



KNYSNA
Municipality
Munisipaliteit
uMasipala

Knysna Municipality
Annual Financial statements
for the year ended 30 June 2024



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

30 November 2024

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Mayoral committee	Previous	Current
Executive Mayor	L Davis	A Tsengwa
Deputy Executive Mayor	M Willemse	A Marbi
Speaker	J Lopez	M 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 Stroebe	
6	K Andrews	
7	M Khumelwana	
8	A Tsengwa	
9	S Sabbagh	
10	P Bester	
11	R Arends	
Proportional	T Matika	
Proportional	E Maxim	
Proportional	J White	
Proportional	N Louw	
Proportional	S Campbell	
Proportional	M Willemse	
Proportional	B Charlie	
Proportional	W Grootboom	
Proportional	A Marbi	
Proportional	L Tyokolo	

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Registered office	Civic Centre Clyde Street Knysna 6570
Postal address	PO Box 21 Knysna 6570
Bankers	Standard Bank P O Box 472 Knysna 6570
Auditors	Auditor-General of South Africa Private Bag X1 Chempet 7442
Website	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Contact numbers	Tel: 044-302 6300 Fax: 044-302 6333
Jurisdiction	Greater Knysna areas which includes: Knysna Sedgefield Rheenendal Karatara Brenton Belvidene 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 (24 of 2024) 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 2024

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 2025 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 116, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024. The annual financial statements were subsequently adjusted and resubmitted on 29 November 2024 and were signed on its behalf by:



P.A.X Dunywa
Acting Accounting Officer

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

		2024	2023 Restated*
	Note(s)		
Assets			
Current Assets			
Inventories	3	12,045,136	12,693,436
Construction contracts and receivables	4	6,917,520	6,706,886
Receivables from exchange transactions	5	71,920,543	59,189,182
Receivables from non-exchange transactions	6	103,336,284	81,859,368
Net VAT accrual /receivable	8	22,341,847	21,444,678
Prepayments		5,145	483,992
Cash and cash equivalents	10	23,608,756	20,357,727
		240,175,231	202,735,269
Non-Current Assets			
Long-term investments and receivables	11	3,178,103	2,931,652
Investment property	12	67,525,428	67,661,447
Property, plant and equipment	13	1,468,425,123	1,451,847,794
Intangible assets	14	48,921	64,341
Heritage assets	15	14,613,046	14,613,046
Operating lease asset	16	3,671,787	3,218,372
		1,557,462,408	1,540,336,652
Total Assets		1,797,637,639	1,743,071,921
Liabilities			
Current Liabilities			
Unspent conditional grants and receipts	9	2,651,104	3,255,026
Long-term liabilities	17	46,349,310	44,015,573
Finance lease obligation	18	-	893,435
Payables from exchange transactions	19	210,169,281	189,873,258
VAT payable	20	876,400	1,081,654
Consumer deposits	21	15,537,654	14,927,636
Employee benefit obligation	22	38,568,633	38,079,358
Provisions	23	7,670,634	6,238,721
		321,823,016	298,364,661
Non-Current Liabilities			
Long-term liabilities	17	305,354,811	324,282,182
Employee benefit obligation	22	118,650,947	107,985,947
Provisions	23	17,362,338	16,967,715
		441,368,096	449,235,844
Total Liabilities		763,191,112	747,600,505
Net Assets		1,034,446,527	995,471,416
Accumulated surplus		1,034,446,527	995,471,416

* See Note 49

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

		2024	2023 Restated*
	Note(s)		
Revenue			
Revenue from exchange transactions			
Service charges	24	499,886,362	429,181,844
Sales of goods and rendering of services		7,247,232	6,235,728
Construction revenue		24,126,303	13,361,671
Rental of facilities and equipment	25	7,390,489	6,395,968
Interest received - outstanding debtors		26,964,970	22,439,713
Interest received - external investments		2,131,444	2,014,369
Agency services		3,988,270	4,085,719
Licences and permits		1,534,135	1,448,262
Third Party Payments (Insurance Claims)		320,567	136,477
Operational revenue	26	3,981,557	7,774,359
Gain on disposal of assets		-	852,712
Transfers and Subsidies - Operational	28	9,546,087	9,268,696
Total revenue from exchange transactions		587,117,416	503,195,518
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	311,885,851	260,741,029
Transfer revenue			
Transfers and Subsidies – Operational	28	136,525,247	123,290,251
Other revenue			
Fines, penalties and forfeits	29	107,065,697	98,216,789
Availability fees	30	12,712,616	11,101,485
Total revenue from non-exchange transactions		568,189,411	493,349,554
Total revenue		1,155,306,827	996,545,072
Expenditure			
Employee related costs	32	325,240,219	292,468,756
Remuneration of councillors	33	9,821,278	9,787,116
Debt Impairment	34	153,548,452	126,618,164
Depreciation and amortisation	35	53,166,892	52,883,345
Impairment of assets	36	18,700,054	3,735,293
Finance costs	37	39,285,484	36,068,854
Lease rentals on operating lease	38	33,287,730	13,785,097
Bulk purchases	39	284,632,503	238,307,168
Contracted services	40	155,306,800	187,353,776
Transfers and Subsidies	41	1,118,248	1,933,565
Loss on disposal of assets		368,812	-
Inventory consumed and adjustments	42	55,671,723	55,760,283
Operational costs	43	51,077,507	48,398,743
Total expenditure		1,181,225,702	1,067,100,160
Surplus /(Deficit)		(25,918,875)	(70,555,088)
Contributions recognised - donated assets	31	-	1,030
Transfers and subsidies – Capital	28	64,893,999	38,900,783
Surplus (deficit) for the year		38,975,124	(31,653,275)

* See Note 49

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

		Accumulated surplus	Total net assets
Opening balance as previously reported		1,021,148,605	1,021,148,605
Adjustments			
Correction of errors	49	5,976,088	5,976,088
Balance at 01 July 2022 as restated*		1,027,124,693	1,027,124,693
Changes in net assets			
Restated surplus for the year	49	(31,653,277)	(31,653,277)
Total changes		(31,653,277)	(31,653,277)
Restated* Balance at 01 July 2023		995,471,383	995,471,383
Changes in net assets			
Surplus for the year		38,975,124	38,975,124
Other		20	20
Total changes		38,975,144	38,975,144
Balance at 30 June 2024		1,034,446,527	1,034,446,527

* See Note 49

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

		2024	2023 Restated*
	Note(s)		
Cash flows from operating activities			
Receipts			
Taxation and fines revenue		300,326,297	271,567,503
Sale of goods and services		478,737,812	425,500,338
Grants and conditional receipts		210,361,410	168,181,419
Interest income		2,131,444	2,014,369
Construction contracts and receivables		23,915,668	11,723,156
Other income		16,313,519	16,452,862
		1,031,786,150	895,439,647
Payments			
Employee costs		(323,907,220)	(304,153,492)
Suppliers		(559,341,861)	(509,199,261)
Finance costs		(37,649,983)	(34,472,028)
		(920,899,064)	(847,824,781)
Net cash flows from operating activities	44	110,887,086	47,614,866
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(89,955,667)	(96,640,931)
Proceeds from sale of Property, plant and equipment and Investment property	13	53,130	2,962,571
Movement in Long-term investments and receivables	11	(246,451)	(186,955)
Net cash flows from investing activities		(90,148,988)	(93,865,315)
Cash flows from financing activities			
Proceeds from long-term liabilities	17	25,005,000	66,256,072
Repayment of long-term liabilities		(41,598,634)	(37,054,588)
Finance lease payments		(893,435)	(3,117,701)
Net cash flows from financing activities		(17,487,069)	26,083,783
Net increase/(decrease) in cash and cash equivalents		3,251,029	(20,166,666)
Cash and cash equivalents at the beginning of the year		20,357,727	40,524,393
Cash and cash equivalents at the end of the year	10	23,608,756	20,357,727

* See Note 49

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

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	304,253,695	9,688,899	313,942,594	311,885,851	(2,056,743)	Difference less than 10%
Service charges	530,066,176	(18,137,507)	511,928,669	512,598,978	670,309	Difference less than 10%
Investment revenue	1,826,291	-	1,826,291	2,131,444	305,153	Less than R1m
Transfers recognised - operational	150,239,391	1,081,167	151,320,558	146,071,334	(5,249,224)	Difference less than 10%
Other own revenue	178,208,769	11,502,515	189,711,284	182,619,220	(7,092,064)	57.1
Total Revenue (excluding capital transfers and contributions)	1,164,594,322	4,135,074	1,168,729,396	1,155,306,827	(13,422,569)	
Expenditure by type						
Employee costs	(305,558,192)	(7,731,315)	(313,289,507)	(325,240,219)	(11,950,712)	Difference less than 10%
Remuneration of councillors	(10,081,756)	(372,477)	(10,454,233)	(9,821,278)	632,955	Less than R1m
Debt impairment	(151,513,820)	(10,246,469)	(161,760,289)	(153,548,452)	8,211,837	57.2
Depreciation & asset impairment	(49,118,855)	(18,651,248)	(67,770,103)	(71,866,946)	(4,096,843)	Difference less than 10%
Finance costs	(31,848,485)	(5,716,306)	(37,564,791)	(39,285,484)	(1,720,693)	Difference less than 10%
Bulk purchases	(293,304,290)	10,692,186	(282,612,104)	(284,632,503)	(2,020,399)	Difference less than 10%
Other materials	(54,053,315)	261,659	(53,791,656)	(55,671,723)	(1,880,067)	Difference less than 10%
Transfers and grants	(1,457,448)	(689,140)	(2,146,588)	(1,118,248)	1,028,340	57.3
Other expenditure	(73,456,092)	(2,538,085)	(75,994,177)	(84,734,049)	(8,739,872)	57.4
Contracted services	(185,406,105)	23,385,306	(162,020,799)	(155,306,800)	6,713,999	Difference less than 10%
Total expenditure	(1,155,798,358)	(11,605,889)	(1,167,404,247)	(1,181,225,702)	(13,821,455)	
Surplus / (Deficit)	8,795,964	(7,470,815)	1,325,149	(25,918,875)	(27,244,024)	
Transfers recognised - capital	78,183,609	5,831,072	84,014,681	64,893,999	(19,120,682)	57.5
Surplus after capital transfers & contributions	86,979,573	(1,639,743)	85,339,830	38,975,124	(46,364,706)	
Surplus for the year	86,979,573	(1,639,743)	85,339,830	38,975,124	(46,364,706)	

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

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	24,321,220	(18,420,010)	5,901,210	23,608,756	17,707,546	57.6
Trade and other receivables from exchange transactions	73,533,234	6,292,877	79,826,111	71,925,688	(7,900,423)	Difference less than 10%
Receivables from non-exchange transactions	77,000,457	8,670,336	85,670,793	110,253,804	24,583,011	57.7
VAT	27,378,767	-	27,378,767	21,465,447	(5,913,320)	57.8
Inventory	13,817,541	-	13,817,541	12,045,136	(1,772,405)	57.9
	216,051,219	(3,456,797)	212,594,422	239,298,831	26,704,409	
Non-Current Assets						
Investments	2,744,697	-	2,744,697	3,178,103	433,406	Less than R1m
Investment property	68,614,270	-	68,614,270	67,525,428	(1,088,842)	Less than R1m
Property, plant and equipment	1,473,801,763	(859,505)	1,472,942,258	1,468,425,123	(4,517,135)	Difference less than 10%
Intangible	8,110	-	8,110	48,921	40,811	Less than R1 mil
Heritage assets	17,435,046	-	17,435,046	14,613,046	(2,822,000)	57.10
Other non-current assets	2,458,021	-	2,458,021	3,671,787	1,213,766	57.11
	1,565,061,907	(859,505)	1,564,202,402	1,557,462,408	(6,739,994)	
Total Assets	1,781,113,126	(4,316,302)	1,776,796,824	1,796,761,239	19,964,415	
Liabilities						
Current Liabilities						
Borrowing	51,046,334	-	51,046,334	46,349,310	(4,697,024)	Difference less than 10%
Consumer deposits	14,572,556	-	14,572,556	15,537,654	965,098	Less than R1 mil
Trade and other payables	171,019,232	-	171,019,232	212,820,385	41,801,153	57.12
Provisions	38,340,283	-	38,340,283	46,239,267	7,898,984	57.13
	274,978,405	-	274,978,405	320,946,616	45,968,211	
Non-Current Liabilities						
Borrowing	273,205,509	(2,681,559)	270,523,950	305,354,811	34,830,861	57.14
Provisions	125,357,401	-	125,357,401	136,013,285	10,655,884	Difference less than 10%
	398,562,910	(2,681,559)	395,881,351	441,368,096	45,486,745	
Total Liabilities	673,541,315	(2,681,559)	670,859,756	762,314,712	91,454,956	
Net Assets	1,107,571,811	(1,634,743)	1,105,937,068	1,034,446,527	(71,490,541)	
Community wealth/equity						
Accumulated Surplus/(Deficit)	1,107,571,811	(1,634,743)	1,105,937,068	1,034,446,527	(71,490,541)	Difference less than 10%
Total community wealth/equity	1,107,571,811	(1,634,743)	1,105,937,068	1,034,446,527	(71,490,541)	

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

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	824,283,000	1,719,000	826,002,000	794,767,610	(31,234,390)	Difference less than 10%
Government grants, conditional receipts and construction contracts	245,957,000	1,399,000	247,356,000	234,277,078	(13,078,922)	Difference less than 10%
Interest	1,826,000	-	1,826,000	2,131,444	305,444	Less than R1m
	1,072,066,000	3,118,000	1,075,184,000	1,031,176,132	(44,007,868)	
Payments						
Suppliers and employees	(921,300,000)	19,131,012	(902,168,988)	(882,130,819)	20,038,169	Difference less than 10%
Finance charges	(31,848,000)	(5,717,000)	(37,565,000)	(37,649,983)	(84,983)	Difference less than 10%
Transfers and Grants	-	(2,147,000)	(2,147,000)	(1,118,248)	1,028,752	57.15
	(953,148,000)	11,267,012	(941,880,988)	(920,899,050)	20,981,938	
Net cash flows from operating activities	118,918,000	14,385,012	133,303,012	110,277,082	(23,025,930)	
Cash flows from investing activities						
Receipts						
Proceeds on disposal of assets	500,000	-	500,000	53,130	(446,870)	Difference less than 10%
Decrease (increase) in non-current investments	-	-	-	(246,451)	(246,451)	Less than R1m
	500,000	-	500,000	(193,321)	(693,321)	
Payments						
Capital assets	(110,739,000)	(11,144,802)	(121,883,802)	(89,955,667)	31,928,135	57.16
Net cash flows from investing activities	(110,239,000)	(11,144,802)	(121,383,802)	(90,148,988)	31,234,814	
Cash flows from financing activities						
Receipts						
Borrowing long term/refinancing	20,505,000	(20,505,000)	-	25,005,000	25,005,000	57.17
Increase (decrease) in consumer deposits	-	-	-	610,018	610,018	
	20,505,000	(20,505,000)	-	25,615,018	25,615,018	
Payments						
Repayment of borrowing	(39,361,000)	(7,181,000)	(46,542,000)	(42,492,069)	4,049,931	Difference less than 10%
Net cash flows from financing activities	(18,856,000)	(27,686,000)	(46,542,000)	(16,877,051)	29,664,949	

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

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	(10,177,000)	(24,445,790)	(34,622,790)	3,251,043	37,873,833	
Cash/cash equivalents at the year begin:	40,524,000	-	40,524,000	20,357,727	(20,166,273)	
Cash and cash equivalents at the end of the year	30,347,000	(24,445,790)	5,901,210	23,608,770	17,707,560	

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 22.

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 23 - Provisions and note 47 - 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 or 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 (whichever 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, other	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.

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.

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.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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 net 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 net 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 net 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 net 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 net defined benefit liability is the net total of the following amounts:

- the present value of the net 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 net 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:

- service cost;
- net interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses
- 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 an 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 47.

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).

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.

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 2023/07/01 to 2024/06/30.

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 2024

Notes to the Annual Financial Statements

2024 2023

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023
• GRAP 25 (as revised): Employee Benefits	01 April 2023
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023

The impact of the new standards and interpretations effective and adopted in the current year did not have a material impact. GRAP 25 has resulted in more disclosure than would have previously provided in the financial statements.

