parties have conducted various negotiations on the above commencing on or during 20 June 2012, with the last proposed engagement of 15 July 2021 being postponed.

Various unsuccessful consultations and correspondence between the Knysna Municipality and the Garden Route District Municipality has resulted in an intergovernmental dispute being raised, to which the MEC for Local Government was approached to appoint an arbitrator to resolve the contingent asset dispute.

All of the above has been confirmed by council at a council meeting held on the 29th of July 2021.

On 2 February 2023, discussions were held between the Knysna Municipality and the Garden Route District Municipality but the parties could not reach consensus.

The Knysna Municipality on 31 May 2023 unanimously resolved that the Intergovernmental Dispute process be allowed to continue, that the process be concluded within 6 months, that monthly progress reports be submitted to the Finance and Governance Committee and that the committee be involved in the process.

A formal request was submitted to the MEC's office on 10 July 2023, asking for a facilitator to be appointed to help resolve the dispute between Knysna Municipality and Garden Route District Municipality.

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47. Related parties

Relationships	
Councillors	Refer to the General information
Municipal Manager	Refer to the General information
Members of key management	Director Community Services Director Corporate Services Director Financial Services Director Planning and Development Director Technical Services Members of SCM who can influence awards

Related party transactions

Year ended 30 June 2023

	Rates levied	Service charges levied	Other charges levied	Outstanding balance at year end
Councillors	114,807	281,481	4,004	15,158
Municipal Manager and Section 56 Personnel	93,039	191,688	156,146	3,480
	207,846	473,169	160,150	18,638

Year ended 30 June 2022

	Rates levied	Service charges levied	Other charges levied	Outstanding balance at year end
Councillors	179,339	440,523	14,453	74,154
Municipal Manager and Section 56 Personnel	73,834	169,249	219,980	82,833
	253,173	609,772	234,433	156,987

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. All transactions are at arm's length.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 11 to the Annual Financial Statements.

Compensation of councillors and key management personnel

The compensation of key management personnel and councillors are set out in note 31 and 32 respectively.

Other Supply Chain Transactions

The following purchases were made during the year where Councillors or Staff have an interest:

Councillor/Staff member	Relationship	Entity	2023	2022
Ms. N Mlisana (Procurement Clerk)	Brother	Mtimkulu: S	60,000	13,200
Ms. C Bezuidenhout (Chief Clerk: Procurement)	Husband	W Bezuidenhout t/a Bezuidenhout Funerals	12,400	44,100
Ms. E Damane (Small plant operator)	Spouse	E4D Construction (Pty) Ltd	1,458,193	302,790
Mrs R Parry (Manager-Water Sewer)	Spouse	CX Storage (Pty) Ltd	228,500	205,800
Mr Tsengwa (Deputy Executive Mayor)	Brother	Tsengwa TW T/A Tsengwa Civil	-	489,080
			1,759,093	1,054,970

Knysna Municipality

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	2023	2022
48. Prior period adjustments		
STATEMENT OF FINANCIAL POSITION		
	2022	2022
	previously	restated
	reported	of errors
		restated
Assets		
Current Assets		
Inventories	13,817,541	-
Receivables from exchange transactions	57,625,123	-
Construction contracts and receivables	5,068,369	-
Receivables from non-exchange transactions	78,048,338	(2,315,925)
VAT receivable	27,378,766	(99,130)
Prepayments	729,381	(230,388)
Cash and cash equivalents	40,524,393	-
	223,191,911	(2,645,443)
		220,546,468
Non-current Assets		
Property, plant and equipment	1,413,747,556	(705,752)
Investment property	68,759,647	105,000
Intangible assets	80,434	-
Heritage assets	17,435,046	-
Long term investments and receivables	2,744,697	-
Operating lease asset	2,458,021	250,462
	1,505,225,401	(350,290)
		1,504,875,111
Total Assets	1,728,417,312	(2,995,733)
		1,725,421,579
Liabilities		
Current Liabilities		
Long-term liabilities	48,330,255	-
Finance lease obligation	3,117,701	-
Payables from exchange transactions	174,115,472	-
Consumer deposits	14,572,557	-
Employee benefit obligation	37,432,943	(1,711,540)
Provisions	907,340	-
Unspent grants and receipts	6,533,336	-
	285,009,604	(1,711,540)
		283,298,064
Non-Current Liabilities		
Long-term liabilities	290,766,016	-
Finance lease obligation	893,435	-
Employee benefit obligation	112,241,534	-
Provisions	17,123,560	-
	421,024,545	-
		421,024,545
Total Liabilities	706,034,149	(1,711,540)
		704,322,609
Total Net Assets	1,022,383,163	(1,284,193)
		1,021,098,970
Net Assets		
Accumulated surplus	1,022,383,163	(1,284,193)
		1,021,098,970



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Knysna Municipality

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48. Prior period adjustments (continued) STATEMENT OF FINANCIAL PERFORMANCE

	2022 previously reported	Reclassifi- cations	Adjustments of errors	2022 restated
Revenue from exchange transactions	466,230,755	21,384,241	(77,284)	487,537,712
Service charges	427,960,997	-	-	427,960,997
Rental of facilities and equipment	4,798,581	-	31,831	4,830,412
Interest received - outstanding debtors	14,008,624	-	-	14,008,624
Interest received - external investments	1,982,445	-	-	1,982,445
Agency services	3,997,065	-	-	3,997,065
Licences and permits	1,465,770	-	-	1,465,770
Third party payments (Insurance claims)	676,645	-	(190,419)	486,226
Construction revenue	-	21,384,241	-	21,384,241
Operational revenue	5,018,234	-	-	5,018,234
Sales of goods and rendering of services	5,751,946	-	-	5,751,946
Gains on disposal of assets	570,448	-	81,304	651,752
Revenue from non-exchange transactions	501,853,306	(21,384,241)	182,940	480,652,005
Property rates	248,029,861	-	(868,910)	247,160,951
Construction revenue	21,384,241	(21,384,241)	-	-
Fines, penalties and forfeits	101,829,519	-	1,051,850	102,881,369
Availability fees	11,490,214	-	-	11,490,214
Transfers and Subsidies - Operational	119,119,471	-	-	119,119,471
	968,084,061	-	105,656	968,189,717
Expenditure				
Employee related cost	284,143,555	-	-	284,143,555
Remuneration of councillors	9,401,496	-	-	9,401,496
Depreciation and amortisation	49,118,859	-	197,330	49,316,189
Impairment of assets	7,300,827	-	79,330	7,380,157
Debt impairment	146,709,486	-	993,841	147,703,327
Finance cost	27,206,204	-	-	27,206,204
Lease rental on operating lease	12,785,219	-	-	12,785,219
Bulk purchases	240,866,328	-	-	240,866,328
Contracted services	156,428,745	-	324,092	156,752,837
Transfers and subsidies	1,938,532	-	-	1,938,532
Operational costs	43,471,640	-	-	43,471,640
Inventory consumed	46,566,211	-	-	46,566,211
	1,025,937,102	-	1,594,593	1,027,531,695
Transfer and subsidies - capital grants	40,014,618	-	-	40,014,618
Contributions recognised - donated assets	223,126	-	-	223,126
Surplus / (Deficit) for the year	(17,615,297)	-	(1,488,937)	(19,104,234)

CASH FLOW STATEMENT

	2022 previously reported	Reclassifi- cations	Adjustments of errors	2022 restated
Net cash from operating activities	78,064,233	-	(324,095)	77,740,138
Net cash from investing activities	(131,080,089)	-	324,095	(130,755,994)
Net cash from financing activities	51,209,888	-	-	51,209,888
Total cash movement for the year	(1,805,968)	-	-	(1,805,968)
Cash and cash equivalents at the beginning of the year	42,330,361	-	-	42,330,361
	40,524,393	-	-	40,524,393

Construction revenue was reclassified to revenue from exchange transactions per the ASB guide on housing



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48. Prior period adjustments (continued)

48.1 Corrections to Property, plant and equipment

The following retrospective restatements were made to Property, plant and equipment:

- Operating expenditure incorrectly recognised as capital expenditure in the prior years amounting to R339 424.
- Depreciation incorrectly not recognised on completed projects
- Impairment of asset where the project was cancelled in prior year

48.2 Corrections to Receivables from non - exchange transactions

The following retrospective restatements were made to Receivables from non- exchange transactions:

- Revenue adjustments accounted for in the incorrect period
- Recognition of fines not recorded in the prior year
- Fines incorrectly not recognised in prior years.

48.3 Correction to payables from exchange transactions

The following retrospective restatements were made to payables from exchange transactions

- Bonus provision incorrectly recognised in the prior years

48.4. Correction to Investment propertie

The following retrospective restatements were made to Investment properties

- Reversal of impairment of disposed investment property not recognised

48.5. Correction to Operating lease asset

- Straight-lining of certain lease contract previously not accounted for.

