

Audited AFS



**KANNALAND**  
MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2019**

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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**GENERAL INFORMATION**

<b>Legal Form:</b>	Category B Local Authority
<b>Legislation:</b>	<p>The most important legislation governing Kannaland Municipality in terms of financial operations are:</p> <p>Constitution of the Republic of South Africa, 1996 and regulations; Municipal Finance Management Act, (MFMA) 2003 (Act No. 56 of 2003) and regulations issued in terms of the Act; Annual Division of Revenue Act, (DORA) 2018 (Act No. 2 of 2018); Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997); Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005); Municipal Structures Act, 1998 (Act No. 117 of 1998) and regulations issued in terms of the Act; Municipal Systems Act, 2000 (Act. No. 32 of 2000) and regulations issued in terms of the Act; Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and the regulations issued in terms of the Act; Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and regulations issued in terms of the Act; Construction Industry Development Board Act, 2000 (Act No. 38 of 2000) and regulations issued in terms of the Act; and Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004)</p> <p>This list is however not exhausted.</p>
<b>Principal activities:</b>	<p>The major principal activities that the Municipality render within its jurisdiction area include:</p> <p>The provision and maintenance of Amenities, such as ablution, recreational, hall facilities; Building control services; Cemeteries; Disaster management; Electricity supply services; Environmental Pollution control and Management; Fires services and prevention; Library services; Law enforcement services, including vehicle and driver registration and traffic services; Creation and maintenance of Parking areas; Refuse Removal services; Social and Economical development; Spatial planning; Street and Storm water services; Street cleaning and Street lighting; Creation, operating and maintaining of Sport facilities; Tourism promotion; Waste water treatment services and Water supply services.</p>
<b>Area of Jurisdiction:</b>	<p>Kannaland Municipality includes the following areas.</p> <p>Calitzdorp Ladismith Van Wyksdorp Zoar</p>
<b>Demarcation code:</b>	WC041

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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**GENERAL INFORMATION**

<b>Mayoral Committee:</b>	
<b>Executive Mayor</b>	Ms M Barry
<b>Deputy Executive Mayor</b>	Mr PJ Antonie
<b>Speaker</b>	Ms A Theron
<b>Ward Councillors:</b>	Ward 1 - Ald J Donson Ward 2 - Clr WP Meshoa Ward 3 - Clr M Barry Ward 4 - Clr A Theron
<b>Proportional Representative Councillors:</b>	Clr PJ Antonie Clr HD Ruiters Clr J Johnson
<b>Auditors:</b>	Auditor General of South Africa Private Bag X1 CHEMPET 7442
<b>Municipal Manager:</b>	Mr R Stevens
<b>Chief Financial Officer:</b>	Mr R Butler
<b>Registered Office:</b>	32 Church Street LADISMITH 6655
<b>Postal address:</b>	PO Box 30 LADISMITH 6655
<b>Telephone:</b>	(028) 551 8000
<b>Facsimile:</b>	(028) 551 1766
<b>Website:</b>	<a href="http://www.kannaland.gov.za">www.kannaland.gov.za</a>



**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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**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 was 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 place 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 2020 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.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 4 to 82, which have been prepared on the going concern basis, were approved by the accounting officer and signed accordingly by:



Mr R Stevens

ACCOUNTING OFFICER

Date: 14.02.2020

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ACCOUNTING OFFICER

Date: 14.02.2020



**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Notes	2019 R (Actual)	2018 R (Restated)
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>250,299,688</b>	<b>239,488,801</b>
Accumulated Surplus/(Deficit)		250,299,688	239,488,801
<b>Non-Current Liabilities</b>		<b>27,308,433</b>	<b>27,440,938</b>
Long-term Liabilities	2	1,435,100	1,940,547
Employee Benefits	3	11,126,844	11,635,882
Non-Current Provisions	4	14,746,489	13,864,509
<b>Current Liabilities</b>		<b>70,298,592</b>	<b>64,623,558</b>
Consumer Deposits	5	964,206	953,257
Current Employee benefits	6	5,921,539	4,990,903
Payables from exchange transactions	8	48,668,190	45,335,492
Unspent Conditional Government Grants and Receipts	9	14,231,073	12,885,864
Operating Lease Liability	18.2	8,027	5,750
Current Portion of Long-term Liabilities	2	505,557	452,292
<b>Total Net Assets and Liabilities</b>		<b>347,906,713</b>	<b>331,553,297</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>327,042,004</b>	<b>320,055,294</b>
Property, Plant and Equipment	11	325,508,065	318,387,373
Investment Property	12	1,488,659	1,594,077
Intangible Assets	13	45,280	73,844
<b>Current Assets</b>		<b>20,864,709</b>	<b>11,498,003</b>
Inventory	14	2,024,977	177,209
Receivables from exchange transactions	16	2,735,932	3,315,609
Receivables from non-exchange transactions	17	2,101,064	1,715,680
Operating Lease Asset	18.1	51,308	34,747
Taxes	10	2,320,194	4,706,045
Cash and Cash Equivalents	19	11,631,234	1,548,713
<b>Total Assets</b>		<b>347,906,713</b>	<b>331,553,297</b>

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 (Actual) R	2018 (Restated) R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>81,911,996</b>	<b>92,363,147</b>
<b>Taxation Revenue</b>		<b>16,275,282</b>	<b>16,830,249</b>
Property Rates	21	16,275,282	16,830,249
<b>Transfer Revenue</b>		<b>58,241,461</b>	<b>67,962,432</b>
Government Grants and Subsidies-Operational	22	39,897,721	47,483,311
Government Grants and Subsidies-Capital		18,343,740	20,479,121
<b>Other Revenue</b>		<b>7,395,253</b>	<b>7,570,466</b>
Fines, Penalties and Forfeits		6,020,989	5,661,270
Interest Earned - non exchange transactions		1,183,267	1,909,196
Contributed Property, Plant and Equipment		190,997	-
<b>Revenue from Exchange Transactions</b>		<b>76,197,227</b>	<b>74,535,982</b>
Service Charges	23	69,672,405	68,681,987
Rental from Fixed Assets		516,497	545,690
Interest Earned - external investments		732,342	507,610
Interest Earned - outstanding receivables		3,653,104	2,514,695
Licences and Permits		172,889	139,405
Agency and Collection Services		1,053,323	1,867,996
Operational Revenue		15,322	16,939
Sales of Goods and Rendering of Services		381,345	261,660
<b>Total Revenue</b>		<b>158,109,223</b>	<b>166,899,129</b>
<b>EXPENDITURE</b>			
Employee related costs	24	55,437,037	47,694,047
Remuneration of Councillors	25	3,323,290	2,975,406
Bad Debts Written -off		8,575,107	27,474,148
Depreciation and Amortisation	27	13,469,197	12,418,383
Inventory Consumed	33	1,360,328	1,241,098
Finance Costs	29	(2,866,091)	2,388,847
Bulk Purchases	30	35,536,554	32,580,546
Contracted Services	31	14,065,481	22,157,398
Operational Costs	32	7,912,589	9,105,624
Operating Leases		558,970	318,207
Transfers and Subsidies	34	405,612	303,742
<b>Total Expenditure</b>		<b>137,778,074</b>	<b>158,657,446</b>
<b>Operating Surplus</b>		<b>20,331,149</b>	<b>8,241,683</b>
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		(49,756)	(323,575)
Impairment Loss/(Reversal of Impairment Loss) on Receivables	26	(8,810,385)	7,280,364
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	28	(512,443)	(4,183)
Gains/(Loss) on Sale of Fixed Assets		(147,678)	(2,692,359)
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>10,810,887</b>	<b>12,501,930</b>



**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Accumulated Surplus/ (Deficit)	Total
		R	R
<b>Balance as at 1 JULY 2017</b>		222,755,343	222,755,343
Change in accounting policy	36	11,233,429	11,233,429
Correction of error	35.2	(7,001,901)	(7,001,901)
<b>Restated Balance as at 1 JULY 2017</b>		226,986,871	226,986,871
Net Surplus for the year	35.2	12,501,930	12,501,930
<b>Balance as at 30 JUNE 2018</b>		239,488,801	239,488,801
Net Surplus for the year		10,810,887	10,810,887
<b>Balance as at 30 JUNE 2019</b>		250,299,688	250,299,688

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 R	2018 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		88,068,811	102,655,605
Government		59,586,669	70,569,105
Interest		5,568,713	4,931,501
<b>Payments</b>			
Suppliers and employees		(127,597,521)	(157,162,516)
Finance charges	29	2,866,091	(2,388,847)
Transfers and Grants	34	(405,612)	(303,742)
<b>Cash generated by operations</b>	<b>38</b>	<b>28,087,151</b>	<b>18,301,106</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	11	(17,563,397)	(16,536,830)
Decrease in current Investments		-	-
<b>Net Cash from Investing Activities</b>		<b>(17,563,397)</b>	<b>(16,536,830)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(452,182)	(513,847)
Increase in Consumer Deposits		10,949	20,910
<b>Net Cash from Financing Activities</b>		<b>(441,233)</b>	<b>(492,937)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>10,082,521</b>	<b>1,271,338</b>
Cash and Cash Equivalents at the beginning of the year		1,548,713	277,375
Cash and Cash Equivalents at the end of the year	39	11,631,234	1,548,713
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>10,082,521</b>	<b>1,271,338</b>

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)	Explanations for material variances (Amounts over/above R1.5 million)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	11,631,234	560,000	11,071,234	Variances are due to incorrect use of contra items on the statement of financial position while performing the budget.
Consumer debtors	4,836,996	62,964,176	(58,127,180)	
Other Receivables	2,371,502	-	2,371,502	
Inventory	2,024,977	-	2,024,977	
<b>Total current assets</b>	<b>20,864,709</b>	<b>63,524,176</b>	<b>(42,659,467)</b>	
<b>Non current assets</b>				
Investment	-	-	-	
Investment property	1,488,659	-	1,488,659	
Property, plant and equipment	325,508,065	347,815,398	(22,307,333)	
Intangible Assets	45,280	-	45,280	
<b>Total non current assets</b>	<b>327,042,004</b>	<b>347,815,398</b>	<b>(20,773,394)</b>	
<b>TOTAL ASSETS</b>	<b>347,906,713</b>	<b>411,339,574</b>	<b>(63,432,861)</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowing	505,557	512,000	(6,443)	
Consumer deposits	964,206	-	964,206	
Trade and other payables	62,899,263	43,515,756	19,383,507	
Operating Leases	8,027	-	8,027	
Provisions and Employee Benefits	5,921,539	-	5,921,539	
<b>Total current liabilities</b>	<b>70,298,592</b>	<b>44,027,756</b>	<b>26,270,836</b>	
<b>Non current liabilities</b>				
Borrowing	1,435,100	1,803,082	(367,982)	
Provisions and Employee Benefits	25,873,333	36,048,000	(10,174,667)	
<b>Total non current liabilities</b>	<b>27,308,433</b>	<b>37,851,082</b>	<b>(10,542,649)</b>	
<b>TOTAL LIABILITIES</b>	<b>97,607,025</b>	<b>81,878,838</b>	<b>15,728,187</b>	
<b>NET ASSETS</b>	<b>250,299,688</b>	<b>329,460,736</b>	<b>(79,161,048)</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	250,299,688	47,137,174	203,162,514	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>250,299,688</b>	<b>47,137,174</b>	<b>203,162,514</b>	

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

**ADJUSTMENTS TO APPROVED BUDGET**

	2019 R (Original Budget)	2019 R (Adjustments)	2019 R (Final Budget)	
<b>ASSETS</b>				No adjustments were made to the original budget.
<b>Current assets</b>				
Cash	560,000	-	560,000	
Call investment deposits	950,000	-	950,000	
Consumer debtors	62,964,176	-	62,964,176	
Other Receivables	-	-	-	
Current portion of long term receivables	-	-	-	
Inventory	-	-	-	
<b>Total current assets</b>	<b>64,474,176</b>	<b>-</b>	<b>64,474,176</b>	
<b>Non current assets</b>				
Investments	-	-	-	
Investment property	-	-	-	
Property, plant and equipment	347,815,398	-	347,815,398	
Intangible Assets	-	-	-	
Heritage Assets	-	-	-	
<b>Total non current assets</b>	<b>347,815,398</b>	<b>-</b>	<b>347,815,398</b>	
<b>TOTAL ASSETS</b>	<b>412,289,574</b>	<b>-</b>	<b>412,289,574</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	-	-	-	
Borrowing	512,000	-	512,000	
Consumer deposits	-	-	-	
Trade and other payables	43,515,756	-	43,515,756	
Provisions and Employee Benefits	-	-	-	
<b>Total current liabilities</b>	<b>44,027,756</b>	<b>-</b>	<b>44,027,756</b>	
<b>Non current liabilities</b>				
Borrowing	1,803,082	-	1,803,082	
Provisions and Employee Benefits	36,048,000	-	36,048,000	
<b>Total non current liabilities</b>	<b>37,851,082</b>	<b>-</b>	<b>37,851,082</b>	
<b>TOTAL LIABILITIES</b>	<b>81,878,838</b>	<b>-</b>	<b>81,878,838</b>	
<b>NET ASSETS</b>	<b>330,410,736</b>	<b>-</b>	<b>330,410,736</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	47,137,174	-	47,137,174	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>47,137,174</b>	<b>-</b>	<b>47,137,174</b>	

KANNALAND MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)	% (Variance)	Explanations for material adjustments (Amounts above or below 10%)
<b>REVENUE BY SOURCE</b>					
Property rates	16,275,282	23,629,496	(7,354,214)	(31.1%)	Council allowed for a rebate which was not in the budget.
Service charges	69,672,405	71,637,568	(1,965,163)	(2.7%)	
Rental of facilities and equipment	516,497	470,500	45,997	9.8%	
Interest earned - external investments	732,342	793,870	(61,528)	(7.8%)	
Interest earned - outstanding debtors	4,836,371	5,146,920	(310,549)	(6.0%)	
Fines, Penalties and Forfeits	6,020,989	8,480,300	(2,459,311)	(29.0%)	Budget was based on historic figures while current year traffic fines issued decreased.
Licences and permits	172,889	169,500	3,389	2.0%	
Agency and collection services	1,053,323	1,220,000	(166,677)	(13.7%)	Budget was based on historic figures while current year revenue decreased.
Government Grants and Subsidies	39,897,721	39,652,160	245,561	0.6%	
Other revenue	396,667	323,900	72,767	22.5%	These figures correlate to building and other activities and thus linked to the performance of the local economy.
<b>Total Operating Revenue</b>	<b>139,574,486</b>	<b>151,524,214</b>	<b>(11,949,728)</b>		
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	55,437,037	55,171,654	265,383	0.5%	
Remuneration of councillors	3,323,290	3,130,650	192,640	6.2%	
Debt impairment	8,575,107	14,183,000	(5,607,893)	(39.5%)	Budget figures were based on historic figures, but the prior year impairment was higher due to new application of policy.
Depreciation & asset impairment	13,469,197	10,660,845	2,808,352	26.3%	Due to an increase in infrastructure and other assets, depreciation increased.
Finance charges	(2,866,091)	920,638	(3,786,729)	(411.3%)	Accounting entries on provision for landfill sites caused in a reduction of interest. This provision is calculated at year end by external experts, thus would not be known when the budget was performed.
Bulk purchases	35,536,554	32,258,681	3,277,873	10.2%	Difficult to budget due to NERSA increases.
Other expenditure	24,302,980	34,296,769	(9,993,789)	(29.1%)	Savings on expenditure.
<b>Total Operating Expenditure</b>	<b>137,778,074</b>	<b>150,622,237</b>	<b>(12,844,163)</b>		
Government Grants and Subsidies - Capital	1,796,412	901,977	894,435		
	18,343,740	23,448,200	(5,104,460)	(21.8%)	The recognition criteria for some grant income was not met during the year and were carried over.
Gains/(Loss) on Sale of Fixed Assets	(147,678)	-	(147,678)	100.0%	
Contributed Assets	190,997	-	190,997	100.0%	
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	(49,756)	-	(49,756)	100.0%	There were no provision made in the budget for accounting entries relating to these areas that require professional judgement and interpretations.
Impairment Loss/(Reversal of Impairment Loss) on Receivables	(8,810,385)	-	(8,810,385)	100.0%	
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	(512,443)	-	(512,443)	100.0%	
	10,810,887	24,350,177	(4,019,028)		