2.2 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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 104 (amended): Financial Instruments	April 1, 2025
• GRAP 103 (as revised): Heritage Assets	Unknown
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	Unknown

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

3. Inventories

Consumable stores	1,982,036	1,915,431
Maintenance materials	9,310,467	9,509,093
Water for distribution	752,633	1,268,912
	12,045,136	12,693,436

Dormant and slow moving stock at year end	577,087	566,845
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Inventories recognised as an expense during the year	53,277,573	58,459,034
Consumable stores materials (losses)/surpluses identified during the annual stores count	(2,394,150)	2,698,751

Inventory pledged as security

No inventory assets were pledged as security for liabilities.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
4. Construction contracts and receivables		
Contracts in progress at statement of financial position date		
Construction contracts and receivables	6,917,520	6,706,886
Amounts due from/(prepaid by) customers		
Opening balance	6,706,885	5,068,369
Contracted revenue	24,126,303	13,361,671
Payments (Tranches) received during the period	(23,915,668)	(11,723,154)
Retention withheld*	-	-
Total due from /(prepaid by) customers	6,917,520	6,706,886
* Contracts with the Provincial Department and its beneficiaries are not subject to any retention.		
The aggregate amount of costs incurred to date is R 557,348,477 (2023 R 533,222,174).		
The current year costs are included in contracted services R 24 126 303.		
The municipality recognised contracted revenue as the cost incurred.		
5. Receivables from exchange transactions		
Gross balances		
Electricity	100,827,102	76,991,383
Water	85,143,475	63,477,673
Sewerage	67,820,099	61,885,261
Refuse	57,703,799	53,956,746
Housing rental	8,648,542	8,111,164
Other (Sundry amounts)	15,068,920	17,338,875
	335,211,937	281,761,102
Less: Allowance for impairment		
Electricity	(63,919,121)	(46,487,507)
Water	(66,309,610)	(51,358,470)
Sewerage	(62,364,682)	(56,860,432)
Refuse	(50,984,619)	(47,230,384)
Housing rental	(7,041,750)	(6,848,893)
Other (Sundry amounts)	(12,671,612)	(13,786,234)
	(263,291,394)	(222,571,920)
Net balance		
Electricity	36,907,981	30,503,876
Water	18,833,865	12,119,203
Sewerage	5,455,417	5,024,829
Refuse	6,719,180	6,726,362
Housing rental	1,606,792	1,262,271
Other (Sundry amounts)	2,397,308	3,552,641
	71,920,543	59,189,182

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
5. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	21,137,162	19,359,474
31 - 60 days	6,546,728	5,549,579
61 - 90 days	4,356,705	3,072,564
91 + days	68,786,507	49,009,766
Allowance for impairment	(63,919,121)	(46,487,507)
	36,907,981	30,503,876
Water		
Current (0 -30 days)	8,814,085	6,781,465
31 - 60 days	4,228,776	2,705,816
61 - 90 days	3,111,315	2,589,290
91 + days	68,989,299	51,401,102
Allowance for impairment	(66,309,610)	(51,358,470)
	18,833,865	12,119,203
Sewerage		
Current (0 -30 days)	2,471,994	2,620,018
31 - 60 days	1,523,978	1,295,120
61 - 90 days	1,231,378	1,056,316
91 + days	62,592,749	56,913,807
Allowance for impairment	(62,364,682)	(56,860,432)
	5,455,417	5,024,829
Refuse		
Current (0 -30 days)	1,909,136	2,585,196
31 - 60 days	1,346,479	1,158,502
61 - 90 days	1,074,323	903,677
91 + days	53,373,861	49,309,371
Allowance for impairment	(50,984,619)	(47,230,384)
	6,719,180	6,726,362
Housing rental		
Current (0 -30 days)	485,968	413,999
31 - 60 days	182,824	148,168
61 - 90 days	104,359	95,712
91 + days	7,875,391	7,453,285
Allowance for impairment	(7,041,750)	(6,848,893)
	1,606,792	1,262,271
Other (specify)		
Current (0 -30 days)	168,236	181,090
31 - 60 days	134,212	146,654
61 - 90 days	103,189	156,031
91 + days	14,663,282	16,855,100
Allowance for impairment	(12,671,611)	(13,786,234)
	2,397,308	3,552,641



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Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
5. Receivables from exchange transactions (continued)		
Total		
Current (0 -30 days)	33,003,084	31,941,242
31 - 60 days	13,962,997	11,003,838
61 - 90 days	9,981,269	7,873,590
91 + days	278,264,587	230,942,432
Allowance for impairment	(263,291,394)	(222,571,920)
	71,920,543	59,189,182

30 June 2024

	Residential, Industrial & Commercial	Other debtors	National and Provincial Government	Total
Total receivables	320,208,002	7,693,790	7,310,145	335,211,937
Less: Allowance for impairment	(257,333,508)	(5,957,886)	-	(263,291,394)
	62,874,494	1,735,904	7,310,145	71,920,543

30 June 2023

	Residential, Industrial & Commercial	Other debtors	National and Provincial Government	Total
Total receivables	262,445,751	7,067,056	12,248,295	281,761,102
Less: Allowance for impairment	(218,165,625)	(4,406,295)	-	(222,571,920)
	44,280,126	2,660,761	12,248,295	59,189,182

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 2024, R 43,487,192 (2023: R 34,297,788) were past due but not impaired.

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

1 month past due	10,263,170	8,459,220
2 months past due	33,224,022	25,838,568

Receivables from exchange transactions impaired

As of 30 June 2024, consumer debtors of R 263,291,394 (2023: R 222,571,920) were impaired and provided for.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
5. Receivables from exchange transactions (continued)		
Reconciliation of allowance for impairment of receivables from exchange transactions		
Opening balance	222,571,920	202,869,800
Allowance for impairment	58,559,097	46,177,007
Amounts written off as uncollectible	(17,839,623)	(26,474,887)
	263,291,394	222,571,920
6. Receivables from non-exchange transactions		
Gross balances		
Rates	132,222,422	104,760,983
Fines	176,381,569	146,341,713
Miscellaneous	7,197,195	6,749,111
Availability fees	11,460,868	10,561,157
	327,262,054	268,412,964
Less: Allowance for impairment		
Rates	(58,226,430)	(48,214,957)
Fines	(157,906,606)	(130,488,496)
Availability fees	(7,792,734)	(7,850,143)
	(223,925,770)	(186,553,596)
Net balance		
Rates	73,995,992	56,546,026
Fines	18,474,963	15,853,217
Miscellaneous	7,197,195	6,749,111
Availability fees	3,668,134	2,711,014
	103,336,284	81,859,368



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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
6. Receivables from non-exchange transactions (continued)		
Ageing of receivables from non-exchange transactions:		
Rates		
Current (0-30 days)	21,119,420	16,192,947
31 - 60 days	8,293,347	6,340,472
61 - 90 days	5,018,113	3,561,272
91 + days	97,791,542	78,666,292
	<u>132,222,422</u>	<u>104,760,983</u>
Less: Allowance for impairment	(58,226,430)	(48,214,957)
	73,995,992	56,546,026
Fines and Other		
Current (0-30 days)	10,904,445	13,440,532
31 - 60 days	4,611,680	6,731,850
61 - 90 days	7,044,800	9,735,550
91 + days	161,017,839	123,182,892
	<u>183,578,764</u>	<u>153,090,824</u>
Less: Allowance for impairment	(157,906,606)	(130,488,496)
	25,672,158	22,602,328
Availability charges		
Current (0-30 days)	794,440	957,362
31 - 60 days	474,540	518,909
61 - 90 days	382,213	302,201
91 + days	9,809,675	8,782,686
	<u>11,460,868</u>	<u>10,561,158</u>
Less: Allowance for impairment	(7,792,733)	(7,850,144)
	3,668,135	2,711,014
Total		
Current (0-30 days)	32,818,305	30,590,841
31 - 60 days	13,379,567	13,591,231
61 - 90 days	12,445,126	13,599,023
91 + days	268,619,056	210,631,870
	<u>327,262,054</u>	<u>268,412,965</u>
Less: Allowance for impairment	(223,925,769)	(186,553,597)
	103,336,285	81,859,368

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.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

6. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

All rates are payable within 30 days from the invoice date. At 30 June 2024, R 119,228,264 (2023: R 92,829,367) 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	18,679,042	14,382,419
2 months past due	100,549,222	78,446,948

Receivables from non-exchange transactions impaired

As of 30 June 2024, other receivables from non-exchange transactions of R 223,925,770 (2023: R 186,553,596) were impaired and provided for.

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

Opening balance	186,553,596	188,665,715
Provision for impairment	98,553,539	84,600,416
Amounts written off as uncollectible	(61,181,365)	(86,712,535)
	223,925,770	186,553,596

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	73,995,992	56,546,026
Fines	18,474,963	15,853,217
VAT due to/by SARS	(876,400)	(1,081,654)
	91,594,555	71,317,589

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.

Notes to the Annual Financial Statements

	2024	2023
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7. Statutory receivables (continued)**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.

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. Net VAT accrual /receivable

Net VAT accrual /receivable	22,341,847	21,444,678
VAT accrual (output) payable	(58,336,449)	(35,816,615)
Less: Contribution to provision for impairment of trade receivables from exchange transactions	40,825,034	37,260,850
VAT accrual (input) receivable	39,853,262	20,000,443
	22,341,847	21,444,678

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
9. Unspent conditional grants and receipts		
Unspent Grants and receipts		
National Government Grants	2,728,806	4,070,870
Provincial Government Grants	716,148	67,993
Other organisational Grants	112,890	22,903
	3,557,844	4,161,766
Less: Unpaid Grants		
Provincial Government Grants	906,740	906,740
Net unspent/(unpaid) grants and receipts	2,651,104	3,255,026
Unspent and unpaid grants and receipts comprises of:		
Unspent conditional grants and receipts		
National: Municipal Infrastructure Grant (MIG)	2,456	1,918,398
National: Energy Efficiency and Demand Side Management Grant (EEDSMG)	56,884	56,884
National - Municipal Disaster Recovery Grant	2,600,000	-
National: Neighbourhood Development Partnership Grant (NDPG)	-	2,095,553
National: Water Services Infrastructure Grant	69,466	-
National: Integrated National Electrification Program	-	35
Provincial: Integrated Housing and Human Settlement Grant (IHHS)	(906,740)	(906,740)
Provincial: Other Provincial Grants	716,148	67,993
Other Organisational Grants	112,890	22,903
	2,651,104	3,255,026

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	122,358,000	111,172,196
Transferred to revenue - operating	(122,358,000)	(111,172,196)
	-	-

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	1,771,000	1,721,000
Conditions met - transferred to revenue - operating	(1,771,000)	(1,721,000)
	-	-

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
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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	1,918,398	155,006
Current year receipts	24,202,000	29,714,000
Conditions met - transferred to revenue - operating	(4,382,250)	(4,655,262)
Conditions met – transferred to revenue – capital	(19,817,245)	(23,140,341)
Adjustments	(1,918,447)	(155,005)
	2,456	1,918,398

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)

Opening balance	36	-
Current year receipts	40,000,000	10,730,000
Conditions met - transferred to revenue - operating	(5,217,396)	(1,399,561)
Conditions met – transferred to revenue – capital	(34,782,640)	(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

Annual Financial Statements for the year ended 30 June 2024

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	2024	2023
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9. Unspent conditional grants and receipts (continued)

National: Extended Public Works Program (EPWP)

Current year receipts	1,264,000	1,044,000
Conditions met - transferred to revenue - operating	(1,264,000)	(1,044,000)
	-	-

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	2,095,553	2,524,386
Current year receipts	8,397,000	5,000,000
Conditions met - transferred to revenue - operating	(1,092,102)	(378,841)
Conditions met - transferred to revenue - capital	(7,304,898)	(2,525,606)
Adjustments	(2,095,553)	(2,524,386)
	-	2,095,553

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	(906,740)	320,977
Current year receipts	-	469,876
Conditions met – transferred to revenue – capital	-	(1,697,593)
	(906,740)	(906,740)

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	67,859	1,348,246
Current year receipts	737,323	3,006,000
Conditions met - transferred to revenue - operating	(89,034)	(1,705,618)
Conditions met - transferred to revenue - capital	-	(2,086,840)
Adjustments	-	(493,795)
	716,148	67,993

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

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
9. Unspent conditional grants and receipts (continued)		
Other Organisational Grants		
Opening balance	23,038	236,676
Current year receipts	100,000	-
Conditions met - transferred to revenue - operating	(10,148)	(213,773)
	112,890	22,903
The grants relates to Nedbank SMME incubat and SANBI		
National: Water Services Infrastructure Grant		
Opening balance	-	771,161
Current year receipts	3,400,000	(771,161)
Conditions met - transferred to revenue - operating	(376,101)	-
Conditions met - transfer to revenue - capital	(2,954,433)	-
	69,466	-
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	10,978,000	10,659,000
Conditions met – transferred to revenue – operating	(10,938,000)	(10,659,000)
Conditions met – transferred to revenue – capital	(40,000)	-
	-	-
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
Conditions met - transferred to revenue - operating	-	(1,000,000)
Conditions met – transferred to revenue – capital	-	(120,000)
	-	-
The grant receipts consist of security cameras and food security amounting to R120,000 and R1,000,000 respectively.		
National - Municipal Disaster Recovery Grant		
Current year receipts	2,600,000	-
The grant relates to to disaster recovery.		
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	10,350	10,350
Short-term deposits	20,887	19,266
Bank balances	23,577,519	20,328,111
	23,608,756	20,357,727

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

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2024 2023

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) 23,577,519 23,276,615

Cash and cash equivalents pledged as collateral

Cash and cash equivalents to an amount of R 3,557,844 (2023: R 4,161,766) 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 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
Nedbank - Primary bank account - 162 656 1826	8,129	1,563,706	32,448,866	8,129	1,563,705	32,895,199
Nedbank - Secondary account - 162 656 1834	-	-	140	-	-	140
Nedbank - Tertiary account (SARS VAT receipts) - 162 657 1139	-	-	891,785	-	-	891,785
Nedbank - Emergency Fund - 114 792 0699	-	-	105,457	-	5	105,457
Standard Bank - Primary bank account - 303265043	22,448,111	18,346,406	-	22,514,406	18,764,400	-
Standard Bank - Secondary bank account - 303265612	1,063,107	-	-	1,063,107	-	-
Total	23,519,347	19,910,112	33,446,248	23,585,642	20,328,110	33,892,581

Call Investment Deposits consist of the following accounts:

Investec - 021941-503	20,885	19,264
Investec - 021941-501	2	2
	20,887	19,266

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
11. Long-term investments and receivables		
At amortised cost		
Fixed Deposits	3,175,689	2,929,238
Staff Housing Loans	3,866	3,866
Old Age Homes / Creche	426,245	426,245
Sundry deposits	6,800	6,800
	<u>3,612,600</u>	<u>3,366,149</u>
Impairments	(434,497)	(434,497)
	<u>3,178,103</u>	<u>2,931,652</u>
Non-current assets		
At amortised cost	<u>3,178,103</u>	<u>2,931,652</u>

Fixed Deposits

Included in Non-Current Investments is the Investec Fixed Deposit (Acc 021941500) of R 3,175,689 (2023: R 2,929,238) 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 2024, financial assets of R 434,497 (2023: R 434,497) were impaired and provided for.

Reconciliation of provision for impairment of financial assets at amortised cost

Opening balance	<u>434,497</u>	<u>434,497</u>
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Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

12. Investment property

	2024		2023			
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
	150,218,108	(82,692,680)	67,525,428	150,218,108	(82,556,661)	67,661,447

Reconciliation of investment property - 2024

Investment property	Opening balance	Additions	Disposals	Depreciation	Total
	67,661,447	-	-	(136,019)	67,525,428

Reconciliation of investment property - 2023

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

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

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
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	6,281,237	5,565,042
From Investment property that generated rental revenue		
Contracted services	90,337	157,497
Operational cost	33,850	2,623
	124,187	160,120

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

	2024			2023		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	298,083,407	(174,793,690)	123,289,717	298,083,407	(174,793,690)	123,289,717
Buildings	49,393,369	(12,735,446)	36,657,923	49,274,468	(10,823,431)	38,451,037
Infrastructure	1,633,432,107	(500,758,286)	1,132,673,821	1,550,167,526	(454,273,854)	1,095,893,672
Community assets	139,279,252	(23,245,609)	116,033,643	136,898,560	(21,608,672)	115,289,888
Computer equipment	15,206,265	(11,360,296)	3,845,969	14,859,832	(10,603,428)	4,256,404
Furniture and office equipment	14,113,041	(10,524,812)	3,588,229	14,075,372	(9,225,827)	4,849,545
Machinery and equipment	43,907,381	(24,985,358)	18,922,023	43,347,730	(23,413,887)	19,933,843
Transport assets	81,238,159	(47,824,361)	33,413,798	80,104,022	(30,220,334)	49,883,688
Total	2,274,652,981	(806,227,858)	1,468,425,123	2,186,810,917	(734,963,123)	1,451,847,794

The total accumulated impairment related to land was erroneously included in the cost price of the land in prior years. A correction has been made, resulting in a discrepancy between the comparative cost and accumulated impairment figures and those reported in the previously signed financial statements.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Carrying Value	Cost	Accumulated Depreciation and Impairments						Carrying Value
	Opening balance	Additions	Disposals	Transfer from Heritage assets	Transfer to completed	IGRAP2 adjustment	Depreciation charge	Disposals - Depreciation	Impairments* Closing balance
Operational land	123,289,717	-	-	-	-	-	-	-	-
Operational buildings	38,451,037	44,207	-	-	74,694	-	(1,912,014)	-	-
Infrastructure	1,095,893,671	84,580,149	-	-	(74,694)	(1,240,874)	(42,698,672)	-	(3,785,760)
Community assets	115,289,887	2,380,692	-	-	-	-	(2,007,085)	-	370,148
Computer equipment	4,256,403	452,835	(106,401)	-	-	-	(859,752)	102,884	-
Furniture and office equipment	4,849,545	151,087	(113,419)	-	-	-	(1,391,145)	92,160	-
Machinery and equipment	19,933,843	880,028	(320,378)	-	-	-	(884,363)	220,073	(907,181)
Transport assets	49,883,688	1,466,669	(332,532)	-	-	-	(3,262,421)	35,655	(14,377,260)
	1,451,847,791	89,955,667	(872,730)	-	-	(1,240,874)	(53,015,452)	450,772	- (18,700,053)
									1,468,425,123

* Includes iGrap 2 impairment of R 1 240 874.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023 (Restated)

