



JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

General Information

Legal form of entity	The entity is a category C Municipality (District Municipality) as defined by the Municipal Structures Act (Act 117 of 1998).
Nature of business and principal activities	John Taolo Gaetsewe Municipality is a district municipality performing the functions as set out in the Constitution (Act no 108 of 1996).
Jurisdiction	The John Taolo Gaetsewe Municipality includes the municipality areas of Gamagara Municipality, Ga-Segonyana Municipality and Joe Morolong Municipality. Demarcation Code - D45 John Gaetsewe
Mayoral committee	
Executive Mayor	Mogatle P.Q. (from 9 November 2021) Mosikatsi S. (up to 8 November 2021)
Executive Councillors	Aiseng I. Matebese I. Masilabele K.F. Kgopodithata O.H. Kgosienewang P.M. Monaki O.G. (up to 8 November 2021) Assegaai G.C. (up to 8 November 2021) Anthony T.G (up to 8 November 2021)
Councillors	Ngesi N. Moiwe T.C. Tswere K.N. Etshetsang O.A Sebego B.I. Motsoare T.M. Kaotsane G.G. Chere G.M. Mereotlhe N. Valela M.E. Setlhodi K.S. Mathibe O.D. Mosegedi T.G. Filipo M.P. Ohentswe P.J. Paul K.R. Abraham I.E. Eilerd A.I.
Grading of local authority	3
Speaker	Aiseng I. (from 9 November 2021) Mogatle P.Q (up to 8 November 2021)
Accounting Officer	Molaole D.H. (up to 31 July 2022) KK Teise (Acting from 1 August 2022)
Chief Financial Officer	Moroane G.P. Acting from 1 July 2022
Registered office	P.O. Box 1480 Kuruman

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General Information

	8460
Business address	4 Federale Mynbou Street Kuruman 8460
Primary bankers	The Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa
Attorneys	Koikanyang Incorporated

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DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act

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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 period and the results of its operations and cash flows for the period then ended.

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, he 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 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Municipality is largely dependent on the Government for continued funding of operations. The Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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

The annual financial statements have been prepared on the going concern basis, were approved by the Accounting Officer on August 31, 2022 and were signed on its behalf by:

K.K Teise
Acting Municipal Manager

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2022.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year, 6 meetings were held.

Name of member	Number of meetings attended
Tshimomola R. (Chairperson)	6
Buys F.	5
Mashati M.	1

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as per its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed the entities compliance with legal and regulatory provisions;

The audit committee concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

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Accounting Officer's Report

The Accounting Officer submits his report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

John Taolo Gaetsewe District Municipality is a district municipality performing the functions as set out in the constitution (act no 108 of 1996) and operates principally in South Africa.

The operating results and state of affairs of the Municipality are fully set out in the attached Annual Financial Statements and do not in our opinion require any further comment.

2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is the ability of the Accounting Officer to continue procuring funding for the ongoing operations of the municipality.

3. Subsequent events

The Municipality is currently undergoing some investigations at the time of the signing of the financial statements due to allegations levelled against the Municipality.

4. Municipal Manager's interest in contracts

The Municipal Manager did not have an interest in any of the contracts entered into during the current financial year.

5. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board and as per the prescribed framework by National Treasury.

6. Non-current assets

No major changes in the nature or the policy relating to the use of the non-current assets of the Municipality occurred during the year.

7. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of this report is as follows:

D.H. Molaole	South Africa	Presiding MM up to 31 July 2022
K.K Teise	South Africa	Acting MM from 1 August 2022

8. Bankers

Accounts were held with The Standard Bank of South Africa Limited (being the primary bankers), as well as investment accounts with Standard Bank of South Africa and ABSA during the year.

9. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

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Statement of Financial Position as at 30 June 2022

	Note(s)	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	3	45 785 521	12 091 027
Receivables from exchange transactions	4	8 203 723	7 958 297
Receivables from non-exchange transactions	5	-	94 055
Inventories	6	7 101 793	9 314 911
Statutory receivables	7	2 537 650	1 116 191
		63 628 687	30 574 481
Non-Current Assets			
Biological assets	8	4 185 653	5 264 916
Investment property	9	7 110 000	6 580 000
Property, plant and equipment	10	80 503 825	78 637 237
Intangible assets	11	1 423 216	1 595 399
Heritage assets	12	19 750	19 750
		93 242 444	92 097 302
Total Assets		156 871 131	122 671 783
LIABILITIES			
Current Liabilities			
Finance lease obligation	13	560 063	-
Payables from exchange transactions	14	9 166 672	12 695 900
Employee benefit obligation	15	1 045 000	607 000
Unspent conditional grants and receipts	16	1 096 941	1 876 499
Contract advances	50	39 383 285	-
		51 251 961	15 179 399
Non-Current Liabilities			
Employee benefit obligation	15	6 069 000	6 018 000
Total Liabilities		57 320 961	21 197 399
Net Assets		99 550 170	101 474 384
Revaluation reserve	17	62 024 719	62 024 719
Accumulated Surplus		37 525 451	39 449 665
TOTAL NET ASSETS		99 550 170	101 474 384

* See Note 49

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Statement of Financial Performance

	Note(s)	2022	2021
REVENUE			
Revenue from exchange transactions			
Rental of facilities	18	191 239	139 924
Other income	19	-	314 743
Administration and management fees	20	1 749 426	1 869 911
Interest received	21	2 311 608	1 846 389
Total revenue from exchange transactions		4 252 273	4 170 967
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	22	107 705 302	105 071 264
Contract revenue	50	11 589 715	-
Donations received	23	4 287 751	4 395 670
Total revenue from non-exchange transactions		123 582 768	109 466 934
Total revenue		127 835 041	113 637 901
EXPENDITURE			
Employee related costs	24	(71 456 263)	(69 555 051)
Remuneration of councillors	25	(5 447 245)	(5 179 268)
Depreciation and amortisation	26	(4 895 388)	(3 849 153)
Finance costs	27	(1 295 545)	(581 353)
Debt Impairment	28	(1 486 177)	(113 755)
Contract costs	50	(10 078 013)	-
Transfers and subsidies	30	(18 000)	(78 115)
Operational costs	31	(34 883 051)	(30 987 914)
Total expenditure		(129 559 682)	(110 344 609)
Operating Surplus/(Deficit)		(1 724 641)	3 293 292
Gain/(Loss) on disposal of assets	32	(1 370 480)	(197 974)
Fair value adjustments	33	1 391 921	1 100 725
Actuarial (losses)/gains	15	(93 000)	(1 214 000)
Gains/(Loss) on biological assets	34	97 041	1 393 201
Loss on non-current assets held for transfer	6	(2 302 904)	-
Gain from reversal of impairment	28	1 309 317	-
		(968 105)	1 081 952
Operating Surplus for the period		(2 692 746)	4 375 244

* See Note 49

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Statement of Changes in Net Assets

	Revaluation reserve	Accumulated Surplus	Total net assets
Balance at 01 July 2020	63 703 719	35 074 421	98 778 140
Revaluation of land and buildings	(1 679 000)	-	(1 679 000)
Net income recognised directly in net assets	(1 679 000)	-	(1 679 000)
Surplus for the year	-	4 375 244	4 375 244
Total recognised income and expenses for the year	(1 679 000)	4 375 244	2 696 244
Total changes	(1 679 000)	4 375 244	2 696 244
Opening balance as previously reported	62 024 719	39 449 666	101 474 385
Adjustments			
Prior year adjustments	-	768 531	768 531
Restated* Balance at 01 July 2021 as restated*	62 024 719	40 218 197	102 242 916
Changes in net assets			
Surplus/(Deficit) for the year	-	(2 692 746)	(2 692 746)
Total changes	-	(2 692 746)	(2 692 746)
Balance at 30 June 2022	62 024 719	37 525 451	99 550 170
Note(s)	17		