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019**

**ADJUSTMENTS TO APPROVED BUDGET**

	2019 R	2019 R	2019 R	
	(Original Budget)	(Adjustments)	(Final Budget)	
<b>REVENUE BY SOURCE</b>				
Property rates	20,113,078	3,516,418	23,629,496	There was an issue with the system calculating rates incorrectly with the initial budget.
Service charges	74,994,195	(3,356,627)	71,637,568	There was an issue with the system calculating rates incorrectly with the initial budget.
Rental of facilities and equipment	908,980	(438,480)	470,500	
Interest earned - external investments	500,000	293,870	793,870	
Interest earned - outstanding debtors	5,326,920	(180,000)	5,146,920	
Dividends	3,000	(3,000)	-	
Fines, Penalties and Forfeits	8,486,000	(5,700)	8,480,300	
Licences and permits	152,094	17,406	169,500	
Agency services	960,000	260,000	1,220,000	
Government Grants and Subsidies - Operating	33,145,800	6,506,360	39,652,160	Additional grants proclaimed.
Other revenue	1,876,150	(1,552,250)	323,900	
<b>Total Operating Revenue</b>	<b>146,466,217</b>	<b>5,057,997</b>	<b>151,524,214</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	55,215,411	(43,757)	55,171,654	
Remuneration of councillors	3,052,500	78,150	3,130,650	
Debt impairment	16,017,520	(1,834,520)	14,183,000	Indications showed there might be a decrease in provision.
Depreciation & asset impairment	10,660,845	-	10,660,845	
Finance charges	421,630	499,008	920,638	
Bulk purchases	32,258,681	-	32,258,681	
Grants and subsidies paid	3,126,000	(160,000)	2,966,000	
Other expenditure	23,224,656	8,106,113	31,330,769	Increase in anticipated general expenditure.
Loss on disposal of PPE	-	-	-	
<b>Total Operating Expenditure</b>	<b>143,977,243</b>	<b>6,644,994</b>	<b>150,622,237</b>	
<b>Operating Surplus/(Deficit) for the year</b>	<b>2,488,974</b>	<b>(1,586,997)</b>	<b>901,977</b>	
Government Grants and Subsidies - Capital	44,648,200	(21,200,000)	23,448,200	Grants initially budgeted for were not received.
Gains/(Loss) on Sale of Fixed Assets	-	-	-	
Contributed Assets	-	-	-	
<b>Net Surplus/(Deficit) for the year</b>	<b>47,137,174</b>	<b>(22,786,997)</b>	<b>24,350,177</b>	

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				<b>Explanations for material variances over/above R1.5 million</b>
<b>Receipts</b>				
Ratepayers and other	88,068,811	73,714,646	14,354,165	Variances are due to incorrect use of contra items on the statement of financial position while performing the budget.
Government - operating	41,242,929	3,917,527	37,325,402	
Government - capital	18,343,740	23,332,577	(4,988,837)	
Interest	5,568,713	4,601,370	967,343	
<b>Payments</b>				
Suppliers and Employees	(127,597,521)	(122,386,754)	(5,210,767)	
Finance charges	2,866,091	(920,638)	3,786,729	
Transfers and Grants	(405,612)	(751,000)	345,388	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>28,087,151</b>	<b>(18,492,272)</b>	<b>46,579,423</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Decrease/(increase) in non-current investments	-	-	-	
<b>Payments</b>				
Capital assets	(17,563,397)	(25,119,200)	7,555,803	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(17,563,397)</b>	<b>(25,119,200)</b>	<b>7,555,803</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	10,949	-	10,949	
<b>Payments</b>				
Repayment of borrowing	(452,182)	(720,000)	267,818	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(441,233)</b>	<b>(720,000)</b>	<b>278,767</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>10,082,521</b>	<b>(44,331,472)</b>	<b>54,413,993</b>	
Cash and Cash Equivalents at the beginning of the year	1,548,713	1,544,906	3,807	
Cash and Cash Equivalents at the end of the year	11,631,234	(42,786,566)	54,417,800	



**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

**ADJUSTMENTS TO APPROVED BUDGET**

	2019 R (Approved Budget)	2019 R (Adjustments)	2019 R (Final Budget)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	89,795,817	(16,081,171)	73,714,646	Variances are due to incorrect use of contra items on the statement of financial position while performing the budget.
Government - operating	33,145,800	(29,228,273)	3,917,527	
Government - capital	44,648,200	(21,315,623)	23,332,577	
Interest	3,433,600	1,167,770	4,601,370	
<b>Payments</b>				
Suppliers and Employees	(122,861,248)	474,494	(122,386,754)	
Finance charges	(421,630)	(499,008)	(920,638)	
Transfers and Grants	(551,000)	(200,000)	(751,000)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>47,189,539</b>	<b>(65,681,811)</b>	<b>(18,492,272)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
<b>Payments</b>				
Capital assets	(44,648,200)	19,529,000	(25,119,200)	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(44,648,200)</b>	<b>19,529,000</b>	<b>(25,119,200)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
<b>Payments</b>				
Repayment of borrowing	(720,000)	-	(720,000)	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(720,000)</b>	<b>-</b>	<b>(720,000)</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>1,821,339</b>	<b>(46,152,811)</b>	<b>(44,331,472)</b>	
Cash and Cash Equivalents at the beginning of the year	560,000	984,906	1,544,906	
Cash and Cash Equivalents at the end of the year	2,381,339	(45,167,905)	(42,786,566)	

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1. BASIS OF PREPARATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

**1.3. GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5 AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

**1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users 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 operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

**1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

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

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 18 (as amended)</b>	<b>Segment reporting</b> The objective of this Standard is to establish principles for reporting financial information by segments. The impact of the Standard on the financial statements will not be significant other than additional disclosures.	<b>1 April 2020</b>
<b>GRAP 32</b>	<b>Service concession arrangements: Grantor</b> The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity. No significant impact is expected as no such transactions or events are expected in the foreseeable future.	<b>1 April 2019</b>
<b>GRAP34</b>	<b>Separate financial statements</b> The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. No significant impact is expected as no such transactions or events are expected in the foreseeable future.	<b>1 April 2020</b>
<b>GRAP 35</b>	<b>Consolidated financial statements</b> The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. No significant impact is expected as no such transactions or events are expected in the foreseeable future.	<b>1 April 2020</b>
<b>GRAP 36</b>	<b>Investments in associates and joint ventures</b> The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. No significant impact is expected as no such transactions or events are expected in the foreseeable future.	<b>1 April 2020</b>

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

<b>GRAP 37</b>	<p><b>Joint arrangements</b></p> <p>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future</p>	<b>1 April 2020</b>
<b>GRAP 38</b>	<p><b>Disclosure of interest in other entities</b></p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>(a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and</p> <p>(b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2020</b>
<b>GRAP 109</b>	<p><b>Accounting by principles and agents</b></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected. Additional disclosure may be required.</p>	<b>1 April 2019</b>
<b>GRAP 110</b>	<p><b>Living and non-living resources</b></p> <p>The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2020</b>

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

<p><b>IGRAP 1</b> (Original – June 2012)</p>	<p><b>Probability test on initial recognition of revenue</b></p> <p>In the public sector, entities are required to provide goods or services and to levy taxes, fines, licence fees and other types of non-exchange revenue in accordance with their legislative mandate. At the time of invoicing, there may be uncertainty as to whether the revenue will ultimately be collected based on the entity's exposure to credit risk. Nevertheless, entities often continue to provide goods or services and levy fees despite non-payment as they are required in terms of their legislative mandate to undertake these functions and collect the revenue due to them.</p> <p>For example, a municipality is required in terms of the Property Rates Act to levy property rates on the property owner based on the value of the property. These rates are levied without considering the collectability thereof as any possible non-payment is a subsequent event.</p> <p>No impact as initial recognition includes all revenue with a provision for doubtful debt.</p>	<p><b>1 April 2020</b></p>
<p><b>IGRAP 17</b></p>	<p><b>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</b></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	<p><b>1 April 2019</b></p>
<p><b>IGRAP 18</b></p>	<p><b>Recognition and derecognition of land</b></p> <p>This Interpretation provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements based on "control". Control includes, but is not limited to, legal title to land. Other rights are also considered in assessing whether land is controlled. The municipality needs to assess whether there are any changes to binding agreements that may impact its assessment of control. It is unlikely that there will be a material impact.</p>	<p><b>1 April 2019</b></p>
<p><b>IGRAP 19</b></p>	<p><b>Liabilities to pay levies</b></p> <p>The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the interpretation.</p>	<p><b>1 April 2019</b></p>

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

<p><b>IGRAP 20</b> <b>(Original – Dec 2018)</b></p>	<p><b>Accounting for adjustment of revenue</b></p> <p>The objective of this Standard is to assess whether new information that becomes known to the entity will lead to an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:</p> <p>(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or</p> <p>(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<p><b>1 April 2020</b></p>
	<p><b>Guideline accounting for housing arrangements undertaken in terms of the National Housing Programme</b></p> <p>The Guideline indicates how municipalities should account for the activities they undertake for the department of Human Settlements in terms of the National Housing Programme.</p> <p>It is unlikely that there will be a material impact.</p>	<p><b>1 April 2019</b></p>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

**1.9. LEASES**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The

accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

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

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- 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 are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments 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 creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

The same accounting principles will be applied with the recognition of unspent Public Contributions.

**1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework 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 as set out in note 1.11 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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.12. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. 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 an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

**1.13. EMPLOYEE BENEFITS**

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.

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

**1.13.1 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 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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

**1.13.2 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 are 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. These obligations are valued annually by independent qualified actuaries.

**1.13.3 Provision for Staff Leave**

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

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

Accumulated leave is vesting.

**1.13.4 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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.13.5 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. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

**1.13.6 Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises 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 Municipality recognises 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.

**1.13.7 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. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment

**1.14. BORROWING COSTS**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.15. PROPERTY, PLANT AND EQUIPMENT**

**1.15.1 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 year. The cost of an item of property, plant and equipment is 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 or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

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

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 assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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.

**1.15.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Apart from the Landfill site, Land is not depreciated as it is deemed to have an indefinite useful life. 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.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.15.3 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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

<b>INFRASTRUCTURE</b>	<b>YEARS</b>
• Storm water & Roads	3-100
• Electricity	10-67
• Water	6-115
• Sewerage	10-110
• Other	50
<b>COMMUNITY</b>	
• Libraries	100
• Parks & Gardens	50
• Cemetery	35
• Community Halls	35
• Others	75
• Sports Fields and Stadia	50
<b>FINANCE LEASED ASSETS</b>	
• Office Equipment	1-14
<b>LAND AND BUILDINGS</b>	
• Buildings	5-140
• Land	0
• Rehabilitation of Landfill Sites	10-30
<b>OTHER</b>	
• IT Equipment	1-12
• Furniture & Office Equipment	1-35
• Motor Vehicles	1-26
• Office Equipment	1-14
• Plant and Equipment	1-30

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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 impairment is recognised in the Statement of Financial Performance.

**1.15.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used

in order to determine the deemed cost as on 1 July 2009. For Other Assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

**1.16. INTANGIBLE ASSETS**

**1.16.1 Initial Recognition**

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

An asset meets the identifiable 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 asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only 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 or fair value of the asset can be measured reliably.

Where an intangible asset 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 is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.16.2 Subsequent Measurement – Cost Model**

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

**1.16.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation 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 reviewed at each year end, 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:

	<u>Years</u>
Computer Software	3-19

**1.16.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. 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.

**1.16.5 Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets, the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.17. INVESTMENT PROPERTY**

**1.17.1 Initial Recognition**

Investment property is 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 Municipality, and
- the cost or fair value 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 a finance 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. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.17.2 Subsequent Measurement – Cost Model**

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

**1.17.3 Depreciation and Impairment – Cost Model**

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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<b>Investment Property</b>	<b>Years</b>
Buildings	30-120

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.17.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009

**1.18 HERITAGE ASSETS**

**1.18.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

**1.18.2 Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

**1.18.3 Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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 impairment is recognised in the Statement of Financial Performance.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.18.4 De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. 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.

**1.18.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

**1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.19.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

- 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.

The re-designation 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 shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been

recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.19.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

- (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.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an 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* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, 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 usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.



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- *service unit 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. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before
- impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## **1.20. INVENTORIES**

### **1.20.1 Initial Recognition**

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 recognised at cost. 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.

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

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



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**1.20.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

**1.21. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

**1.21.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

**1.21.2 Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.21.2.1 Receivables**

Receivables are classified as financial assets at amortised cost; and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors 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. 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.

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 the Statement of Financial Performance. 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 future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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

**1.21.2.2 Payables and Annuity Loans**

Financial liabilities consist of payables and annuity loans. 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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.21.2.3 Cash and Cash Equivalents**

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.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

**1.21.2.4 Non-Current Investments**

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

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.21.3 De-recognition of Financial Instruments**

**1.21.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.21.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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.

**1.21.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

**1.22 STATUTORY RECEIVABLES**

Statutory receivables 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.

**1.22.1 Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.22.2 Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

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

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable 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 is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. 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 Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

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 amount of any adjustment is recognised in the Statement of Financial Performance.

**1.22.3 Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) 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 Municipality:

- (i) derecognise the receivable; and
- (ii) recognise separately any rights and obligations created or retained in the transfer.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.23. REVENUE**

**1.23.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue 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.

Grants, transfers and donations received; or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

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.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued

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).

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

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.

All unclaimed deposits are initially recognised as a liability until the depositor have been notified of the unclaimed deposit and a further 36 months expires, when all unclaimed deposits into the Municipality's bank account may be treated as revenue.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

**1.23.2 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.

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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 be considered a subsequent event.

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



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consumers, a provisional estimate of consumption for that month will be created. 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.

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

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

Interest revenue is recognised using the effective interest rate method.

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

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.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

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.

Revenue is measured at the fair value of the consideration received or receivable.

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.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value

of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

**1.24 RELATED PARTIES**

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

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person’s family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.

- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence; or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

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

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.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

**1.25. 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). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.26. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (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 accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance 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 is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.28. 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 the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. 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.

Management judgement is required when recognising and measuring contingent liabilities.

**1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

**1.29.1 Post-retirement medical obligations and, Long service awards**

The cost of post-retirement medical obligations and long service awards 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. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

**1.29.2 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.

**1.29.3 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 was 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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

**1.29.4 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.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

**1.29.5 Investment Property**

The useful lives of investment property 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. 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 economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.29.6 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

**1.29.7 Revenue Recognition**

Accounting Policy 1.24.2 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.1 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service

has been performed. Revenue from the issuing of spot fines and summonses have been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.29.8 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 were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (borrowing rate) was used to calculate the effect of time value of money.

**1.29.9 Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1.29.10 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 actual pre-paid electricity sold per day for the last 7 days during the year under review is used as the estimate for calculating unused units

**1.29.11 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.

**1.30. 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.

**1.31. CAPITAL COMMITMENTS**

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.

**1.32. EVENTS AFTER REPORTING DATE**

Events after the 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 is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
<b>2</b>	<b>LONG-TERM LIABILITIES</b>		
	Annuity Loans - At amortised cost		
	Previously stated	1,940,657	2,387,019
	Correction of error		2,386,683
	Capitalised Lease Liability - At amortised cost		336
	Previously stated	-	5,820
	Correction of error		4,407
			1,413
	Current Portion transferred to Current Liabilities	1,940,657	2,392,839
	Annuity Loans - At amortised cost	505,557	452,292
	Capitalised Lease Liability - At amortised cost	505,557	446,472
	Previously stated	-	5,820
	Correction of error		4,407
			1,413
	<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>1,435,100</b>	<b>1,940,547</b>

The Municipality entered into an agreement with DBSA on 30 April 2008 to consolidate previous loans with a new rescheduled loan amounted to R11 587 526,79 at a rate of 12,5% to be paid back in 180 monthly instalments. The calculation of the instalments is based on the actual number of days and shall be payable in arrears on the last business day of each month.

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	720,000	720,000
Payable within two to five years	1,659,654	2,378,268
Payable after five years	-	-
<b>Less:</b> Future finance obligations	2,379,654	3,098,268
<b>Present value of annuity obligations</b>	<b>(438,997)</b>	<b>(711,249)</b>
	<b>1,940,657</b>	<b>2,387,019</b>

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year		
Payable within two to five years	-	5,889
Payable after five years	-	-
<b>Less:</b> Future finance obligations	-	5,889
<b>Present value of lease obligations</b>	-	(69)
	-	<b>5,820</b>

Leases are secured by property, plant and equipment - Note 11

The Municipality leases printers and copiers from Nashua and Minolta for a 36 months period. The present value of the lease obligations has been determined by discounting the fixed monthly premiums at the prime interest rate.