The effect of these prior period error corrections per line item are as follows:

Investment Property

Balance previously reported	68,759,647
Reversal of impairment of disposed investment property not recognise	105,000
Restated balance as at 30 June 2022	68,864,647

Property, plant and equipment

Balance previously reported	1,413,747,556
Operating expenditure incorrectly recognised as capital expenditure in the prior years	(324,092)
Impairment of asset where the project was cancelled in prior year	(184,330)
Depreciation incorrectly not recognised on completed projects	(197,330)
Restated balance as at 30 June 2022	1,413,041,804

Impairment of assets

Balance previously reported	7,300,827
Reversal of impairment of disposed investment property not recognise	(105,000)
Derecognition of asset where the project was cancelled	184,330

Restated balance as at 30 June 2022

7,380,157

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	2023	2022
48. Prior period adjustments (continued)		
Operating lease asset		
Balance previously reported		2,458,021
Straight-lining of certain lease contract previously not accounted for.		250,462
Restated balance as at 30 June 2022		2,708,483
Contracted Services		
Balance previously reported		156,428,745
Operating expenditure incorrectly recognised as capital expenditure in the prior years		324,092
Restated balance as at 30 June 2022		156,752,837
Rental of facilities and equipment		
Balance previously reported		4,798,581
Straight-lining of certain lease contract previously not accounted for.		31,831
Restated balance as at 30 June 2022		4,830,412
Accumulated surplus / (Deficit) opening balance		
Balance previously reported 1 July 2021		1,039,998,460
Fines incorrectly not recognised in prior years		87,515
Provision for Bonusses incorrectly recognised		1,711,540
Straight-lining of certain lease contract previously not accounted for.		218,632
Debtors on sale of assets incorrectly accounted for		(130,435)
Prepayments incorrectly recognised		(39,969)
Revenue adjustments accounted for in the incorrect period		(1,592,540)
Restated balance as at 1 July 2021		1,040,253,203
Receivables from exchange transactions		57,625,123
Debtors on sale of assets incorrectly accounted for		50,000
Restated balance as at 30 June 2021		57,675,123
Employee benefit obligation - Current portion		
Balance previously reported		37,432,943
Provision for Bonusses incorrectly recognised		(1,711,540)
Restated balance as at 30 June 2022		35,721,403
Debt impairment		
Balance previously reported		146,709,486

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	2023	2022
48. Prior period adjustments (continued)		
Fines incorrectly not recognised in prior years		405,434
Recognition of fines not recorded in the prior year		588,407
Restated balance as at 30 June 2022		147,703,327
Depreciation and amortisation		
Balance previously reported		49,118,859
Depreciation incorrectly not recognised on completed projects		197,330
Restated balance as at 30 June 2022		49,316,189
Property rates		
Balance previously reported		248,029,861
Revenue adjustments accounted for in the incorrect period		(868,910)
Restated balance as at 30 June 2022		247,160,951
Receivables from non-exchange transactions		
Balance previously reported		78,048,338
Revenue adjustments accounted for in the incorrect period		(2,461,450)
Recognition of fines not recorded in the prior year		35,043
Fines incorrectly not recognised in prior years		110,482
Restated balance as at 30 June 2022		75,732,413
Fines, penalties and forfeits		
Balance previously reported		101,829,519
Recognition of fines not recorded in the prior year		623,450
Fines incorrectly not recognised in prior years		428,400
Restated balance as at 30 June 2022		102,881,369
VAT receivable		
Balance previously reported		27,378,766
Debtors on sale of assets incorrectly accounted for		(99,130)
Restated balance as at 30 June 2021		27,279,636
Gain on disposal of assets		
Balance previously reported		570,448
Debtors on sale of assets incorrectly accounted for		81,304
Incorrect classification of rejected payment to employee		-
Restated balance as at 30 June 2022		651,752

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49. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and ensures that borrowing facilities are available to meet its cash requirements.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances only due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities:				
Annuity loans and local registered stock	69,132,799	90,164,455	202,718,582	150,463,097
Consumer Deposits	14,927,636	-	-	-
Trade and other payables	184,751,362	-	-	-
Finance lease obligation	938,016	-	-	-
At 30 June 2022				
Long term liabilities:				
Annuity loans and local registered stock	59,759,798	50,018,094	160,938,896	142,542,915
Consumer Deposits	14,572,557	-	-	-
Trade and other payables	156,394,779	-	-	-
Finance lease obligation	3,304,890	938,016	-	-

Credit risk

Credit risk is the risk that a counter party to a financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only reputable independently rated parties are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.



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49. Risk management (continued)

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to notes 6 and 5 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Refer to note 17 for details of securities pledged to the DBSA. No restrictions were placed on the use of the remaining portion of the cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure is disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

Other Financial Assets 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.

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

Financial instrument	2023	2022 - Restated
Receivables from exchange transactions	58,334,926	57,675,123
Receivables from non-exchange transactions (Availability fees)	2,711,014	2,428,512
Cash and cash equivalents	20,357,727	40,524,393
Long term investments and receivables	2,931,652	2,744,697
Construction contracts and receivables	6,706,886	5,068,369
	<u>91,042,205</u>	<u>108,441,094</u>

Market risk

Interest rate risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis by comparison between current market related rates and historical rates and adjustments made where considered necessary.

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus for the year due to changes in interest rates are as follows:

1% (2022: 1%) Increase in interest rates	(3,446,071)	(2,998,407)
1% (2022: 1%) Decrease in interest rates	3,446,071	2,998,407

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	2023	2022
50. Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	50,937,322	28,595,977
Unauthorised expenditure current year	54,100,349	22,341,345
Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose	4,812,500	-
Unauthorised expenditure awaiting authorisation	109,850,171	50,937,322

The unauthorised expenditure relates to over expenditure of approved budgets per vote in total.

Budget Comparison by Municipal Vote in total	2023 (Actual)	2023 (Budget)	2023 (Variance)	2023 (Unauthorised)
Community services	288,586,659	277,904,696	10,681,963	10,681,963
Corporate services	64,269,433	66,365,417	(2,095,984)	-
Electrical services	338,138,326	364,861,240	(26,722,914)	-
Executive and Council	26,759,935	24,966,516	1,793,419	1,793,419
Financial services	64,196,244	80,592,004	(16,395,760)	-
Planning and development	27,651,788	29,831,749	(2,179,961)	-
Technical services	309,033,895	276,157,508	32,876,387	32,876,387
Housing services	52,054,023	72,314,317	(20,260,294)	-
	1,170,690,303	1,192,993,447	(22,303,144)	45,351,769

Budget Comparison by Municipal Vote - Operating Expenditure	2023 (Actual)	2023 (Budget)	2023 (Variance)	2023 (Unauthorised)
Community services	279,571,151	266,937,162	12,633,989	12,633,989
Corporate services	62,791,847	63,365,715	(573,868)	-
Electrical services	316,858,492	341,572,019	(24,713,527)	-
Executive and Council	26,747,980	24,954,561	1,793,419	1,793,419
Financial services	63,814,183	80,209,942	(16,395,759)	-
Planning and development	27,454,579	29,615,118	(2,160,539)	-
Technical services	247,545,773	207,872,832	39,672,941	39,672,941
Housing services	49,113,157	65,308,872	(16,195,715)	-
	1,073,897,162	1,079,836,221	(5,939,059)	54,100,349

Knysna Municipality

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Notes to the Annual Financial Statements

	2023	2022
50. Unauthorised expenditure (continued)		
Budget Comparison by Municipal Vote - Capital Expenditure	2023 (Actual)	2023 (Budget)
Community services	9,015,508	10,967,534
Corporate services	1,477,586	2,999,702
Electrical services	21,279,834	23,289,221
Executive and Council	11,955	11,955
Financial services	382,061	382,062
Planning and development	197,209	216,631
Technical services	61,488,122	68,284,676
Housing Services	2,940,866	7,005,445
	96,793,141	113,157,226
		(16,364,085)
		-

The difference between the actual operating expenses above and the total expenses per the Statement of Financial Performance is that gains and losses are split between Revenue and Expenses for budget purposes and are aggregated in the Statement of Financial Position for comparable purposes.

The above unauthorised expenditure relating operating expenditure mainly relates to the increase of debt impairment as a result in the increase of receivables.

Community services mainly relates to the increase of debt impairment as a result in the increase of receivables in Solid Waste.

Executive and Council is mainly due to the underprovision of the long service awards.

Technical services mainly as a result of the depreciation due to the useful live of the assets.

51. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	115,521	119,231
Fruitless and wasteful expenditure - current year	2,889,680	-
Amount recovered - long service awards	-	(3,710)
Fruitless and wasteful expenditure awaiting investigation	3,005,201	115,521

A full investigation was conducted by MPAC. After having considered the report on the investigation, MPAC resolved and made recommendation to council. Council resolved on the matters of fruitless and wasteful expenditure. The accounting officer was instructed to ensure consequence management.

Details of current year fruitless and wasteful expenditure

	2023	2022
Late Payment of SARS PAYE due to technical challenges	2,329	-
Penalties - Late Motor vehicle Licence payment	2,135	-
Penalty - Late submission of COIDA expense.	125,939	-
MMC Training	281,750	-
Legal fees	2,477,527	-
	2,889,680	-

52. Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	124,483,729	60,678,087
Irregular expenditure written off by council	-	-
Add: Irregular Expenditure - current year	71,659,020	63,805,642
	196,142,749	124,483,729