	Carrying Value	Cost	Accumulated Depreciation and Impairments						Carrying value	
	Opening balance	Additions	Disposals	Transfer from Heritage assets	Transfer to completed	IGRAP 2 adjustment	Depreciation charge	Disposals - Depreciation Impairment	Disposals - Impairments*	Closing balance
Operational land	121,297,717	-	(108,000)	2,100,000	-	-	-	-	-	123,289,717
Operational buildings	37,775,243	920,219	(2,868)	715,933	838,376	-	(1,796,046)	179	-	38,451,037
Infrastructure	1,047,566,006	85,217,262	(1,146,270)	-	5,662,158	(1,752,667)	(39,787,210)	400,159	(265,767)	1,095,893,671
Community assets	125,729,852	1,188,782	(110,000)	-	(6,500,534)	-	(2,172,085)	-	(2,846,128)	115,289,887
Computer equipment	4,881,130	344,991	(605,151)	-	-	-	(899,604)	535,037	-	4,256,403
Furniture and office equipment	5,791,111	499,877	(97,417)	-	-	-	(1,429,361)	85,335	-	4,849,545
Machinery and equipment	21,672,083	2,079,977	(47,031)	-	-	-	(3,194,816)	47,030	(623,400)	19,933,843
Transport assets	47,507,915	6,389,830	(2,798,567)	-	-	-	(3,450,922)	2,181,589	53,843	49,883,688
	1,412,221,057	96,640,938	(4,915,304)	2,815,933	-	(1,752,667)	(52,730,044)	3,249,329	53,843	1,451,847,791

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
13. Property, plant and equipment (continued)		
Assets subject to finance lease and pledged as security		
Machinery and equipment	-	797,883
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 & equipment	14,145,100	14,145,100

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
13. Property, plant and equipment (continued)		
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	249,009	249,009
Infrastructure	197,073,730	144,649,870
Community	6,457,793	4,283,770
Transport assets	51,040	51,040
	203,831,572	149,233,689
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	1,129,955	1,129,955
Still in progress of land identification.		
	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	-	198,140
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.		
Erf 7057 Upgrade Bonganie Sportfield - Community	5,235,476	3,146,956
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.		
Upgrade Main Sewer Pump Station*	14,509,893	14,509,893
Inadequate budget for Phase 2 construction		
No impairment loss has been recognised as the project will continue as and when funding becomes available.		
Upgrade CBD Sewer*	1,476,740	1,476,740
Inadequate budget for Phase 2 construction		
No impairment loss has been recognised as the project will continue as and when funding becomes available.		
CBD Pipe replacement*	2,364,556	1,486,622
Inadequate budget for Phase 2 construction		
No impairment loss has been recognised as the project will continue as and when funding becomes available.		
	23,586,665	20,818,351
* The comparative figures has been included and accordingly the prior year financial statements do not agree with comparative figures.		
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	41,484,089	53,550,513
Sale of goods/Inventory	603,976	2,264,873
General expenses	5,862,179	9,794,806
	47,950,244	65,610,192



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Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
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14. Intangible assets

	2024			2023		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and website	184,239	(135,318)	48,921	184,239	(119,898)	64,341

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software and website	64,341	-	(15,420)	48,921

Reconciliation of intangible assets - 2023

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

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

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
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15. Heritage assets

	2024			2023		
	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	22,322,000	(9,711,000)	12,611,000
Historical buildings	1,671,952	(13,952)	1,658,000	1,671,952	(13,952)	1,658,000
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	24,337,998	(9,724,952)	14,613,046

Reconciliation of heritage assets 2024

	Opening balance	Total
Works of art	83,550	83,550
Historical monuments	18,871	18,871
Land of historical significance and conservation areas	12,611,000	12,611,000
Historical buildings	1,658,000	1,658,000
Book collection of historical significance	241,625	241,625
	14,613,046	14,613,046

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

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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Notes to the Annual Financial Statements

	2024	2023
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 1003 Knysna: Old goal heritage building, museum and municipal offices	3,900,000	3,900,000
* 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
General expenses	13,569	6,893
	13,569	147,235
16. Operating lease asset (liability)		
Non-current assets	3,671,787	3,218,372
	3,671,787	3,218,372
Refer to note 46 for additional disclosure relating to the operating lease asset and accrual.		
17. Long-term liabilities		
At amortised cost		
Annuity loans	351,704,121	368,297,755
Annuity loans		
Annuity loans bear interest at rates between 7.93% and 11.69% per annum. Investec Fixed Deposit (Acc 021941-500) of R 3,175,689 has been pledged to DBSA as guaranty for external loans taken up. Refer to note 11.		
Non-current liabilities		
At amortised cost	305,354,811	324,282,182
Current liabilities		
At amortised cost	46,349,310	44,015,573

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
18. Finance lease obligation		
Minimum lease payments due		
- within one year	-	938,016
	-	938,016
less: future finance charges	-	(44,581)
Present value of minimum lease payments	-	893,435
Present value of minimum lease payments due		
- within one year	-	893,435

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.

19. Payables from exchange transactions

Accrued Interest on Loans	4,224,572	751,182
Trade payables	151,473,896	138,691,427
Payments received in advanced	21,910,041	21,496,296
Retentions	15,570,553	13,094,260
Hoarding fees	8,274,499	7,451,458
Other payables	6,786,087	7,576,342
Deposits: Other	831,466	812,290
Operating lease payables	1,098,164	-
	210,169,281	189,873,258

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. VAT payable

VAT receivable / (payable) to the Receiver of Revenue - Refer to note 55	876,400	1,081,654
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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 2024

Notes to the Annual Financial Statements

	2024	2023
21. Consumer deposits		
Electricity	8,761,986	8,206,884
Water	6,336,463	6,340,891
Other deposits	243,928	216,616
Town Hall rental	195,277	163,245
	15,537,654	14,927,636
22. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Non-current liabilities		
Post-Retirement Medical Aid benefits liability	98,730,000	89,645,000
Ex-gratia pension benefits liability	54,948	55,948
Long service awards	19,865,999	18,284,999
	118,650,947	107,985,947
Current liabilities		
Post-Retirement Medical Aid benefits liability	5,704,000	5,077,000
Ex-gratia pension benefits liability	11,052	11,052
Long service awards	1,801,000	2,789,000
Performance bonus	777,699	1,154,171
Staff annual bonus	8,156,520	8,036,427
Staff leave	22,118,362	21,011,708
	38,568,633	38,079,358
Total liabilities		
Post-Retirement Medical Aid benefits liability	104,434,000	94,722,000
Ex-gratia pension benefits liability	66,000	67,000
Long service awards	21,666,999	21,073,999
Performance bonus	777,699	1,154,171
Staff annual bonus	8,156,520	8,036,427
Staff leave	22,118,362	21,011,708
	157,219,580	146,065,305

Risks relating to the net defined benefit obligation plans:

Inflation: The risk that future CPI inflation and earnings inflation are higher than assumed and present in an uncontrolled manner.

Volatility of open-ended, long-term DBO: The risk that the DBO may be volatile which is exacerbated by its long-term nature.

Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.

Future changes in legislation: The risk that changes to legislation with respect to the ex-gratia benefits may increase the DBO for the Municipality.

Post-retirement medical aid benefit liability

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

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
22. Employee benefit obligations (continued)		
In-service (Employees) members	335	334
In-service (Employees) non-members	300	301
Continuation members	74	71
Total members	709	706
In-service members	49,388,000	44,105,000
Continuation members	52,447,000	48,316,000
Non-members	2,599,000	2,301,000
Total unfunded liability	104,434,000	94,722,000

Valuation of assets

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e., no dedicated assets have been set aside to meet this liability.

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

- Bonitas
- LA Health
- Hosmed
- Keyhealth
- Samwumed

The service cost for the year ending 30 June 2025 is estimated to be R 2 723 000 (2024: R 2 628 000 whereas the net interest cost for the same year is estimated to be R 13 948 000 (2024: R12 732 000).

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

i) Rate of interest		
Discount rate	13.54 %	13.61 %
Health care cost inflation rate	9.46 %	9.60 %
CPI (Consumer Price Inflation)	7.96 %	8.10 %
Net effective discount rate	3.73 %	3.66 %
Average retirement age - females	62	62
Average 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.

The next contribution increase was assumed to occur on 1 January 2025.

ii) Continuation assumption

It was assumed that 80% of In-Service Members that are currently on a Medical Aid Plan would continue to be on a plan on Retirement and receive subsidies from the Municipality.

Furthermore, it was assumed that 5% of In-Service Members that are currently not on a Medical Aid Plan would be on a plan upon Retirement and receive subsidies from the Municipality. These members are assumed to form part of the Samwumed B plan upon Retirement.

These assumptions are in line with the assumptions used in the previous valuation.

iii) Mortality rates

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

22. Employee benefit obligations (continued)

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

iv) 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.

v) Actuarial Valuation Method

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

vi) Decrements: withdrawal

A table setting out the assumed rates of withdrawal from service is set out below:

Age Band	Withdrawal Rate Males	Withdrawal Rate Females
20 - 24	9 %	9 %
25 - 29	8 %	8 %
30 - 34	6 %	6 %
35 - 39	5 %	5 %
40 - 44	5 %	5 %
45 - 49	4 %	4 %
50 - 54	3 %	3 %
55 - 59	- %	- %
60+	- %	- %

These assumptions are in line with the assumptions used in the previous valuation.

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

Present value of unfunded obligations	104,434,000	94,722,000
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Amounts recognised in the Statement of Financial Performance are as follows:

Service Cost and reduction in minimum membership transactions	2,628,000	3,155,000
Actuarial (Gains)/Losses	(576,087)	(15,667,862)
Interest cost	12,732,000	11,582,000
	14,783,913	(930,862)

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

Balance at the beginning of the year	94,722,000	100,290,000
- Service cost	2,628,000	3,155,000
- Net interest cost	12,732,000	11,582,000
- Actuarial losses/(gains)	(576,087)	(15,667,862)
Benefits paid	(5,071,914)	(4,637,138)
Balance at the end of the year	104,433,999	94,722,000

Remeasurement of net defined benefit liability

Actuarial (gains)/losses from financial assumptions	(1,926,000)	(5,709,000)
Actuarial (gains)/losses from demographic assumptions	1,349,913	(3,172,862)
Changes in the average subsidy	-	(6,786,000)
	(576,087)	(15,667,862)

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

22. Employee benefit obligations (continued)

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

Liability History	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Accrued liability	83,998,000	95,885,000	100,290,000	94,772,000	104,434,000
	(83,998,000)	(95,885,000)	(100,290,000)	(94,772,000)	(104,434,000)

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 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Liabilities: (Gain) / Loss	3,044,000	(3,312,000)	(4,407,000)	5,568,000	(1,349,913)
	3,044,000	(3,312,000)	(4,407,000)	5,568,000	(1,349,913)

Sensitivity analysis on the accrued liability	Change	In-service	Continuation	Total	% change
Central assumptions		51,987,000	52,447,000	104,434,000	
Health care inflation	1 %	61,629,000	56,354,000	117,983,000	13 %
Health care inflation	(1)%	44,166,000	48,942,000	93,108,000	(11)%
Discount rate	1 %	44,480,000	49,084,000	93,564,000	(10)%
Discount rate	(1)%	61,337,000	56,248,000	117,585,000	13 %
Post-retirement mortality	1 year	50,613,000	50,597,000	101,210,000	(3)%
Post-retirement mortality	-1 year	53,350,000	54,311,000	107,661,000	3 %
Average retirement age	-1 year	57,641,000	52,447,000	110,088,000	5 %
Continuation of membership at retirement	(10)%	40,616,000	52,447,000	93,063,000	(11)%

Sensitivity analysis on service cost and net interest cost	Change	Service cost	Net Interest cost	Total	% change
Central assumptions		2,723,000	13,948,000	16,671,000	
Health care inflation	1 %	3,305,000	15,822,000	19,127,000	15 %
Health care inflation	(1)%	2,260,000	12,383,000	14,643,000	(12)%
Discount rate	1 %	2,278,000	12,446,000	14,724,000	(12)%
Discount rate	(1)%	3,287,000	15,767,000	19,054,000	14 %
Post-retirement mortality	1 year	2,652,000	13,507,000	16,159,000	(3)%
Post-retirement mortality	-1 year	2,794,000	14,390,000	17,184,000	3 %
Average retirement age	-1 year	2,946,000	14,723,000	17,669,000	6 %
Continuation of membership at retirement	(10)%	2,047,000	12,365,000	14,412,000	(14)%

Maturity analysis

	Liability value
Within one year from valuation date	5,704,000
Between 1 and 5 years from valuation date	17,393,000
Longer than 5 years from valuation date	81,337,000
	104,434,000

Ex-gratia pension liability

The Ex-gratia pension benefit plan is a net defined benefit plan. As at 30 June 2024, 1 pensioners (2023: 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 net interest cost for the year ending 30 June 2025 is estimated to be R 7 000 (2024: R 8 000).

Pensioners

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Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

22. Employee benefit obligations (continued)

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

- i) Rate of interest
Discount rate

Yield curve Yield curve

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.

- iv) Withdrawal decements

A Table setting out the assumed rates of withdrawal from service is set out below:

Age band	Withdrawal Rate Males	Withdrawal Rate Females
20 - 24	16	24
25 - 29	12	18
30 - 34	10	15
35 - 39	8	10
40 - 44	6	6
45 - 49	4	4
50 - 54	2	2
55+	1	1
	59	80

The amounts recognised in the Statement of Financial Position are as follows:
Post-Retirement Housing Subsidy obligation

66,000 67,000

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

Net interest cost	8,000	7,350
Recognised actuarial losses / (gains)	2,052	(7,208)
	10,052	142

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

22. Employee benefit obligations (continued)

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

Balance at the beginning of the year	67,000	77,910
- Actuarial (Gains)/Losses	2,052	(7,208)
- Net interest cost	8,000	7,350
- Benefits paid	(11,052)	(11,052)
	66,000	67,000

Remeasurement of net defined benefit liability

Actuarial (gains)/losses from financial assumptions	1,000	(4,000)
Actuarial (gains)/losses from demographic assumptions	1,052	(3,208)
	2,052	(7,208)

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

Liability History	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Accrued liability	104,130	88,900	77,910	67,000	66,000
Surplus / (Deficit)	(104,130)	(88,900)	(77,910)	(67,000)	(66,000)

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 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Liabilities: (Gain) / Loss	2,649	1,655	2,272	3,208	(1,052)
	2,649	1,655	2,272	3,208	(1,052)

Sensitivity analysis on the unfunded accrued liability

	Change	Total liability	% change
Central assumptions		66,000	
Discount rate	1 %	64,000	(3) %
Discount rate	(1) %	69,000	5 %
Post-retirement mortality	1 year	65,000	-2 %
Post-retirement mortality	- 1 year	68,000	3 %

Sensitivity analysis on the net interest cost

	Change	Net interest cost	% change
Central assumptions		7,000	%
Discount rate	1 %	7,000	- %
Discount rate	(1) %	8,000	14 %
Post-retirement mortality	1 year	7,000	- %
Post-retirement mortality	- 1 year	8,000	14 %

Maturity analysis

	Liability value
Within one year from valuation date	11,052
Between 1 and 5 years from valuation date	30,403
Longer than 5 years from valuation date	24,545
	66,000

Long service awards

The municipality's obligation for Long Service Awards is a net 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).

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

22. Employee benefit obligations (continued)

The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the net defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the net defined benefit long service allowances is the present value of the net defined benefit obligation. The present value of the net 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 2024.

Valuation of Assets

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e., no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

At year end, 627 (2023: 635) employees were eligible for Long-services awards.

The future service cost for the ensuing year is estimated to be R 1 500 000 (2024: R 1,486,000), whereas the interest cost for the ensuing year is estimated to be R 2 324 000 (2024: R 2,302,000).

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

i) Rate of interest		
Discount rate	10.99 %	11.12 %
CPI (Consumer Price Inflation)	5.67 %	6.09 %
General salary inflation (long-term)	6.67 %	7.09 %
Net effective discount rate	4.05 %	3.76 %

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.

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.

iv) Withdrawal decemments

A table setting out the assumed rates of withdrawal from service is set out below:

Age band	Withdrawal Rate Males	Withdrawal Rates Female
20 - 24	9 %	9 %
25 - 29	8 %	8 %
30 - 34	6 %	6 %
35 - 39	5 %	5 %
40 - 44	5 %	5 %
45 - 49	4 %	4 %
50 - 54	3 %	3 %
55 - 59	- %	- %
60+	- %	- %

Amounts recognised in the Statement of Financial Performance are as follows:

Unfunded Long-Service Awards obligation	21,666,999	21,073,999
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Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
22. Employee benefit obligations (continued)		
Amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1,486,000	1,465,484
Interest cost	2,302,000	1,940,000
Other	-	10,515
Actuarial (Gains)/Losses	(988,991)	809,734
	2,799,009	4,225,733
The movement in the net defined benefit obligation over the year is as follows:		
	21,073,999	18,556,517
- Service cost	1,486,000	1,465,484
- Net interest cost	2,302,000	1,940,000
- Recognised actuarial losses / (gains)	(988,991)	809,734
- Other	-	10,515
- Benefits paid	(2,206,009)	(1,708,251)
	21,666,999	21,073,999
Remeasurement of net defined benefit liability		
Actuarial (gains)/losses from financial assumptions	(317,000)	(504,000)
Actuarial (gains)/losses from demographic assumptions	(671,991)	1,313,734
	(988,991)	809,734

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

Liability History	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Accrued Liability	16,530,603	17,445,000	18,556,517	21,073,999	21,667,000
Surplus / (Deficit)	(16,530,603)	(17,445,000)	(18,556,517)	(21,073,999)	(21,667,000)

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 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Liabilities: (Gain) / Loss	860,755	(295,392)	355,688	(1,313,734)	671,991
	860,755	(295,392)	355,688	(1,313,734)	671,991

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

				2024	2023
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22. Employee benefit obligations (continued)					
Sensitivity analysis on the unfunded accrued liability	Change		Liability		% change
Central assumptions			21,667,000		
General salary inflation	1 %		23,088,000		7 %
General salary inflation	(1)%		20,372,000		(6)%
Discount rate	1 %		20,431,000		(6)%
Discount rate	(1)%		23,042,000		6 %
Average retirement age	2 years		23,904,000		10 %
Average retirement age	-2 years		18,672,000		(14)%
Withdrawal rates	+100%		18,221,000		(16)%
Withdrawal rates	-50%		23,927,000		10 %
Sensitivity analysis on service and net interest costs	Change	Service cost	Net Interest cost	Total	% change
Central assumptions		1,500,000	2,324,000	3,824,000	
General salary inflation	1 %	1,614,000	2,486,000	4,100,000	7 %
General salary inflation	(1)%	1,398,000	2,176,000	3,574,000	(7)%
Discount rate	1 %	1,402,000	2,182,000	3,584,000	(6)%
Discount rate	(1)%	1,611,000	2,481,000	4,092,000	7 %
Average retirement age	2 years	1,637,000	2,577,000	4,214,000	10 %
Average retirement age	-2 years	1,328,000	1,985,000	3,313,000	(13)%
Withdrawal rates	100%	1,194,000	1,928,000	3,122,000	(18)%
Withdrawal rates	-50%	1,710,000	2,583,000	4,267,000	12 %
Maturity analysis					Liability value
Within one year from valuation date					1,801,000
Between 1 and 5 years from valuation date					12,809,000
Longer than 5 years from valuation date					7,057,000
					<hr/>
					21,667,000

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 net 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 net 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.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

22. Employee benefit obligations (continued)

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 2023 revealed that the fund is in a sound financial position with a funding level of 120.3%.