The Hefcom lease liability relates to the settlement arrangement reached for leasing water meters. The terms of the agreement are 24 months payments at a fix rate. The present value is determined by discounting the fixed monthly premiums at the prime interest rate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
<b>3</b>	<b>EMPLOYEE BENEFITS</b>		
	Post Retirement Benefits - Refer to Note 3.1		
	Long Service Awards - Refer to Note 3.2	9,414,247	9,712,410
	<b>Total Non-current Employee Benefit Liabilities</b>	1,712,597	1,923,471
	<b>Total Non-current Employee Benefit Liabilities</b>	11,126,844	11,635,881
	<u>Post Retirement Benefits</u>		
	Balance 1 July		
	Contribution for the year	10,140,688	11,605,644
	Interest Cost	481,635	496,155
	Expenditure for the year	950,439	1,092,885
	Actuarial Gain	(428,277)	(447,965)
		(1,273,111)	(2,606,031)
	<b>Total post retirement benefits 30 June</b>	9,871,374	10,140,688
	<b>Less:</b> Transfer of Current Portion - Note 6	(457,127)	(428,277)
	<b>Balance 30 June</b>	9,414,247	9,712,410
	<u>Long Service Awards</u>		
	Balance 1 July		
	Contribution for the year	2,191,703	2,076,268
	Interest Cost	194,192	144,305
	Expenditure for the year	176,778	125,617
	Actuarial Loss/ Gain	(268,232)	(55,841)
		(314,870)	(98,647)
	<b>Total long service 30 June</b>	1,979,571	2,191,703
	<b>Less:</b> Transfer of Current Portion - Note 6	(266,974)	(268,232)
	<b>Balance 30 June</b>	1,712,597	1,923,471
	<b>TOTAL NON-CURRENT EMPLOYEE BENEFITS</b>		
	Balance 1 July		
	Contribution for the year	12,332,391	13,681,913
	Interest cost	675,827	640,460
	Expenditure for the year	1,127,217	1,218,502
	Actuarial Gain	(696,509)	(503,806)
		(1,587,981)	(2,704,678)
	<b>Total employee benefits 30 June</b>	11,850,945	12,332,391
	<b>Less:</b> Transfer of Current Portion - Note 6	(724,101)	(696,509)
	<b>Balance 30 June</b>	11,126,844	11,635,882
<b>3.1</b>	<b>Post Retirement Benefits</b>		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	49	45
	In-service (employee) non-members	63	68
	Continuation members (e.g. Retirees, widows, orphans)	13	13
	<b>Total Members</b>	125	126
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	R (m) 3.399	R (m) 3.805
	In-service non- members	1.262	1.538
	Continuation members	5.210	4.797
	<b>Total Liability</b>	9.872	10.140
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
	<b>Total Liability</b>	2017 R 11,606,000	2016 R 11,536,000
			2015 R 10,726,849
	Experience adjustments were calculated as follows:		
	Liabilities: loss/(profit)	2019 R(m) -0.494	2018 R(m) -1.854
		2017 R(m) 0.264	2016 R(m) -0.084
			2015 R(m) 0.151

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
Bonita's;		
LA Health		
Keyhealth		
Hosmed		
Samwumed		

	2019 %	2018 %
Key actuarial assumptions used:		
<b>i) Rate of interest</b>		
Discount rate	9.37%	9.57%
Health Care Cost Inflation Rate	6.83%	7.36%
Net Effective Discount Rate	2.38%	2.06%

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

<b>ii) Mortality rates</b>
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

	2019 R	2018 R
The amount recognised in the Statement of Financial Position is as follow:		
Present value of fund obligations	9,871,374	10,140,688
<b>Total Liability</b>	<b>9,871,374</b>	<b>10,140,688</b>

The entire fund is unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	10,140,688	11,505,644
Total expenses	1,003,797	1,141,075
Current service cost	481,635	496,155
Interest Cost	950,439	1,092,885
Benefits Paid	(428,277)	(447,965)
Actuarial (gains)/losses	(1,273,111)	(2,606,031)
Present value of fund obligation at the end of the year	9,871,374	10,140,688
<b>Less:</b> Transfer of Current Portion - Note 6	(457,127)	(428,277)
<b>Balance 30 June</b>	<b>9,414,247</b>	<b>9,712,411</b>

**Sensitivity Analysis on the Accrued Liability**

Assumption	In service members (Rm)	Continuation members liability (Rm)	Total (Rm)	% change
Central Assumptions	4.662	5.210	9.871	

The effect of movements in the assumptions are as follows:

Assumption	Change	In service members (Rm)	Continuation members liability (Rm)	Total	% change
Health care inflation	1%	5.652	5.753	11.405	16%
Health care inflation	-1%	3.876	4.746	8.622	-13%
Post-retirement mortality	-1 year	4.810	5.401	10.211	3%
Discount Rate	1%	3.899	4.760	8.659	-12%
Discount Rate	-1%	5.636	5.745	11.381	15%
Average retirement age	-1 year	5.181	5.210	10.391	5%
Continuation of membership at retirement	-10%	3.367	5.210	8.577	-13%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Assumption	Change	Current-service		Total (R)	% change
		Cost (R)	Interest Cost (R)		
<b>Central Assumption</b>		481,600	950,400	1,432,000	
Health care inflation	1%	591,200	1,106,400	1,697,600	19%
Health care inflation	-1%	395,100	822,800	1,217,900	-15%
Post-retirement mortality	-1 year	499,000	986,400	1,485,400	4%
Discount Rate	1%	400,900	912,500	1,313,400	-8%
Discount Rate	-1%	584,400	989,100	1,573,500	10%
Average retirement age	-1 year	541,100	1,012,300	1,553,400	8%
Continuation of membership at retirement	-10%	382,800	853,200	1,236,000	-14%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

2019 R	2018 R
112	113

Key actuarial assumptions used:

2019 %	2018 %
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i) Rate of interest

Discount rate	8.06%	8.58%
General Salary Inflation (long-term)	5.51%	6.20%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.42%	2.24%

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

The amount recognised in the Statement of Financial Position is as follows:

2019 R	2018 R
-----------	-----------

Present value of fund obligations	1,979,571	2,191,703
<b>Net liability</b>	<b>1,979,571</b>	<b>2,191,703</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2017 R	2016 R	2015 R
<b>Total Liability</b>	<b>1,547,137</b>	<b>1,499,578</b>	<b>1,476,009</b>

Experience adjustments were calculated as follows:

	2019	2018	2017	2016
Liabilities: (Gain) / loss	(187,047)	(71,658)	57,979	(71,741)

Reconciliation of present value of fund obligation:

	2019 R	2018 R
Present value of fund obligation at the beginning of the year	2,191,703	2,076,268
Total expenses	102,738	214,081
Current service cost	194,192	144,305
Interest Cost	176,778	125,617
Benefits Paid	(268,232)	(55,841)
Actuarial (gains)/losses	(314,870)	(98,647)
Present value of fund obligation at the end of the year	1,979,571	2,191,703
<b>Less:</b> Transfer of Current Portion - Note 6	(266,974)	(268,232)
<b>Balance 30 June</b>	<b>1,712,597</b>	<b>1,923,471</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
<b>Sensitivity Analysis on the Unfunded Accrued Liability</b>			
<b>Assumption</b>	<b>Change</b>	<b>Liability (Rm)</b>	<b>% change</b>
Central assumptions		1 980	
General salary inflation	1%	2 095	6%
General salary inflation	-1%	1 874	-6%
Discount Rate	1%	1 869	-6%
Discount Rate	-1%	2 102	6%
Average retirement age	-2 yrs	1 741	-12%
Average retirement age	2 yrs	2 209	12%
Withdrawal rates	-50%	2 234	13%

**3.3 Retirement funds**

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

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be 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 Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosures have been made as defined in GRAP 25.31.

**CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 112.1% (30 June 2014 - 112.6%).

**DEFINED CONTRIBUTION FUNDS**

Council contribute to the SAMWU National Provident Fund, Government Employees Pension Fund, Municipal Council Pension Fund and IMATU Retirement Fund which are all defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

**4 NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites	14,746,489	13,864,509
<b><u>Landfill Sites</u></b>		
Balance 1 July	13,864,509	22,801,623
Change in accounting policy	-	(11,233,429)
Change in accounting estimate	4,813,633	-
Unwinding of discounted interest	(3,931,653)	2,296,315
Previously stated		1,421,453
Change in accounting policy		874,862
<b>Total provision 30 June</b>	<b>14,746,489</b>	<b>13,864,509</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Refer to note 7	-	-
<b>Balance 30 June</b>	<b>14,746,489</b>	<b>13,864,509</b>

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	<u>Calitzdorp</u>	<u>Ladismith</u>	<u>Van Wyksdorp</u>	<u>Zoar</u>	<u>Total</u>
Rehabilitation area (m <sup>2</sup> )	14,500	55,000	2,500	9,500	
<b>Cost</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	
Preliminary and General	876,563	2,551,375	293,125	1,003,875	4,724,938
Earthworks	3,306,250	112,500	37,500	90,000	3,546,250
Stormwater Control Measures	-	35,000	10,000	20,000	65,000
Capping	-	8,178,000	875,000	3,175,500	12,228,500
Topsoil replacement	-	1,410,000	187,500	547,500	2,145,000
Re-vegetation	200,000	470,000	62,500	182,500	915,000
Engineering Professional Fees	438,281	1,913,531	219,844	752,906	3,324,562
Authority Approval / acceptance (Closure Licence)	85,000	85,000	85,000	85,000	340,000
<b>Total</b>	<b>4,906,095</b>	<b>14,755,407</b>	<b>1,770,470</b>	<b>5,857,281</b>	<b>27,289,253</b>

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	<u>Estimated decommission date</u>	2019 R	2018 R
<u>Location</u>		<u>Cost of rehabilitation 2019 R</u>	<u>Cost of rehabilitation 2018 R</u>
Callitzdorp	2021	6,154,204	10,895,191
Ladismith	2025	29,124,555	10,274,205
Van Wyksdorp	2024	3,120,171	5,397,975
Zoar	2029	18,191,826	7,404,581
		<u>56,590,756</u>	<u>33,971,952</u>
<b>5 CONSUMER DEPOSITS</b>			
Electricity		802,848	775,045
Rental Properties		815	14,896
Buildings Plans		148,398	151,171
Posters		12,145	12,145
<b>Total Consumer Deposits</b>		<u>964,206</u>	<u>953,257</u>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>			
The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.			
<b>6 CURRENT EMPLOYEE BENEFITS</b>			
Current Portion of Post Retirement Benefits		457,127	428,277
Current Portion of Long-Service Provisions		266,974	268,232
Provision for Staff Leave		3,753,340	3,333,701
Staff Bonuses accrued		1,444,098	960,693
<b>Total Current Employee Benefits</b>		<u>5,921,539</u>	<u>4,990,903</u>
The movement in current employee benefits are reconciled as follows:			
<u>Provision for Staff Leave</u>			
Balance at beginning of year		3,333,701	3,099,624
Contribution to current portion		501,144	1,318,396
Expenditure incurred		(81,505)	(1,084,318)
Balance at end of year		<u>3,753,340</u>	<u>3,333,701</u>
Staff leave accrued 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. There is no possibility of reimbursement.			
<u>Staff Bonuses accrued</u>			
Balance at beginning of year		960,693	1,088,126
Contribution to current portion		2,892,400	1,779,507
Expenditure incurred		(2,408,995)	(1,906,940)
Balance at end of year		<u>1,444,098</u>	<u>960,693</u>
Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent a portion of the bonus that has already vested for the current salary cycle.			
<b>7 PROVISIONS</b>			
Current Portion of Rehabilitation of Landfill-sites - Note 4		-	-
<b>Total Provisions</b>		<u>-</u>	<u>-</u>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
8	<b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
	Trade Payables	35,915,602	34,139,218
	Previously stated		34,101,129
	Correction of error		38,089
	Pre-Paid Electricity	274,820	287,158
	Retentions and Guarantees	2,652,343	2,802,899
	Debtors paid in advance	1,614,962	1,482,533
	Other payables	8,210,464	6,623,684
	<b>Total Trade Payables</b>	<b>48,668,190</b>	<b>45,335,492</b>
	Payables are being recognised net of any discounts.		
	Payables should be paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.		
	The carrying value of trade and other payables approximates its fair value.		
	All payables are unsecured.		
9	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
	Unspent Grants	14,231,073	12,885,864
	National Government Grants	2,864,360	2,110,520
	Provincial Government Grants	8,896,162	8,304,793
	Other Grant Providers	2,470,551	2,470,551
	<b>Total Conditional Grants and Receipts</b>	<b>14,231,073</b>	<b>12,885,864</b>
	See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
	Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		
10	<b>TAXES</b>		
	<b>NET VAT RECEIVABLE/(PAYABLE)</b>		
	VAT is receivable/payable on the cash basis.	2,320,194	4,706,045
	Provision for impairment	-	-
	<b>Total Net Taxes Receivables</b>	<b>2,320,194</b>	<b>4,706,045</b>

KANNALAND MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018
		R	R
11	PROPERTY, PLANT AND EQUIPMENT		
	<u>See attached sheet</u>		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
<b>11</b>	<b>Assets pledged as security:</b>		
<b>11.1</b>	All the assets obtained by financial leases are pledged as security. Carrying value of these assets :	-	-
	<b>Third party payments received for losses incurred:</b>		
	Payments received (Excluding VAT)	-	-
	Carrying value of assets written off/lost	-	-
	Deficit	-	-
<b>11.2</b>	<b>Effect of changes in accounting estimates</b>		
	During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised. The effect on the current and future periods are as follow :		
		<b>2019 R</b>	<b>2020 R</b>
	Increase In Accumulated Depreciation: Property, plant and equipment		<b>2021 R</b>
	Land and Buildings	329	658
	Infrastructure	558,461	1,116,922
	Community Assets	78,023	12,416
	Other Assets	12,170	(16,777)
			987
			1,675,383
			(53,191)
			(45,724)
<b>11.3</b>	<b>Impairment of property plant and equipment for the year</b>		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Other Assets		64,443
	Lease Assets		-
	Infrastructure		447,999
	Buildings		-
			4,183
			512,442
			58,316
<b>11.4</b>	<b>Property, Plant and Equipment which is in the process of being constructed or developed:</b>		
	Infrastructure Assets		19,594,448
	Roads		-
	Electricity		4,715,588
	Water Supply		7,648,951
	Sanitation		7,229,909
	Community Assets		7,751,615
	Other Assets		-
	<b>Total Property, Plant and Equipment under construction</b>		<b>27,346,063</b>
			<b>38,242,737</b>
<b>11.5</b>	<b>Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:</b>		
	Infrastructure Assets		14,579,752
	Electricity (Surya Powers)		4,497,929
	Electricity (Electrification of Houses in Calitzdorp)		-
	Water Supply ( Swartberg dam)		2,851,913
	Sanitation (Ladismith Waste water treatment works)		7,064,056
	Sanitation (Upgrade of Ladismith Waste water treatment works)		165,854
	Zoar Water Reticulation Upgrade		-
	Drought relief		-
	Community Assets		7,751,615
	Community Assets (Zoar Cemetery)		290,261
	Community Assets (Zoar Sports Fields Rehab)		126,085
	Community Assets (Upgrading of sport fields in Calitzdorp)		7,335,269
			4,497,929
			15,728,100
			2,851,913
			7,064,056
			165,854
			1,777,121
			1,423,918
			4,733,847
			290,251
			126,085
			4,317,511
	Reasons:		
	Legal constrains and turnover of senior key personnel		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R	
11.6	<b>Expenditure incurred to repair and maintain Property, Plant and Equipment:</b>			
	Other materials	1,348,789	1,107,667	
	Contracted Services	795,710	928,865	
	<b>Total Repairs and Maintenance</b>	<b>2,144,499</b>	<b>2,036,532</b>	
12	<b>INVESTMENT PROPERTY</b>			
	<b>Net Carrying amount at 1 July</b>	1,594,077	1,699,495	
	Cost	2,183,168	2,183,168	
	Accumulated Depreciation	(571,774)	(466,356)	
	Accumulated Impairment	(17,317)	(17,317)	
	Acquisitions	-	-	
	Disposals	-	-	
	Depreciation for the year	(105,418)	(105,418)	
	Impairment	-	-	
	Transfers from Land and Buildings	-	-	
	<b>Net Carrying amount at 30 June</b>	1,488,659	1,594,077	
	Cost	2,183,168	2,183,168	
	Accumulated Depreciation	(677,192)	(571,774)	
	Accumulated Impairment	(17,317)	(17,317)	
	Impairment charges on Investment Properties recognised in statement of financial performance	-	-	
	There are no restrictions on the realizability 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.	-	-	
	Revenue derived from the rental of investment property	301,752	51,757	
	Operating expenditure incurred on properties generating revenue	-	-	
	During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised.			
	The effect on the current and future periods are as follow :			
		2018 R	2019 R	2020 R
	Increase in Accumulated Depreciation: Investment Properties	-	-	-
13	<b>INTANGIBLE ASSETS</b>		2019 R	2018 R
	<b>Computer Software</b>			
	<b>Net Carrying amount at 1 July</b>		73,844	103,742
	Cost		637,157	640,490
	Previously stated			619,490
	Correction of error			21,000
	Accumulated Amortisation		(563,313)	(536,748)
	Previously stated			(518,983)
	Correction of error			(17,765)
	Additions		-	-
	Amortisation		(28,564)	(29,251)
	Previously stated			(28,442)
	Correction of error			(809)
	Impairments		-	-
	Disposals		-	(665)
	<b>Net Carrying amount at 30 June</b>		<b>45,280</b>	<b>73,844</b>
	Cost		637,157	637,157
	Accumulated Amortisation		(591,877)	(563,313)
	Accumulated Impairments		-	-

**KANNALAND MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

		2019 R	2018 R
The following material intangible assets are included in the carrying value above			
<u>Description</u>	<u>Remaining Amortisation Period</u>	2019 R	2018 R
Microsoft Office and Windows software	5-10 years	45,280	73,844

No intangible asset assessed having an indefinite useful life.