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	2023	2022
52. Irregular expenditure (continued)		
Details of irregular expenditure		
PPPFA Tenders- Evaluations of bids not conducted in line with PPPFA	296,530	-
Incorrect service provider Used	23,456	-
T4/2019/2020 - Top Structures Xolweni. Tender over expenditure not approved by Council as per SCM Policy	-	1,600,768
Irregular Appointment of Director Community Services, the appointment was contrary to legislative requirements	1,222,822	1,072,532
T18/2021/2022 - Jobbing tender: Electrical department - Local content items purchased without being advertised for local content.	-	905,407
Preference points system for evaluation of loan finance not included in tender documents	5,307,974	6,335,851
Non-compliance with SCM Regulation 32 - "Piggy-back" contracts	362,363	8,040,873
Non-compliance with SCM regulation 29(2) - BAC composition	13,596,246	15,885,466
Quotes - Incorrect bidding process	-	1,739,783
CIDB Act non-compliance	-	5,744,576
Deviation non-compliance	-	6,095,345
Invalid evidence accepted in support of bid	413,005	8,429,160
Local content PPR Non-compliance	1,286,473	248,734
PPPFA Tenders - Evaluations of bids not conducted in line with PPFA	-	-
Quotes - Deviations	7,079,856	7,025,118
Quotes - Municipal services account	-	67,800
Quotes - Payments not aligned with the awards	-	118,217
Prohibited in service of the state	-	58,926
Specifications drafted in a restricted manner and 2CIDB Act non-compliance	1,843,725	437,086
Preference point scoring not used to evaluate quotes advertised on/after 16.01.2023	1,295,479	-
Non - compliance during deviation process - bids	1,814,950	-
Non compliance during the deviation process	604,844	-
Evaluation criteria not correctly applied	6,376,080	-
Non - compliance with local content	858,487	-
Employee did not meet the minimum competency requirement	1,160,739	-
Performance bonus of Director Infrastructure Service	90,677	-
Contract extensions for invalid reasons	10,971,963	-
Contracts awarded after validity period expired	4,139,354	-
Expenditure incurred after validity period expired	10,525,281	-
Over expenditure of staff related cost	116,793	-
Remuneration of the Acting Director Financial Services nr. 1	2,634	-
Remuneration of the Acting Director Financial Services nr. 2	2,898	-
Remuneration of Director Financial Services	31,977	-
Remuneration of the Acting Director Financial Services	927,614	-
Remuneration of the Acting Director Planning and Development	9,811	-
Remuneration of the Acting Director Corporate Services	818,708	-
Remuneration paid to the political office bearers' administrative staff	236,785	-
Employee related costs: Secondments	241,496	-
	71,659,020	63,805,642

Details of additional irregular expenditure as a result of AGSA interpretation

Contracts used from other organs of state in terms of SCM Regulation 32 was classified as irregular expenditure during the audit process by AGSA. In MFMA Circular 96 dated 24 July 2019 the National Treasury made the ruling that a municipality may only piggy-back on the unused portion of the contract awarded by the organs of state. Therefore, actual expenditure incurred by the municipality based on the piggy-back awards will continue to be recognised as irregular expenditure until the contract/s period/s have expired.

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52. Irregular expenditure (continued)

SCM Regulation 29(2) requires that a Bid Adjudication Committee (BAC) must consist of at least four senior managers which must include a senior supply chain management practitioner. However, the Auditor-General's interpretation of Regulation 29(2) is that a BAC must consist of four senior managers (directors) plus a senior supply chain management practitioner. Therefore, all awards made by the BAC with four senior managers that included the senior supply chain management practitioner, was deemed to be irregular expenditure.

53. Material losses

Electricity distribution losses

Units purchased (Mwh)	154,794	169,981
Units Sold (Mwh)	135,988	154,691
Units lost during distribution (Mwh)	18,806	15,290
Percentage lost during distribution	12.15 %	9.00 %

Water distribution losses

Mega litres purified	3,715	4,624
Mega litres lost during distribution	510	1,257
	13.73 %	27.18 %

There is no possibility of recovering any of the material losses.

Houses were sold in prior years at lower than the amounts approved by Council as reserves prices.	775,000	-
Fines not issued before the lapsing of the validity period resulted in lost revenue	6,990,650	6,492,300
Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose	4,812,500	-
Refuse revenue not billed	4,871,529	-
	17,449,679	6,492,300

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government MFMA 125 (1) - SALGA contributions

Opening balance	273,627	273,627
Current year subscription / fee	3,209,280	2,986,468
Amount paid - current year	(3,209,280)	(2,986,468)
	273,627	273,627

Audit fees - MFMA 125 (1)

Current year subscription / fee	6,154,587	6,026,356
Amount paid - current year	(6,154,587)	(6,026,356)
	-	-



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	2023	2022
54. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF - MFMA 125 (1)		
Opening balance	3,228,008	3,094,990
Current year subscription / fee	43,951,708	41,571,890
Amount paid - current year	(43,467,972)	(41,438,872)
	3,711,744	3,228,008
SDL – MFMA 125(1)		
Opening balance	197,455	187,723
Current year subscription / fee	2,523,958	2,409,155
Amount paid - current year	(2,507,880)	(2,399,423)
	213,533	197,455
Pension and Medical Aid Deductions - MFMA 125 (1)		
Current year subscription / fee	71,997,294	68,693,350
Amount paid - current year	(71,997,294)	(68,693,350)
	-	-
VAT - MFMA 125 (1)		
Opening balance	6,872,035	6,793,720
Amount received - prior year	(7,356,888)	(5,177,629)
Amount received - current year	(81,936,832)	(85,962,157)
Amount claimed - current year	81,340,031	91,214,612
Amount not yet claimed - current year	-	3,489
	(1,081,654)	6,872,035

VAT output payables and VAT input receivables are shown in note 8.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts - MFMA 124 (1)

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

30 June 2023	Outstanding more than 90 days	Total
Tswenga N	845	845
Maxim E	7,103	7,103
Arendse R	538	538
Cambell S	18,366	18,366
	26,852	26,852

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	2023	2022
54. Additional disclosure in terms of Municipal Finance Management Act (continued)		
30 June 2022	Outstanding more than 90 days	Total
Tswenga N	806	806
Opperman L (Term ended 4 November 2021)	10,917	10,917
Ngqezu S (Term ended 4 November 2021)	3,521	3,521
Arendse R	4,090	4,090
Van Aswegen E (Term ended 4 November 2021)	6,416	6,416
Maxim E	34,065	34,065
	59,815	59,815

During the year the following Councillors' had arrear accounts outstanding for more than 90 days:

30 June 2023	Highest outstanding amount	Aging (in days)
Tswenga N	831	>150 days
Maxim E	6,978	>150 days
S Cambell	13,629	>150 days
	21,438	
30 June 2022	Highest outstanding amount	Aging (in days)
Tswenga N	795	>150 days
Opperman L (Term ended 4 November 2021)	10,760	>150 days
Ngqezu S (Term ended 4 November 2021)	2,477	>150 days
Arendse R	3,879	>150 days
Van Aswegen E (Term ended 4 November 2021)	4,247	>150 days
Maxim E	32,726	>150 days
	54,884	

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. Deviations from the Supply Chain Management processes were identified for the following categories and have been approved by the Accounting Officer and reported to Council.

Emergency - par 36 (1)(a) i	1,461,498	1,668,005
Single source or sole provider - par 36 (1)(a) ii	244,932	8,236,294
Impractical / impossible (exceptional cases) - par 36 (1)(a) v	10,336,097	9,255,157
	12,042,527	19,159,456

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2023 2022

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Awards to close family members of persons in service of the state - SCM Regulation 45

The following awards were made during the year to suppliers who have close family members in service of the state:

Company name	Relationship	Entity	Awarded amount 2023	Awarded amount 2022
Ikapa Reticulation and Flow cc (Rates tender)	Spouse	Department of Education	5,188,156	6,620,120
Development Bank of South Africa		Development Bank of South Africa	23,542,948	23,576,287
Emakozeni Trading Enterprise (as and when required)	Spouse	DTI	494,294	112,179
Eden Events (Rates tender)	Spouse	Department of Health	-	135,000
Loerie Empowerment	Spouse	Department of Health	-	-
National Sea Rescue Institute	Spouse	Western Cape Department of Emergency services	1,179,572	1,034,402
AH Enterprise (Rates Tender)	Father	Department of Health	194,971	97,830
Piston Power Chemicals (Rates Tender)	Spouse	Department of Education	597,598	483,960
Amandla GCF Construction	Brother in Law	National Government Employment & Labour	108,368	-
Amandla GCF Construction	Sister	National Government Deeds Office	-	-
Amandla GCF Construction	Brother	Department of Education Western Cape	-	-
Amandla GCF Construction	Sister	Department of Education Western Cape	-	-
Amandla GCF Construction	Brother	City of Cape Town Traffic Department	-	-
JP Smit	Employee	Department of Police	68,052	63,600
Mariswe (Pty) Ltd (Rates tender)	Spouse	Development Bank of Southern Africa	-	-
Mariswe (Pty) Ltd (Rates tender)	Spouse	Department of Education Western Cape	-	-
Mariswe (Pty) Ltd (Rates tender)	Sister	Western Cape Gov Provincial Treasury	-	-
Mariswe (Pty) Ltd (Rates tender)	Spouse	Department of Health	-	-
Mariswe (Pty) Ltd (Rates tender)	Spouse	Department of Rural Development	-	-

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			2023	2022
54. Additional disclosure in terms of Municipal Finance Management Act (continued)				
GIBB (Pty) Ltd	Brother	Department of Rural Development and Land Reform	-	-
GIBB (Pty) Ltd	Sister	Eastern Cape Dept of Human Settlements	-	-
GIBB (Pty) Ltd	Spouse	Department of Transport and Public Works	-	-
GIBB (Pty) Ltd	Sister in law	City of Cape Town	-	-
GIBB (Pty) Ltd	Brother in law	City of Cape Town	-	-
GIBB (Pty) Ltd	Mother	Department of Education	-	-
GIBB (Pty) Ltd	Brother	Dept of Asset Management	-	-
GIBB (Pty) Ltd	Spouse	Eastern Cape Dept of Education	-	-
GIBB (Pty) Ltd	Spouse	City of Cape Town	-	-
GIBB (Pty) Ltd	Aunt	SAPS	-	-
GIBB (Pty) Ltd	Spouse	Ethekweni Municipality	-	-
GIBB (Pty) Ltd	Husband	SAPS	-	-
GIBB (Pty) Ltd	Spouse	Department of Education	-	-
GIBB (Pty) Ltd	Spouse	Eastern Cape Dept of Transport	-	-
GIBB (Pty) Ltd	Spouse	Ndlambe Municipality	-	-
GIBB (Pty) Ltd	Aunt	Ethekweni Municipality	-	-
GIBB (Pty) Ltd	Spouse	National Dept of Water Affairs and Forestry	-	-
GIBB (Pty) Ltd	Mother	Department of Education	-	-
GIBB (Pty) Ltd	Brother	Economic Development	-	-
GIBB (Pty) Ltd	Brother	Sports and Recreation	-	-
GIBB (Pty) Ltd	Sister	Eskom Rotek Industries	-	-
GIBB (Pty) Ltd	Brother in law	Department of Minerals Resources	-	-
GIBB (Pty) Ltd	Sister in law	Eskom Generation	-	-
GIBB (Pty) Ltd	Spouse	Department of Transport and Public Works	-	-