Council Contributions paid recognised in the Statement of Financial Performance	131,851	163,827
Employee Contributions paid recognised in the Statement of Financial Performance	65,925	81,914
	197,776	245,741

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 2023 revealed that the fund is in a sound financial position with a funding level of 120.1%.

Council Contributions paid recognised in the Statements of Financial Performance	30,156,861	29,079,717
Employee Contributions paid recognised in the Statements of Financial Performance	15,307,918	14,770,000
	45,464,779	43,849,717

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	1,154,172	1,688,694
Payments	-	(433,667)
Adjustment to performance bonus accrual during the year	(376,472)	(100,855)
	777,700	1,154,172

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	8,036,427	7,751,305
Payments	(7,967,152)	(7,655,467)
Additional bonus accrual recognised during the year	8,087,245	7,940,589
	8,156,520	8,036,427

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

Knysna Municipality

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Notes to the Annual Financial Statements

2024 2023

22. Employee benefit obligations (continued)

Staff leave

The movement on the leave accrual consist of the following:

Balance at the beginning of the year	21,011,708	19,597,498
Payments	(1,979,914)	(1,619,518)
Additional staff leave accrual recognised during the year	3,086,568	3,033,728
	22,118,362	21,011,708

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.

23. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Unwinding of discount	iGrap2 Adjustment	Total
Landfill site	17,875,055	-	1,635,497	(1,240,874)	18,269,678
VAT on Libraries	5,331,381	1,431,913	-	-	6,763,294
	23,206,436	1,431,913	1,635,497	(1,240,874)	25,032,972

Reconciliation of provisions - 2023

	Opening Balance	Additions	Unwinding of discount	iGrap2 Adjustments	Total
Landfill site	18,030,900	-	1,596,822	(1,752,667)	17,875,055
VAT on Libraries	3,941,076	1,390,305	-	-	5,331,381
	21,971,976	1,390,305	1,596,822	(1,752,667)	23,206,436

Non-current liabilities	17,362,338	16,967,715
Current liabilities	7,670,634	6,238,721
	25,032,972	23,206,436

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

23. Provisions (continued)

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 2024 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 5.26% (2023: 7.05%).

The cost as at 30 June 2024 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.

VAT on Libraries

The municipality has never declared output VAT on the Library Grants received from Department of Culture and Sports (DCAS) as it was deemed to also meet the definition of a grant for VAT purposes. The grant received was therefore not regarded as a taxable supply. Following various technical consultations, the general consensus is that payments received from the Western Cape Provincial Department of Cultural Affairs (DCAS) are not considered a grant as per the VAT Act. Due to uncertainty regarding the VAT treatment of funding received from DCAS, the municipality has applied for a VAT ruling from SARS. As of 30 June 2024, the municipality has not yet received the outcome of this ruling, and therefore a provision has been disclosed pending the final decision from SARS. Although a provision is recognised for the VAT payable to SARS, the municipality continues to be in consultaion with provincial government regarding the recovery of the VAT liability.

24. Service charges

Sale of electricity	347,884,136	300,828,040
Sale of water	94,438,162	73,963,044
Sewerage and sanitation charges	28,884,736	27,476,875
Refuse removal	28,679,328	26,913,885
	499,886,362	429,181,844

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.

25. Rental of facilities and equipment

Premises

Hire of halls	137,405	149,657
Investment property	6,281,237	5,565,042
	6,418,642	5,714,699

Knysna Municipality

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	2024	2023
25. Rental of facilities and equipment (continued)		
Facilities and equipment		
Rental of equipment	64,197	50,983
Bulk containers	7,530	-
Caravan park	900,120	630,286
	971,847	681,269
	7,390,489	6,395,968
26. Operational revenue		
Collection charges	(46,329)	39,022
Incidental cash surpluses	2,334	1,749
Merchandising, jobbing and contracts	3,088,373	3,952,579
Request for information - Municipal information and statistics	59,945	55,866
Skills development levy refund	-	438,551
Sundries	877,234	3,286,592
	3,981,557	7,774,359
27. Property rates		
Rates received		
Rateable Land and Buildings		
Residential	242,112,831	197,170,602
Commercial	39,389,384	34,923,352
State	9,272,341	10,089,039
Agriculture / Rural	1,986,909	1,417,994
Accommodation	33,126,080	29,440,372
Church	2,253,446	286,145
Light Industrial	5,421,896	4,654,905
Other - Pensioners etc.	498,216	801,195
Rebates		
Less: Income forgone / Rebates	(22,175,252)	(18,042,575)
	311,885,851	260,741,029
Valuations (R'000)		
Residential	31,945,763	24,010,593
Commercial	2,426,033	2,102,529
State	855,036	625,270
Municipal	660,240	354,521
Agricultural / Rural	1,102,652	723,932
Accommodation	2,102,437	1,745,332
Church	146,648	114,574
Light industrial	353,972	278,446
Other - Pensioners etc.	-	-
Public benefit and - infrastructure	130,101	81,180
	39,722,882	30,036,377

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2023. 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 0.0075214 was charged on the total market value. Businesses were charged at a rate of R 0.0152098 on the total market value.

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2024 2023

27. Property rates (continued)

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.

28. Transfers and subsidies

Operating grants

Equitable share	122,358,000	111,172,196
National : Financial Management Grant (FMG)	1,771,000	1,721,000
National : Municipal Infrastructure Grant (MIG)	4,382,249	4,655,262
National: Integrated National Electrification Program Grant (INEP)	5,217,396	1,399,561
National Extended Public Works Program (EPWP)	1,264,000	1,044,000
Other Provincial Grants	89,034	1,705,618
District : Garden Route District Municipal Grants	-	1,000,000
National: Water Services Infrastructure Grant	376,101	-
National: Neighbourhood Development Partnership Grant (NDPG)	1,092,102	378,841
Other Organisational Grants: Nedbank: SMME Incubat	-	213,773
Provincial: Community Library Service Grant	9,511,304	9,268,696
Other Organisational Grants: SANBI	10,148	-
	146,071,334	132,558,947

Capital grants

National: Municipal Infrastructure Grant (MIG)	19,817,245	23,140,340
National : Integrated National Electrification Program Grant (INEP)	34,782,640	9,330,404
Provincial: Integrated Housing and Human Settlement Grant (IHHS)	-	1,697,593
Provincial: Other Provincial Grants	-	2,086,840
District : Garden Route District Municipal Grants	-	120,000
National: Water Services Infrastructure Grant	2,954,433	-
National: Neighbourhood Development Partnership Grant (NDPG)	7,304,898	2,525,606
Provincial: Community Library Service Grant	34,783	-
	64,893,999	38,900,783
	210,965,333	171,459,730

Classification of revenue

Transfer and subsidies - Operating

Revenue from exchange transactions*	9,546,087	9,268,696
Revenue from non-exchange transactions	136,525,247	123,290,251
Transfer and subsidies - Capital	64,893,999	38,900,783
	210,965,333	171,459,730

* Relates to Provincial: Community Library Service Grant

Conditional and Unconditional

Included in above are the following grants and subsidies recognised:

Conditional grants received	88,607,333	60,287,534
Unconditional grants received	122,358,000	111,172,196
	210,965,333	171,459,730



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	2024	2023
28. Transfers and subsidies (continued)		
Revenue recognised / expensed per vote as required by Section 123 (c) of the MFMA		
Equitable share	122,358,000	111,172,196
Community share	9,635,121	14,181,153
Finance	1,771,000	1,721,000
Planning	1,274,148	2,955,368
Technical	75,927,064	41,430,013
	210,965,333	171,459,730
Grants received per directorate during the year (Excluding equitable share)		
Community services	14,315,323	10,655,205
Housing	-	469,876
Finance	1,771,000	2,271,000
Planning	1,364,000	1,100,000
Technical	75,999,000	47,076,634
	93,449,323	61,572,715
29. Fines, Penalties and Forfeits		
Traffic fines	95,383,800	88,719,220
Property rates penalties	10,687,133	7,795,167
Other fines	94,923	17,919
Deposits Forfeits	899,841	1,684,483
	107,065,697	98,216,789
30. Availability fees		
Electricity	5,308,926	4,551,279
Water	3,444,354	3,234,924
Refuse	2,134,955	1,552,034
Sewerage	1,824,381	1,763,248
	12,712,616	11,101,485
The availability fees with regards to rates are disclosed under property rates, note 27.		
31. Contributions recognised - donated assets		
General public - Millwood museum	-	1,030
Conditions still to be met - remain liabilities (see note 9)		

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Notes to the Annual Financial Statements

	2024	2023
32. Employee related costs		
Salaries and Wages	188,254,237	177,846,600
Contributions for UIF, Pensions and Medical Aids	52,376,451	48,962,796
Travel, motor car, accommodation, subsistence and other allowances	21,515,799	19,775,942
Housing benefits and allowances	2,596,560	2,684,013
Overtime payments	26,305,248	23,482,934
Performance bonuses	(290,089)	(171,352)
Bonus	13,802,470	13,569,594
Leave pay provision charge	3,086,569	3,033,731
<u>Defined Benefit Plan Expenses: Post-Retirement Medical Aid</u>	-	-
Current Service Cost	2,628,000	3,155,000
Actuarial (Gains)/Losses	(576,087)	(15,667,862)
Interest cost	12,732,000	11,582,000
<u>Defined Benefit Plan Expenses: Ex-gratia pension</u>	-	-
Actuarial (Gains)/Losses	2,052	(7,208)
Interest cost	8,000	7,350
<u>Defined Benefit Plan Expenses: Long service awards</u>	-	-
Current Service Cost	1,486,000	1,465,484
Actuarial (Gains)/Losses	(988,991)	809,734
Interest cost	2,302,000	1,940,000
	325,240,219	292,468,756

Remuneration of the Municipal Manager:

Remuneration of the Acting 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 - 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	1,040,257	407,243
Contributions to UIF, Medical and Pension Funds	196,087	78,745
Car allowance and travel allowance	220,350	100,000
Telephone allowance	17,015	5,000
	1,473,709	590,988

Remuneration of the Acting Municipal Manager - SPS Malepeng

Annual Remuneration	56,077	-
Contributions to UIF, Medical and Pension Funds	2,350	-
	58,427	-

Remuneration of the Director Financial Services:

Remuneration of the Acting Director Financial Services - J Carstens

Performance Bonuses	-	105,790
Contributions to UIF, Medical and Pension Funds	-	1,835

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	2024	2023
32. Employee related costs (continued)		
	-	107,025
Remuneration of the Acting Director Financial Services - M Michaels		
Acting allowance	-	2,634
Remuneration of the Acting Director Financial Services - AK Jagaysor		
Acting allowance	23,270	2,898
Remuneration of the Director Financial Services - Mr C Julies		
Annual Remuneration	460,152	-
Contributions to UIF, Medical and Pension Funds	86,744	-
Car and travel allowance	30,000	-
Housing allowances	50,000	-
	626,896	-
Remuneration of the Acting 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
Performance Bonuses	-	169,193
Contributions to UIF, Medical and Pension Funds	-	10,751
Leave pay	-	189,783
	-	943,897
Remuneration of the Acting Director Planning and Development - Mr RL Daames		
Acting allowance	18,972	9,811
Remuneration of the Acting Director Planning and Development - JH Smit		
Acting allowance	3,067	15,178
Remuneration of the Director Planning and Development - Ms PAX Dunywa		
Annual remuneration	915,248	-
Car and travel allowance	85,000	-
Contributions to UIF, Medical and Pension Funds	11,108	-
	1,011,356	-

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	2024	2023
32. Employee related costs (continued)		
Remuneration of the Director Technical Services:		
Remuneration of the Director Technical Services - Mr P Hariparsad		
Annual Remuneration	248,616	1,031,807
Car Allowance	39,000	156,000
Performance Bonuses	-	158,685
Contributions to UIF, Medical and Pension Funds	10,795	44,799
	298,411	1,391,291
Remuneration of the Acting Director Technical Services - Mr GE Macdonald		
Annual Remuneration	572,325	-
Contributions to UIF, Medical and Pension Funds	6,786	-
	579,111	-
Remuneration of the Acting Director Technical Services - Mr ELH Mackenzie		
Annual Remuneration	268,113	-
Car and travel allowance	24,000	-
Contributions to UIF, Medical and Pension Funds	3,440	-
Telephone Allowance	3,600	-
	299,153	-
Remuneration of the Director Corporate Services:		
Remuneration of the Acting Director Corporate Services - Mr BW Kannemeyer		
Annual Remuneration	235,322	-
Contributions to UIF, Medical and Pension Funds	3,023	-
Leave pay	13,861	-
	252,206	-
Remuneration of the Director Corporate Services - Mr L Loliwe		
Annual Remuneration	908,864	809,138
Contributions to UIF, Medical and Pension Funds	11,242	9,570
Car and travel allowance	111,000	-
	1,031,106	818,708
Remuneration of the Acting Director Corporate services - Mr J Kalani		
Acting Allowance	2,918	-
Remuneration of the Acting Director Corporate services - M Paulsen		
Acting Allowance	-	10,197



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	2024	2023
32. Employee related costs (continued)		
Remuneration of the Director Community Services		
Remuneration of the Director Community Services - Mr SW Ngqele		
Annual Remuneration	996,358	895,221
Car and travel allowance	72,000	72,000
Contributions to UIF, Medical and Pension Funds	270,961	255,601
	1,339,319	1,222,822
Remuneration of the Acting Director Community Services - Mr R Meyer		
Acting Allowance	7,490	-
Remuneration of the Director Housing		
Remuneration of the Acting Director Housing - LA Petuna		
Acting allowance	31,600	118,690
Remuneration of the Acting Manager - Supply Chain Management Services (SCM) - M Mato		
Acting allowance	82,617	43,680
Remuneration of the Manager - Supply Chain Management Services (SCM) - T Mampana (2023: F Kruger)		
Annual remuneration	550,656	729,864
Travel and Car allowance	71,672	141,316
Bonuses	5,736	60,822
Contributions to UIF, Medical and Pension Funds	160,114	247,622
Housing allowance	-	9,106
	788,178	1,188,730
The aggregated effect of remuneration of key management personnel		
Annual Remuneration	6,251,989	5,875,946
Car and travel Allowance	653,022	662,887
Housing Allowance	50,000	9,106
Contributions to UIF, Medical and Pension Funds	762,651	719,747
Telephone Allowance	20,615	5,000
Acting Allowance	169,934	203,089
Bonusses	5,736	494,489
Leave pay	13,861	196,466
	7,927,808	8,166,730

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	2024	2023
33. Remuneration of councillors		
Councillor - H Stroebel	306,367	324,050
Councillor - L Opperman	-	5,359
Councillor - PJ Bester	321,403	388,089
Councillor - JA Lopez	-	368,694
Councillor - CD Croutz	-	14,457
Councillor - L Davis	306,367	409,998
Councillor - TM Gombo	-	15,506
Councillor - SI Kwinana	-	5,359
Councillor - MG Matiwane	-	5,359
Councillor - AJP Makhetha	-	5,084
Councillor - Petros PE	305,447	304,968
Councillor - MN Naki	-	5,359
Councillor - Vanston C	305,447	304,968
Councillor - MW Salaze	-	14,457
Councillor - MD Skosana	735,113	674,789
Councillor - ST Sabbagh	321,403	388,089
Councillor - NA Tsengwa	912,449	822,652
Councillor - L Tyokolo	314,870	5,359
Councillor - EO van Aswegen	-	19,703
Councillor - NG Louw	566,064	367,009
Councillor - ACF Weideman	-	5,359
Councillor - M Willemse	320,483	390,562
Councillor - JG White	305,447	304,968
Councillor - GR Wolmarans	-	5,359
Councillor - AC Marbi	734,194	662,257
Councillor - TC Matika	690,779	636,944
Councillor - SS Ngqeza	-	5,359
Councillor - KC Andrews	689,860	625,312
Councillor - RW Arends	305,447	304,068
Councillor - M Bouwer	-	1,238
Councillor - MS Campbell	320,483	384,073
Councillor - LB Charlie	679,181	637,662
Councillor - W Grootboom	679,181	625,312
Councillor - M Khumelwana	395,843	380,298
Councillor - E Maxim	305,450	369,037
	9,821,278	9,787,116