There are no internal generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

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

**Effect of changes in accounting estimates**

During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised.

The effect on the current and future periods are as follow :

	2018 R	2019 R	2020 R
Decrease in Accumulated Depreciation	333	335	334

**14 INVENTORY**

	2019 R	2018 R
Consumable Stores - Stationery and materials - At cost	706,447	81,472
Water – at cost	56,530	94,737
Land available for housing projects - At cost	1,262,000	1,000
Previously stated		-
Correction of error		1,000
<b>Total Inventory</b>	<b>2,024,977</b>	<b>177,209</b>

Consumable stores materials written down due to losses as identified during the annual stores counts.

Consumable stores materials surpluses identified during the annual stores counts.

Inventory recognised as an expense during the year

No inventory assets were pledged as security for liabilities.

	49,756	323,575
	-	-
	1,360,328	1,241,098

**15 CAPITALIZED RESTORATION COST**

Net Carrying amount at 1 July		
Previously stated		3,798,060
Correction of error		(3,798,060)
Acquisitions		-
Additions		-
Depreciation		-
Previously stated		(781,513)
Correction of error		781,513
Change in estimate		-
Impairment		-
<b>Net Carrying amount at 30 June</b>		
Cost		-
Previously stated		11,859,279
Correction of error		(11,859,279)
Accumulated Depreciation		-
Previously stated		(8,842,732)
Correction of error		8,842,732
Accumulated Impairments		-
Refuse tip-sites financed by way of a provision - Refer to note 4		-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
16	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
	Electricity		
	Previously stated	2,877,669	2,835,858
	Correction of error		2,857,116
	Water		(21,258)
	Previously stated	14,719,075	14,511,391
	Correction of error		14,569,789
	Refuse		(58,398)
	Previously stated	12,415,888	10,594,160
	Correction of error		10,597,054
	Sewerage		(2,894)
	Previously stated	11,982,097	10,363,529
	Correction of error		10,377,321
	Rentals		(13,792)
	Sundry Receivables		
	Previously stated	38,378	62,957
	Correction of error	963,766	1,189,016
			1,273,019
	<b>Total Receivables from Exchange Transactions</b>	<b>42,996,873</b>	<b>39,556,911</b>
	Less: Allowance for Doubtful Debts	(40,260,941)	(36,241,302)
	<b>Total Net Receivables from Exchange Transactions</b>	<b>2,735,932</b>	<b>3,315,609</b>
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
	<b>Ageing of Receivables from Exchange Transactions:</b>		
	<u>(Electricity): Ageing</u>		
	Current (0 - 30 days)	700,556	675,139
	31 - 60 Days	110,637	82,832
	61 - 90 Days	53,280	67,326
	+ 90 Days	2,013,196	2,010,561
	<b>Total</b>	<b>2,877,669</b>	<b>2,835,858</b>
	<u>(Water): Ageing</u>		
	Current (0 - 30 days)	643,312	631,605
	31 - 60 Days	518,043	449,147
	61 - 90 Days	378,486	471,965
	+ 90 Days	13,179,234	12,958,674
	<b>Total</b>	<b>14,719,075</b>	<b>14,511,391</b>
	<u>(Refuse): Ageing</u>		
	Current (0 - 30 days)	493,542	484,594
	31 - 60 Days	323,184	332,383
	61 - 90 Days	290,646	308,752
	+ 90 Days	11,308,516	9,468,431
	<b>Total</b>	<b>12,415,888</b>	<b>10,594,160</b>
	<u>(Sewerage): Ageing</u>		
	Current (0 - 30 days)	495,176	512,716
	31 - 60 Days	305,373	325,519
	61 - 90 Days	267,459	301,797
	+ 90 Days	10,914,089	9,223,497
	<b>Total</b>	<b>11,982,097</b>	<b>10,363,529</b>
	<u>(Rentals): Ageing</u>		
	Current (0 - 30 days)	-	2,626
	31 - 60 Days	-	1,921
	61 - 90 Days	-	1,746
	+ 90 Days	38,378	56,664
	<b>Total</b>	<b>38,378</b>	<b>62,957</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<b><u>(Sundry): Ageing</u></b>		
Current (0 - 30 days)	58,767	77,431
31 - 60 Days	17,041	24,817
61 - 90 Days	13,579	25,222
+ 90 Days	874,379	1,061,546
<b>Total</b>	<b>963,766</b>	<b>1,189,016</b>
<b><u>(Total): Ageing</u></b>		
Current (0 - 30 days)	2,391,353	2,384,111
31 - 60 Days	1,274,278	1,216,619
61 - 90 Days	1,003,450	1,176,808
+ 90 Days	38,327,792	34,779,373
<b>Total</b>	<b>42,996,873</b>	<b>39,556,911</b>
<b>Reconciliation of Provision for bad debts</b>		
Balance at beginning of year	36,241,302	53,270,541
Contribution to provision/(Reversal of provision)	4,019,639	(17,029,239)
<b>Balance at end of year</b>	<b>40,260,941</b>	<b>36,241,302</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

17 **RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Rates	21,143,615	20,642,323
Previously stated		21,889,425
Correction of error		(1,247,102)
Other Receivables	6,946,509	7,823,434
Suspense Debtors	6,946,509	7,823,434
<b>Total Receivables from Non-Exchange Transactions</b>	<b>28,090,124</b>	<b>28,465,757</b>
Less: Allowance for Doubtful Debts	(25,989,060)	(26,750,078)
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>2,101,064</b>	<b>1,715,680</b>

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Included in Suspense Debtors is outstanding traffic fines receivable which is assessed for impairment based on expected future cash flows. A provision for doubtful debts of R5,831,293 (2018: R6,170,668) was raised against the gross amount receivable.

**Ageing of Receivables from Non-Exchange Transactions:**

<b><u>(Rates): Ageing</u></b>		
Current (0 - 30 days)	840,674	816,293
31 - 60 Days	377,500	396,264
61 - 90 Days	286,706	319,245
+ 90 Days	19,638,736	19,110,521
<b>Total</b>	<b>21,143,616</b>	<b>20,642,323</b>
<b>Reconciliation of Provision for Bad Debts</b>		
Balance at beginning of year	26,750,078	29,305,416
Contribution to provision	5,064,158	7,527,670
Traffic Fines Written Off	(5,825,176)	(10,083,008)
<b>Balance at end of year</b>	<b>25,989,060</b>	<b>26,750,078</b>

Concentrations of credit risk with respect to non-exchange receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of non-trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's non-exchange receivables.



**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

		2019 R	2018 R
<b>18</b>	<b>OPERATING LEASE ARRANGEMENTS</b>		
<b>18.1</b>	<b>The Municipality as Lessor (Asset)</b>		
	Balance on 1 July		
	Movement during the year	34,747	43,765
	Balance on 30 June	16,561	(9,018)
		<b>51,308</b>	<b>34,747</b>
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year		
	1 to 5 Years	479,363	386,918
	More than 5 Years	687,883	1,167,246
	<b>Total Operating Lease Arrangements</b>	<b>1,167,246</b>	<b>1,554,164</b>
	This lease income was determined from contracts that have a specific conditional income. The leases are in respect of land and buildings being leased out for periods ranging until December 2023.		
	The municipality does not engage in any sub-lease arrangements. The municipality did not pay any contingent rent during the year.		
<b>18.2</b>	<b>The Municipality as Lessee (Liability)</b>		
	Balance on 1 July		
	Movement during the year	5,750	-
	Balance on 30 June	2,277	5,750
		<b>8,027</b>	<b>5,750</b>
	At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
	Up to 1 Year		
	1 to 5 Years	240,431	101,493
	More than 5 Years	324,070	564,501
		<b>564,501</b>	<b>665,994</b>
	This operating lease expenditure determined from contracts that have a specific condition expenditure and does not include leases which have an undetermined conditional expenditure.		
<b>19</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	<b>Assets</b>		
	Call Investments Deposits		
	Bank Accounts	8,386,533	31,916
	Previously stated	3,240,201	1,512,297
	Correction of error		1,508,490
	Cash Floats		3,807
	<b>Total Cash and Cash Equivalents - Assets</b>	<b>4,500</b>	<b>4,500</b>
	Cash and cash equivalents comprise of cash held and short-term deposits. The carrying amount of these assets approximates their fair value.	<b>11,631,234</b>	<b>1,548,713</b>
	The municipality has the following bank accounts:		
	<b>Current Accounts Bank statements</b>		
	Standard Bank Current account - Account number 420543546	2,872,402	1,094,381
	Standard Bank Current account - Account number 420543554	512,772	222,286
	Standard Bank Current account - Account number 420543562	374,906	141,810
		<b>3,760,080</b>	<b>1,458,477</b>
	<b>Call Investments statements</b>		
	Standard Bank Call Deposit - Account number 288798546	8,322,988	31,916
		<b>8,322,988</b>	<b>31,916</b>
	<b>Current Accounts</b>		
	Cash book balance at beginning of year	1,512,297	241,456
	Cash book balance at end of year	3,240,201	1,512,297
	Bank statement balance at beginning of year	1,458,477	1,187,698
	Bank statement balance at end of year	<b>3,760,080</b>	<b>1,458,477</b>

**KANNALAND MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

		2019 R	2018 R
<b>20</b>	<b>NON CURRENT INVESTMENTS</b>		
	Fixed Deposits		
	Previously stated		17,755
	Correction of error		(17,755)
	<b>Total Non- Current Investments</b>		
<b>21</b>	<b>PROPERTY RATES</b>		
	<u>Actual</u>		
	Rateable Land and Buildings	21,352,503	20,785,318
	Rateable Land and Buildings		
	Previously stated	21,352,503	20,785,318
	Correction of error		(413,276)
	Less: Rebates	5,077,221	3,955,069
	<b>Total Assessment Rates</b>	<b>16,275,282</b>	<b>16,830,249</b>
	<u>Valuations - 1 JULY 2013</u>		
	Rateable Land and Buildings		
	Residential Properties -Sec 8(2)(a)	519,757,500	519,451,500
	Industrial Properties - Sec 8(2)(b)	28,263,000	28,263,000
	Business and Commercial Properties-Sec 8(2)(c)	118,632,000	118,787,000
	Farm Agricultural Purposes - Sec 8(2)(d)(i)	1,509,704,080	1,514,719,080
	Church	44,020,000	44,020,000
	Nature Reserve	55,875,000	50,269,000
	General	18,101,000	18,141,000
	State Owned - Sec 8(2)(g)	108,823,000	108,823,000
	Municipal Owned-Sec 8(2)(h)	69,037,500	58,327,500
	<b>Total Assessment Rates</b>	<b>2,472,213,080</b>	<b>2,460,801,080</b>
	Valuations on land and buildings are required by Section 32(1)(b) of the Municipal Property Rates Act No.6 of 2004 , to be performed every four years. The last valuation came into effect on 1 July 2013.		
	<b>Rates:</b>		
	Residential	1.3880c/R	1.3098c/R
	Business and Commercial	2.5330c/R	2.3899c/R
	State Owned	2.5330c/R	2.3899c/R
	Agricultural	0.3470c/R	0.3276c/R

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the municipality is entitled by law to levy, but which have subsequently been forgone by way of rebate or remission.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
<b>22</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES</b>		
	<b>Unconditional Grants</b>	<b>25,362,000</b>	<b>24,023,000</b>
	Equitable Share	25,362,000	24,023,000
	<b>Conditional Grants</b>	<b>32,879,461</b>	<b>43,939,432</b>
	Grants and donations	32,879,461	43,939,432
	Previously stated		34,759,601
	Correction of error		9,179,831
	<b>Total Government Grants and Subsidies</b>	<b>58,241,461</b>	<b>67,962,432</b>
	 Government Grants and Subsidies - Capital	 18,343,740	 20,479,121
	Government Grants and Subsidies - Operating	39,897,721	47,483,311
	Previously stated		38,303,480
	Correction of error		9,179,831
		<b>58,241,461</b>	<b>67,962,432</b>
	 Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Community Services	1,077,379	1,212,000
	Corporate Services	8,751,957	8,381,101
	Executive Council	79,125	77,653
	Financial Services	9,394,462	13,253,096
	Technical Services	13,576,538	21,015,583
		<b>32,879,461</b>	<b>43,939,432</b>
	 The municipality does not expect any significant changes to the level of grants.		
<b>22.1</b>	<b>Equitable share</b>		
	Opening balance	-	-
	Grants received	25,362,000	24,023,000
	Conditions met - Operating	(25,362,000)	(24,023,000)
	Conditions still to be met	-	-
		<b>-</b>	<b>-</b>
	 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.		
<b>22.2</b>	<b>Expanded Public Works Program (EPWP)</b>		
	Opening balance	-	-
	Circular 79 -self funding	-	-
	Grants received	1,055,000	1,000,000
	Conditions met - Operating	(1,055,000)	(1,000,000)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-
		<b>-</b>	<b>-</b>
	 Job creation projects in previous disadvantage areas		
<b>22.3</b>	<b>Local Government Financial Management Grant (FMG)</b>		
	Opening balance	147,990	147,990
	Circular 79 -self funding	-	-
	Grants received	2,215,000	2,145,000
	Conditions met - Operating	(2,215,716)	(2,145,000)
	Conditions met - Capital	-	-
	Conditions still to be met	147,274	147,990
		<b>147,274</b>	<b>147,990</b>
	 The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<b>22.4 Municipal Infrastructure Grant (MIG)</b>		
Opening balance	1,155,030	-
Circular 79 -self funding		
Repaid	(1,100,000)	-
Grants received	8,392,000	10,370,000
Conditions met - Operating	(507,800)	(518,500)
Conditions met - Capital	(7,904,229)	(8,696,470)
Grant expenditure to be recovered	35,001	1,155,030
The grant was used to upgrade Infrastructure in previously disadvantaged areas.		
<b>22.5 Other Grants</b>		
Opening balance	11,582,847	10,131,205
Circular 79 -self funding		
Grants received	24,762,669	28,110,480
Previously stated		18,930,649
Correction of error		9,179,831
Repaid	(1,100,000)	(1,252,000)
Conditions met - Operating	(10,757,204)	(13,624,186)
Previously stated		(4,444,355)
Correction of error		(9,179,831)
Conditions met - Capital	(10,439,511)	(11,782,652)
Conditions still to be met	14,048,801	11,582,847
<b>22.6 Total Grants</b>		
Opening balance	12,885,867	10,279,195
Grants received	61,786,669	71,821,105
Circular 79 -self funding		
Repaid	(2,200,000)	(1,252,000)
Conditions met - Operating	(39,897,721)	(47,483,311)
Conditions met - Capital	(18,343,740)	(20,479,122)
Conditions still to be met	14,231,075	12,885,867
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	14,231,073	12,885,864
	14,231,073	12,885,864
<b>23 SERVICE CHARGES</b>		
Electricity	44,924,233	44,641,621
Water	12,961,551	13,040,679
Refuse removal	5,801,162	4,381,981
Sewerage and Sanitation Charges	5,985,459	6,617,706
<b>Total Service Charges</b>	69,672,405	68,681,987