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			2023	2022
54. Additional disclosure in terms of Municipal Finance Management Act (continued)				
GIBB (Pty) Ltd	Spouse	Department of Higher Education and Training	-	-
GIBB (Pty) Ltd	Spouse	Department of National Treasury	-	-
GIBB (Pty) Ltd	Parent	Department of Water Affairs and Forestry	-	-
GIBB (Pty) Ltd	Spouse	ESKOM	-	-
GIBB (Pty) Ltd	Cousin	Ethekweni Municipality	-	-
GIBB (Pty) Ltd	Spouse	KwaDukuza Municipality	-	-
GIBB (Pty) Ltd	Spouse	Gauteng Dept of Education	-	-
GIBB (Pty) Ltd	Spouse	Western Cape Dept of Education	-	-
GIBB (Pty) Ltd	Brother	Department of Justice Gauteng	-	-
GIBB (Pty) Ltd	Sister	Dept of Higher Education and Training	-	-
GIBB (Pty) Ltd	Brother	City Engineers	-	-
Tusk Construction Support Services (Pty) Ltd		Steve Tshwete Local Municipality	-	-
Red Ant Security Relocation and Eviction Services	Spouse	Mogale City Local Municipality	284,096	2,172,498
Nkqubela Community Developers	Spouse	Eastern Cape Provincial Planning and Treasury	-	-
NCC Environmental Services (Pty) Ltd	Spouse	City of Cape Town	-	98,000
Africoast Consulting Engineers (as and when required)	Spouse	Department of Public Works	327,325	718,590
Resonance Institute of Learning (as and when required)	Father	Eastern Cape Department of Health	-	-
Resonance Institute of Learning (as and when required)Resonance Institute of Learning (as and when required)	Brother in law	Eastern Cape Department of Health	-	-
Resonance Institute of Learning (as and when required)	Sister in law	Department of transport	-	-
Resonance Institute of Learning (as and when required)Resonance Institute of Learning (as and when required)	Brother in law	South African Maritime Safety Authority	-	-
Resonance Institute of Learning (as and when required)	Sister	Msunduzi Municipality	-	-
Resonance Institute of Learning (as and when required)	Sister	Ethekweni Municipality	-	-
Resonance Institute of Learning (as and when required)	Brother in law	Transnet	-	-

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			2023	2022
54. Additional disclosure in terms of Municipal Finance Management Act (continued)				
Resonance Institute of Learning (as and when required)	Brother in law	SAPS	-	-
Resonance Institute of Learning (as and when required)	Father	Gauteng Dept of Education	-	-
Resonance Institute of Learning (as and when required)	Sister	PRASA Dept of Transport	-	-
Resonance Institute of Learning (as and when required)	Brother in law	South African Maritime Safety Authority	-	-
Resonance Institute of Learning (as and when required)	Sister in law	Msunduzi Municipality	-	-
Resonance Institute of Learning (as and when required)	Sister in law	Ethekweni Municipality	-	-
Resonance Institute of Learning (as and when required)	Brother in law	Transnet	-	-
Resonance Institute of Learning (as and when required)	Brother in law	SAPS	-	-
Resonance Institute of Learning (as and when required)	Brother	South African National Defence Force	-	-
Resonance Institute of Learning (as and when required)	Employee	University of Johannesburg	-	-
Zutari (Pty) Ltd (as and when required)	Spouse	Special Investigating Unit Parliament and President	1,661,927	2,046,703
Zutari (Pty) Ltd (as and when required)	Parent	City of Cape Town Transport Department	-	-
Zutari (Pty) Ltd (as and when required)	Parent	Oudtshoorn Municipality	-	-
Zutari (Pty) Ltd (as and when required)	Sibling	Western Cape Transport and Public Works	-	-
Zutari (Pty) Ltd (as and when required)	Father in law	Eskom	-	-
Zutari (Pty) Ltd (as and when required)	Spouse	Nelson Mandela Bay Metropolitan University	-	-
Zutari (Pty) Ltd (as and when required)	Spouse	Cape Nature	-	-
Zutari (Pty) Ltd (as and when required)	Parent	West Coast District Municipality Roads	-	-
Zutari (Pty) Ltd (as and when required)	Sibling	City of Cape Town	-	-
Zutari (Pty) Ltd (as and when required)	Child	Umgeni Water	-	-
Zutari (Pty) Ltd (as and when required)	Parent	Northern Cape Dept of Cooperative Governance	-	-
Zutari (Pty) Ltd (as and when required)	Parent	Stellenbosch Municipality	-	-
Zutari (Pty) Ltd (as and when required)	Spouse	SARS	-	-
Zutari (Pty) Ltd (as and when required)	Spouse	Departmental of Correctional Services	-	-



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			2023	2022
54. Additional disclosure in terms of Municipal Finance Management Act (continued)				
Zutari (Pty) Ltd (as and when required)	Spouse	Eastern Cape Department of Education	-	-
Zutari (Pty) Ltd (as and when required)	Parent	Cape Winelands District Municipality	-	-
Zutari (Pty) Ltd (as and when required)	Spouse	Development Bank of Southern Africa	-	-
Zutari (Pty) Ltd (as and when required)	Spouse	National Department of Public Works	-	-
Poongavanum General Cleaning Services cc	Child	Petro SA	129,591	1,320,482
Conlog (Pty) Ltd	Spouse	Department of Health	819,335	172,972
Bowie Lifts Elevators and Escalators	Spouse	Department of Education Infrastructure	-	1,700
MTO Forestry (Pty) Ltd	Director	SAFCOL	35,408	-
Imvu Construction Group	Spouse	Nolambe Municipality	1,366,950	-
Nedbank Business Banking - 8502	Spouse	National Department of Education	19,750,728	-
Nedbank - 11277	Director	ESKOM	-	-
Nedbank - 11278	Director	ESKOM	-	-
Nedbank - 11279	Director	ESKOM	1,564,692	-
Nedbank - 11280	Director	ESKOM	523,493	-
Nedbank - 11281	Director	ESKOM	5,689,753	-
Nedbank - 11282	Director	ESKOM	1,079,844	-
Muteo Consulting	Spouse	Tshwane University of Technology	-	-
George Commercial Tyre Service	Director	Department of Education	215,852	-
AST Africa Trading 89CC	Spouse	Department of Health	114,425	-
Huriqua (Pty) Ltd	Spouse	Western Cape Department of Agriculture	-	-
Lukhozi Consulting Engineers (PTY) LTD	Brother	Western Cape Government Sports and Recreation	-	-
Lukhozi Consulting Engineers (PTY) LTD	Sister	Gauteng Department of Education	-	-
Lukhozi Consulting Engineers (PTY) LTD	Niece	Glenvista High School	-	-
Lwethuma Investment (PTY) LTD		Department of Water and Sanitation	-	-
			64,937,378	38,654,323

55. Private Public Partnerships

Council has not entered into any private public partnerships during the financial year.

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Notes to the Annual Financial Statements

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56. Events after the reporting date

There are no other matter which is material to the financial affairs of the municipality that has occurred between the reporting date and the date of the approval of the financial statements.

57. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 986,009,470 and that the municipality's total assets exceed its total liabilities by R 986,009,470.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. In assessment whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic; management considered a wide range of factors including the current and expected performance of the Municipality, the likelihood of continued government funding and, if necessary, potential sources of replacement funding. Further to that the Municipality has put in place cost containment measures to curb unnecessary spending.

The Municipality has not defaulted on payment of creditors. The Municipality do have the ability to operate as a going concern and to continue rendering services to its community.

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58. Budget differences

Material differences between budget and actual amounts

Statement of Financial Performance:

58.1 - Depreciation & asset impairment

General increase in the Infrastructure asset base caused assets depreciation to increase

58.2 - Finance costs

Previous year straight line method was used, in the current financial period reducing capital balance was used.

58.3 - Other materials

Fuel increased significantly during the financial period due to high increase in fuel cost as well as consumption due to the utilisation of generators during load shedding, as well as increase in electrical inventory items

58.4 - Transfers recognised - capital

Underspending of capital grant is mainly due to housing: Vision 1393 as well as the UISP projects. No spending on the housing capital grants that was not anticipated.

Statement of Financial Position

58.5 - Cash

Variance is mainly as a result of the change from Nedbank to Standard bank account not anticipated

58.6 - Consumer debtors

Variance is due to the under collection of the electricity service charged

58.7 - Other debtors

Variances due to the VAT receivables and fines not anticipated

58.8 - Borrowing

Due to interest rate increases, the payments were more than the budget

58.9 - Trade and other payables

Large increase in other expenditure that was accrued at year end.

58.10 - Provisions

As a result of the employe benefit obligation actuarial gains not anticipated

Statement of Cash Flows

58.11 - Finance charges

Previous year straight line method was used, in the current financial period reducing capital balance was used.

58.12 - Proceeds on disposal of assets

The variance is mainly as a result of assets disposed that were not anticipated as well as the sale of a an investment property

58.13 - Capital assets

Underspending is mainly as a result of the Housing capital projects for servicing the housing sites as well as projects funded though borrowings

58.14 - Repayment of borrowing

Due to interest rate increases, the payments were more than the budget



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58. Budget differences (continued)

Differences between budget and actual amounts basis of preparation and presentation

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats.