* See Note 49

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Statement of Cash Flow

	Note(s)	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		190 975	2 270 869
Grants		106 925 744	106 601 360
Interest income		2 311 608	1 846 389
Construction Contracts		50 973 000	-
		<u>160 401 327</u>	<u>110 718 618</u>
Payments			
Employee costs		(76 226 095)	(75 966 062)
Suppliers		(48 675 959)	(28 845 297)
Finance costs		(730 545)	(207 353)
		<u>(125 632 599)</u>	<u>(105 018 712)</u>
Net cash flows from operating activities	35	<u>34 768 728</u>	<u>5 699 906</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(1 137 382)	(1 337 021)
Proceeds from sale of property, plant and equipment	10	-	23 374
Purchase of other intangible assets	11	(400 834)	(68 012)
Proceeds from sale of biological assets	8	667 745	-
		<u>(870 471)</u>	<u>(1 381 659)</u>
Net cash flows from investing activities		<u>(870 471)</u>	<u>(1 381 659)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other financial liabilities		-	(703 344)
Finance lease payments		(203 763)	(268 012)
		<u>(203 763)</u>	<u>(971 356)</u>
Net cash flows from financing activities		<u>(203 763)</u>	<u>(971 356)</u>
Net increase in cash and cash equivalents		33 694 494	3 346 891
Cash and cash equivalents at the beginning of the year		12 091 027	8 744 136
Cash and cash equivalents at the end of the year	3	<u>45 785 521</u>	<u>12 091 027</u>

* See Note 49

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
Revenue from exchange transactions						
Rental of facilities	152 278	62 152	214 430	191 239	(23 191)	1
Administration and management fees	2 340 150	(642 717)	1 697 433	1 749 426	51 993	2
Other income	309 254	-	309 254	-	(309 254)	3
Interest received	2 472 100	(679 121)	1 792 979	2 311 608	518 629	4
Total revenue from exchange transactions	5 273 782	(1 259 686)	4 014 096	4 252 273	238 177	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	105 578 000	2 262 297	107 840 297	107 705 302	(134 995)	5
Donations received	-	3 888 750	3 888 750	4 287 751	399 001	6
Contract revenue	-	50 973 000	50 973 000	11 589 715	(39 383 285)	
Total revenue from non-exchange transactions	105 578 000	57 124 047	162 702 047	123 582 768	(39 119 279)	
Total revenue	110 851 782	55 864 361	166 716 143	127 835 041	(38 881 102)	
EXPENDITURE						
Employee related costs	(73 255 546)	2 120 998	(71 134 548)	(71 456 263)	(321 715)	7
Remuneration of councillors	(5 350 209)	(77 711)	(5 427 920)	(5 447 245)	(19 325)	8
Depreciation and amortisation	(3 325 027)	-	(3 325 027)	(4 895 388)	(1 570 361)	9
Finance costs	(19 296)	(311 680)	(330 976)	(1 295 545)	(964 569)	10
Debt Impairment	(103 900)	-	(103 900)	(1 486 177)	(1 382 277)	11
Contract costs	-	(50 973 000)	(50 973 000)	(10 078 013)	40 894 987	
Transfers and Subsidies	(200 000)	104 497	(95 503)	(18 000)	77 503	13
Operational costs	(27 901 340)	(4 722 393)	(32 623 733)	(34 883 051)	(2 259 318)	14
Total expenditure	(110 155 318)	(53 859 289)	(164 014 607)	(129 559 682)	34 454 925	
Operating deficit	696 464	2 005 072	2 701 536	(1 724 641)	(4 426 177)	
Gain/(Loss) on disposal of assets	-	2 400 000	2 400 000	(1 370 480)	(3 770 480)	15
Fair value adjustment	-	-	-	1 391 921	1 391 921	16
Actuarial gains/(losses)	-	-	-	(93 000)	(93 000)	17
Loss on biological assets	-	-	-	97 041	97 041	18
Loss on non-current assets held for sale or disposal groups	-	(2 302 904)	(2 302 904)	(2 302 904)	-	
	-	97 096	97 096	(2 277 422)	(2 374 518)	
Surplus/(deficit) for the year	696 464	2 102 168	2 798 632	(4 002 063)	(6 800 695)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	696 464	2 102 168	2 798 632	(4 002 063)	(6 800 695)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
STATEMENT OF FINANCIAL POSITION						
Assets						
Current Assets						
Inventories	8 784 360	(281 579)	8 502 781	7 101 793	(1 400 988)	1
Receivables from exchange transactions	8 840 659	(794 142)	8 046 517	8 203 723	157 206	2
Receivables from non-exchange transactions	100 135	-	100 135	-	(100 135)	
Statutory receivables	-	-	-	2 537 650	2 537 650	3
Cash and cash equivalents	9 231 636	15 813 879	25 045 515	45 785 521	20 740 006	4
	26 956 790	14 738 158	41 694 948	63 628 687	21 933 739	
Non-Current Assets						
Biological assets	2 780 990	2 483 926	5 264 916	4 185 653	(1 079 263)	5
Investment property	6 570 000	-	6 570 000	7 110 000	540 000	6
Property, plant and equipment	78 760 173	4 939 667	83 699 840	80 503 825	(3 196 015)	7
Intangible assets	2 234 670	2 673 878	4 908 548	1 423 216	(3 485 332)	8
Heritage assets	19 750	-	19 750	19 750	-	
	90 365 583	10 097 471	100 463 054	93 242 444	(7 220 610)	
Total Assets	117 322 373	24 835 629	142 158 002	156 871 131	14 713 129	
Liabilities						
Current Liabilities						
Finance lease obligation	-	570 000	570 000	560 063	(9 937)	
Payables from exchange transactions	6 553 514	1 258 944	7 812 458	9 166 668	1 354 210	
Employee benefit obligation	-	-	-	1 045 000	1 045 000	
Unspent conditional grants and receipts	-	-	-	1 096 941	1 096 941	
Contract advances	-	-	-	39 383 285	39 383 285	
	6 553 514	1 828 944	8 382 458	51 251 957	42 869 499	
Non-Current Liabilities						
Other financial liabilities	367 938	(367 938)	-	-	-	
Employee benefit obligation	9 148 134	51 000	9 199 134	6 069 000	(3 130 134)	6
	9 516 072	(316 938)	9 199 134	6 069 000	(3 130 134)	
Total Liabilities	16 069 586	1 512 006	17 581 592	57 320 957	39 739 365	
Net Assets	101 252 787	23 323 623	124 576 410	99 550 174	(25 026 236)	
Reserves						
Revaluation reserve	63 703 719	-	63 703 719	62 024 719	(1 679 000)	
Accumulated Surplus	37 549 068	23 323 623	60 872 691	37 525 454	(23 347 237)	
Total Net Assets	101 252 787	23 323 623	124 576 410	99 550 173	(25 026 237)	