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
24	<b>EMPLOYEE RELATED COSTS</b>		
	Salaries and Wages	36,701,349	33,479,958
	Contributions for UIF, pensions and medical aids	6,905,843	5,497,503
	Travel, motor car, accommodation, subsistence and other allowances	4,956,125	3,410,265
	Group Insurance	48,963	72,611
	Contribution to provision - Post Retirement Medical	158,963	(1,016,991)
	Current service cost	481,635	496,155
	Interest Cost	950,439	1,092,885
	Actuarial Gains /Losses	(1,273,111)	(2,606,031)
	Contribution to provision - Long Service Awards	56,100	171,275
	Current service cost	194,192	144,305
	Interest Cost	176,778	125,617
	Actuarial Gains/Losses	(314,870)	(98,647)
	Housing benefits and allowances	291,062	203,597
	Overtime Payments	1,643,656	1,350,180
	Standby	1,565,449	1,299,216
	Bonus	2,408,995	1,779,507
	Cellphone allowance	109,776	128,530
	Staff Leave	590,757	1,318,394
	<b>Total Employee Related Costs</b>	<b>55,437,038</b>	<b>47,694,045</b>
	<b>KEY MANAGEMENT PERSONNEL</b>		
	Municipal Manager and CFO are appointed on a contract basis. There are no post-employment or termination benefits payable to them at the end of the contract period.		
	<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
	<b>Remuneration of the Municipal Manager</b>		
	Annual Remuneration	1,060,014	1,005,339
	Car Allowance	61,373	72,212
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	892	86,772
	Leave	-	58,984
	Cell phone allowance	20,000	37,680
	Travelling reimbursement	-	36,887
	<b>Total</b>	<b>1,142,279</b>	<b>1,297,874</b>
	<b>Remuneration of the Chief Financial Officer</b>		
	Annual Remuneration	1,079,728	788,072
	Car Allowance	126,668	66,000
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	1,933	22,211
	Cell phone allowance	32,176	20,000
	Leave	-	58,811
	Travelling reimbursement	-	30,999
	<b>Total</b>	<b>1,240,505</b>	<b>986,093</b>
	<b>Remuneration of the Head of Corporate Services</b>		
	Annual Remuneration	-	966,414
	Car Allowance	-	133,086
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	230,049
	Housing	-	8,904
	Leave paid	-	37,170
	Travelling reimbursement	-	653
	<b>Total</b>	<b>-</b>	<b>1,376,276</b>
	<b>Remuneration of the Head Technical Services</b>		
	Annual Remuneration	381,663	61,926
	Car Allowance	44,263	10,000
	Contributions to UIF, Medical, Pension Funds, SDL, Group Life and Bargaining Council	595	157
	Cell phone allowance	12,500	2,500
	Travelling reimbursement	-	3,000
	<b>Total</b>	<b>439,021</b>	<b>77,583</b>

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
<b>25 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor allowance	834,844	789,653
Deputy Executive Mayor allowance	400,895	377,003
Speaker allowance	691,870	640,604
Councillors allowances	1,384,450	1,148,423
Councillors other allowances	11,733	19,724
<b>Total Councillors' Remuneration</b>	<b>3,323,292</b>	<b>2,975,407</b>
<i>In-kind Benefits</i>		
The Executive Mayor and all the committee members are full-time councillors. The Mayor, Deputy Mayor and Speaker are provided with secretarial support and an office at the cost of the Council.		
<b>26 IMPAIRMENT (LOSS/REVERSAL OF IMPAIRMENT LOSS) on RECEIVABLES</b>		
Trade Receivables from non-exchange transactions	4,790,745	4,647,607
Trade Receivables from exchange transactions	4,019,640	(11,927,971)
	<b>8,810,385</b>	<b>(7,280,364)</b>
<b>27 DEPRECIATION AND AMORTISATION</b>		
Property Plant and Equipment	13,335,214	12,283,733
Investment Property	105,418	105,418
Intangible Assets	28,564	29,251
Landfill Sites	-	-
	<b>13,469,196</b>	<b>12,418,402</b>
<b>28 IMPAIRMENT LOSS/ REVERSAL of IMPAIRMENT LOSS on FIXED ASSETS</b>		
Property Plant & Equipment	512,442	4,183
Investment Properties	-	-
Intangible assets	-	-
	<b>512,442</b>	<b>4,183</b>
<b>29 FINANCE COSTS</b>		
Other	1,570,519	2,851,291
Previously stated		1,748,510
Correction of error		1,102,781
Other - Discount	(778,664)	(3,087,781)
Previously stated		-
Correction of error		(3,087,781)
Long-term Liabilities	273,707	329,023
Landfill Sites	(3,931,653)	2,296,315
Previously stated		1,421,452
Correction of error		874,862
<b>Total finance charges</b>	<b>(2,866,091)</b>	<b>2,388,847</b>
<b>30 BULK PURCHASES</b>		
Electricity	35,360,685	32,105,711
Water	175,869	474,835
<b>Total Bulk Purchases</b>	<b>35,536,554</b>	<b>32,580,546</b>

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
<b>31</b>		
<b>CONTRACTED SERVICES</b>		
Accounting and Auditing	4,602,189	8,587,952
Previously stated		3,579,116
Correction of error		5,008,836
Business and Financial Management	3,444,036	2,448,060
Catering Services	-	19,202
Housing	1,061,438	6,212,555
Legal Advice and Litigation	566,180	1,798,732
Maintenance of Buildings and Facilities	263,935	227,641
Maintenance of Equipment	77,373	216,810
Maintenance of Unspecified Assets	454,402	484,415
Medical	1,032	1,897
Meter Management	121,800	315,314
Organisational	3,235,537	1,346,201
Refuse Removal	-	(1,269)
Security Services	7,721	(25,748)
Traffic Fines Management	199,739	338,276
Prepaid Electricity Vendors	-	142,713
Water	30,100	44,647
<b>Total</b>	<b>14,065,481</b>	<b>22,157,398</b>
<b>32</b>		
<b>OPERATIONAL COSTS</b>		
Advertising, Publicity and Marketing	12,472	112,076
Assets less than the Capitalisation Threshold	123,845	27,993
Bank Charges, Facility and Card Fees	286,539	204,276
Commission	655,266	444,677
Deeds	37,814	31,577
Entertainment	30,560	29,146
Insurance Underwriting	502,803	285,999
Landfill Sites	91,725	248,950
Membership	-	409,473
Motor Vehicle Licence and Registrations	97,566	76,075
Municipal Services	1,740,127	2,240,459
Postage/Stamps/Frinking Machin	393,654	222,484
Printing, Publications and Books	385,034	234,187
Professional Bodies, Membership and Subscription	7,347	37,008
Remuneration to Ward Committees	215,000	-
Seminars, Conferences, Workshops and Events	11,814	-
Skills Development Fund Levy	399,686	337,031
SMS Bulk Message Service	-	67,562
Software Licences	286,425	760,225
Staff Recruitment	-	92,400
Telephone, Fax, Telegraph and Telex	585,570	856,164
Travel and Subsistence	749,466	1,302,734
Uniform and Protective Clothing	74,413	29,800
Wet Fuel	1,225,463	1,054,326
<b>Total Operational Costs</b>	<b>7,912,589</b>	<b>9,105,624</b>
<b>33</b>		
<b>Inventory Consumed</b>		
Consumables	11,539	83,548
Materials and Supplies	1,348,789	1,157,549
	<b>1,360,328</b>	<b>1,241,097</b>
<b>34</b>		
<b>Transfers and Subsidies</b>		
Special projects	405,612	160,935
Tourism development	-	142,807
	<b>405,612</b>	<b>303,742</b>



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

		2019	2018
		R	R
35	<b>CORRECTION OF ERRORS IN TERMS OF GRAP 3 AND RE-CLASSIFICATIONS</b>		
	<b>Prior year adjustments due to non-compliance with accounting policy and errors</b>		
35.1	<p>(i) During the reconciliation of long-term liabilities it was noticed that liabilities was incorrectly stated at year end. The error have been corrected and has resulted in the following corrections : (Dt) Accumulated Surplus - Prior year opening R1,285; (Dt) Accumulated Surplus - Prior year through Finance Charges R464; (Cr) Long-term liabilities (Finance leases) R1,413; (Cr) Long-term liabilities (Annuity loans) R336.</p> <p>(ii) During the reconciliation of investments it was noticed that an old investment was incorrectly disclosed as having balance when it was closed in the past. The error have been corrected and has resulted in the following corrections : (Dt) Accumulated Surplus - Prior year opening R17,755; (Cr) Investments R17,755.</p> <p>(iii) During the reconciliation of receivables it was noticed that certain account were incorrectly levied in prior years. The error have been corrected and has resulted in the following corrections : (Dt) Accumulated Surplus - Prior year opening R939,064; (Dt) Accumulated Surplus - Through prior year surplus/deficit R488,383; (Cr) Receivables from exchange transactions - Electricity R21,258; (Cr) Receivables from exchange transactions - Water R58,398; (Cr) Receivables from exchange transactions - Refuse R2,894; (Cr) Receivables from exchange transactions - Sewerage R13,792; (Cr) Receivables from exchange transactions - Sundry R84,003; (Cr) Receivables from non-exchange transactions - Rates R1,247,102.</p> <p>(iv) During the calculation for straight-lining of operating leases it was noticed that new leases wasn't added to the calculation in the prior year. The error have been corrected and has resulted in the following corrections : (Dt) Operating lease Asset R3,286; (Cr) Accumulated Surplus - Through prior year surplus/deficit R3,286.</p> <p>(v) During the reconciliation of property, plant and equipment it was found that depreciation was calculated incorrectly in the prior year. The error have been corrected and has resulted in the following corrections : (Dt) Property, Plant and Equipment - Accumulated Depreciation R28,359; (Cr) Accumulated Surplus - Through prior year surplus/deficit R28,359.</p> <p>(vi) With the annual asset count ,assets were found which were previously not included in the asset register. These assets are now for the first time recognised at fair value. The error have been corrected retrospectively and has resulted in the following corrections : (Dt) Property, Plant and Equipment - Cost R336,513; (Dt) Accumulated Surplus - Through prior year surplus/deficit R27,943; (Cr) Property, Plant and Equipment - Accumulated Depreciation R253,258; (Cr) Accumulated Surplus - Through prior opening R111,198.</p> <p>(vii) During the reconciliation of property, plant and equipment it was found that certain software items were incorrectly allocated. The error have been corrected and has resulted in the following corrections : (Dt) Intangible Assets - Cost R21,000; (Dt) Property, Plant and Equipment - Accumulated Depreciation R18,574; (Cr) Intangible Assets - Accumulated Depreciation R18,574; (Cr) Property, Plant and Equipment - Cost R21,000.</p> <p>(viii) During the reconciliation of cash and cash equivalents it was found that bank charges was duplicated in error. The error have been corrected and has resulted in the following corrections : (Dt) Cash and cash equivalents R3,807; (Cr) Accumulated Surplus - Through prior year surplus/deficit R3,807.</p> <p>(ix) It was noted that the disclosure of capitalised restoration cost on the face of the statement of financial position is contrary to the GRAP17 requirements. The costs should have been incorporated into the cost of underlying assets. The error have been corrected and has resulted in the following corrections : (Dt) Infrastructure Assets - Solid Waste (Cost) R11,859,279; (Cr) Capitalized Restoration Cost (Cost) R11,859,279; (Dt) Capitalized Restoration Cost (Accumulated Depreciation) R8,842,732; Infrastructure Assets - Solid Waste (Accumulated Depreciation) R8,842,732.</p> <p>(x) Previously certain Agency and Collection Revenue was disclosed and grouped under Operational Revenue in error. The error have been corrected and has resulted in the following corrections : (Dt) Operational Revenue R999,869; (Cr) Agency and Collection Services R999,869.</p> <p>(xi) During the reconciliation of property, plant and equipment it was noted that capital expenditure incurred in the prior year was included in the current year work in progress for Sports Fields and Stadia. The error have been corrected and has resulted in the following corrections : (Dt) Property, Plant and Equipment - Work in Progress R38,089; (Cr) Payables from Exchange Transactions R38,089.</p> <p>(xii) During the reconciliation of audit fees it was noted that prior year transactions relating to audit fees was incorrectly disclosed. The error have been corrected and has resulted in the following corrections : (Dt) Contracted Services - Accounting and Auditing R5,008,836; (Dt) Finance charges - Other R1,102,781; (Dt) Accumulated Surplus - Through prior year opening R6,155,995; (Cr) Finance Charges - Discount R3,087,781; (Cr) Government Grants and Subsidies-Operational R9,179,831;</p> <p>(xiii) It was found that municipal land have been earmarked for housing projects. This land should have been allocated to inventory at cost, but was disposed as property, plant and equipment in a prior financial year. The error have been corrected and has resulted in the following corrections : (Dt) Inventory R1,000; Accumulated Surplus - Through prior year opening R1,000;</p>		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
	The above note 35.1 representing the narratives of the following Corrections of Errors as set out from notes 35.2 to 35.17		
<b>35.2</b>	<b>Accumulated Surplus</b>	<b>2018 R</b>	<b>2017 and Prior R</b>
	Balance previously reported	7,702,133	222,755,343
	<b>Adjustments:</b>		
	Correction of error-(see note 35.1.(i) )	(454)	(1,285)
	Correction of error-(see note 35.1.(ii) )	-	(17,755)
	Correction of error-(see note 35.1.(iii) )	(488,383)	(939,064)
	Correction of error-(see note 35.1.(iv) )	3,286	-
	Correction of error-(see note 35.1.(v) )	28,359	-
	Correction of error-(see note 35.1.(vi) )	(27,943)	111,198
	Correction of error-(see note 35.1.(vii) )	-	-
	Correction of error-(see note 35.1.(viii) )	3,807	-
	Correction of error-(see note 35.1.(ix) )	781,513	3,798,060
	Correction of error-(see note 35.1.(x) )	(781,513)	(3,798,060)
	Correction of error-(see note 35.1.(xi) )	999,869	-
	Correction of error-(see note 35.1.(x) )	(999,869)	-
	Correction of error-(see note 35.1.(xi) )	38,089	-
	Correction of error-(see note 35.1.(xi) )	(38,089)	-
	Correction of error-(see note 35.1.(xii) )	6,155,995	(6,155,995)
	Correction of error-(see note 35.1.(xiii) )	-	1,000
	<b>Total adjustments</b>	<b>5,674,657</b>	<b>(7,001,901)</b>
	Adjustments per note 36	(874,863)	11,233,429
	<b>Restated balance</b>	<b>12,501,927</b>	<b>226,986,871</b>
	<b>Restated balance 30 JUNE 2018</b>		<b>239,488,798</b>
<b>35.03</b>	<b>CURRENT PORTION OF LONG-TERM LIABILITIES (Finance Leases)</b>		
	Balance previously reported		450,879
	Correction of error-(see note 35.1.(i) )		1,413
	<b>Restated balance 30 June 2018</b>		<b>452,292</b>
<b>35.04</b>	<b>LONG-TERM LIABILITIES (Annuity Loans)</b>		
	Balance previously reported		2,386,683
	Correction of error-(see note 35.1.(i) )		336
	<b>Restated balance 30 June 2018</b>		<b>2,387,019</b>
<b>35.05</b>	<b>INVESTMENTS</b>		
	Balance previously reported		17,755
	Correction of error-(see note 35.1.(ii) )		(17,755)
	<b>Restated balance 30 June 2018</b>		<b>-</b>
<b>35.06</b>	<b>RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Rates)</b>		
	Balance previously reported		21,889,425
	Correction of error-(see note 35.1.(iii) )		(1,247,102)
	<b>Restated balance 30 June 2018</b>		<b>20,642,323</b>
<b>35.07</b>	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS (Electricity)</b>		
	Balance previously reported		2,857,116
	Correction of error-(see note 35.1.(iii) )		(21,258)
	<b>Restated balance 30 June 2018</b>		<b>2,835,858</b>
<b>35.08</b>	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS (Water)</b>		
	Balance previously reported		14,569,789
	Correction of error-(see note 35.1.(iii) )		(58,398)
	<b>Restated balance 30 June 2018</b>		<b>14,511,391</b>
<b>35.09</b>	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS (Refuse)</b>		
	Balance previously reported		10,597,054
	Correction of error-(see note 35.1.(iii) )		(2,894)
	<b>Restated balance 30 June 2018</b>		<b>10,594,160</b>