The following items are affected by these classification differences:

Statement of Financial Position

Consumer debtors in budget statements consist of service charges (water, sewerage, electricity, refuse and housing rentals)

Other debtors in the budgeted statements consist of other debtors as disclosed in receivables from exchange transactions, receivables from non-exchange transactions, VAT receivable, prepayments and unpaid conditional grants.

The budget formats does not allow for various sundry debtor balances to be disclosed separately. For this reason, afore mentioned are all incorporated under other debtors.

Included in Trade and other payables per budget statement are Payables from Exchange Transactions, Unspent Conditional Government Grants and Receipts and VAT payable (if applicable).

Employee benefits and Provisions (current and non-current) are disclosed separately in the financial statements while these figures are aggregated in the budget statements as provisions.

Long term liabilities, Finance lease obligation and Operating lease liabilities are disclosed separately in the financial statements. The budget formats does not provide for Finance and Operating lease liabilities. Finance and Operating lease liabilities are disclosed as part of Borrowings in the budget statements.

Other non-current assets included the Heritage assets includes the Non-Current Operating Lease Asset. in the budget statement but is separately disclosed in the financial statements.

All other items are disclosed on a comparable basis.

Statement of Financial Performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other own revenue in the budget statement. Other own revenue per budget statement consist out of the following line items: Third Party Payments, Sale of goods and rendering of services, rental of facilities and equipment, Agency services, Licences and permits, Fines, penalties and forfeits, profit / loss on disposal of assets inventory adjustments (surplus), interest received - outstanding debtors, construction revenue and Operational revenue.

Depreciation and amortisation, Impairment losses and fair value adjustments on Investment property are disclosed separately in the financial statements while these figures are aggregated in the budget statements.

Debt impairment and bad debt written off are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Services charges and availability fees are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Inventory consumed and bulk purchases as separately disclosed in the statement of financial performance is presented as materials and bulk purchases in the budgeted statements.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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58. Budget differences (continued)

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for are incorporated under the line item Other Expenditure in the budget statements. Other Expenditure per budget statement consist of the following line items - Operational costs, Lease rentals on operating leases and inventory adjustments (loss)

All other items are disclosed on a comparable basis.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis, except for the following item:

The movement in Consumer deposits are disclosed as part of the financing activities for budget purposes while it is disclosed as part of operating activities in the financial statements.

Changes from the approved budget to the final budget

Revenue

Total adjustments are mainly as a result of the following:

Total operating revenue decreased by R 1,226,087. This was due to the VAT portion of the reduced Municipal Infrastructure Grant Allocation.

Expenditure

Total adjustments are mainly as a result of the following:

- Total operating expenditure increased by R 1,000,000. This was due to the correction of an error. Expenditure in relation to the Greater Knysna Food Security Forum from the Garden Route District Municipality was erroneously removed from the February 2023 Adjustments Budget.

Capital budget

Total adjustments are mainly as a result of the following:

- The capital expenditure was decreased by R 5,438,860 and R 2,615,052 due to the unapproved Bongani Sports field project and the revision of the Infrastructure Grant funded project which relates to Phase 2 of the Gravel Roads upgradation. The Municipal Infrastructure Grant decreased by R 8,173,912 and the Garden Route District Municipality grant increased by R 120,000 to fund the CCTV camera project. .

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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59. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Municipality as agent

Motor Vehicle Registrations Arrangement

As per Circular R12.1994 the executive committee of the provincial administration of the cape of good hope and the department of state expenditure grantor authority that a new agency fee be paid to local authorities who have been appointed as registering authorities in the Cape province for the registration and licensing of motor vehicles in terms of the National Road Traffic Act 93 of 1996.

The municipality is the agent in this binding agreement and uses its own resources in performing the service delivery and capturing the information on the ENATIS (Electronic National Administration Traffic Information System).

Agency Fee Circular R5.2005 further states that all municipalities must perform weekly pay-overs in terms of MFMA 56 of 2003 section 64 (4).

Revenue and expenses from principal-agent transactions:

2023	Drivers licences	Vehicle registrations	Total
Revenue received from third parties	4,644,170	21,538,598	26,182,768
Payment to provincial traffic department	(558,451)	(20,154,597)	(20,713,048)
Agency fee income	4,085,719	1,384,001	5,469,720
Depreciation	(193)	(804)	(997)
Employee cost	(1,919,351)	(1,592,265)	(3,511,616)
General expenses	(59,625)	(59,624)	(119,249)
	2,106,550	(268,692)	1,837,858

2022	Drivers licences	Vehicle registrations	Total
Revenue received from third parties	4,588,617	23,549,621	28,138,238
Payment to provincial traffic department	(591,552)	(22,143,151)	(22,734,703)
Agency fee income	3,997,065	1,406,470	5,403,535
Depreciation	(1,301)	(1,009)	(2,310)
Employee cost	(2,156,315)	(1,543,298)	(3,699,613)
General expenses	(84,796)	(84,796)	(169,592)
	1,754,653	(222,633)	1,532,020

Housing arrangements

The Department of Housing has the mandate to provide basic housing to all citizens. The Provincial Department of Housing has entered into arrangements with the municipality in order to provide housing to those in need. In terms of the Guideline: Accounting for Arrangements in respect of the National Housing Programme, each individual transaction and arrangement is carefully considered in order to ensure the correct accounting treatment. Some deliverables meet the requirements of Construction Contracts (as we are considered the principal in these deliverables) (note 4).

Fees received from the Provincial Department of Housing for registering the owner at the deeds office are considered to not be for the benefit of the municipality and is not directly accounted for as part of the construction contracts. To this extent, the municipality is regarded as the agent and expenses are accounted for on a net basis.

Receipts from Provincial Department	18,000	220,000
Payments made o.b.o. beneficiaries	(18,000)	(220,000)
	-	-

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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59. Accounting by principals and agents (continued)

Municipality as the principal

Distribution of prepaid water and electricity

The municipality entered into an agreement with Ontech Systems (Pty) Ltd to provide the hosting, vending, data management and supplementary support services to the municipality. Ontech Systems (Pty) Ltd distributes the prepaid electricity and water (by way of vendors) to third parties and pays the revenue received over to the municipality. The company does not use any of the municipality's resources.

The fees paid to Ontech Systems (Pty) Ltd during the year was R 9 846 782.34 (2022: R 11 337 422).

In the event that the arrangement is terminated and the municipality decides to provide the service and not make use of a contractor, the municipality will as a minimum have to procure software, computer infrastructure and additional employees.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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60. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

The four key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services;
- Trading services which includes energy sources, water management, waste water management and waste management services;
- Municipal governance and administration which includes executive and council and finance and administration services.

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

60. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Community and public safety	Economic and environmental services	Trading Services	Municipal governance and administration	Total
Revenue					
Investment revenue	7,296	-	21,330,383	3,116,403	24,454,082
Revenue from exchange transactions	16,379,204	13,054,402	433,689,261	6,339,474	469,462,341
Revenue from non-exchange transactions	99,631,907	2,609,845	103,923,951	295,147,631	501,313,334
Total segment revenue	116,018,407	15,664,247	558,943,595	304,603,508	995,229,757
Expenditure					
Employee related costs	86,834,747	40,415,163	70,692,788	94,526,046	292,468,744
Remuneration of councillors	-	-	-	9,787,116	9,787,116
Debt impairment	75,559,701	-	43,318,045	9,699,060	128,576,806
Depreciation & asset impairment	6,341,188	7,005,626	40,448,473	3,680,301	57,475,588
Finance charges	2,190,299	3,603,341	28,620,295	861,623	35,275,558
Bulk purchases	-	-	238,307,168	-	238,307,168
Other materials	9,121,851	3,099,822	44,543,042	(1,005,996)	55,758,719
Contracted services	81,375,493	8,526,935	80,880,623	16,720,537	187,503,588
Other expenditure	3,130,285	2,330,532	17,759,238	40,897,351	64,117,406
Total segment expenditure	264,553,564	64,981,419	564,569,672	175,166,038	1,069,270,693
Total segmental surplus/(deficit)	(148,535,157)	(49,317,172)	(5,626,077)	129,437,470	(74,040,936)
Contribution recognised - donated assets					1,030
Transfers and subsidies - capital					38,900,782
Entity's surplus (deficit) for the period					(35,139,124)
Assets					
Segment assets	(62,702,719)	(37,029,359)	(4,341,703)	1,851,222,699	1,747,148,918
Total assets as per Statement of financial Position					1,747,148,918
Liabilities					
Segment liabilities	127,951,914	41,966,866	(76,314,756)	667,535,414	761,139,438
Total liabilities as per Statement of financial Position					761,139,438