2024 - Remuneration paid to councillors can be summarised as follows

	Annual Remuneration	Car Allowance	Medical Aid	Pension	Telephone allowance	Total
Executive Mayor	681,648	78,028	24,761	102,247	25,764	912,448
Executive deputy mayor	709,349	-	-	-	24,845	734,194
Speaker	561,747	-	63,329	84,273	25,764	735,113
Mayoral Committee Members	2,353,920	-	57,550	168,263	96,004	2,675,737
Councillors	3,027,645	160,617	-	246,447	367,170	3,801,879
Council Whip	322,602	-	-	48,397	24,845	395,844
Chair of Sec 79	367,041	119,115	-	55,064	24,845	566,065
	8,023,952	357,760	145,640	704,691	589,237	9,821,280



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	2024	2023				
33. Remuneration of councillors (continued)						
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
34. Debt impairment						
Receivables from exchange transactions - Refer to note 5				58,559,097		46,177,007
Receivables from non-exchange transactions - Refer to note 6				98,553,539		84,600,416
Contributions from Value Added Tax - Refer to note 8				(3,564,184)		(4,159,259)
				153,548,452		126,618,164
35. Depreciation and amortisation						
Property, plant and equipment				53,015,453		52,730,043
Investment property				136,019		137,208
Intangible assets				15,420		16,094
				53,166,892		52,883,345
36. Impairment of assets						
Impairments						
Property, plant and equipment				18,700,054		3,735,293
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.						
37. Finance costs						
Annuity loans				37,534,193		34,260,578
Finance leases				44,581		187,190
Landfill Sites				1,635,498		1,596,823
Other				71,212		24,263
				39,285,484		36,068,854
38. Lease rentals on operating lease						
Premises						
Contractual amounts				7,016,536		6,208,197
Equipment						
Contractual amounts				26,271,194		7,576,900
				33,287,730		13,785,097

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	2024	2023
39. Bulk purchases		
Electricity - Eskom	284,632,503	238,307,168
40. Contracted services		
Consultants and Professional Services		
Business and Advisory: Project Management	3,168,135	1,062,077
Business and Advisory: Business and Financial Services	182,000	400,933
Business and Advisory: Valuer and Assessors	464,500	1,081,845
Business and Advisory: Other	2,700,655	1,688,916
Infrastructure and Planning: Engineering	2,916,760	3,757,834
Infrastructure and Planning: Other	58,000	1,270,236
Legal costs	10,001,757	6,370,002
Other	96,834	2,325,375
Contractors		
Buildings	25,032,834	30,123,043
Electrical	7,969,688	7,524,088
Maintenance	30,836,658	54,621,397
Management of Informal Settlements	523,000	1,402,587
Prepaid Electricity Vendors	13,347,691	10,232,821
Sewerage Services	286,290	797,995
Prepaid Water Vendors	841,550	3,609,695
Other	5,824,806	6,257,282
Outsourced Services		
Administrative and Support Staff	4,094,757	9,473,266
Business and Advisory	2,480,332	1,914,238
Clearing and Grass Cutting Services	2,651,578	4,292,436
Internal Auditors	1,586,158	1,612,781
Meter Management	1,567,755	1,562,952
Refuse Removal	1,586,800	2,913,020
Security Services	23,384,447	19,843,470
Traffic Fines Management	5,939,260	6,363,955
Alien Vegetation Control	365,681	445,974
Litter Picking and Street Cleaning	652,386	896,499
Other	6,746,488	5,509,059
	155,306,800	187,353,776
41. Transfers and subsidies		
Other subsidies		
Grants-in-aid and donations	697,170	397,148
Knysna Tourism	-	663,340
Bursaries	32,034	315,965
Social relief	389,044	557,112
	1,118,248	1,933,565
42. Inventory consumed and adjustments		
Consumables - Standard rated	9,571,080	10,595,961
Consumables - Zero rated	17,736,197	19,026,218
Materials and supplies	25,970,296	28,836,855
Inventory adjustments	2,394,150	(2,698,751)
	55,671,723	55,760,283

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Notes to the Annual Financial Statements

	2024	2023
43. Operational costs		
Advertising and media	790,309	1,901,764
Auditors remuneration	7,624,208	6,195,687
Bank charges	1,820,529	1,460,598
Clearing of alien vegetation	354,230	476,260
Delivery expenses	133,187	1,576,610
Gifts	-	18,000
Hire	6,187,686	6,003,717
IT expenses	8,015,391	7,265,382
Insurance	7,117,178	6,324,467
Levies	3,529,124	2,870,986
Other expenses*	8,100,050	5,154,919
Printing, publications and books	48,676	260,497
Staff related (recruitment, training, etc.)	1,499,462	1,142,651
Subscriptions and membership fees	5,293,277	6,326,861
Title deed search fees	41,245	447,645
Travel - local	522,955	972,699
	51,077,507	48,398,743

*Other expenses largely include costs incurred relating refuse removal.

44. Cash generated from operations

Surplus (deficit)	38,975,124	(31,653,275)
Adjustments for:		
Depreciation and amortisation	53,166,892	52,883,345
Loss / (gain) on sale of assets and liabilities	368,812	(852,712)
Impairment loss	18,700,054	3,735,293
Debt impairment	153,548,452	126,618,164
Movements in operating lease assets and accruals	(453,415)	(509,888)
Movements in employee benefit obligations	11,154,275	(1,897,632)
Movements in provisions (excluding IGRAP2 adjustment)	3,067,411	2,987,126
Grants and conditional public contributions received	211,793,323	169,571,724
Grants recognised	(212,397,245)	(172,850,032)
Changes in working capital:		
Inventories	648,300	1,124,105
Receivables from exchange transactions	(68,683,389)	(43,813,509)
Other receivables from non-exchange transactions	(119,073,332)	(90,269,383)
Prepayments	478,847	15,001
Construction contracts and receivables	(210,634)	(1,638,517)
Payables from exchange transactions	20,296,016	27,397,219
VAT	(1,102,423)	6,412,758
Consumer deposits	610,018	355,079
	110,887,086	47,614,866

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45. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Long-term investments and receivables		
Fixed deposits	3,175,689	3,175,689
Sundry deposits	6,800	6,800
Construction contracts and receivables	6,917,520	6,917,520
Receivables from exchange transactions		
Service debtors	67,916,443	67,916,443
Housing debtors	1,606,792	1,606,792
Other debtors	2,397,308	2,397,308
Receivables from non-exchange transactions		
Availability fees	3,668,134	3,668,134
Cash and cash equivalents	23,608,756	23,608,756
	109,297,442	109,297,442

Financial liabilities

	At amortised cost	Total
Other financial liabilities		
Annuity loans	351,704,121	351,704,121
Trade and other payables from exchange transactions	188,259,240	188,259,240
Consumer deposits	15,537,654	15,537,654
	555,501,015	555,501,015

2023 - Restated

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	3,552,641	3,552,641
Receivables from non-exchange transactions		
Availability fees	2,711,014	2,711,014
Cash and cash equivalents	20,357,727	20,357,727
	91,900,847	91,900,847

Knysna Municipality

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	2024	2023
45. Financial instruments disclosure (continued)		
Financial liabilities		
	At amortised cost	Total
Other financial liabilities		
Annuity loans	368,297,755	368,297,755
Trade and other payables from exchange transactions	168,376,962	168,376,962
Consumer deposits	14,927,636	14,927,636
Finance lease obligations	893,435	893,435
	552,495,788	552,495,788
46. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	60,985,301	61,350,382
This expenditure will be financed from:		
External loans	6,091,417	7,172,824
Government grants	53,305,019	52,251,136
Own resources	1,588,865	1,926,422
	60,985,301	61,350,382
The commitments are disclosed VAT exclusive.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	6,795,075	-
- in second to fifth year inclusive	13,542,693	-
	20,337,768	-
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	1,070,921	1,019,193
- in second to fifth year inclusive	5,271,307	4,845,585
- later than five years	15,029,785	16,514,400
	21,372,013	22,379,178

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

	2024	2023
47. 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.	2,800,000	1,000,000
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	750,000
Granville R Bond o.b.o Jineil Jafta	1,700,000	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
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
MEC // Knysna Municipality and others		8,000,000
William Clayton // Knysna Municipality	-	100,000
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
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
KM vs Erf 426 Boggomsbaai CC REF ES1179 Outstanding rates and taxes	-	133,980
J G C LAW V KNYSNA MUNICIPALITY (OUR REF: LX0194)	350,000	-
GAP Management (Pty) Ltd v Knysna Municipality and others (Case No 12842/2023) :	750,000	-
Yulin Davids v Knysna Municipality C&C ref: 10285081/A Costa/ L Menachemi	-	560,000
Angelique Loureen Borchers and Harry Borchers v Knysna Municipality800	-	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
	32,528,005	60,197,145

VAT on Libraries

It is unclear if the municipality will be levied any penalties and interest by SARS on the VAT treatment on library funding received from the Western Cape Provincial Department. It will be disclosed as a contingent liability until clarity is obtained. The amount is currently undeterminable as no government gazette has been issued on the VAT treatment of the allocation.

Notes to the Annual Financial Statements

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47. Contingencies (continued)

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.

Knysna Municipality

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48. 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 2024

	Rates levied	Service charges levied	Other charges levied	Outstanding balance at year end
Councillors	104,649	273,319	37,588	24,943
Municipal Manager and Section 56 Personnel	-	-	55,031	-
	104,649	273,319	92,619	24,943

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

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 32 and 33 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	2024	2023
Ms. N Mlisana (Procurement Clerk)	Brother	Mtimkulu: S	68,290	60,000
Ms. C Bezuidenhout (Chief Clerk: Procurement)	Husband	W Bezuidenhout t/a Bezuidenhout Funerals	9,750	12,400
Ms. E Damane (Small plant operator)	Spouse	E4D Construction (Pty) Ltd	199,383	1,458,193
Mrs R Parry (Manager-Water Sewer)	Spouse	CX Storage (Pty) Ltd	121,090	228,500
Mr Tsengwa (Deputy Executive Mayor)	Brother	Tsengwa TW T/A Tsengwa Civil	13,685	-
			412,198	1,759,093

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
49. Prior period adjustments		
STATEMENT OF FINANCIAL POSITION	2023 previously reported	Reclassifications Adjustments of errors 2023 restated
Assets		
Current Assets		
Inventories	12,693,436	- 12,693,436
Receivables from exchange transactions	58,334,926	800 59,189,182
Construction contracts and receivables	6,706,886	- 6,706,886
Receivables from non-exchange transactions	82,105,993	(800) (245,826) 81,859,367
VAT receivable	20,363,025	- 20,363,025
Prepayments	483,992	- 483,992
Cash and cash equivalents	20,357,727	- 20,357,727
	201,045,985	- 607,630 201,653,615
Non-current Assets		
Property, plant and equipment	1,457,614,072	- (5,766,278) 1,451,847,794
Investment property	67,661,447	- 67,661,447
Intangible assets	64,341	- 64,341
Heritage assets	14,613,046	- 14,613,046
Long term investments and receivables	2,931,652	- 2,931,652
Operating lease asset	3,218,372	- 3,218,372
	1,546,102,930	- (5,766,278) 1,540,336,652
Total Assets	1,747,148,915	- (5,158,648) 1,741,990,267
Liabilities		
Current Liabilities		
Long-term liabilities	41,252,806	- 2,762,767 44,015,573
Finance lease obligation	893,435	- 893,435
Payables from exchange transactions	206,247,658	- (16,374,399) 189,873,259
Consumer deposits	14,927,636	- 14,927,636
Employee benefit obligation	38,079,358	- 38,079,358
Provisions	907,340	- 5,331,381 6,238,721
Unspent grants and receipts	3,255,026	- 3,255,026
	305,563,259	- (8,280,251) 297,283,008
Non-Current Liabilities		
Long-term liabilities	325,747,804	- (1,465,622) 324,282,182
Employee benefit obligation	107,985,947	- 107,985,947
Provisions	21,842,435	- (4,874,720) 16,967,715
	455,576,186	- (6,340,342) 449,235,844
Total Liabilities	761,139,445	- (14,620,593) 746,518,852
Total Net Assets	986,009,470	- 9,461,945 995,471,415
Net Assets		
Accumulated surplus	986,009,470	- 9,461,945 995,471,415



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Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

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

	2023 previously reported	Reclassifi- cations	Adjustments of errors	2023 restated
Revenue from exchange transactions	493,926,822	9,268,696	-	503,195,518
Service charges	429,181,844	-	-	429,181,844
Rental of facilities and equipment	6,395,968	-	-	6,395,968
Interest received - outstanding debtors	22,439,713	-	-	22,439,713
Interest received - external investments	2,014,369	-	-	2,014,369
Agency services	4,085,719	-	-	4,085,719
Licences and permits	1,448,262	-	-	1,448,262
Third party payments (Insurance claims)	136,477	-	-	136,477
Construction revenue	13,361,671	-	-	13,361,671
Transfer and subsidies - operating	-	9,268,696	-	9,268,696
Operational revenue	7,774,359	-	-	7,774,359
Sales of goods and rendering of services	6,235,728	-	-	6,235,728
Gains on disposal of assets	852,712	-	-	852,712
Revenue from non-exchange transactions	501,302,937	(9,268,696)	2,705,618	494,739,859
Property rates	260,888,545	-	(147,515)	260,741,030
Fines, penalties and forfeits	95,363,656	-	2,853,133	98,216,789
Availability fees	11,101,485	-	-	11,101,485
Transfers and Subsidies - Operational	133,949,251	(9,268,696)	(1,390,304)	123,290,251
995,229,759	-	1,315,314	997,935,377	
Expenditure				
Employee related cost	292,468,756	-	-	292,468,756
Remuneration of councillors	9,787,116	-	-	9,787,116
Depreciation and amortisation	51,416,051	-	1,467,294	52,883,345
Impairment of assets	6,059,535	-	(2,324,240)	3,735,295
Debt impairment	128,576,806	-	(1,958,642)	126,618,164
Finance cost	35,275,562	-	793,292	36,068,854
Lease rental on operating lease	13,785,097	-	-	13,785,097
Bulk purchases	238,307,168	-	-	238,307,168
Contracted services	187,503,590	-	(149,814)	187,353,776
Transfers and subsidies	1,933,565	-	-	1,933,565
Operational costs	48,398,743	-	-	48,398,743
Inventory consumed	55,758,718	-	1,566	55,760,284
1,069,270,707	-	(2,170,544)	1,067,100,163	
Transfer and subsidies - capital grants	38,900,783	-	-	38,900,783
Contributions recognised - donated assets	1,030	-	-	1,030
Surplus / (Deficit) for the year	(35,139,135)	-	3,485,858	(31,653,277)

CASH FLOW STATEMENT

	2023 previously reported	Reclassifi- cations	Adjustments of errors	2023 restated
Net cash from operating activities	49,250,704	-	(1,635,838)	47,614,866
Net cash from investing activities	(94,204,008)	-	338,693	(93,865,315)
Net cash from financing activities	24,786,638	-	1,297,145	26,083,783
Total cash movement for the year	(20,166,666)	-	-	(20,166,666)
Cash and cash equivalents at the beginning of the year	40,524,393	-	-	40,524,393
20,357,727	-	-	20,357,727	

Transfer and subsidies relating to library services was reclassified to revenue from exchange transactions to correctly reflect the nature thereof per the memorandum of agreement.



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Notes to the Annual Financial Statements

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49. Prior period adjustments (continued)

49.1 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
- Depreciation incorrectly not recognised on completed projects
- Impairment of asset where the project was cancelled in the prior years
- Impairment of assets incorrectly not recognised in the prior years where impairment indicators were present
- Additions incorrectly not capitalised in the prior year
- Impairment of Wheeliebins incorrectly not recognised in the prior years where impairment indicators were present
- Additions in the prior year overcharged by supplier
- Correction of opening balance of the fixed asset register

49.2 Corrections to Long term loans

The following retrospective restatements were made to Long term loans:

- Long term liabilities correction in terms of updated amortisation schedules received from the financial institution

48.3. Corrections to Receivables from non - exchange transactions

The following retrospective restatements were made to Investment properties

- Revenue adjustments accounted for in the incorrect period
- Fines incorrectly not recognised in prior years

48.4 Corrections to payables from exchange transactions.

The following retrospective restatements were made to payables from exchange transactions

- Hoarding fee deposits older than the forfeited period incorrectly not derecognised.
- Unknown deposits included in other payables overstated in prior years

48.5. Corrections to provisions

- Post-closure costs were incorrectly doubled in the accounting for in the landfill provision.