**KANNALAND MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
<b>35.10 RECEIVABLES FROM EXCHANGE TRANSACTIONS (Sewerage)</b>		
Balance previously reported		10,377,321
Correction of error-(see note 35.1.(iii) )		<u>(13,792)</u>
Restated balance 30 June 2018		<u>10,363,529</u>
<b>35.11 RECEIVABLES FROM EXCHANGE TRANSACTIONS (Sundry receivables)</b>		
Balance previously reported		1,273,019
Correction of error-(see note 35.1.(iii) )		<u>(84,003)</u>
Restated balance 30 June 2018		<u>1,189,016</u>
<b>35.12 OPERATING LEASE ASSET</b>		
Balance previously reported		31,461
Correction of error-(see note 35.1.(iv) )		<u>3,286</u>
Restated balance 30 June 2018		<u>34,747</u>
<b>35.13 CASH AND CASH EQUIVALENTS - Bank Accounts</b>		
Balance previously reported		1,508,490
Correction of error-(see note 35.1.(iv) )		<u>3,807</u>
Restated balance 30 June 2018		<u>1,512,297</u>
<b>35.14 CAPITALIZED RESTORATION COST</b>		
Balance previously reported		3,016,547
Correction of error-(see note 35.1.(ix) )		<u>(11,859,279)</u>
Correction of error-(see note 35.1.(ix) )		<u>8,842,732</u>
Restated balance 30 June 2018		<u>-</u>
<b>35.15 PROPERTY, PLANT AND EQUIPMENT - INFRASTRUCTURE - SOLID WASTE</b>		
Balance previously reported		-
Correction of error-(see note 35.1.(ix) )		<u>11,859,279</u>
Correction of error-(see note 35.1.(ix) )		<u>(8,842,732)</u>
Restated balance 30 June 2018		<u>3,016,547</u>
<b>35.16 PROPERTY, PLANT AND EQUIPMENT - COMMUNITY ASSETS - SPORT FIELDS AND STADIA - WORK IN PROGRESS</b>		
Balance previously reported		4,193,590
Correction of error-(see note 35.1.(xi) )		<u>38,089</u>
Restated balance 30 June 2018		<u>4,231,679</u>
<b>35.17 PAYABLES FROM EXCHANGE TRANSACTIONS - TRADE PAYABLES</b>		
Balance previously reported		(34,101,129)
Correction of error-(see note 35.1.(xi) )		<u>(38,089)</u>
Restated balance 30 June 2018		<u>(34,139,218)</u>
<b>35.18 INVENTORY - LAND AVAILABLE FOR HOUSING PROJECTS</b>		
Balance previously reported		-
Correction of error-(see note 35.1.(xi) )		<u>1,000</u>
Restated balance 30 June 2018		<u>1,000</u>
<b>36 CHANGES IN ACCOUNTING POLICY IN TERMS OF GRAP 3</b>		
<b>36.1</b>		
The municipality have changed it's policy on provisions with regards to the discounting rate used for calculating the time value of money. Previously the estimated investment rate was used in the calculation. Management feels that a rate closer to the risk of liability should be used as base of the calculation as it would be more relevant to the user. The accounting policy were changed to use the current borrowing rate.		
The effect on the current and prior period is shown below.		
<b>Statement of Financial Position</b>		
Non-Current Provisions	565,789	10,358,566
Accumulated Surplus/(Deficit)	-	<u>(11,233,429)</u>
<b>Statement of Financial Performance</b>		
Finance Costs	(565,789)	874,863

**KANNALAND MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

		2019 R	2018 R
<b>37</b>	<b>CHANGES IN ESTIMATES IN TERMS OF GRAP 3</b>		
37.1	During the completion of a valuation of future cost of rehabilitation of landfill site the external experts came to a new estimate of the sizes of each landfill site owned by the municipality.		
	This change in estimate had the following changes the current year figures.		
	<b>Statement of Financial Position</b>		
	Non-Current Provisions	(4,813,633)	
	Property, Plant and Equipment - Infrastructure - Solid Waste - Cost	4,813,633	
	Property, Plant and Equipment - Infrastructure - Solid Waste - Accumulated Depreciation	(527,495)	
	<b>Statement of Financial Performance</b>		
	Depreciation	527,495	
<b>38</b>	<b>RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
	Surplus/(Deficit) for the year	10,810,887	12,501,930
	<u>Adjustments for:</u>		
	Depreciation	13,440,633	12,389,132
	Amortisation of Intangible Assets	28,564	29,251
	Debt Impairment	8,810,385	(7,280,364)
	Transfer of Fixed Assets to Inventory	1,261,000	-
	(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	512,443	4,183
	Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	49,756	323,575
	Gains/(Loss) on Sale of Fixed Assets	147,678	2,692,359
	Contribution to current employee benefits	930,636	166,530
	Contribution from/to employee benefits	(509,038)	(1,409,407)
	Contribution to Landfill site	881,980	2,296,316
	Contribution to Landfill site - effect of change in estimate	(4,813,633)	-
	Operating lease expenditure/income accrued	(14,284)	16,967
	Operating Surplus/(Deficit) before changes in working capital	31,537,007	21,730,472
	Changes in working capital	(3,449,858)	(3,429,367)
	Increase/(Decrease) in Payables for Exchange Transactions	3,332,698	(14,639,463)
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	1,345,209	2,606,675
	Increase/(Decrease) in Taxes	2,385,851	207,689
	(Increase)/Decrease in Inventory	(1,897,524)	(46,985)
	(Increase)/Decrease in Trade and other receivables	(8,616,092)	8,442,717
	<b>Cash generated/(absorbed) by operations</b>	<b>28,087,149</b>	<b>18,301,104</b>
<b>39</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 19	8,386,533	31,916
	Cash Floats - Note 19	4,500	4,500
	Bank - Note 19	3,240,201	1,512,297
	<b>Total cash and cash equivalents</b>	<b>11,631,234</b>	<b>1,548,713</b>
<b>40</b>	<b>RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
	Cash and Cash Equivalents - Note 39	11,631,234	1,548,713
	Less:	11,631,234	1,548,713
		(15,195,279)	(13,839,121)
	Unspent Committed Conditional Grants - Note 9	(14,231,073)	(12,885,864)
	Consumer deposits	(964,206)	(953,257)
	<b>Resources available /(deficit) for other and working capital requirements</b>	<b>(3,564,045)</b>	<b>(12,290,408)</b>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

		2019 R	2018 R		
<b>41</b>	<b>UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>				
	Long-term Liabilities - Note 2	1,940,657	2,392,839		
	Used to finance property, plant and equipment - at cost	<u>(1,940,657)</u>	<u>(2,392,839)</u>		
	Cash set aside for the repayment of long-term liabilities	-	-		
	<b>Cash invested for repayment of long-term liabilities</b>	<u>-</u>	<u>-</u>		
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.				
<b>42</b>	<b>BUDGET COMPARISONS</b>				
		2019 R	2019 R	2019 R	2019 (%)
<b>42.1</b>	<b>Operational</b>	<b>(Actual)</b>	<b>(Budget)</b>	<b>(Variance)</b>	<b>(%)</b>
	<b>Revenue by source</b>				
	Property Rates	16,275,282	23,629,496	(7,354,214)	-31.1%
	Government Grants and Subsidies-Operational	39,897,721	39,652,160	245,561	0.6%
	Government Grants and Subsidies-Capital	18,343,740	23,448,200	(5,104,460)	-21.8%
	Public Contributions and Donations	-	-	-	0.0%
	Contributed Property, Plant and Equipment	190,997	-	190,997	100.0%
	Actuarial Gains	-	-	-	0.0%
	Service Charges	69,672,405	71,637,568	(1,965,163)	-2.7%
	Rental from Fixed Assets	516,497	470,500	45,997	9.8%
	Fines, Penalties and Forfeits	6,020,989	8,480,300	(2,459,311)	-29.0%
	Interest Earned - external investments	732,342	793,870	(61,528)	-7.8%
	Interest Earned - outstanding receivables	3,653,104	3,807,500	(154,396)	-4.1%
	Interest Earned - non exchange transactions	1,183,267	1,339,420	(156,153)	-11.7%
	Licences and Permits	172,889	169,500	3,389	2.0%
	Operational Revenue	15,322	16,500	(1,178)	-7.1%
	Agency and Collection Services	1,053,323	1,220,000	(166,677)	-13.7%
	Sales of Goods and Rendering of Services	381,345	307,400	73,945	24.1%
		<u>158,109,223</u>	<u>174,972,414</u>	<u>(16,863,191)</u>	-9.6%
	<b>Expenditure by nature</b>				
	Employee Related Costs	55,437,037	55,171,654	265,383	-0.5%
	Remuneration of Councillors	3,323,290	3,130,650	192,640	-6.2%
	Depreciation and Amortisation	13,469,197	10,660,845	2,808,352	-26.3%
	Bad Debts Written -off	8,575,107	14,183,000	(5,607,893)	39.5%
	Inventory Consumed	1,360,328	3,148,786	(1,788,458)	56.8%
	Finance Costs	(2,866,091)	920,638	(3,786,729)	411.3%
	Bulk Purchases	35,536,554	32,258,581	3,277,973	-10.2%
	Operational Costs	7,912,589	12,050,841	(4,138,252)	34.3%
	Operating Leases	558,970	624,000	(65,030)	10.4%
	Contracted Services	14,065,481	15,507,142	(1,441,661)	9.3%
	Transfers and Subsidies	405,612	2,966,000	(2,560,388)	86.3%
	<b>Total Expenditure</b>	<u>137,778,075</u>	<u>150,622,237</u>	<u>(12,844,162)</u>	<b>8.5%</b>
	<b>Operating Surplus</b>	<u>20,331,148</u>	<u>24,350,177</u>	<u>(4,019,029)</u>	
	Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	(49,756)	-	(49,756)	100.0%
	Impairment Loss/(Reversal of Impairment Loss) on Receivables	(8,810,385)	-	(8,810,385)	100.0%
	(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	(512,443)	-	(512,443)	100.0%
	Gains/(Loss) on Sale of Fixed Assets	(147,678)	-	(147,678)	100.0%
	<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<u><u>10,810,886</u></u>	<u><u>24,350,177</u></u>	<u><u>(13,539,291)</u></u>	-55.6%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2019 R	2019 R	2018 R
	(Actual)	(Budget)	(Variance)	(%)
<b>42.2 Expenditure by Vote</b>				
COMMUNITY SERVICES	1,813,783	2,753,630	(939,847)	-34.1%
CORPORATE SERVICES	29,075,713	28,969,384	106,329	0.4%
EXECUTIVE COUNCIL	13,675,118	14,356,460	(681,342)	-4.7%
FINANCIAL SERVICES	24,328,858	30,154,590	(5,825,732)	-19.3%
TECHNICAL SERVICES	78,404,864	74,388,173	4,016,691	5.4%
	<b>147,298,336</b>	<b>150,622,237</b>	<b>(3,323,901)</b>	<b>-2.2%</b>
	2019 R (Actual)	2019 R (Budget)	2019 R (Variance)	2019 R (%)
<b>42.3 Capital expenditure by vote</b>				
COMMUNITY SERVICES	3,220,395	4,144,589	(924,194)	-22%
CORPORATE SERVICES	-	-	-	0%
EXECUTIVE COUNCIL	869	-	869	100%
FINANCIAL SERVICES	471,627	950,000	(478,373)	-50%
TECHNICAL SERVICES	13,919,558	20,024,611	(6,105,053)	-30%
	<b>17,612,449</b>	<b>25,119,200</b>	<b>(7,506,751)</b>	<b>-30%</b>

**43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**43.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	91,726,429	53,457,133
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year - operating	4,123,020	38,269,296
Written off by council	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<b>95,849,449</b>	<b>91,726,429</b>

Incident	Disciplinary steps/criminal proceedings		
Over expenditure on votes-operating 2015/16	None		
Over expenditure on votes-operating 2016/17	None		
Over expenditure on votes-operating (Note 39.3)	None	4,123,020	38,269,296
Over expenditure on votes-capital (Note 39.3)	None		
Virements not authorised	None		

**43.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	5,846,348	4,098,301
Fruitless and wasteful expenditure current year	1,570,519	1,748,047
Written off by council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	<b>7,416,867</b>	<b>5,846,348</b>

Incident	Disciplinary steps/criminal proceedings		
Interest and penalties on late and non payments		1,570,519	1,748,047
		<b>1,570,519</b>	<b>1,748,047</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
<b>43.3 Irregular expenditure</b>		
Reconciliation of irregular expenditure:		
Opening balance	130,053,803	111,640,711
Correction of previous years		
Irregular expenditure current year	12,447,097	18,413,092
Investigated and written off by Council		
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	<u>142,500,900</u>	<u>130,053,803</u>
Irregular expenditure awaiting condonement from National Treasury	-	-
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>	
<i>SCM procedures not followed</i>	<i>To be investigated</i>	
	1,637,894	17,038,404
<i>Non-compliance with the Preferential Procurement Regulations (Regulation 8)</i>	<i>To be investigated</i>	-
	31,910	
<i>Non-Compliance with Section 62(1)(b) of the Municipal Finance Management Act</i>	<i>To be investigated</i>	-
	88,242	
<i>Non-compliance with Municipal SCM Regulation 32</i>	<i>To be investigated</i>	-
	5,336,055	
<i>Due process not followed when 3 quotations were not obtained</i>	<i>To be investigated</i>	-
	1,964,279	
<i>Non-Compliance with MSA 57A(3)</i>	<i>To be investigated</i>	-
	1,240,505	
<i>Regulation 41(3) of the MFMA - Appointment of SMs</i>	<i>To be investigated</i>	-
	439,021	
<i>Non-compliance with SCM regulation 13(c) No declaration of interest</i>	<i>To be investigated</i>	-
	347,707	
<i>Non-compliance with the Government Gazette upper limits</i>	<i>To be investigated</i>	-
	42,151	
<i>Open ended contracts</i>	<i>To be investigated</i>	-
	1,045,346	
<i>Quotes above R30 000 not evaluated in terms of the PPPFA</i>	<i>To be investigated</i>	-
	273,987	
<i>SCM procedures not followed</i>	<i>Forensic investigation</i>	1,374,688
	-	
<i>Irregular expenditure include incidents that are subject to ongoing forensic investigations</i>		
	<u>12,447,097</u>	<u>18,413,092</u>
<b>43.4 Material Losses</b>		
<b>Water distribution losses</b>		
- Kilo litres lost during distribution	888,177	807,248
- Percentage lost during distribution	41.98%	41.10%
Monetary Value	5,071,490	6,937,233
<b>Electricity distribution losses</b>		
- Units lost during distribution (Kwh)	3,403,198	3,129,244
- Percentage lost during distribution	9.50%	9.09%
Monetary Value	4,086,834	2,772,582
<b>Losses in Property Rates Revenue</b>		
The last valuation roll came into affect on 1 July 2013. According to Section 32(1)(b) of the Municipal Property Rates Act No.6 of 2004, a valuation is valid for 4 years only. The municipality did not perform an updated valuation and therefore have possibly lost out on revenue from property rates. A monetary value could not be placed on the possible loss due to the complexities with valuing fixed property.	-	-
<b>44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>44.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>		
Opening balance	2,896,950	2,426,057
Council subscriptions	627,425	470,894
Amount paid - current year	-	-
Amount paid - previous years	(81,469)	-
Balance unpaid (in dispute)	<u>3,442,906</u>	<u>2,896,950</u>
<b>44.2 Audit fees - [MFMA 125 (1)(c)]</b>		
Opening balance	6,487,363	6,705,920
Current year audit fee	4,602,188	1,458,961
Write off	(4,975,937)	-
Interest paid	79,345	-
Amount paid - current year	-	-
Amount paid - previous year	(903,279)	(1,677,518)
Balance unpaid (included in creditors)	<u>5,289,680</u>	<u>6,487,363</u>



**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R	
<b>44.3 VAT - [MFMA 125 (1)(c)]</b>			
VAT balance at year end - Refer to note 10	2,320,194	4,706,045	
<b>Closing balance - Receivable</b>	<b>2,320,194</b>	<b>4,706,045</b>	
VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.			
<b>44.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]</b>			
Opening balance	1,377,827	2,166,918	
Current year payroll deductions and Council Contributions	9,312,648	7,453,382	
Penalties	110,015		
Amount paid - current year	(9,106,873)	(6,705,132)	
Amount paid - previous year	(665,315)	(1,537,341)	
<b>Balance unpaid (included in creditors)</b>	<b>1,028,302</b>	<b>1,377,827</b>	
<b>44.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</b>			
Opening balance	752,721	-	
Current year payroll deductions and Council Contributions	9,386,252	9,261,828	
Amount paid - current year	(8,579,060)	(8,509,107)	
<b>Balance unpaid (included in creditors)</b>	<b>1,559,913</b>	<b>752,721</b>	
<b>44.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</b>			
No Councillors had arrear accounts for more than 90 days as 30 June 2019			
<b>44.7 Deviations from Supply Chain Management Regulations</b>			
<b>30 JUNE 2019:</b>			
Non-compliance summary	<u>&lt; R30000</u>	<u>&gt;R30000</u> <u>&lt;R200000</u>	<u>&gt;R200000</u>
Department:			
COMMUNITY SERVICES	3,300	61,295	-
CORPORATE SERVICES	25,272	-	-
EXECUTIVE COUNCIL	-	-	-
FINANCIAL SERVICES	7,860	137,900	-
TECHNICAL SERVICES	68,497	280,037	2,244,570
			2,593,104
<b>Total</b>	<b>104,929</b>	<b>479,232</b>	<b>2,244,570</b>
<b>30 JUNE 2018:</b>			
Non-compliance summary	<u>&lt; R30000</u>	<u>&gt;R30000</u> <u>&lt;R200000</u>	<u>&gt;R200000</u>
Department:			
COMMUNITY SERVICES	-	-	-
CORPORATE SERVICES	60,911	293,781	-
EXECUTIVE COUNCIL	8,614	256,864	-
FINANCIAL SERVICES	49,984	218,387	-
TECHNICAL SERVICES	119,434	375,297	2,807,588
			3,302,319
<b>Total</b>	<b>238,943</b>	<b>1,144,329</b>	<b>2,807,588</b>
<b>Reasons for deviations</b>			
<b>Supplier</b>	<b>Department</b>	<b>Reason</b>	
Alert Patrol	Corporate Services	Section 36(1)(a)(v) *	4,999
Alert Patrol	Executive Council	Emergency	2,850
Arthurs Workstop & Towing	Community Services	Section 36(1)(a)(v) *	3,300
Arthurs Workstop & Towing	Financial Services	Section 36(1)(a)(v) *	47,500
Arthurs Workstop & Towing	Financial Services	Section 36(1)(a)(v) *	47,500
Arthurs Workstop & Towing	Technical Services	Emergency	1,450
Arthurs Workstop & Towing	Technical Services	Section 36(1)(a)(v) *	15,159
Arthurs Workstop & Towing	Technical Services	Section 36(1)(a)(v) *	17,170
Arthurs Workstop & Towing	Technical Services	Section 36(1)(a)(v) *	26,800
AS Parson	Corporate Services	Emergency	2,700
Bradley Conradie Halton Cheadle	Corporate Services	Section 36(1)(a)(v) *	67,135
Bradley Conradie Halton Cheadle	Executive Council	Section 36(1)(a)(v) *	86,418
* Continued			