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand

60. Segment information (continued)

2022 - Restated

	Community and public safety	Economic and environmental services	Trading Services	Municipal governance and administration	Total
Revenue					
Revenue from non-exchange transactions	108,962,333	2,617,900	90,889,663	278,182,107	480,652,003
Revenue from exchange transactions	23,888,420	10,084,299	432,071,972	5,501,952	471,546,643
Investment revenue	7,961	-	13,418,520	2,564,589	15,991,070
Total segment revenue	132,858,714	12,702,199	536,380,155	286,248,648	968,189,716
Entity's revenue					968,189,716
Expenditure					
Employee related costs	84,151,684	36,663,857	66,954,405	96,373,618	284,143,564
Remuneration of councillors	-	-	-	9,401,496	9,401,496
Debt impairment	80,648,218	-	49,385,348	17,669,761	147,703,327
Depreciation & asset impairment	9,167,260	6,490,803	37,373,308	3,664,982	56,696,353
Finance charges	2,109,321	1,115,171	22,875,599	1,106,113	27,206,204
Bulk purchases	-	-	240,866,328	-	240,866,328
Other materials	16,628,040	2,197,561	23,446,589	4,294,019	46,566,209
Contracted services	64,733,318	13,397,851	63,540,650	15,081,016	156,752,835
Other expenditure	2,559,753	2,012,275	15,776,076	37,847,285	58,195,389
Total segment expenditure	259,997,594	61,877,518	520,218,303	185,438,290	1,027,531,705
Total segmental surplus/(deficit)					(59,341,989)
Contribution recognised - donated assets					223,126
Transfers and subsidies - capital					40,014,617
Entity's surplus (deficit) for the period					(19,104,246)
Assets					
Segment assets	(76,071,327)	(63,977,311)	4,933,867	1,860,865,874	1,725,751,103
Total assets as per Statement of financial Position					1,725,751,103
Liabilities					
Segment liabilities	109,337,876	35,207,900	(101,027,746)	660,804,600	704,322,630
Total liabilities as per Statement of financial Position					704,322,630

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement - Supplementary Unaudited Information

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2023											
Financial Performance											
Property rates	261,551,911	(3,032,330)	258,519,581	-	-	258,519,581	260,888,545	-	2,368,964	101 %	100 %
Service charges	486,050,100	(17,036,261)	469,013,839	-	-	469,013,839	429,181,844	-	(39,831,995)	92 %	88 %
Investment revenue	2,046,273	(311,903)	1,734,370	-	-	1,734,370	2,014,369	-	279,999	116 %	98 %
Transfers recognised - operational	154,945,913	(19,959,135)	134,986,778	-	-	134,986,778	133,949,251	-	(1,037,527)	99 %	86 %
Other own revenue	157,464,839	58,480,434	215,945,273	-	-	215,945,273	169,195,750	-	(46,749,523)	78 %	107 %
Total revenue (excluding capital transfers and contributions)	1,062,059,036	18,140,805	1,080,199,841	-	-	1,080,199,841	995,229,759	-	(84,970,082)	92 %	94 %
Employee costs	(299,851,209)	9,838,218	(290,012,991)	-	-	(290,012,991)	(292,468,756)	-	(2,455,765)	101 %	98 %
Remuneration of councillors	(9,749,165)	(39,477)	(9,788,642)	-	-	(9,788,642)	(9,787,116)	-	1,526	100 %	100 %
Debt impairment	(148,240,813)	3,389,861	(144,850,952)	-	-	(144,850,952)	(128,576,806)	-	16,274,146	89 %	87 %
Depreciation and asset impairment	(43,687,538)	-	(43,687,538)	-	-	(43,687,538)	(57,475,586)	-	(13,788,048)	132 %	132 %
Finance charges	(28,846,141)	500,001	(28,346,140)	-	-	(28,346,140)	(35,275,562)	-	(6,929,422)	124 %	122 %
Materials and bulk purchases	(300,940,040)	(2,041,175)	(302,981,215)	-	-	(302,981,215)	(294,135,886)	-	8,845,329	97 %	98 %
Transfers and grants	(1,916,506)	(891,958)	(2,808,464)	-	-	(2,808,464)	(1,933,565)	-	874,899	69 %	101 %
Other expenditure	(228,043,587)	(29,316,692)	(257,360,279)	-	-	(257,360,279)	(249,617,430)	-	(7,742,849)	106 %	109 %
Total expenditure	(1,061,274,999)	(18,561,222)	(1,079,836,221)	-	-	(1,079,836,221)	(1,069,270,707)	-	(11,440,706)	101 %	101 %
Surplus/(Deficit)	784,037	(420,417)	363,620	-	-	22,369,840	(74,040,948)	-	(96,410,788)	(331)%	(9,444)%

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement - Supplementary Unaudited Information

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	46,468,087	(473,957)	45,994,130	-		45,994,130	38,900,783		(7,093,347)	85 %	84 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	1,030		1,030	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	47,252,124	(894,374)	46,357,750	-		68,363,970	(35,139,135)		(103,503,105)	(51)%	(74)%
Surplus/(Deficit) for the year	47,252,124	(894,374)	46,357,750	-		68,363,970	(35,139,135)		(103,503,105)	(51)%	(74)%
Capital expenditure and funds sources											
Total capital expenditure	117,574,000	(117,574,000)	-	-		-	95,536,981		95,536,981	DIV/0 %	81 %

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement - Supplementary Unaudited Information

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	88,230,000	(26,807,000)	61,423,000	-		61,423,000	49,250,704		(12,172,296)	80 %	56 %
Net cash from (used) investing	(117,324,000)	6,272,000	(111,052,000)	-		(111,052,000)	(94,204,008)		16,847,992	85 %	80 %
Net cash from (used) financing	26,325,000	4,162,000	30,487,000	-		30,487,000	24,786,638		(5,700,362)	81 %	94 %
Net increase/(decrease) in cash and cash equivalents	(2,769,000)	(16,373,000)	(19,142,000)	-		(19,142,000)	(20,166,666)		(1,024,666)	105 %	728 %
Cash and cash equivalents at the beginning of the year	25,381,000	11,386,000	36,767,000	-		36,767,000	40,524,393		3,757,393	110 %	160 %
Cash and cash equivalents at year end	22,612,000	(4,987,000)	17,625,000	-		17,625,000	20,357,727		(2,732,727)	116 %	90 %

**APPENDIX A - Unaudited
KNYSNA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2023**

EXTERNAL LOANS	Rate	Loan Number	Original Loan Amount	Redeemable	Balance at 30 JUNE 2022	Received during the period	Accrued interest	Redeemed during the period	Balance at 30 JUNE 2023
ANNUITY LOANS									
ABSA	11.69%	Knysna Municipality 1	15,000,000.00	30/06/2028	8,409,424	-	-	(1,027,894)	7,381,530
ABSA	10.42%	Knysna Municipality 2	7,000,000.00	01/10/2028	3,931,835	-	-	(446,591)	3,485,244
ABSA	10.99%	Knysna Municipality 3	7,010,000.00	29/09/2028	4,089,992	-	-	(524,050)	3,565,942
ABSA	9.84%	Knysna Municipality 4	19,579,000.00	30/06/2029	11,323,154	-	-	(1,183,431)	10,139,723
ABSA	9.97%	Knysna Municipality 5	1,720,000.00	31/01/2022	-	-	-	-	-
ABSA	10.33%	Knysna Municipality 6	9,680,000.00	29/01/2027	6,034,251	-	-	(977,195)	5,057,056
ABSA	8.75%	Knysna Municipality 4862	4,110,000.00	30/04/2027	4,110,000	-	-	(1,180,832)	2,929,168
ABSA	9.04%	Knysna Municipality 5614	82,792,500.00	30/04/2024	82,792,500	-	-	(4,258,097)	78,534,403
ABSA	9.87%	Knysna Municipality 8907	6,560,000.00	31/12/2027	-	5,904,000	-	-	5,904,000
ABSA	11.13%	Knysna Municipality 6124	58,792,445.00	31/12/2032	-	60,352,072	-	-	60,352,072
DBSA	8.96%	13963/101	5,077,666.65	30/06/2022	-	-	-	-	-
DBSA	9.04%	100253/1	6,898,759.54	30/06/2023	363,093	-	-	(363,093)	-
DBSA	8.59%	100939/1	8,594,807.19	30/06/2024	904,716	-	-	(452,358)	452,358
DBSA	7.69%	101431/1	9,380,256.62	31/12/2025	1,727,942	-	-	(493,698)	1,234,244
DBSA	7.44%	102328/1	5,386,431.22	30/06/2026	1,343,712	-	-	(335,928)	1,007,784
DBSA	9.13%	61006832	8,245,000.00	31/12/2026	3,179,639	-	-	(706,586)	2,473,053
DBSA	9.32%	61007564	57,438,000.00	29/06/2029	45,326,927	-	-	(4,847,897)	40,479,031
DBSA	9.92%	61007646	6,323,667.00	29/06/2025	4,083,566	-	-	(1,227,211)	2,856,355
DBSA	10.27%	61007647	65,040,391.00	47664	55,798,786	-	-	(4,530,820)	51,267,966
INCA	6.07%	KNYS-00-0003	18,607,000.00	15/02/2027	8,634,016	-	-	(1,388,164)	7,245,852
Nedbank	9.01%	057831030611/03	12,107,000.00	47330	8,279,485	-	-	(772,634)	7,506,850
Nedbank	9.01%	057831030611/04	2,050,000.00	2024/07/31	714,902	-	-	(265,064)	449,838
Nedbank	6.09%	7831030611/06	5,000,000.00	2023/06/30	1,000,000	-	-	(1,000,000)	-
Nedbank	6.37%	7831030611/05	20,424,087.00	2028/06/30	12,254,452	-	-	(2,042,409)	10,212,043
Nedbank	7.19%	10/yr	63,499,225.00	2030/12/31	53,974,341	-	-	(6,349,923)	47,624,419
Nedbank	7.95%	5/yr	8,310,140.00	2025/12/31	5,817,098	-	-	(1,662,028)	4,155,070
Standard Bank	10.73%	82563586	2,020,000.00	2021/12/29	-	-	-	-	-
Standard Bank	11.02%	82563438	8,760,950.00	2026/12/29	4,364,264	-	-	(872,853)	3,491,411
Standard Bank	11.30%	82563616	14,392,000.00	2031/12/29	9,594,667	-	-	(959,467)	8,635,200
Standard Bank	9.20%	[LN538375] - 5yr_2018/19	2,800,000.00	2023/12/29	1,120,000	-	-	(560,000)	560,000
Total Annuity Loans			542,599,327.22		339,172,761	66,256,072	-	(38,428,221)	367,000,611
TOTAL EXTERNAL LOANS					339,172,761	66,256,072	-	(38,428,221)	367,000,611