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	2024	2023
49. Prior period adjustments (continued)		
Property, plant and equipment		
Balance previously reported		1,457,614,072
Impairment of asset where the project was cancelled in prior year		(537,482)
Impairment of assets incorrectly not recognised in the prior years where impairment indicators were present		(1,766,957)
Impairment of Wheeliebins incorrectly not recognised in the prior years where impairment indicators were present		(623,400)
Depreciation incorrectly not recognised on completed projects		(1,754,848)
Operating expenditure incorrectly recognised as capital expenditure in the prior years		(312,146)
Additions incorrectly not capitlised in the prior year		11,250
Additions in the prior year overcharged by supplier		(604,892)
Correction of opening balance of the fixed asset register		(177,803)
Restated balance as at 30 June 2023		1,451,847,794
Impairment of assets		
Balance previously reported		6,059,535
Derecognition of asset where the project was cancelled		160,123
Impairment of assets incorrectly not recognised in the prior years where impairment indicators were present		1,766,957
Post-closure costs were incorrectly doubled in the accounting for in the landfill provision.		(4,874,720)
Impairment of Wheeliebins incorrectly not recognised in the prior years where impairment indicators were present		623,400
Restated balance as at 30 June 2023		3,735,295
Inventory consumed and adjustments		
Balance previously reported		55,758,718
Operating expenditure incorrectly recognised as capital expenditure in the prior years		1,566
Restated balance as at 30 June 2023		55,760,284
Contracted Services		
Balance previously reported		187,503,590
Additions incorrectly not capitlised in the prior year		(11,250)
Operating expenditure incorrectly recognised as capital expenditure in the prior years		110,000
Additions in the prior year overcharged by supplier		(248,564)
Restated balance as at 30 June 2023		187,353,776
Payables from exchange transactions		
Balance previously reported		206,247,658
Hoarding fee deposits older than the forfeited period incorrectly not derecognised.		(8,734,847)
Unknown deposits overstated in prior years		(7,639,552)
Restated balance as at 30 June 2023		189,873,259
Provisions (Non Current)		
Balance previously reported		21,842,435
Post-closure costs were incorrectly doubled in the accounting for in the landfill provision.		(4,874,720)
Restated balance as at 30 June 2023		16,967,715

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	2024	2023
49. Prior period adjustments (continued)		
Receivables from exchange transactions		
Balance previously reported		58,334,926
Additions in the prior year overcharged by supplier		853,456
Restated balance as at 30 June 2023		59,188,382
Accumulated surplus / (Deficit) opening balance		
Balance previously reported 1 July 2022		1,021,148,605
Long term liabilities correction in terms of updated amortisation schedules		(503,853)
Hoarding fee deposits older than the forfeited period incorrectly not derecognised.		7,050,364
Unknown deposits included in other payables overstated in prior years		4,589,088
Derecognition of asset where the project was cancelled		(265,793)
Depreciation incorrectly not recognised on completed projects		(380,499)
Operating expenditure incorrectly recognised as capital expenditure in the prior years		(312,146)
Revenue adjustments accounted for in the incorrect period		(175,487)
Fines adjustment to correct period		348
Provision for VAT relating to library grants incorrectly not accounted for.		(3,941,076)
Correction of opening balance of the fixed asset register		(84,858)
Restated balance as at 1 July 2022		1,027,124,693
Long term liabilities		
Balance previously reported		367,000,611
Long term liabilities correction in terms of updated amortisation schedules		1,297,145
Restated balance as at 30 June 2023		368,297,756
Transfer and subsidies - operational		
Balance previously reported		133,949,251
Provision for VAT relating to library grants incorrectly not accounted for.		(1,390,304)
Restated balance as at 30 June 2023		132,558,947
Debt impairment		
Balance previously reported		128,576,806
Unknown deposits included in other payables overstated in prior years		(3,050,464)
Recognition of fines not recorded in the prior year		1,091,822
Restated balance as at 30 June 2023		126,618,164
Depreciation and amortisation		
Balance previously reported		51,416,051
Depreciation incorrectly not recognised on completed projects		1,374,349
Correction of opening balance of the fixed asset register		92,945
Restated balance as at 30 June 2023		52,883,345

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	2024	2023
49. Prior period adjustments (continued)		
Property rates		
Balance previously reported		260,888,545
Revenue adjustments accounted for in the incorrect period		(147,515)
Restated balance as at 30 June 2023		260,741,030
Receivables from non-exchange transactions		
Balance previously reported		82,105,993
Revenue adjustments accounted for in the incorrect period		(323,002)
Fines incorrectly not recognised in prior years		77,176
Restated balance as at 30 June 2023		81,860,167
Finance cost		
Balance previously reported		35,275,562
Long term liabilities correction in terms of updated amortisation schedules		793,292
Restated balance as at 30 June 2023		36,068,854
Fines, penalties and forfeits		
Balance previously reported		95,363,656
Recognition of fines not recorded in the prior year		1,168,650
Hoarding fee deposits older than the forfeited period incorrectly not derecognised.		1,684,483
Restated balance as at 30 June 2023		98,216,789
Provisions (current)		
Balance previously reported		907,340
Provision for VAT relating to library grants incorrectly not accounted for.		5,331,381
Restated balance as at 30 June 2023		6,238,721

50. 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.

Notes to the Annual Financial Statements

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50. Risk management (continued)**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 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	66,040,072	51,326,435	127,799,977	78,058,791
Consumer deposits	15,537,654	-	-	-
Trade and other payables	188,259,240	-	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	69,132,799	90,164,455	202,718,582	150,463,097
Consumer deposits	14,927,636	-	-	-
Trade and other payables	168,376,962	-	-	-
Finance lease obligation	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.

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.

Knysna Municipality

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50. Risk management (continued)

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	2024	2023 - Restated
Receivables from exchange transactions	71,920,543	59,189,182
Receivables from non-exchange transactions (Availability fees)	3,668,134	2,711,014
Cash and cash equivalents	23,608,756	20,357,727
Long term investments and receivables	3,178,103	2,931,652
Construction contracts and receivables	6,917,520	6,706,886
	<u>109,293,056</u>	<u>91,896,461</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% (2023: 1%) Increase in interest rates	(3,259,828)	(3,446,071)
1% (2023: 1%) Decrease in interest rates	3,259,828	3,446,071

51. Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	109,850,171	50,937,322
Unauthorised expenditure current year	58,199,151	54,100,349
Expenditure of money appropriated for a specific purpose, otherwise that for that specific purpose	-	4,812,500
Unauthorised expenditure awaiting authorisation	<u>168,049,322</u>	<u>109,850,171</u>

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

Knysna Municipality

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Notes to the Annual Financial Statements

	2024	2023
51. Unauthorised expenditure (continued)		
Budget Comparison by Municipal Vote in total	2024	2024
	(Actual)	(Budget)
Community services	296,252,520	280,958,292
Corporate services	70,257,152	71,251,246
Electrical services	425,444,771	415,089,279
Executive and Council	42,032,979	41,573,473
Financial services	66,524,483	100,792,357
Planning and development	25,908,098	27,059,829
Technical services	302,654,633	296,205,267
Housing services	43,148,854	53,361,425
	1,272,223,490	1,286,291,168
	(14,067,678)	32,558,592
Budget Comparison by Municipal Vote - Operating Expenditure	2024	2024
	(Actual)	(Budget)
Community services	292,084,950	268,342,988
Corporate services	69,875,549	70,801,507
Electrical services	380,491,696	369,500,801
Executive and Council	42,032,979	41,573,473
Financial services	66,394,068	100,731,227
Planning and development	25,908,098	27,059,829
Technical services	262,768,500	239,830,997
Housing services	42,711,983	49,563,425
	1,182,267,823	1,167,404,247
	14,863,576	58,129,866
Budget Comparison by Municipal Vote - Capital Expenditure	2024	2024
	(Actual)	(Budget)
Community services	4,167,570	12,615,304
Corporate services	381,603	449,739
Electrical services	44,953,075	45,588,478
Financial services	130,415	61,130
Technical services	39,886,133	56,374,270
Housing Services	436,871	3,798,000
	89,955,667	118,886,921
	(28,931,254)	69,285

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.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
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51. Unauthorised expenditure (continued)

Operating Expenditure

Executive and Council

The over expenditure is as a result of the Interest Portion of the Actuarial costs for the Long Service Award.

Community Services

The over expenditure is mainly on Operational Expenditure due to Hire Charges for hiring refuse trucks; Employee Related Costs mainly overtime; as well as Operational Costs Security Services as well as maintenance of Waste Management vehicles.

Electrical Services

The over expenditure is mainly on the impairment of assets due to Electrical Infrastructure cables being on worse conditions when compared to last year as a result of vandalism in most instances.

Technical Services

The over expenditure is mainly on the impairment of assets mainly due to Water Meters worse conditions of some assets.

Capital Expenditure

Financial Services

The over expenditure is mainly as a result of the Laptop acquired for the Interns under Finance Management Capital Grant while the full allocation is under the Operating budget. Overall grant not overspent.

52. Fruitless and wasteful expenditure

Reconciliation and wasteful expenditure

Opening balance	3,005,201	115,521
Fruitless and wasteful expenditure - current year	-	2,889,680
Fruitless and wasteful expenditure awaiting investigation	3,005,201	3,005,201

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

	2024	2023
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

53. Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	196,733,737	124,483,729
Irregular expenditure written off by council	-	-
Add: Irregular Expenditure - current year	142,220,046	72,250,008
	338,953,783	196,733,737

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Notes to the Annual Financial Statements

	2024	2023
53. Irregular expenditure (continued)		
Details of irregular expenditure		
PPPFA Tenders- Evaluations of bids not conducted in line with PPPFA	2024	2023
Incorrect service provider Used	-	296,530
Irregular Appointment of Director Community Services, the appointment was contrary to legislative requirements	-	23,456
Preference points system for evaluation of loan finance not included in tender documents	1,339,319	1,222,822
Non-compliance with SCM Regulation 32 - "Piggy-back" contracts	2,804,024	5,307,974
Non-compliance with SCM regulation 29(2) - BAC composition	-	362,363
Invalid evidence accepted in support of bid	180,329	13,596,246
Local content PPR Non-compliance	-	413,005
PPPFA Tenders - Evaluations of bids not conducted in line with PPFA	1,437,262	1,286,473
Quotes - Deviations	-	-
Specifications drafted in a restricted manner and 2CIDB Act non-compliance	6,752,327	7,079,856
Preference point scoring not used to evaluate quotes advertised on/after 16.01.2023	1,605,779	1,843,725
Non-compliance during deviation process - bids	481,597	1,295,479
Non-compliance during the deviation process	5,816,385	1,814,950
Evaluation criteria not correctly applied	654,328	604,844
Non - compliance with local content	6,089,469	6,376,080
Employee did not meet the minimum competency requirement	-	858,487
Performance bonus of Director Infrastructure Service	1,252,998	1,160,739
Contract extensions for invalid reasons	-	90,677
Contracts awarded after validity period expired	19,443,627	10,971,963
Expenditure incurred after validity period expired	15,807,866	4,139,354
Over expenditure of staff related cost	-	10,525,281
Remuneration of the Acting Director Financial Services nr. 1	54,651	116,793
Remuneration of the Acting Director Financial Services nr. 2	-	2,634
Remuneration of Director Financial Services	23,270	2,898
Remuneration of the Acting Director Financial Services	-	31,977
Remuneration of the Acting Director Planning and Development	-	927,614
Remuneration of the Acting Director Corporate Services	18,972	9,811
Remuneration paid to the political office bearers' administrative staff	-	818,708
Employee related costs: Secondments	-	236,785
Poor Project Management	303,469	241,496
No Formal procurement process followed	5,591,674	-
Poor Planning	27,719,078	-
Expenditure after contract end date	1,215,135	-
Pricing of quotes and invoices	11,279,286	-
Reasons for deviations	3,839,935	-
Remuneration of the Director Corporate Services	637,736	-
Remuneration of the Municipal Manager	1,031,105	-
Remuneration of the Acting Director Technical Services	1,473,709	590,988
Remuneration of the Acting Director Corporate Services	299,154	-
Remuneration Project Manager	252,207	-
Scarcity Allowance - Senior Manager	1,122,449	-
Non Compliance - Tax Compliance status	145,130	-
Splitting of orders	368,000	-
Non-compliance -Less than 3 quotes	544,640	-
Non-compliance in procurement processes for fuel purchases	136,160	-
Non compliance PPR	9,723,644	-
Non compliance in awarding of bids	339,720	-
Extensions Not Done in Accordance to SCM Policies	3,309,281	-
	9,126,331	-
	142,220,046	72,250,008



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53. Irregular expenditure (continued)

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.

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.

54. Material losses

Electricity distribution losses

Units purchased (Mwh)	158,117	154,794
Units Sold (Mwh)	139,810	135,988
Units lost during distribution	18,307	18,806
Percentage lost during distribution	11.58 %	12.15 %

Water distribution losses

Mega litres purified	5,807	3,715
Mega litres lost during distribution	1,956	510
	33.68 %	13.73 %
Water losses during the year (in Rand)	13,822,936	5,431,398

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	3,526,600	12,017,000
Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose	-	4,812,500
Refuse revenue not billed	3,878,010	4,871,529
	7,404,610	22,476,029

Material losses for fines not issued before the lapsing of the validity period were reported as R 6 990 650 in the 2023 financial statements. The calculation was subsequently reperformed based on the update traffic reports, which resulted in the 2023 material losses being restated to R 12 017 000.

55. 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	813,674	3,209,280
Amount paid - current year	-	(3,209,280)
	1,087,301	273,627

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	2024	2023
55. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees - MFMA 125 (1)		
Current year subscription / fee	7,551,013	6,154,587
Amount paid - current year	(7,551,013)	(6,154,587)
	-	-
PAYE and UIF - MFMA 125 (1)		
Opening balance	3,711,744	3,228,008
Current year subscription / fee	47,636,904	43,951,708
Amount paid - current year	(47,406,164)	(43,467,972)
	3,942,484	3,711,744
SDL – MFMA 125(1)		
Opening balance	213,533	197,455
Current year subscription/fee	2,679,372	2,523,958
Amount paid - current year	(2,671,077)	(2,507,880)
	221,828	213,533
Pension and Medical Aid Deductions - MFMA 125 (1)		
Current year subscription / fee	75,415,847	71,997,294
Amount paid - current year	(71,613,875)	(71,997,294)
	3,801,972	-
VAT - MFMA 125 (1)		
VAT payable	876,400	1,081,654
Opening balance	(1,081,654)	6,872,035
Amount paid / (received) - prior year	205,253	(7,356,888)
Amount received - current year	(85,539,534)	(81,936,832)
Amount claimed - current year	85,539,534	81,340,031
	(876,401)	(1,081,654)

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 2024:

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55. Additional disclosure in terms of Municipal Finance Management Act (continued)		
30 June 2024	Outstanding more than 90 days	Total
N Tsengwa	884	884
E Maxim	9,623	9,623
N Louw	498	498
S Campbell	4,610	4,610
	15,615	15,615
30 June 2023	Outstanding more than 90 days	Total
N Tsengwa	845	845
E Maxim	7,063	7,063
R Arendse	538	538
S Campbell	18,366	18,366
E Maxim	40	40
	26,852	26,852

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

30 June 2024	Highest outstanding amount	Aging (in days)
N Tsengwa	884	>150 days
E Maxim	8,248	>150 days
S Campbell	4,518	>150 days
	13,650	
30 June 2023	Highest outstanding amount	Aging (in days)
N Tsengwa	831	>150 days
E Maxim	6,978	>150 days
S Campbell	13,629	>150 days
	21,438	

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)	18,205,919	1,461,498
Single source or sole provider - par 36(1)(a)(ii)	259,445	244,932
Impractical/impossible (exceptional cases) - par36(1)(a)(v)	41,153,692	10,336,097
	59,619,056	12,042,527

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			2024	2023
55. 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 2024	Awarded amount 2023
Ikapa Reticulation and Flow cc	Spouse	Department of Education	871,098	5,188,156
Emakozeni Trading Enterprise	Spouse	DTI	64,215	494,294
Eden Events	Spouse	Department of Health	27,000	-
Piston Power Chemicals	Spouse	Department of Education	368,053	597,598
National Sea Rescue Institute	Spouse	Western Cape Department of Emergency services	1,179,572	1,179,572
AH Enterprise	Father	Department of Health	35,713	194,971
Poongavanum General Cleaning Services *	Child	Petro SA	-	200,000
MTO Forestry (Pty) Ltd *	Director	SAFCOL	-	35,408
JP Smit	Employee	Department of Police	-	68,052
Red Ant Security Relocation and Eviction Services *	Spouse	Mogale City Local Municipality	-	284,096
Conlog (Pty) Ltd	Spouse	Department of Health	2,959,563	819,335
Nedbank Business Banking - 8502	Spouse	National Department of Education	14,643,111	19,750,728
George Commercial Tyre Service	Director	Department of Education	835,252	215,852
AST Africa Trading 89CC *	Spouse	Department of Health	-	114,425
Imvu Construction Group *	Spouse	Nolambe Municipality	-	13,277,524
Touch 2 Connect	Spouse	WCED	159,350	103,860
Fistoz Management Services		BCM Municipality	585,910	143,218
Just Breeze General Trading	Spouse	Department of Health	4,623,230	-
R&G Contractor	Parent	Knysna Municipality	993,015	621,826
DG Incentives	Non Executive Director		44,005	38,056
Eden FM	Board Member	Department of Education	4,025	-
Poongavanum General Cleaning Services *		Petro SA	-	-
Ikapa Reticulation and Flow CC *	Child	Department of Education	-	-
			27,393,112	43,326,971

* Rate based / as and when required

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56. Private Public Partnerships

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

57. 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.

58. Budget differences

Material differences between budget and actual amounts

Statement of Financial Performance:

57.1 - Other own revenue

The under collection is mainly on Grants and Subsidies underspending from Human Settlement Grant against the Gazetted amount as well as WSIG. There were grant reductions after February Adjustments budget that were never adjusted downward and those grants are fully spent according to amounts received. MIG and INEP. Fines issue were as well below than the annual projected amount.

57.2 - Debt impairment

The variance is mainly on the Fines impairment that came below the amount estimated as a result of the under issuing of fines than projected.

57.3 - Transfers and grants

Due to the Finance Management Capacity Grant. Projects are under way, roll-over application submitted for the finalisation of the project in 2024-25 financial year

57.4 - Other expenditure

The variance is mainly on the Rental Leases on Operating Leases due to contract office space rentals contract not yet finalised as well as the Impairment of Assets vehicles wheelie bins and water meters due to conditions that are bad. Hire charges also overspent as a result of expenditure incurred not budgeted for.