KANNALAND MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Supplier	Department	Reason	2019 R	2018 R
Bradley Conradie Halton Cheadle	Executive Council	Section 36(1)(a)(v) *		91,446
Breiten Johannes Transport	Corporate Services	Emergency		3,400
Buffelskloof Grondverkuwing	Corporate Services	Section 36(1)(a)(v) *		114,000
Bytes Universal Systems	Financial Services	Section 36(1)(a)(v) *		68,966
Caroline 36 CC t/a Hi Way Bande	Technical Services	Section 36(1)(a)(v) *	2,070	
Caroline 36 CC t/a Hi Way Bande	Technical Services	Section 36(1)(a)(v) *	54,683	
CBL	Corporate Services	Section 36(1)(a)(v) *	15,773	
Checkin	Executive Council	Section 36(1)(a)(v) *		2,444
Cinogen Trading CC	Community Services	Section 36(1)(a)(v) *	33,120	
Cinogen Trading CC	Community Services	Section 36(1)(a)(v) *	28,175	
Cinogen Trading CC	Corporate Services	Sole Supplier		13,965
Coastal Armature Winders & Supplies	Technical Services	Section 36(1)(a)(v) *	54,683	
Coastal Armature Winders & Supplies	Technical Services	Section 36(1)(a)(v) *		38,212
Coastal Armature Winders & Supplies	Technical Services	Section 36(1)(a)(v) *		39,706
Coastal Armature Winders & Supplies	Technical Services	Section 36(1)(a)(v) *	11,995	
Coastal Armature Winders & Supplies	Technical Services	Section 36(1)(a)(v) *	11,995	
Coastel AM	Technical Services	Section 36(1)(a)(v) *		23,908
Coastel AM	Technical Services	Emergency		1,794
Coastel AM	Technical Services	Emergency		11,834
Conlog	Technical Services	Emergency		12,593
De Wit Begrafnisdienste	Corporate Services	Section 36(1)(a)(v) *		197,607
Du Plessis Werkswinkel	Financial Services	Section 36(1)(a)(v) *	4,500	
Du Plessis Werkswinkel	Technical Services	Section 36(1)(a)(v) *		30,746
East Coast Irrigation (of Element Consultin	Technical Services	Emergency		627
Element Consulting Engineers	Technical Services	Section 36(1)(a)(v) *		942,628
FG Uniforms	Corporate Services	Section 36(1)(a)(v) *		1,587,732
Indecon	Technical Services	Section 36(1)(a)(v) *		7,311
ISM	Financial Services	Section 36(1)(a)(v) *		64,432
Klein Karoo Slagtery	Corporate Services	Section 36(1)(a)(v) *	25,236	
Klein Karoo Slagtery	Executive Council	Section 36(1)(a)(v) *		7,782
Ladismith Spar	Corporate Services	Emergency		1,779
Ladismith Spar	Corporate Services	Section 36(1)(a)(v) *		561
Media 24 Beperk	Financial Services	Section 36(1)(a)(v) *	17,664	
Metsi Chem iKapa	Technical Services	Section 36(1)(a)(v) *	25,116	
Oransie Transport	Corporate Services	Section 36(1)(a)(v) *		8,000
PC Connection	Financial Services	Section 36(1)(a)(v) *		10,609
PC Connections	Financial Services	Section 36(1)(a)(v) *		3,000
PC Connections	Financial Services	Section 36(1)(a)(v) *		50,400
Prospero OHS	Technical Services	Section 36(1)(a)(v) *		8,100
Riversdal Electric And General	Technical Services	Section 36(1)(a)(v) *	67,436	
Riversdal Electric And General	Technical Services	Section 36(1)(a)(v) *	67,436	
Riversdale Grassnyerdienste	Corporate Services	Emergency		12,352
Roy Steele And Associates	Corporate Services	Section 36(1)(a)(v) *		79,800
Roy Steele And Associates	Executive Council	Section 36(1)(a)(v) *		79,000
Roy Steele And Associates	Financial Services	Section 36(1)(a)(v) *		29,500
SA Post Office	Corporate Services	Sole Supplier		32,846
SA Post Office	Financial Services	Sole Supplier		706
SA Post Office	Financial Services	Sole Supplier		735
SA Post Office	Financial Services	Sole Supplier		735
SA Post Office	Financial Services	Sole Supplier		1,966
SA Post Office	Financial Services	Sole Supplier		2,734
SA Post Office	Financial Services	Sole Supplier		34,060
SA Post Office	Financial Services	Sole Supplier		34,215
SA Post Office	Financial Services	Section 36(1)(a)(v) *	2,460	
SA Post Office	Financial Services	Section 36(1)(a)(v) *	2,460	
SA Post Office	Financial Services	Section 36(1)(a)(v) *	2,940	
U Save Ladismith	Executive Council	Section 36(1)(a)(v) *		1,541
Ultra Water CC	Technical Services	Section 36(1)(a)(v) *	13,872	
Ultra Water CC	Technical Services	Section 36(1)(a)(v) *	3,450	
Ultra Water CC	Technical Services	Section 36(1)(a)(v) *	2,244,570	
VE Reticulation Company	Technical Services	Section 36(1)(a)(v) *	35,800	
VE Reticulation Company	Technical Services	Section 36(1)(a)(v) *		35,340
VE Reticulation Company	Technical Services	Section 36(1)(a)(v) *		277,227
			<b>2,828,731</b>	<b>4,190,859</b>

\* Section 36(1)(a)(v)- Exceptional case and it is impractical or impossible to follow the official procurement processes

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R																					
<b>44.8</b> <u>Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy).</u>																							
<table border="0" style="width: 100%;"> <thead> <tr> <th style="width: 30%;">Company</th> <th style="width: 30%;">Name</th> <th style="width: 40%;">Relation</th> </tr> </thead> <tbody> <tr> <td colspan="3">None</td> </tr> <tr> <td colspan="2"></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">-</td> </tr> </tbody> </table>	Company	Name	Relation	None					-	-	-												
Company	Name	Relation																					
None																							
		-																					
<b>44.9</b> <u>Other non-compliance (MFMA 125(2)(e))</u>																							
Creditors payments were not made within 30 days as required by the MFMA.																							
<b>45</b> <b>CAPITAL COMMITMENTS</b>																							
Commitments in respect of capital expenditure:																							
Approved and contracted for:																							
	4,600,482	3,270,449																					
<u>Total commitments consist out of the following:</u>																							
<table border="0" style="width: 100%;"> <thead> <tr> <th style="width: 45%;"></th> <th style="width: 30%; text-align: center;"><u>Contract/Tender</u></th> <th style="width: 25%;"></th> </tr> </thead> <tbody> <tr> <td>Zoar- Construction of Droe Vlei Reservoir</td> <td style="text-align: center;">Kuthele General Projects</td> <td style="text-align: right;">2,983,594</td> </tr> <tr> <td>Upgrading of Ladismith bulk water supply</td> <td style="text-align: center;">Element Consulting Engineers</td> <td style="text-align: right;">286,855</td> </tr> <tr> <td>Bloekomlaan Reservoir</td> <td style="text-align: center;">Aurecon &amp; Asla</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Van Wyksdorp Street Lighting</td> <td style="text-align: center;">VE Reticulation &amp; Aurecon</td> <td style="text-align: right;">1,114,509</td> </tr> <tr> <td>Calitzdorp Investigation into availability of water</td> <td style="text-align: center;">Aurecon</td> <td style="text-align: right;">166,293</td> </tr> <tr> <td colspan="2"></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">4,600,482</td> </tr> </tbody> </table>		<u>Contract/Tender</u>		Zoar- Construction of Droe Vlei Reservoir	Kuthele General Projects	2,983,594	Upgrading of Ladismith bulk water supply	Element Consulting Engineers	286,855	Bloekomlaan Reservoir	Aurecon & Asla	-	Van Wyksdorp Street Lighting	VE Reticulation & Aurecon	1,114,509	Calitzdorp Investigation into availability of water	Aurecon	166,293			4,600,482	4,600,482	3,270,449
	<u>Contract/Tender</u>																						
Zoar- Construction of Droe Vlei Reservoir	Kuthele General Projects	2,983,594																					
Upgrading of Ladismith bulk water supply	Element Consulting Engineers	286,855																					
Bloekomlaan Reservoir	Aurecon & Asla	-																					
Van Wyksdorp Street Lighting	VE Reticulation & Aurecon	1,114,509																					
Calitzdorp Investigation into availability of water	Aurecon	166,293																					
		4,600,482																					
This expenditure will be financed from:																							
External Loans	-	-																					
Government Grants	4,600,482	3,270,449																					
	4,600,482	3,270,449																					
<b>46</b> <b>FINANCIAL RISK MANAGEMENT</b>																							
The activities of the municipality expose it to a variety of financial risks, including market risk (comprising 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.																							
<b>(a) Foreign Exchange Currency Risk</b>																							
The municipality does not engage in foreign currency transactions.																							
<b>(b) Price risk</b>																							
The municipality is not exposed to price risk.																							
<b>(c) Interest Rate Risk</b>																							
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 analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.																							
The municipality did not hedge against any interest rate risks during the current year.																							
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:																							
1% Increase in interest rates	(308,948)	(626,286)																					
0.5% Decrease in interest rates	154,474	313,143																					

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**2019**                      **2018**  
R                                      R

**(d) Credit Risk**

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

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

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 debtors 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.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles.

All rates and services are payable within 30 days from invoice date. Refer to note 16 and 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 16 and 17 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	2019 %	2019 R	2018 %	2018 R
<b><u>Non-Exchange Receivables</u></b>				
Rates	1.26%	253,339	2.40%	493,722
Traffic Fines	0.00%	-	18.38%	1,134,332
<b><u>Exchange Receivables</u></b>				
Electricity	6.51%	133,018	7.07%	144,008
Water	0.50%	70,326	2.37%	323,258
Refuse	0.00%	-	1.31%	130,897
Sewerage	1.40%	158,674	1.45%	141,222
Other	1.18%	10,988	42.16%	372,458
	<u>0.93%</u>	<u>373,006</u>	<u>3.07%</u>	<u>1,111,843</u>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 15 and 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime borrowing rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2019 %	2019 R	2018 %	2018 R
<b><u>Non-Exchange Receivables</u></b>				
Rates	77.47%	20,049,603	77%	20,579,410
Traffic Fines	22.53%	5,831,293	23%	6,170,658
	<u>100.00%</u>	<u>25,880,896</u>	<u>100%</u>	<u>26,750,078</u>
<b><u>Exchange Receivables</u></b>				
Electricity	5.08%	2,044,095	5.62%	2,037,969
Water	34.79%	14,005,437	37.57%	13,614,926
Refuse	29.68%	11,950,774	27.54%	9,981,563
Sewerage	28.14%	11,328,247	26.83%	9,723,383
Other	2.32%	932,389	2.44%	883,461
	<u>100.00%</u>	<u>40,260,942</u>	<u>100.00%</u>	<u>36,241,301</u>

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 %	2019 R	2018 %	2018 R
<b>Bad debts written off per debtor class:</b>				
<u>Non-Exchange Receivables</u>				
Rates	0.00%	-	0.00%	-
Traffic Fines	100.00%	5,659,927	100.00%	10,083,008
	100.00%	5,659,927	100.00%	10,083,008
<u>Exchange Receivables</u>				
Electricity	0.31%	23,803	1.44%	394,615
Water	60.29%	4,674,996	31.62%	8,687,907
Refuse	20.46%	1,586,712	32.72%	8,990,671
Sewerage	18.94%	1,468,242	32.43%	8,909,649
Other	0.00%	-	1.79%	491,306
	100.00%	7,753,753	100.00%	27,474,148

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any 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 are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

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 are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

Receivables from exchange transactions	2,735,932	3,315,609
Receivables from non-exchange transactions	2,101,064	1,715,680
Cash and Cash Equivalents	11,631,234	1,548,713
	<u>16,468,230</u>	<u>6,580,002</u>

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

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





**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

		2019 R	2018 R
<b>47.2</b>	<b>Financial Liability</b>		
	<u>Classification</u>		
	<b>Long-term Liabilities</b>		
	Annuity Loans	1,435,100	1,940,547
	Capitalised Lease Liability	-	-
	<b>Payables from exchange transactions</b>		
	Trade creditors	35,915,602	34,139,218
	Accrued interest	-	-
	Retentions	2,652,343	2,802,899
	Deposits	964,206	953,257
	Other	8,210,464	6,623,684
	<b>Current Portion of Long-term Liabilities</b>		
	Annuity Loans	505,557	446,472
	Capitalised Lease Liability	-	5,820
		<b>49,683,271</b>	<b>46,911,897</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>		
	Financial instruments at amortised cost	<b>49,683,271</b>	<b>46,911,897</b>
<b>48</b>	<b>STATUTORY RECEIVABLES</b>		
	In accordance with principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
	<b>Taxes</b>		
	Vat receivable	2,320,194	4,706,045
	<b>Receivables from Non Exchange Transactions</b>		
	Property rates	1,094,012	1,640,863
	Fines	-	1,319,000
<b>49</b>	<b>EVENTS AFTER THE REPORTING DATE</b>		
	None		
<b>50</b>	<b>IN-KIND DONATIONS AND ASSISTANCE</b>		
	The municipality did not receive any in-kind donations or assistance during the year under review.		
<b>51</b>	<b>PRIVATE PUBLIC PARTNERSHIPS</b>		
	Council has not entered into any private public partnerships during the financial year.		
<b>52</b>	<b>CONTINGENT LIABILITIES</b>		
	<b>Kannaland Municipality vs Former Employees</b>		
	The Municipality is defending a claim for unfair dismissal from former employees lodged with the SALGBC. If they are successful the Municipality might possibly be liable for a sum of R1,200,000.		
<b>53</b>	<b>RELATED PARTIES</b>		
<b>53.1</b>	<b>Related Party Loans</b>		
	None		
<b>53.2</b>	<b>Compensation of key management personnel</b>		
	The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.		
<b>53.3</b>	<b>Compensation of Councillors</b>		
	The compensation of Councillors is set out in note 25 to the Annual Financial Statements.		



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
<b>53.4 Other related party transactions</b>		
The following purchases were made during the year where Councillors or staff have an interest:		
See note 44.8		
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. 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.		
	<b>2019</b>	<b>2019</b>
	<b>Services and rates</b>	<b>Outstanding Balance</b>
<b>Councillors</b>		
A Theron	14,899	3,981
HD Ruiters	18,852	2,190
M Barry	9,522	941
PJ Antonie	9,194	3,818
J Danson	13,131	822
HM Johnson	1	1
	<b>65,600</b>	<b>11,753</b>

**54 ADDITIONAL DISCLOSURE**

**54.1 Provincial intervention**

In terms of Section 139 of the Municipal Finance Management Act nr. 56 of 2003, a mandatory provincial intervention has taken place to prepare an appropriate recovery plan for the municipality.