**APPENDIX B - Unaudited
KNYSNA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 JUNE 2022		Contributions during the year		Operating Expenditure during the year Transferred to Revenue		Capital Expenditure during the year Transferred to Revenue		Year end Adjustment		Balance 30 JUNE 2023	
	R		R		R		R		R		R	
UNSPENT/(UNPAID) GOVERNMENT GRANTS AND RECEIPTS												
Nat Grant - Equitable Share	-		111,172,196		-111,172,196		-		-		-	
Nat Grant - Local Government Finance Management Grant	-		1,721,000		-1,721,000		-		-		-	
Nat Grant - Municipal Infrastructure Grant	155,005		29,714,000		-4,655,262		-23,140,340		-155,005		1,918,398	
Nat Grant - Expanded Public Works Program (EPWP)	-		1,044,000		-1,044,000		-		-		-	
Nat Grant - Neighbourhood Development Partnership Grant (NDPG)	2,524,386		5,000,000		-378,841		-2,525,606		-2,524,386		2,095,553	
Nat Grant - Energy Efficiency and Demand Side Management Grant	56,884		-		-		-		-		56,884	
Nat Grant - Water Services Infrastructure Grant	771,161		-771,161		-		-		-		-	
Nat Grant - Integrated National Electrification program (NER)	-		10,730,000		-1,399,561		-9,330,404		-		36	
Prov Grant - Library	-		10,659,000		-10,659,000		-		-		-	
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	320,977		469,876		-		-1,697,593		-		-906,740	
Prov Grant - Other	1,348,245		3,006,000		-1,705,617		-2,086,840		-493,795		67,993	
Other Organisational Grants: Nedbank: SMME Incubat	236,676		-		-213,773		-		-		22,904	
District - Garden Route District Municipal Grants	1,120,000		-		-1,000,000		-120,000		-		-	
Total	6,533,335		172,744,911		(133,949,249)		(38,900,782)		(3,173,186)		3,255,028	
CONSTRUCTION CONTRACTS AND RECEIVABLES												
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	(5,068,369)		11,723,154		(13,361,671)		-		-		(6,706,886)	
Grand Total	1,464,966		184,468,065		(147,310,920)		(38,900,782)		(3,173,186)		(3,451,858)	

**Appendix C - Unaudited
Knysna Municipality
National Treasury Appropriation Statements for the year ended 30 June 2023
Revenue and Expenditure (Standard Classification)**

Description	2022/2023							2021/2022
	Original Budget	Budget Adjustments (i.t.o. MFMA s28) and Virement Policy	Final Budget	Unaudited Actual Outcome	Variance of Actual Outcome against Final Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Revenue - Standard								
Governance and administration	297,736	3,543	301,279	304,622	3,343	101.1%	102.3%	283,339
Executive and council	4,366	1,855	6,221	3,876	(2,345)	62.3%	88.8%	4,929
Finance and Administration	293,370	1,688	295,058	300,746	5,688	101.9%	102.5%	278,410
Internal Audit	-	-	-	-	-	0.0%	0.0%	-
Community and public safety	154,802	24,811	179,613	116,419	(63,195)	64.8%	75.2%	135,410
Community and social services	12,292	(40)	12,251	12,026	(225)	98.2%	97.8%	12,733
Sport and recreation	1,464	(169)	1,295	1,460	165	112.8%	99.7%	1,276
Public safety	119,156	125	119,281	87,818	(31,464)	73.6%	73.7%	96,249
Housing	21,890	24,896	46,786	15,115	(31,671)	32.3%	69.1%	25,150
Health	-	-	-	-	-	0.0%	0.0%	-
Economic and environmental services	21,587	2,570	24,157	22,828	(1,329)	94.5%	105.7%	24,054
Planning and development	11,022	(875)	10,147	10,843	696	106.9%	98.4%	10,860
Road transport	10,565	2,552	13,117	11,091	(2,025)	84.6%	105.0%	12,986
Environmental protection	-	893	893	893	(0)	100.0%	0.0%	207
Trading services	634,401	(13,256)	621,145	594,890	(26,255)	95.8%	93.8%	565,546
Energy Sources	388,147	(17,723)	370,423	343,742	(26,681)	92.8%	88.6%	335,421
Water Management	109,508	9,206	118,714	118,750	37	100.0%	108.4%	112,524
Waste water management	87,572	(5,727)	81,845	80,796	(1,049)	98.7%	92.3%	70,848
Waste management	49,175	988	50,163	51,601	1,437	102.9%	104.9%	46,753
Other	-	-	-	-	-	0.0%	0.0%	-
Total Revenue - Standard	1,108,527	17,667	1,126,194	1,038,758	(87,436)	92.2%	93.7%	1,008,348
Expenditure - Standard								
Governance and administration	200,325	(20,018)	180,307	165,443	(14,864)	91.8%	82.6%	172,711
Executive and council	30,732	(15,015)	15,717	18,268	2,551	116.2%	59.4%	25,190
Finance and Administration	165,375	(5,443)	159,932	143,057	(16,874)	89.4%	86.5%	143,637
Internal Audit	4,218	440	4,658	4,118	(540)	88.4%	97.6%	3,884
Community and public safety	236,194	34,842	271,036	248,106	(22,931)	91.5%	105.0%	238,842
Community and social services	17,501	6,314	23,814	23,045	(769)	96.8%	131.7%	16,100
Sport and recreation	22,940	1,308	24,248	26,125	1,877	107.7%	113.9%	22,209
Public safety	152,492	5,173	157,665	149,892	(7,773)	95.1%	98.3%	153,946
Housing	43,262	22,047	65,309	49,043	(16,266)	75.1%	113.4%	46,586
Health	-	-	-	-	-	0.0%	0.0%	-
Economic and environmental services	87,703	(6,716)	80,987	80,112	(876)	98.9%	91.3%	76,705
Planning and development	44,021	(4,361)	39,659	36,371	(3,288)	91.7%	82.6%	35,357
Road transport	37,020	(2,867)	34,154	37,257	3,104	109.1%	100.6%	36,740
Environmental protection	6,662	512	7,174	6,483	(691)	90.4%	97.3%	4,608
Trading services	537,053	10,453	547,506	580,237	32,731	106.0%	108.0%	532,588
Energy Sources	339,324	(1,782)	337,542	313,207	(24,335)	92.8%	92.3%	308,251
Water Management	73,560	11,425	84,985	112,692	27,706	132.6%	153.2%	87,897
Waste water management	77,748	411	78,160	90,739	12,580	116.1%	116.7%	77,836
Waste management	46,421	398	46,819	63,599	16,780	135.8%	137.0%	58,604
Other	-	-	-	-	-	0.0%	0.0%	-
Total Expenditure - Standard	1,061,275	18,561	1,079,836	1,073,897	(5,939)	99.5%	101.2%	1,020,846
Surplus for the year	47,252	(894)	46,358	(35,139)	(81,497)	-75.8%	-74.4%	(12,498)

**Appendix C - Unaudited
Knysna Municipality
National Treasury Appropriation Statements for the year ended 30 June 2023
Revenue and Expenditure (Municipal Vote Classification)**

Description	2022/2023							2021/2022
	Original Budget	Budget Adjustments (i.t.o. MFMA s28) and Virement Policy	Final Budget	Unaudited Actual Outcome	Variance of Actual Outcome against Final Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue by Vote								
Vote 1 - Executive and Council	4,366	1,855	6,221	3,876	(2,345)	62.3%	88.8%	5,079
Vote 2 - Corporate Services	4,165	2,479	6,644	6,635	(10)	99.9%	159.3%	3,581
Vote 3 - Financial Services	274,017	(791)	273,226	278,774	5,548	102.0%	101.7%	274,656
Vote 4 - Strategic Services	-	-	-	-	-	0.0%	#DIV/0!	-
Vote 5 - Planning and development	4,698	1,244	5,942	7,081	1,139	119.2%	150.7%	6,397
Vote 6 - Community Services	202,760	904	203,663	173,691	(29,972)	85.3%	85.7%	162,436
Vote 7 - Electrical Services	388,147	(17,723)	370,423	343,756	(26,667)	92.8%	88.6%	335,421
Vote 8 - Technical Services	208,484	4,804	213,288	209,830	(3,458)	98.4%	100.6%	195,628
Vote 9 - Housing Services	21,890	24,896	46,786	15,115	(31,671)	32.3%	69.1%	25,150
Total Revenue by Vote	1,108,527	17,667	1,126,194	1,038,758	(87,436)	92.2%	93.7%	1,008,348
Expenditure by Vote to be appropriated								
Vote 1 - Executive and Council	39,687	(14,732)	24,955	26,748	(1,793)	107.2%	67.4%	33,025
Vote 2 - Corporate Services	61,230	2,136	63,366	62,792	574	99.1%	102.6%	57,833
Vote 3 - Financial Services	82,114	(1,904)	80,210	63,814	16,396	79.6%	77.7%	70,633
Vote 4 - Strategic Services	-	-	-	-	-	0.0%	0.0%	-
Vote 5 - Planning and development	31,389	(1,774)	29,615	27,455	2,161	92.7%	87.5%	24,590
Vote 6 - Community Services	261,936	5,001	266,937	279,571	(12,634)	104.7%	106.7%	267,009
Vote 7 - Electrical Services	342,861	(1,288)	341,572	316,858	24,714	92.8%	92.4%	311,251
Vote 8 - Technical Services	198,797	9,076	207,873	247,546	(39,673)	119.1%	124.5%	209,919
Vote 9 - Housing Services	43,262	22,047	65,309	49,113	16,196	75.2%	113.5%	46,586
Total Expenditure by Vote	1,061,275	18,561	1,079,836	1,073,897	5,939	99.5%	101.2%	1,020,846
Surplus for the year	47,252	(894)	46,358	(35,139)	(93,375)	-75.8%	-74.4%	(12,498)