57.5 - Transfers recognised - capital

Due to the Finance Management Capacity Grant. Projects are under way, roll-over application submitted for the finalisation of the project in 2024-25 financial year

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58. Budget differences (continued)

Statement of Financial Position

57.6 - Cash

Variance mainly on the standard bank account than anticipated, debt impairment funding source incorrectly allocated against cash as well as Borrowings funding received Juine2024.

57.7 - Receivables from non-exchange transactions

The reason for the variance mainly relates to the increase in the rates tariffs.

57.8 - VAT

Summary of VAT output and Input VAT outcome below target.

57.9 - Inventory

Stock count variances not budgeted for.

57.1 - Heritage assets

Budgeted for the implementation of the adjustments to the standards which did not became effective during the year.

57.11 - Other non-current assets

New operating lease asset not budgeted for.

57.12 - Trade and other payables

Payables from exchange transaction more than budgeted.

57.13 - Provisions

Relates to the unforeseen provision on the VAT of libraries.

57.14 - Borrowing

Additional loans received at year end

Statement of Cash Flows

57.15 - Transfers and Grants

Due to the Finance Management Capacity Grant. Projects are under way, roll-over application submitted for the finalisation of the project in 2024-25 financial year

57.16 - Capital assets

Due to projects funded through borrowings as a result of delays experienced with the Borrowings tender process as well as further reductions with projects funded through grants.

57.17 - Borrowings

Certain borrowings only paid on 1 July 2024 which was expected to be paid at 30 June 2024.



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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

Receivables from non-exchange contracts consist of receivables from non-exchange transactions and other current asset.

Receivables from exchange transactions includes Receivables from exchange transactions and prepayments. Prepayments were included in payables from exchange transactions in the budget statement.

VAT is disclosed separately as an asset and liability in the budget statement but is aggregated in the financial statements. VAT on future fees are included as VAT in the budget statement, but included as revenue from exchange transactions in the financial statements.

Included in Trade and other payables per budget statement are Payables from Exchange Transactions, Unspent Conditional Government Grants and Receipts, Trade and other payables from non-exchange transactions and the nett 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 includes the Non-Current Operating Lease Asset

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.



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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.

Original budget: The cash and cash equivalents at year-end, as disclosed in the cash flow statement and the statement of financial position do not reconcile. This was the approved budget by the council and was disclosed as per GRAP 24. However, this discrepancy has been corrected in the final budget.

Changes from the approved budget to the final budget**Revenue**

Total adjustments are mainly as a result of the following:

Interest earned from Receivables increased mainly due to interest raised on Accounts Receivables. Electricity revenue decreased due to decline in units consumed that result in reduction of revenue collected, while Non-exchange revenue/interest decline due to an increase in the irrecoverable debtor collection charges.

Expenditure

Total adjustments are mainly as a result of the following:

- Debt impairment increased as a result of the reduced collection rate on Council receivables. Depreciation increased due to completed projects reflected as work in progress by 30 June 2023 year-end, while finance charges increased in order to accommodate an additional loan taken up in 2022/23. Contracted services on the other hand decreased in order to fund the deficit.

Capital budget

Total adjustments are mainly as a result of the following:

- Decrease in capital expenditure due to delays experienced in capital projects. Furthermore reductions with capital projects funded through grants through the financial period.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

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 granter 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-overes in terms of MFMA 56 of 2003 section 64 (4).

Revenue and expenses from principal-agent transactions:

2024

	Drivers licences	Vehicle registrations	Total
Revenue received from third parties	4,518,439	20,481,279	24,999,718
Payment to provincial traffic department	(530,169)	(19,061,901)	(19,592,070)
Agency fee income	3,988,270	1,419,378	5,407,648
Depreciation	(193)	(804)	(997)
Employee cost	(1,740,588)	(1,249,934)	(2,990,522)
General expenses	(104,128)	(104,128)	(208,256)
	2,143,361	64,512	2,207,873

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

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
Payments made o.b.o. beneficiaries	-	(18,000)



Notes to the Annual Financial Statements

2024

2023

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 13,291,192.73 (2023: R 9 846 782.34).

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.

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 2024

Notes to the Annual Financial Statements

Figures in Rand

60. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community and public safety	Economic and environmental services	Trading Services	Municipal governance and administration	Total
Revenue					
Investment revenue	6,118	-	26,060,335	3,029,960	29,096,413
Revenue from exchange transactions	37,124,371	11,095,906	502,287,128	7,144,786	557,652,191
Revenue from non-exchange transactions	99,816,023	3,274,256	120,672,053	344,427,078	568,189,410
Total segment revenue	136,946,512	14,370,162	649,019,516	354,601,824	1,154,938,014
Expenditure					
Employee related costs	91,543,987	41,568,150	76,779,618	115,348,459	325,240,214
Remuneration of councillors	-	-	-	9,821,279	9,821,279
Debt impairment	76,268,587	-	65,966,051	11,313,813	153,548,451
Depreciation & asset impairment	8,720,718	12,432,354	47,544,335	3,169,537	71,866,944
Finance charges	2,262,559	5,096,384	31,144,686	781,850	39,285,479
Bulk purchases	-	-	284,632,503	-	284,632,503
Other materials	9,092,102	2,798,762	40,279,689	3,501,167	55,671,720
Contracted services	73,152,045	8,585,739	57,155,229	16,413,788	155,306,801
Other expenditure	4,584,548	2,488,227	36,352,230	42,058,477	85,483,482
Total segment expenditure	265,624,546	72,969,616	639,854,341	202,408,370	1,180,856,873
Total segmental surplus/(deficit)	(128,678,034)	(58,599,454)	9,165,175	152,193,454	(25,918,859)
Transfers and subsidies - capital					64,893,998
Entity's surplus (deficit) for the period					38,975,139
Assets					
Segment assets	29,620,362	790,231	30,298,822	1,736,051,824	1,796,761,239
Total assets as per Statement of financial Position					1,796,761,239
Liabilities					
Segment liabilities	162,314,057	41,355,804	(99,742,855)	658,387,700	762,314,706
Total liabilities as per Statement of financial Position					762,314,706

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

60. Segment information (continued)

2023 - Restated

	Community and public safety	Economic and environmental services	Trading Services	Municipal governance and administration	Total
Revenue					
Revenue from non-exchange transactions	90,141,557	2,609,845	103,923,951	296,674,199	493,349,552
Revenue from exchange transactions	25,647,900	13,054,402	433,689,261	6,349,874	478,741,437
Investment revenue	7,296	-	21,330,383	3,116,403	24,454,082
Total segment revenue	115,796,753	15,664,247	558,943,595	306,140,476	996,545,071
Entity's revenue					996,545,071
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	73,601,059	-	43,318,045	9,699,060	126,618,164
Depreciation & asset impairment	6,341,188	7,432,865	36,613,807	6,230,781	56,618,641
Finance charges	2,190,299	3,603,341	28,620,295	1,654,915	36,068,850
Bulk purchases	-	-	238,307,168	-	238,307,168
Other materials	9,121,851	3,101,388	44,543,042	(1,005,996)	55,760,285
Contracted services	81,485,493	8,526,935	80,632,060	16,709,287	187,353,775
Other expenditure	3,130,285	2,330,532	17,759,238	40,897,351	64,117,406
Total segment expenditure	262,704,922	65,410,224	560,486,443	178,498,560	1,067,100,149
Total segmental surplus/(deficit)					(70,555,078)
Contribution recognised - donated assets					1,030
Transfers and subsidies - capital					38,900,782
Entity's surplus (deficit) for the period					(31,653,266)
Assets					
Segment assets	(62,701,700)	(37,124,612)	(4,341,703)	1,846,158,286	1,741,990,271
Total assets as per Statement of financial Position					1,741,990,271
Liabilities					
Segment liabilities	127,951,914	43,586,987	(76,314,756)	651,294,699	746,518,844
Total liabilities as per Statement of financial Position					746,518,844

Notes to the Annual Financial Statements

	2024	2023
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61. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 1,034,446,527 and that the municipality's total assets exceed its liabilities by R 1,034,446,527.

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; 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 and the Knysna Municipal Council has adopted a Budget Funding Plan which has been implemented and is currently being monitored by the Western Cape Provincial Treasury.

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.

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

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
2024											
Financial Performance											
Property rates	304,253,695	9,688,899	313,942,594	-		313,942,594	311,885,851		(2,056,743)	99 %	103 %
Service charges	530,066,176	(18,137,507)	511,928,669	-		511,928,669	512,598,978		670,309	100 %	97 %
Investment revenue	1,826,291	-	1,826,291	-		1,826,291	2,131,444		305,153	117 %	117 %
Transfers recognised - operational	150,239,391	1,081,167	151,320,558	-		151,320,558	146,071,334		(5,249,224)	97 %	97 %
Other own revenue	177,208,769	11,502,515	188,711,284	-		188,711,284	182,619,220		(6,092,064)	97 %	103 %
Total revenue (excluding capital transfers and contributions)	1,163,594,322	4,135,074	1,167,729,396	-		1,167,729,396	1,155,306,827		(12,422,569)	99 %	99 %
Employee costs	(305,558,192)	(7,731,315)	(313,289,507)	-	-	(313,289,507)	(325,240,219)	-	(11,950,712)	104 %	106 %
Remuneration of councillors	(10,081,756)	(372,477)	(10,454,233)	-	-	(10,454,233)	(9,821,278)	-	632,955	94 %	97 %
Debt impairment	(151,513,820)	(10,246,469)	(161,760,289)			(161,760,289)	(153,548,452)	-	8,211,837	95 %	101 %
Depreciation and asset impairment	(49,118,855)	(18,651,248)	(67,770,103)			(67,770,103)	(71,866,946)	-	(4,096,843)	106 %	146 %
Finance charges	(31,848,485)	(5,716,306)	(37,564,791)	-	-	(37,564,791)	(39,285,484)	-	(1,720,693)	105 %	123 %
Materials and bulk purchases	(293,304,290)	10,692,186	(282,612,104)	-	-	(282,612,104)	(284,632,503)	-	(2,020,399)	101 %	97 %
Transfers and grants	(1,457,448)	(689,140)	(2,146,588)	-	-	(2,146,588)	(1,118,248)	-	1,028,340	52 %	77 %
Other expenditure	(312,915,512)	21,108,880	(291,806,632)	-	-	(291,806,632)	(295,712,572)	-	(3,905,940)	101 %	95 %
Total expenditure	(1,155,798,358)	(11,605,889)	(1,167,404,247)	-	-	(1,167,404,247)	(1,181,225,702)	-	(13,821,455)	101 %	102 %
Surplus/(Deficit)	7,795,964	(7,470,815)	325,149	-		325,149	(25,918,875)		(26,244,024)	(7,971)%	(332)%

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

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	78,183,609	5,831,072	84,014,681	-		84,014,681	64,893,999		(19,120,682)	77 %	83 %
Surplus (Deficit) after capital transfers and contributions	85,979,573	(1,639,743)	84,339,830	-		84,339,830	38,975,124		(45,364,706)	46 %	45 %
Surplus/(Deficit) for the year	85,979,573	(1,639,743)	84,339,830	-		84,339,830	38,975,124		(45,364,706)	46 %	45 %
Capital expenditure and funds sources											
Total capital expenditure	110,739,000	8,148,000	118,887,000	-		118,887,000	89,955,667		(28,931,333)	76 %	81 %

Knysna Municipality

Annual Financial Statements for the year ended 30 June 2024

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	118,918,000	14,385,012	133,303,012	-		133,303,012	110,887,086		(22,415,926)	83 %	93 %
Net cash from (used) investing	(110,239,000)	(11,144,802)	(121,383,802)	-		(121,383,802)	(90,148,988)		31,234,814	74 %	82 %
Net cash from (used) financing	(18,856,000)	(27,686,000)	(46,542,000)	-		(46,542,000)	(17,487,069)		29,054,931	38 %	93 %
Net increase/(decrease) in cash and cash equivalents	(10,177,000)	(24,445,790)	(34,622,790)	-		(34,622,790)	3,251,029		37,873,819	(9)%	(32)%
Cash and cash equivalents at the beginning of the year	40,524,000	-	40,524,000	-		40,524,000	20,357,727		(20,166,273)	50 %	50 %
Cash and cash equivalents at year end	30,347,000	(24,445,790)	5,901,210	-		5,901,210	23,608,756		(17,707,546)	400 %	78 %

**APPENDIX A - Unaudited
KNYSNA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2024**

EXTERNAL LOANS	Rate	Loan Number	Original Loan Amount	Redeemable	Balance at 30 JUNE 2023	Received during the period	Accrued interest	Redeemed during the period	Balance at 30 JUNE 2024
ANNUITY LOANS			7,000,000.00	01/10/2028	3,790,291	-	-9,069.23	(503,864)	3,277,358
ABSA	11.69%	Knysna Municipality 1	15,000,000.00	30/06/2028	7,381,530	-		(1,152,437)	6,229,093
ABSA	10.99%	Knysna Municipality 2	7,010,000.00	29/09/2028	3,575,595	-	-12,818.47	(494,468)	3,068,309
ABSA	10.42%	Knysna Municipality 3	7,000,000.00	01/10/2028	3,790,291	-	-9,069.23	(503,864)	3,277,358
ABSA	9.84%	Knysna Municipality 4	19,579,000.00	30/06/2029	10,139,723	-		(1,302,557)	8,837,166
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	5,271,739	-	-44,735.28	(1,080,295)	4,146,708
ABSA	8.75%	Knysna Municipality 4862	4,110,000.00	30/04/2027	2,929,168	-		(747,416)	2,181,752
ABSA	9.04%	Knysna Municipality 5614	82,792,500.00	30/04/2024	78,534,403	-	-53.08	(5,910,043)	72,624,307
ABSA	9.76%	Knysna Municipality 8907	6,560,000.00	31/12/2027	5,906,373	-	23.51	(1,311,757)	4,594,639
ABSA	9.90%	Knysna Municipality 6124	58,792,445.00	31/12/2032	60,455,258	-	6.68	(7,428,157)	53,027,108
DBSA	10.97%	100939/1	8,594,807.19	30/06/2024	452,358	-		(226,179)	226,179
DBSA	10.07%	101431/1	9,380,256.62	31/12/2025	1,234,244	-	47,095.19	(246,849)	1,034,491
DBSA	9.82%	102328/1	5,386,431.22	30/06/2026	1,007,784	-	38,982.89	(167,964)	878,803
DBSA	11.48%	61006832	8,245,000.00	31/12/2026	2,473,053	-	115,852.46	(353,293)	2,235,612
DBSA	9.32%	61007564	57,438,000.00	29/06/2029	40,479,031	-		(5,321,065)	35,157,966
DBSA	12.30%	61007646	6,323,667.00	29/06/2025	2,862,571	-		(1,344,956)	1,517,615
DBSA	12.65%	61007647	65,040,391.00	47664	51,923,481	-		(4,034,999)	47,888,482
INCA	9.78%	KNYS-00-0003	18,607,000.00	15/02/2027	7,245,852	-		(1,540,016)	5,705,836
Nedbank	10.53%	05/7831030611/03	12,107,000.00	47330	7,506,850	-		(855,659)	6,651,191
Nedbank	9.01%	05/7831030611/04	2,050,000.00	2024/07/31	449,838	-		(292,447)	157,390
Nedbank	6.09%	7831030611/06	5,000,000.00	2023/06/30	-	-			-
Nedbank	10.35%	7831030611/05	20,424,087.00	2028/06/30	10,212,043	-		(1,021,204)	9,190,839
Nedbank	10.91%	10/yr	63,499,225.00	2030/12/31	47,624,419	-		(3,174,961)	44,449,458
Nedbank	10.62%	5/yr	8,310,140.00	2025/12/31	4,155,541	-		(831,014)	3,324,527
Standard Bank	10.73%	82563586	2,020,000.00	2021/12/29	-	-			-
Standard Bank	11.02%	82563438	8,760,950.00	2026/12/29	3,491,411	-		(872,853)	2,618,558
Standard Bank	11.30%	82563616	14,392,000.00	2031/12/29	8,635,200	-		(959,467)	7,675,733
Standard Bank	9.20%	[LN538375] - 5yr_2018/19	2,800,000.00	2023/12/29	560,000	-		(560,000)	-
Standard Bank	11.11%	LN852722	3,905,000.00		-	3,905,000		-	3,905,000
Standard Bank	8.67%	LN852738	21,100,000.00		-	21,100,000		-	21,100,000
Total Annuity Loans			555,627,901.03		368,297,755	25,005,000	135,285	(41,733,920)	351,704,121
TOTAL EXTERNAL LOANS					368,297,755	25,005,000	135,285	(41,733,920)	351,704,121

**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 2023	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 2024
UNSPENT/(UNPAID) GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R	R	R
Nat Grant - Local Government Finance Management Grant	-	1,771,000	-1,771,000	-	-	-
Nat Grant - Municipal Infrastructure Grant	1,918,398	24,202,000	-4,382,249	-19,817,245	-1,918,447	2,457
Nat Grant - Expanded Public Works Program (EPWP)	-	1,264,000	-1,264,000	-	-	-
Nat Grant - Neighbourhood Development Partnership Grant (NDPG)	2,095,553	8,397,000	-1,092,102	-7,304,898	-2,095,553	-
Nat Grant - Energy Efficiency and Demand Side Management Grant	56,884	-	-	-	-	56,884
Nat Grant - Water Services Infrastructure Grant	-	3,400,000	-376,101	-2,954,433	-	69,466
Nat Grant - Disaster Recovery Grant	-	2,600,000	-	-	-	2,600,000
Prov Grant - Community Development Worker (Operat)	-	57,000	-57,000	-	-	-
Nat Grant - Integrated National Electrification program (NER)	36	40,000,000	-5,217,396	-34,782,640	-	-
Prov Grant - Library	-	10,978,000	-10,938,000	-40,000	-	-
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	-906,741	-	-	-	-	-906,741
Prov Grant - Main Roads Subsidy	-157,054	79,596	-	-	-	-77,458
Prov Grant - Other	225,047	600,727	-32,034	-	-	793,740
Other Organisational Grants: Nedbank: SMME Incubat	22,904	100,000	-10,148	-	-	112,756
Total	3,255,027	93,449,324	(25,140,029)	(64,899,216)	(4,014,000)	2,651,105
CONSTRUCTION CONTRACTS AND RECIEVABLES						
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	-6,706,885	23,915,668	-24,126,303	-	-	-6,917,520
Grand Total	(3,451,858)	117,364,992	(49,266,332)	(64,899,216)	(4,014,000)	(4,266,415)