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

An independent, qualified valuer will be appointed where necessary, for example in estimating the fair value of investment property or biological assets.

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Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 1.14 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits and other long-term benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows except for long term borrowings or finance leases, where the contractually agreed or implied interest rate is used.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Biological assets

The Municipality recognises biological assets or agricultural produce when, and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset 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 is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

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

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

Accounting Policies

1.4 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

managements' intended usage of the property; and
the extent to which it is owner occupied.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings and community assets which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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Accounting Policies

1.5 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The depreciation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	20 - 30 years
Community assets - buildings	Straight line	20 - 30 years
Community assets - land	Straight line	Indefinite
Disaster unit - buildings	Straight line	5 - 30 years
Furniture and fittings	Straight line	5 - 30 years
IT equipment	Straight line	5 - 30 years
Land	Straight line	Indefinite
Leased assets	Straight line	3 - 8 years
Motor vehicles	Straight line	5 - 15 years
Office equipment	Straight line	5 - 30 years
Other property, plant and equipment	Straight line	2 - 25 years

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors. The municipality has re-assessed the useful lives of property, plant and equipment.

Assets of the municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

Intangible assets are initially measured at cost

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	5 - 10 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Heritage assets

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

Accounting Policies

1.7 Heritage assets (continued)

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

When the Municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 12 - Heritage assets.

Heritage assets are initially measured at cost.

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

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

The Municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The Municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

1.8 Impairment of cash-generating assets

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

Criteria developed by the Municipality to distinguish cash-generating assets from non-cash-generating assets are as follows: as the Municipality is a district Municipality, it does not hold assets which are specifically used to generate revenue (e.g. infrastructure relating to utilities), other than the farm used to hold biological assets. Other revenue generated by the Municipality is in exchange for services provided, for which the related assets (furniture, office equipment, etc.) are interchangeable with the assets used for non-cash generating activities.

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

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

1.9 Impairment of non-cash-generating assets

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

Criteria developed by the Municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: as the municipality is a district Municipality, it does not hold assets which are specifically used to generate revenue (e.g. infrastructure relating to utilities), other than the farm used to hold biological assets. Revenue generated by the Municipality is in exchange for services provided, for which the related assets (furniture, office equipment, etc.) are interchangeable with the assets used for non-cash generating activities; all such interchangeable assets are deemed to be non-cash generating assets.