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**11 Property, Plant and Equipment**

30 JUNE 2019

	Cost			Accumulated Depreciation			Accumulated Impairment			Carrying value		
	R	R	R	R	R	R	R	R	R	R	R	
<b>Land and Buildings</b>												
Land	5,643,853											5,643,853
Buildings	3,778,938			1,295,508	100,077	1,095,508	1,095,508			1,095,508	11,232	1,492,417
Infrastructure	47,818,392			3,795,508	100,477	3,795,508	3,795,508			3,795,508	11,232	1,492,417
Electricity	186,108,859			29,218,977	13,340,859	15,878,118	15,878,118			15,878,118	11,232	1,492,417
Other	84,347,203			215,846	41,008	174,838	174,838			174,838	11,232	1,492,417
Road Transport	9,008,271			64,517,988	27,820,487	36,697,491	36,697,491			36,697,491	11,232	1,492,417
Sewerage	3,473,979			3,473,979	1,081,107	2,392,872	2,392,872			2,392,872	11,232	1,492,417
Water Supply	124,735,583			19,572,984	13,872,984	5,700,000	5,700,000			5,700,000	11,232	1,492,417
Community Assets	27,186,557			6,402,671	716,684	5,685,987	5,685,987			5,685,987	11,232	1,492,417
Centenries	6,515			180,241	16,482	163,759	163,759			163,759	11,232	1,492,417
Community Works	10,446,244			1,845,636	316,553	1,529,083	1,529,083			1,529,083	11,232	1,492,417
Libraries	1,425,515			458,709	47,251	411,458	411,458			411,458	11,232	1,492,417
Other	5,475,484			2,712,100	211,851	2,500,249	2,500,249			2,500,249	11,232	1,492,417
Sports Field & Halls	7,052,178			900,044	90,849	809,195	809,195			809,195	11,232	1,492,417
Other Assets	17,666,027			1,100,664	1,100,664	1,100,664	1,100,664			1,100,664	11,232	1,492,417
Computers - Hardware/Equipment	1,048,796			1,122,579	1,122,579	1,122,579	1,122,579			1,122,579	11,232	1,492,417
Furniture and Other Office Equipment	2,401,595			1,457,148	1,457,148	1,457,148	1,457,148			1,457,148	11,232	1,492,417
General vehicles	3,368,848			2,641,006	2,641,006	2,641,006	2,641,006			2,641,006	11,232	1,492,417
Plant & equipment	1,336,024			1,911,969	1,911,969	1,911,969	1,911,969			1,911,969	11,232	1,492,417
Specialised Vehicles	3,473,979			1,122,579	1,122,579	1,122,579	1,122,579			1,122,579	11,232	1,492,417
	472,541,006			152,253,043	133,925,214	118,327,829	118,327,829			118,327,829	11,232	1,492,417

30 JUNE 2018

	Cost			Accumulated Depreciation			Accumulated Impairment			Carrying value		
	R	R	R	R	R	R	R	R	R	R	R	
<b>Land and Buildings</b>												
Land	5,643,853											5,643,853
Buildings	3,778,938			1,295,508	100,077	1,095,508	1,095,508			1,095,508	11,232	1,492,417
Infrastructure	47,818,392			3,795,508	100,477	3,795,508	3,795,508			3,795,508	11,232	1,492,417
Electricity	186,108,859			29,218,977	13,340,859	15,878,118	15,878,118			15,878,118	11,232	1,492,417
Other	84,347,203			215,846	41,008	174,838	174,838			174,838	11,232	1,492,417
Road Transport	9,008,271			64,517,988	27,820,487	36,697,491	36,697,491			36,697,491	11,232	1,492,417
Sewerage	3,473,979			3,473,979	1,081,107	2,392,872	2,392,872			2,392,872	11,232	1,492,417
Water Supply	124,735,583			19,572,984	13,872,984	5,700,000	5,700,000			5,700,000	11,232	1,492,417
Community Assets	27,186,557			6,402,671	716,684	5,685,987	5,685,987			5,685,987	11,232	1,492,417
Centenries	6,515			180,241	16,482	163,759	163,759			163,759	11,232	1,492,417
Community Works	10,446,244			1,845,636	316,553	1,529,083	1,529,083			1,529,083	11,232	1,492,417
Libraries	1,425,515			458,709	47,251	411,458	411,458			411,458	11,232	1,492,417
Other	5,475,484			2,712,100	211,851	2,500,249	2,500,249			2,500,249	11,232	1,492,417
Sports Field & Halls	7,052,178			900,044	90,849	809,195	809,195			809,195	11,232	1,492,417
Other Assets	17,666,027			1,100,664	1,100,664	1,100,664	1,100,664			1,100,664	11,232	1,492,417
Computers - Hardware/Equipment	1,048,796			1,122,579	1,122,579	1,122,579	1,122,579			1,122,579	11,232	1,492,417
Furniture and Other Office Equipment	2,401,595			1,457,148	1,457,148	1,457,148	1,457,148			1,457,148	11,232	1,492,417
General vehicles	3,368,848			2,641,006	2,641,006	2,641,006	2,641,006			2,641,006	11,232	1,492,417
Plant & equipment	1,336,024			1,911,969	1,911,969	1,911,969	1,911,969			1,911,969	11,232	1,492,417
Specialised Vehicles	3,473,979			1,122,579	1,122,579	1,122,579	1,122,579			1,122,579	11,232	1,492,417
	472,541,006			152,253,043	133,925,214	118,327,829	118,327,829			118,327,829	11,232	1,492,417

30 JUNE 2018

	Cost			Accumulated Depreciation			Accumulated Impairment			Carrying value		
	R	R	R	R	R	R	R	R	R	R	R	
<b>Land and Buildings</b>												
Land	5,643,853											5,643,853
Buildings	3,778,938			1,295,508	100,077	1,095,508	1,095,508			1,095,508	11,232	1,492,417
Infrastructure	47,818,392			3,795,508	100,477	3,795,508	3,795,508			3,795,508	11,232	1,492,417
Electricity	186,108,859			29,218,977	13,340,859	15,878,118	15,878,118			15,878,118	11,232	1,492,417
Other	84,347,203			215,846	41,008	174,838	174,838			174,838	11,232	1,492,417
Road Transport	9,008,271			64,517,988	27,820,487	36,697,491	36,697,491			36,697,491	11,232	1,492,417
Sewerage	3,473,979			3,473,979	1,081,107	2,392,872	2,392,872			2,392,872	11,232	1,492,417
Water Supply	124,735,583			19,572,984	13,872,984	5,700,000	5,700,000			5,700,000	11,232	1,492,417
Community Assets	27,186,557			6,402,671	716,684	5,685,987	5,685,987			5,685,987	11,232	1,492,417
Centenries	6,515			180,241	16,482	163,759	163,759			163,759	11,232	1,492,417
Community Works	10,446,244			1,845,636	316,553	1,529,083	1,529,083			1,529,083	11,232	1,492,417
Libraries	1,425,515			458,709	47,251	411,458	411,458			411,458	11,232	1,492,417
Other	5,475,484			2,712,100	211,851	2,500,249	2,500,249			2,500,249	11,232	1,492,417
Sports Field & Halls	7,052,178			900,044	90,849	809,195	809,195			809,195	11,232	1,492,417
Other Assets	17,666,027			1,100,664	1,100,664	1,100,664	1,100,664			1,100,664	11,232	1,492,417
Computers - Hardware/Equipment	1,048,796			1,122,579	1,122,579	1,122,579	1,122,579			1,122,579	11,232	1,492,417
Furniture and Other Office Equipment	2,401,595			1,457,148	1,457,148	1,457,148	1,457,148			1,457,148	11,232	1,492,417
General vehicles	3,368,848			2,641,006	2,641,006	2,641,006	2,641,006			2,641,006	11,232	1,492,417
Plant & equipment	1,336,024			1,911,969	1,911,969	1,911,969	1,911,969			1,911,969	11,232	1,492,417
Specialised Vehicles	3,473,979			1,122,579	1,122,579	1,122,579	1,122,579			1,122,579	11,232	1,492,417
	472,541,006			152,253,043	133,925,214	118,327,829	118,327,829			118,327,829	11,232	1,492,417



**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**APPENDIX A - Unaudited**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2018	Correction of error	Restated balance at 30 JUNE 2018	Additions	Redeemed written off during the period	Balance at 30 JUNE 2019
<b>LEASE LIABILITIES</b>									
Nashua MP3054SF	9.50%	31/08/2018		2,983	-	2,983	-	2,983	-
Minolta	9.50%	31/08/2018		1,424	1,413	2,837	-	2,837	-
<b>Total Lease Liabilities</b>				<b>4,407</b>	<b>1,413</b>	<b>5,820</b>	<b>-</b>	<b>5,820</b>	<b>-</b>
<b>ANNUITY LOAN</b>									
DBSA	12.50%	61000778	30/04/2023	2,386,684	336	2,387,020	-	446,362	1,940,658
<b>Total Annuity Loan</b>				<b>2,386,684</b>	<b>336</b>	<b>2,387,020</b>	<b>-</b>	<b>446,362</b>	<b>1,940,658</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>2,391,091</b>	<b>1,749</b>	<b>2,392,840</b>	<b>-</b>	<b>452,182</b>	<b>1,940,658</b>



**KANNALAND MUNICIPALITY**

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**APPENDIX B - Unaudited  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019  
MUNICIPAL VOTES CLASSIFICATION**

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R	2019 Budgeted Income	2019 Actual Income R	2019 Budgeted Expenditure	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
1,210,642	(13,186,688)	(11,976,046)	363,100	376,095	(11,110,900)	(13,077,627)	(12,701,532)
95,763	(226,591)	(130,828)	9,682,200	6,144,882	(247,000)	(325,073)	5,819,809
16,295,458	(24,025,618)	(7,730,160)	8,719,170	11,750,273	(29,754,590)	(24,848,780)	(13,098,507)
1,263,757	(1,525,058)	(261,301)	1,625,000	1,379,131	(2,753,630)	(1,813,783)	(434,652)
24,100,653	(9,273,619)	14,827,034	26,037,000	25,441,095	(9,368,710)	(8,289,989)	17,151,107
53,050,906	(39,486,818)	13,564,088	48,334,560	45,105,816	(39,368,065)	(44,096,906)	1,008,910
6,172,625	(7,036,699)	(864,074)	2,069,360	789,522	(4,837,158)	(2,039,855)	(1,250,333)
2,058,748	(2,159,004)	(100,256)	2,070,300	2,047,833	(2,106,840)	(2,210,123)	(162,290)
5,798,558	(7,820,996)	(2,022,438)	8,265,500	7,021,990	(7,652,630)	(8,591,761)	(1,569,771)
(6,212)	(3,429,238)	(3,435,450)	-	-	(2,649,800)	(2,307,306)	(2,307,306)
-	(5,154,354)	(5,154,354)	-	29	(4,987,750)	(5,385,129)	(5,385,100)
-	(334,539)	(334,539)	-	-	(318,106)	(406,793)	(406,793)
11,086	-	11,086	15,000	13,851	-	-	13,851
15,036,026	3,682	15,039,708	26,372,916	16,275,282	(400,000)	519,921	16,795,203
9,214,970	(7,946,558)	1,268,412	507,800	5,033,732	(8,654,220)	(9,054,115)	(4,020,383)
11,368,053	(14,470,989)	(3,102,936)	6,756,138	6,722,692	(5,883,465)	(2,466,022)	4,256,669
12,703,858	(13,206,201)	(502,343)	7,297,930	7,093,307	(7,729,920)	(9,532,115)	(2,438,808)
-	(117,225)	(117,225)	-	-	(46,950)	(117,176)	(117,176)
20,452,210	(16,928,659)	3,523,551	26,856,440	22,913,693	(12,752,503)	(13,255,706)	9,657,987
<b>178,827,101</b>	<b>(166,325,172)</b>	<b>12,501,929</b>	<b>174,972,414</b>	<b>158,109,223</b>	<b>(150,622,237)</b>	<b>(147,298,336)</b>	<b>10,810,886</b>



KANNALAND MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

APPENDIX C - Unaudited  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019  
MUNICIPAL MAIN VOTES

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R	2019 Budgeted Income	2019 Actual Income R	2019 Budgeted Expenditure	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
1,263,757	(1,525,058)	(261,301)	1,625,000	1,379,131	(2,753,630)	(1,813,783)	(434,652)
15,330,124	(34,310,980)	(18,980,856)	22,450,460	16,380,322	(28,969,384)	(29,075,713)	(12,695,391)
24,100,653	(14,427,973)	9,672,680	26,037,000	25,441,125	(14,356,460)	(13,675,118)	11,766,007
31,342,570	(24,021,935)	7,320,635	35,107,086	28,039,406	(30,154,590)	(24,328,858)	3,710,548
106,789,996	(92,039,224)	14,750,772	89,752,868	86,869,239	(74,388,173)	(78,404,864)	8,464,375
<b>178,827,100</b>	<b>(166,325,170)</b>	<b>12,501,930</b>	<b>174,972,414</b>	<b>158,109,223</b>	<b>(150,622,237)</b>	<b>(147,298,336)</b>	<b>10,810,887</b>

**KANNALAND MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

Grant Description	Balance 1 JULY 2018	Correction of error	Restated Balance 1 JULY 2018	Repaid to National Revenue Fund	Grants Received	Written Off	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2019
	R	R	R	R	R	R	R	R	R
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>									
<b><u>National Government Grants</u></b>									
Equitable Share	-	-	-	-	25,362,000	-	(25,362,000)	-	-
Local Government Financial Management Grant	147,990	-	147,990	-	2,215,000	-	(2,215,716)	-	147,274
Financial Assistance Grant - Audit Fees	-	-	-	-	4,568,310	-	(4,568,310)	-	-
Municipal Infrastructure Grant	1,155,030	-	1,155,030	(1,100,000)	8,392,000	-	(507,800)	(7,904,229)	35,001
Zoar Streets	180,453	-	180,453	-	-	-	-	-	180,453
Water Services Infrastructure Grant	-	-	-	-	8,000,000	-	-	(5,025,415)	2,974,585
EPWP	-	-	-	-	1,055,000	-	(1,055,000)	-	-
Integrated National Electrification Grant	627,047	-	627,047	(1,100,000)	2,000,000	-	-	(2,000,000)	(472,953)
<b>Total National Government Grants</b>	<b>2,110,520</b>	<b>-</b>	<b>2,110,520</b>	<b>(2,200,000)</b>	<b>51,592,310</b>	<b>-</b>	<b>(33,708,826)</b>	<b>(14,929,644)</b>	<b>2,864,360</b>
<b><u>Provincial Government Grants</u></b>									
Taxi Ranks	306,463	-	306,463	-	-	-	-	-	306,463
Flood Damage	447,890	-	447,890	-	-	-	-	-	447,890
CDW Grant	60,111	-	60,111	-	-	-	-	-	60,111
IDC	1,650,000	-	1,550,000	-	-	-	-	-	1,650,000
Local Government Financial Support Grant	1,540,000	-	1,540,000	-	-	-	-	-	1,540,000
Local Government Financial Support Grant	350,000	-	350,000	-	1,300,000	-	(1,300,000)	-	350,000
Nissanville Paving	100,238	-	100,238	-	-	-	-	-	100,238
Human Settlement Development Grant	-	-	-	-	2,069,359	-	(1,059,438)	-	1,009,921
Van Wyksdorp Pit Latrines	167,299	-	167,299	-	-	-	-	-	167,299
WC Financial Management Capacity Building	150,000	-	150,000	-	-	-	-	-	150,000
WC Financial Management Support Grant	-	-	-	-	1,400,000	-	(1,641,383)	-	(241,383)
Upgrading Sports Facilities Calitzdorp	250,000	-	250,000	-	-	-	-	-	250,000
SDBIP	238,657	-	238,657	-	-	-	-	-	238,657
DWAF -RBIG	319,438	-	319,438	-	-	-	-	-	319,438
IDP	175,439	-	175,439	-	-	-	-	-	175,439
Library Grant	501,694	-	501,694	-	2,070,000	-	(2,107,484)	-	464,210
Disaster - Zoar	522,298	-	522,298	-	-	-	-	-	522,298
Thusong Municipal Service Delivery Capacity Building Grant	200,000	-	200,000	-	-	-	(21,600)	(3,240)	175,160
Upgrading Pumpstation	-	-	-	-	110,000	-	(58,989)	-	51,011
Revenue Enhancement	2,393	-	2,393	-	-	-	-	-	2,393
CFO Appointment	6,018	-	6,018	-	-	-	-	-	6,018
Deeds Registration	1,030,000	-	1,030,000	-	-	-	-	(251,661)	1,030,000
Drought Relief	286,855	-	286,855	-	-	-	-	(3,159,195)	35,194
Fire and Drought Relief	-	-	-	-	3,245,000	-	-	-	85,805
<b>Total Provincial Government Grants</b>	<b>8,304,793</b>	<b>-</b>	<b>8,304,793</b>	<b>-</b>	<b>10,194,359</b>	<b>-</b>	<b>(6,188,894)</b>	<b>(3,414,096)</b>	<b>8,896,162</b>
<b><u>Other Grant Providers</u></b>									
Disaster Fund	2,342,433	-	2,342,433	-	-	-	-	-	2,342,433
Ladismith Water Project	128,118	-	128,118	-	-	-	-	-	128,118
<b>Total Other Grant Providers</b>	<b>2,470,551</b>	<b>-</b>	<b>2,470,551</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,470,551</b>
<b>Total</b>	<b>12,885,864</b>	<b>-</b>	<b>12,885,864</b>	<b>(2,200,000)</b>	<b>61,786,669</b>	<b>-</b>	<b>(39,897,720)</b>	<b>(18,343,740)</b>	<b>14,231,073</b>