**Appendix C - Unaudited
Knysna Municipality
National Treasury Appropriation Statements for the year ended 30 June 2024
Revenue and Expenditure (Standard Classification)**

Description R thousand	2023/2024							2022/2023
	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	343,953	17,413	361,366	355,609	(5,758)	98.4%	103.4%	305,878
Executive and council	5,280	—	5,280	5,738	458	108.7%	108.7%	5,132
Finance and Administration	338,673	17,413	356,086	349,870	(6,216)	98.3%	103.3%	300,746
Internal Audit	—	—	—	—	—	—	—	—
Community and public safety	149,493	(121)	149,373	132,616	(16,757)	88.8%	88.7%	116,419
Community and social services	12,506	173	12,679	11,092	(1,587)	87.5%	88.7%	12,026
Sport and recreation	1,361	112	1,473	1,465	(8)	99.4%	107.6%	1,460
Public safety	101,891	(3,085)	98,806	95,518	(3,288)	96.7%	93.7%	87,818
Housing	33,735	2,679	36,415	24,541	(11,873)	67.4%	72.7%	15,115
Health	—	—	—	—	—	—	—	—
Economic and environmental services	31,089	669	31,758	26,110	(5,648)	82.2%	84.0%	22,828
Planning and development	10,193	(4,283)	5,910	12,288	6,378	207.9%	120.6%	10,843
Road transport	20,896	4,853	25,748	13,812	(11,937)	53.6%	66.1%	11,091
Environmental protection	—	100	100	10	(89)	10.2%	#DIV/0!	893
Trading services	718,242	(7,995)	710,247	706,908	(3,339)	99.5%	98.4%	594,890
Energy Sources	463,884	(26,265)	437,620	432,806	(4,813)	98.9%	93.3%	343,742
Water Management	123,185	16,895	140,081	141,919	1,839	101.3%	115.2%	118,750
Waste water management	80,172	(27)	80,145	78,396	(1,749)	97.8%	97.8%	80,796
Waste management	51,001	1,401	52,402	53,787	1,385	102.6%	105.5%	51,601
Other	—	—	—	—	—	—	—	—
Total Revenue - Standard	1,242,778	9,966	1,252,744	1,221,243	(31,501)	97.5%	98.3%	1,040,014
Expenditure - Standard								
Governance and administration	206,473	10,751	217,224	182,417	34,807	84.0%	88.3%	166,699
Executive and council	31,026	(50)	30,976	33,070	(2,094)	106.8%	106.6%	19,524
Finance and Administration	172,333	10,672	183,005	146,204	(36,801)	79.9%	84.8%	143,057
Internal Audit	3,114	129	3,242	3,143	100	96.9%	100.9%	4,118
Community and public safety	236,876	15,771	252,647	252,843	(196)	100.1%	106.7%	248,106
Community and social services	17,383	8,322	25,705	23,966	1,739	93.2%	137.9%	22,975
Sport and recreation	31,081	(720)	30,361	31,754	(1,393)	104.6%	102.2%	26,125
Public safety	140,021	6,962	146,983	154,390	(7,407)	105.0%	110.3%	149,892
Housing	48,390	1,207	49,597	42,733	6,865	86.2%	88.3%	49,113
Health	—	—	—	—	—	—	—	—
Economic and environmental services	89,239	3,986	93,225	93,256	(31)	100.0%	104.5%	80,112
Planning and development	39,505	507	40,012	35,766	4,246	89.4%	90.5%	36,371
Road transport	44,726	3,341	48,067	53,033	(4,965)	110.3%	118.6%	37,257
Environmental protection	5,008	138	5,146	4,457	689	86.6%	89.0%	6,483
Trading services	623,210	(18,902)	604,309	653,752	(49,444)	108.2%	104.9%	580,237
Energy Sources	389,695	(24,196)	365,499	377,031	(11,532)	103.2%	96.8%	313,207
Water Management	92,239	7,171	99,410	114,390	(14,980)	115.1%	124.0%	112,692
Waste water management	95,398	(9,770)	85,628	93,434	(7,806)	109.1%	97.9%	90,739
Waste management	45,878	7,893	53,772	68,897	(15,125)	128.1%	150.2%	63,599
Other	—	—	—	—	—	—	—	—
Total Expenditure - Standard	1,155,798	11,606	1,167,404	1,182,268	(14,864)	101.3%	102.3%	1,075,153
Surplus for the year	86,980	(1,640)	85,340	38,975	46,365	45.7%	44.8%	(35,139)

**Appendix C - Unaudited
Knysna Municipality
National Treasury Appropriation Statements for the year ended 30 June 2024
Revenue and Expenditure (Municipal Vote Classification)**

Description R thousand	2023/2024							2022/2023
	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 by Vote								
Vote 1 - Executive and Council	5,280	—	5,280	5,738	458	108.7%	108.7%	5,132
Vote 2 - Corporate Services	6,363	582	6,945	6,297	(648)	90.7%	99.0%	6,635
Vote 3 - Financial Services	318,190	16,831	335,022	329,454	(5,568)	98.3%	103.5%	278,774
Vote 4 - Strategic Services	—	—	—	—	—	—	—	—
Vote 5 - Planning and development	5,112	898	6,010	7,916	1,906	131.7%	154.9%	7,081
Vote 6 - Community Services	186,653	(1,398)	185,255	181,369	(3,886)	97.9%	97.2%	173,691
Vote 7 - Electrical Services	463,884	(26,265)	437,620	432,806	(4,813)	98.9%	93.3%	343,756
Vote 8 - Technical Services	223,559	16,639	240,198	233,121	(7,077)	97.1%	104.3%	209,830
Vote 9 - Housing Services	33,735	2,679	36,415	24,541	(11,873)	67.4%	72.7%	15,115
Total Revenue by Vote	1,242,778	9,966	1,252,744	1,221,243	(43,678)	96.5%	97.3%	1,040,014
Expenditure by Vote to be appropriated								
Vote 1 - Executive and Council	42,612	(1,038)	41,573	42,033	(460)	101.1%	98.6%	28,004
Vote 2 - Corporate Services	68,246	2,556	70,802	69,876	(926)	98.7%	102.4%	62,792
Vote 3 - Financial Services	88,701	12,031	100,731	66,394	34,337	65.9%	74.9%	63,814
Vote 4 - Strategic Services	—	—	—	—	—	—	—	—
Vote 5 - Planning and development	30,450	(3,390)	27,060	25,908	1,152	95.7%	85.1%	27,455
Vote 6 - Community Services	250,285	18,058	268,343	292,085	23,742	108.8%	116.7%	279,571
Vote 7 - Electrical Services	394,687	(25,186)	369,501	380,492	(10,991)	103.0%	96.4%	316,858
Vote 8 - Technical Services	232,492	7,339	239,831	262,769	(22,938)	109.6%	113.0%	247,546
Vote 9 - Housing Services	48,327	1,237	49,563	42,712	6,851	86.2%	88.4%	49,113
Total Expenditure by Vote	1,155,798	11,606	1,167,404	1,182,268	14,864	101.3%	102.3%	1,075,153
Surplus for the year	86,980	(1,640)	85,340	38,975	(46,365)	45.7%	44.8%	(35,139)

Appendix C - Unaudited
Knysna Municipality
National Treasury Appropriation Statements for the year ended 30 June 2024
Revenue and Expenditure

Description	2023/2024							2022/2023
	Original Budget	Budget Adjustments (i.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 Source								
Exchange Revenue / Service charges - Electricity	384,778	(26,229)	358,550	353,187	(5,363)	98.5%	91.8%	305,379
Exchange Revenue / Service charges - Water	84,389	5,194	89,583	97,876	8,293	109.3%	116.0%	77,198
Exchange Revenue / Service charges - Waste Water Management	30,864	1,506	32,371	30,709	(1,662)	94.9%	99.5%	29,240
Exchange Revenue / Service charges - Waste Management	30,029	1,384	31,413	30,810	(603)	98.1%	102.6%	28,466
Exchange Revenue / Sale of Goods and Rendering of Services	39,359	(757)	38,602	33,008	(5,593)	85.5%	83.9%	19,587
Exchange Revenue / Agency services	4,033	—	4,033	3,988	(44)	98.9%	98.9%	4,086
Exchange Revenue / Interest earned from Receivables	14,751	6,293	21,044	26,965	5,921	128.1%	182.8%	22,440
Exchange Revenue / Interest earned from Current and Non Current Assets	1,826	—	1,826	2,131	305	116.7%	116.7%	2,014
Exchange Revenue / Rental from Fixed Assets	6,938	475	7,413	7,390	(23)	99.7%	106.5%	6,396
Exchange Revenue / Licence and permits	45	51	96	134	38	139.2%	294.9%	71
Exchange Revenue / Operational Revenue	6,023	575	6,598	4,319	(2,279)	65.5%	71.7%	7,912
Non-Exchange Revenue / Property rates	304,254	9,689	313,943	311,886	(2,057)	99.3%	102.5%	260,889
Non-Exchange Revenue / Fines, penalties and forfeits	99,090	—	99,090	96,379	(2,711)	97.3%	97.3%	87,568
Non-Exchange Revenue / Licences or permits	1,743	—	1,743	1,400	(343)	80.3%	80.3%	1,377
Non-Exchange Revenue / Transfer and subsidies - Operational	150,239	1,081	151,321	144,436	(6,884)	95.5%	96.1%	133,960
Non-Exchange Revenue / Interest	5,733	4,872	10,605	10,687	82	100.8%	186.4%	7,795
Non-Exchange Revenue / Operational Revenue	—	—	—	—	—	—	—	—
Non-Exchange Revenue / Gains on disposal of Assets	500	—	500	53	(447)	10.6%	10.6%	2,815
Non-Exchange Revenue / Other Gains	—	—	—	989	989	#DIV/0!	#DIV/0!	3,920
Total Revenue (excluding capital transfers and grants)	1,164,594	4,135	1,168,729	1,156,349	(12,380)	98.9%	99.3%	1,001,113
Expenditure By Type								
Expenditure / Employee related costs	305,558	7,731	313,290	323,927	(10,638)	103.4%	106.0%	292,469
Expenditure / Remuneration of councillors	10,082	372	10,454	9,821	633	93.9%	97.4%	9,787
Expenditure / Bulk purchases - electricity	293,304	(10,692)	282,612	284,633	(2,020)	100.7%	97.0%	238,307
Expenditure / Inventory consumed	54,053	(262)	53,792	53,278	514	99.0%	98.6%	58,457
Expenditure / Debt impairment	149,730	10,246	159,976	172,249	12,272	107.7%	115.0%	133,173
Expenditure / Depreciation and amortisation	49,119	18,651	67,770	53,167	14,603	78.5%	108.2%	54,841
Expenditure / Interest	31,848	5,716	37,565	41,587	(4,023)	110.7%	130.6%	35,276
Expenditure / Contracted services	185,406	(23,445)	161,961	155,307	6,654	95.9%	83.8%	187,171
Expenditure / Transfers and subsidies	1,457	689	2,147	1,118	1,028	52.1%	76.7%	1,934
Expenditure / Irrecoverable debts written off	1,784	—	1,784	—	1,784	—	—	—
Expenditure / Operational costs	73,456	2,598	76,054	84,365	8,311	110.9%	114.9%	62,516
Expenditure / Other Losses	—	—	—	2,816	(2,816)	#DIV/0!	#DIV/0!	1,221
Total Expenditure	1,155,798	11,606	1,167,404	1,182,268	14,864	101.3%	102.3%	1,075,153
Surplus/(Deficit)	8,796	(7,471)	1,325	(25,919)	(27,244)	-1955.9%	-294.7%	(74,040)
Non-Exchange Revenue / Transfers and subsidies - capital (net)	78,184	5,831	84,015	64,894	(19,121)	77.2%	83.0%	38,901
Non-Exchange Revenue / Transfers and subsidies - capital (irrecoverable)	—	—	—	—	—	—	—	—
Contributed assets	—	—	—	—	—	—	—	—
Surplus for the year	86,980	(1,640)	85,340	38,975	(46,365)	45.7%	44.8%	(35,139)

Appendix C - Unaudited
Knysna Municipality
National Treasury Appropriation Statements for the year ended 30 June 2024
Capital Expenditure by Vote, Standard Classification and Funding

Description R thousand	2023/2024							2022/2023
	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	—	—	—	—	—	—	—	—
Vote 2 - Corporate Services	—	250	250	206	(44)	82.5%	#DIV/0!	102
Vote 3 - Financial Services	—	—	—	—	—	—	—	359
Vote 4 - Strategic Services	—	—	—	—	—	—	—	—
Vote 5 - Planning and development	5	(5)	—	—	—	—	—	8
Vote 6 - Community Services	10,580	848	11,428	3,781	(7,647)	33.1%	35.7%	2,147
Vote 7 - Electrical Services	7,300	604	7,904	7,778	(126)	98.4%	106.5%	20,263
Vote 8 - Technical Services	39,693	12,572	52,265	33,040	(19,225)	63.2%	83.2%	56,196
Vote 9 - Housing Services	—	2,358	2,358	437	(1,921)	18.5%	#DIV/0!	1,243
Capital multi-year expenditure	57,578	16,627	74,205	45,242	(28,963)	61.0%	78.6%	80,318
Single-year expenditure								
Vote 1 - Executive and Council	—	—	—	—	—	—	—	12
Vote 2 - Corporate Services	200	—	200	176	(24)	87.8%	87.8%	1,376
Vote 3 - Financial Services	—	61	61	130	69	213.3%	#DIV/0!	23
Vote 4 - Strategic Services	—	—	—	—	—	—	—	—
Vote 5 - Planning and development	—	—	—	—	—	—	—	190
Vote 6 - Community Services	1,300	(113)	1,187	387	(801)	32.6%	29.7%	6,868
Vote 7 - Electrical Services	40,447	(2,762)	37,685	37,175	(509)	98.6%	91.9%	1,062
Vote 8 - Technical Services	11,214	(7,105)	4,109	6,832	2,723	166.3%	60.9%	5,292
Vote 9 - Housing Services	—	1,440	1,440	—	(1,440)	—	—	1,698
Capital single-year expenditure	53,161	(8,479)	44,682	44,700	18	100%	84%	16,521
Total Capital Expenditure - Vote	110,739	8,148	118,887	89,941	(28,946)	76%	81%	96,839
Capital Expenditure - Standard								
Governance and administration	700	440	1,140	1,144	4	100.3%	163.4%	3,895
Executive and council	—	—	—	—	—	—	—	12
Finance and Administration	700	440	1,140	1,144	4	100.3%	163.4%	3,883
Internal Audit	—	—	—	—	—	—	—	—
Community and public safety	10,480	4,363	14,843	2,958	(11,885)	19.9%	28.2%	6,989
Community and social services	800	(27)	773	207	(566)	26.7%	25.8%	1,753
Sport and recreation	7,180	(499)	6,681	2,229	(4,452)	33.4%	31.0%	274
Public safety	2,500	1,091	3,591	86	(3,505)	2.4%	3.4%	2,021
Housing	—	3,798	3,798	437	(3,361)	11.5%	#DIV/0!	2,941
Health	—	—	—	—	—	—	—	—
Economic and environmental services	25,291	5,580	30,871	26,314	(4,557)	85.2%	104.0%	40,608
Planning and development	150	15	165	623	457	376.5%	415.0%	314
Road transport	25,136	5,570	30,706	25,692	(5,014)	83.7%	102.2%	40,286
Environmental protection	5	(5)	—	—	—	—	—	8
Trading services	74,267	(2,235)	72,032	59,526	(12,507)	82.6%	80.2%	45,348
Energy Sources	47,247	(2,159)	45,088	44,525	(564)	98.7%	94.2%	19,508
Water Management	12,107	6,938	19,045	7,147	(11,897)	37.5%	59.0%	12,587
Waste water management	13,514	(7,082)	6,432	6,387	(45)	99.3%	47.3%	8,285
Waste management	1,400	67	1,467	1,467	(0)	100.0%	104.8%	4,968
Other	—	—	—	—	—	—	—	—
Total Capital Expenditure - Standard	110,739	8,148	118,887	89,941	(28,946)	76%	81%	96,839
Funded by:								
National Government	78,184	1,993	80,177	67,204	(12,973)	83.8%	86.0%	36,055
Provincial Government	—	3,838	3,838	472	(3,366)	12.3%	#DIV/0!	3,784
District Municipality	—	—	—	—	—	—	—	120
Other transfers and grants	—	—	—	—	—	—	—	—
Transfers recognised - capital	78,184	5,831	84,015	67,676	(16,339)	81%	87%	39,959
Public contributions & donations	—	—	—	—	—	—	—	—
Borrowing	25,005	2,338	27,343	14,495	(12,848)	53.0%	58.0%	52,922
Internally generated funds	7,550	(20)	7,530	7,771	241	103.2%	102.9%	3,958
Total Capital Funding	110,739	8,148	118,887	89,941	(28,946)	76%	81%	96,839



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