**Appendix C - Unaudited
Knysna Municipality
National Treasury Appropriation Statements for the year ended 30 June 2023
Revenue and Expenditure**

Description	2022/2023						2021/2022 Restated Audited Outcome
	Original Budget	Budget Adjustments (i.t.o. MFMA s28) and Virement Policy	Final Budget	Unaudited Actual Outcome	Variance of Actual Outcome against Final Budget	Actual Outcome as % of Final Budget	
R thousand							
Revenue By Source							
Property rates	261,552	(3,032)	258,520	260,889	2,369	100.9%	99.7%
Service charges - electricity revenue	354,321	(20,022)	334,299	305,379	(28,920)	91.3%	86.2%
Service charges - water revenue	74,586	2,981	77,567	77,198	(369)	99.5%	103.5%
Service charges - sanitation revenue	29,311	-	29,311	29,240	(71)	99.8%	99.8%
Service charges - refuse revenue	27,832	-	27,832	28,466	634	102.3%	102.3%
Rental of facilities and equipment	5,444	1,145	6,589	6,396	(193)	97.1%	117.5%
Interest earned - external investments	2,046	(312)	1,734	2,014	280	116.1%	98.4%
Interest earned - outstanding debtors	19,322	8,793	28,114	30,235	2,121	107.5%	156.5%
Dividends received	-	-	-	-	-	0.0%	0.0%
Fines, penalties and forfeits	119,059	-	119,059	87,568	(31,491)	73.6%	73.6%
Licences and permits	1,698	-	1,698	1,448	(250)	85.3%	85.3%
Agency services	3,830	-	3,830	4,086	256	106.7%	106.7%
Transfers recognised - operational	154,946	(19,959)	134,987	120,480	(14,506)	89.3%	77.8%
Other revenue	7,862	46,693	54,556	44,898	(9,657)	82.3%	57.1%
Gains	250	1,855	2,105	1,559	(545)	74.1%	623.7%
Total Revenue (excluding capital transfers and contributions)	1,062,059	18,141	1,080,200	999,857	(80,343)	92.6%	73.6%
Expenditure By Type							
Employee related costs	299,851	(9,838)	290,013	292,469	2,456	100.8%	97.5%
Remuneration of councillors	9,749	39	9,789	9,787	(2)	100.0%	100.4%
Debt impairment	148,241	(3,390)	144,851	128,577	(16,274)	88.8%	86.7%
Depreciation & asset impairment	43,688	-	43,688	58,182	14,495	133.2%	133.2%
Finance charges	28,846	(5,651)	23,195	35,276	6,929	124.4%	122.3%
Bulk purchases	262,156	7,692	269,848	238,307	(18,198)	92.9%	90.9%
Other materials	38,784	166,577	205,361	58,457	(146,904)	28.5%	150.7%
Contracted services	166,577	23,458	190,036	187,171	(2,865)	98.5%	112.4%
Transfers and subsidies	1,917	892	2,809	1,934	(875)	68.9%	100.9%
Other expenditure	61,466	5,858	67,325	63,738	(3,587)	94.7%	103.7%
Losses	-	-	-	-	-	0.0%	0.0%
Total Expenditure	1,061,275	18,561	1,079,836	1,073,897	(5,939)	99.5%	101.2%
Surplus/(Deficit)	784	(420)	364	(74,040)	(74,404)	-20361.9%	-9443.4%
Transfers and subsidies - capital	46,468	(474)	45,994	38,901	(7,093)	84.6%	83.7%
Transfers and subsidies - capital (in-krir)	-	-	-	-	-	0.0%	0.0%
Contributed assets	-	-	-	-	-	0.0%	0.0%
Surplus for the year	47,252	(694)	46,358	(35,139)	(81,497)	-75.6%	-74.4%
							(12,498)

Appendix C - Unaudited
Knysna Municipality
National Treasury Appropriation Statements for the year ended 30 June 2023
Capital Expenditure by Vote, Standard Classification and Funding

Description R thousand	2022/2023							2021/2022
	Original Budget	Budget Adjustments (i.t.o. MFMA s28) and Virement Policy	Final Budget	Unaudited Actual Outcome	Variance of Actual Outcome against Final Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Capital expenditure - Vote								
Multi-year expenditure								
Vote 1 - Executive and Council	–	–	–	–	–	0.0%	0.0%	–
Vote 2 - Corporate Services	300	(19)	281	102	(179)	36.2%	33.9%	14
Vote 3 - Financial Services	380	(21)	359	359	(0)	100.0%	94.5%	–
Vote 4 - Strategic Services	–	–	–	–	–	0.0%	0.0%	–
Vote 5 - Planning and development	500	(485)	15	8	(7)	51.3%	1.5%	–
Vote 6 - Community Services	12,020	(8,272)	3,748	2,147	(1,601)	57.3%	17.9%	731
Vote 7 - Electrical Services	14,430	7,399	21,829	20,217	(1,612)	92.6%	140.1%	19,749
Vote 8 - Technical Services	64,755	(5,270)	59,485	56,196	(3,289)	94.5%	86.8%	80,823
Vote 9 - Housing Services	2,012	1,793	3,805	1,243	(2,562)	32.7%	61.8%	288
Capital multi-year expenditure	94,398	(4,876)	89,522	80,272	(9,250)	89.7%	85.0%	101,603
Single-year expenditure								
Vote 1 - Executive and Council	350	(338)	12	12	(0)	100.0%	3.4%	19
Vote 2 - Corporate Services	2,540	179	2,719	1,376	(1,343)	50.6%	54.2%	4,825
Vote 3 - Financial Services	65	(42)	23	23	(0)	100.0%	35.3%	317
Vote 4 - Strategic Services	–	–	–	–	–	0.0%	0.0%	–
Vote 5 - Planning and development	25	177	202	190	(12)	93.9%	772.6%	589
Vote 6 - Community Services	6,350	870	7,220	8,566	1,346	118.6%	134.9%	7,882
Vote 7 - Electrical Services	2,380	(920)	1,460	1,062	(398)	72.8%	44.6%	2,018
Vote 8 - Technical Services	11,467	(2,667)	8,800	5,292	(3,508)	60.1%	46.2%	12,421
Vote 9 - Housing Services	–	3,200	3,200	–	(3,200)	0.0%	0.0%	3,564
Capital single-year expenditure	23,177	459	23,636	16,521	(7,115)	70%	71%	31,635
Total Capital Expenditure - Vote	117,574	(4,417)	113,157	96,793	(16,364)	86%	82%	133,057
Capital Expenditure - Standard								
Governance and administration	3,659	1,982	5,642	3,895	(1,747)	69.0%	106.4%	9,253
Executive and council	100	(88)	12	12	(0)	100.0%	12.0%	–
Finance and Administration	3,559	2,070	5,630	3,883	(1,747)	69.0%	109.1%	9,253
Internal Audit	–	–	–	–	–	0.0%	0.0%	–
Community and public safety	16,783	(3,777)	13,005	6,989	(6,017)	53.7%	41.6%	8,166
Community and social services	1,200	737	1,937	1,753	(184)	90.5%	146.1%	1,047
Sport and recreation	9,765	(9,365)	400	274	(126)	68.5%	2.8%	1,887
Public safety	3,805	(142)	3,663	2,021	(1,642)	55.2%	53.1%	1,381
Housing	2,012	4,993	7,005	2,941	(4,065)	42.0%	146.1%	3,851
Health	–	–	–	–	–	0.0%	0.0%	–
Economic and environmental services	33,585	7,068	40,653	40,608	(45)	99.9%	120.9%	52,323
Planning and development	500	–	500	314	(186)	62.8%	62.8%	875
Road transport	32,585	7,553	40,138	40,286	148	100.4%	123.6%	51,447
Environmental protection	500	(485)	15	8	(7)	51.3%	1.5%	–
Trading services	63,547	(9,690)	53,857	45,302	(8,556)	84.1%	71.3%	63,316
Energy Sources	16,810	4,479	21,289	19,462	(1,828)	91.4%	115.8%	18,117
Water Management	20,800	(6,101)	14,699	12,587	(2,112)	85.6%	60.5%	33,040
Waste water management	22,337	(9,435)	12,902	8,285	(4,616)	64.2%	37.1%	7,873
Waste management	3,600	1,368	4,968	4,968	(0)	100.0%	138.0%	4,286
Other	–	–	–	–	–	0.0%	0.0%	–
Total Capital Expenditure - Standard	117,574	(4,417)	113,157	96,793	(16,364)	86%	82%	133,057
Funded by:								
National Government	46,468	(8,174)	38,294	36,055	(2,240)	94.2%	77.6%	35,430
Provincial Government	–	7,893	7,893	3,784	(4,109)	47.9%	0.0%	5,022
District Municipality	–	120	120	120	–	100.0%	0.0%	–
Other transfers and grants	–	–	–	–	–	0.0%	0.0%	–
Transfers recognised - capital	46,468	(161)	46,307	39,959	(6,348)	86%	86%	40,452
Public contributions & donations	–	–	–	–	–	0.0%	0.0%	2,677
Borrowing	61,190	450	61,640	52,876	(8,764)	85.8%	86.4%	82,433
Internally generated funds	9,916	(4,706)	5,210	3,958	(1,252)	76.0%	39.9%	7,677
Total Capital Funding	117,574	(4,417)	113,157	96,793	(16,364)	86%	82%	133,238