Identification

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

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

Accounting Policies

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current 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.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

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Accounting Policies

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

Redesignation

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

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

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

Class	Category
Cash and Cash equivalents	Financial asset measured at amortised cost
Receivables from Exchange transactions (Trade debtors)	Financial asset measured at amortised cost

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

Class	Category
Payables from Exchange transactions (Trade Payables)	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Unspent conditional grants and receipts, grant receivable	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Accounting Policies

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.11 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value.

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

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

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

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Accounting Policies

1.11 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Value added taxation

The Municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with Section 15(1) of the VAT Act No.89 of 1991.

1.13 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity 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.

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

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The Municipality has an obligation to provide other long-term service allowance benefits to the majority of its employees.

The Municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

Accounting Policies

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating surplus.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

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; or
- 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 or service potential will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

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

The amounts disclosed as contingent liabilities or assets shall be the best estimate of the expenditure required to settle the obligation, or benefits to be obtained at the reporting date. The estimate may be based on guidance from experts, such as attorneys. Where it is not practicable to engage an expert, and it is not practicable to determine expected values with any certainty, the gross amount of a claim or dispute will be disclosed.

1.15 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

Accounting Policies

1.16 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve.

On disposal, the net revaluation surplus is transferred to the accumulated surplus / deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.17 Accounting by principals and agents

Identification

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

Identifying whether an entity is a principal or an agent

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.18 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- 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 entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

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

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

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

1.19 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, 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 is recognised as revenue.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.20 Borrowing costs

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

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

1.21 Leases

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

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Accounting Policies

1.21 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the Municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

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

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

1.22 Grant in aid

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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Accounting Policies

1.24 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

overspending of a vote or a main division within a vote; and

expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Budget information

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.29 Related parties

A related party is a person or an municipality with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an Municipality that is subject to common control, or joint control.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Accounting Policies

1.29 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.30 Events after reporting date

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

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

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

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

1.31 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Accounting Policies

1.31 Statutory receivables (continued)

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

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

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
the rights to the cash flows from the receivable are settled, expire or are waived;

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Accounting Policies

1.31 Statutory receivables (continued)

the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.32 Construction contracts

The municipality received a level two accreditation in terms of the National Housing Code during March 2022 for its participation in the National Housing Programme. It is a project developer in terms of arrangements related to the construction and transfer houses to the beneficiaries of the National Housing Programme.

Grants received to implement the National Housing Programme are recognised as contract revenue

Contract revenue comprises:

- a) the initial amount of revenue agreed in the contract; and
- b) variations in contract work, claims and incentive payments to the extent that:
- c) it is probable that they will result in revenue; and
- d) they are capable of being reliably measured.

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

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised as revenue by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is assessed with reference to a review of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- a) total contract revenue, if any, can be measured reliably;
- b) it is probable that the economic benefits or service potential associated with the contract will flow to the entity
- c) such other costs as are specifically chargeable to the customer under the terms of the contract.

Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the final completion of the contract. Costs that cannot be attributed to contract activity or cannot be allocated to a contract are excluded from the costs of a construction contract.

Such costs include:

- a) general administration costs for which reimbursement is not specified in the contract;
- b) selling costs;
- c) research and development costs for which reimbursement is not specified in the contract; and
- d) depreciation of idle plant and equipment that is not used on a particular contract.

As with contract revenue, contract costs are recognised as expenses when the outcome of a construction contract can be estimated reliably, by reference to the stage of completion of the contract activity at the reporting date.

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Notes to the Annual Financial Statements

2022 2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

There are no new standards that were issued and effective in the current year. The municipality has applied all standards and interpretations that were issued by the accounting standards board that are applicable to the municipality consistently with prior year.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2022 or later periods:

Standard Interpretation	Effective date: years beginning on or after	Expected Impact
GRAP 104: Financial Instruments (Revised 2019)	1 April 2025	The impact of the standard is not material
GRAP 25: Employee Benefits	1 April 2023	The impact of the standard is not material
iGRAP 21: Effects of Past Decisions on Materiality	1 April 2023	The impact of the standard is not material
iGRAP 7 (revised): The limit on a defined benefit asset, minimum funding requirements and their interaction	1 April 2022	The impact of the standard is not material

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Notes to the Annual Financial Statements

2022 2021

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8	969
Bank balance	3 139 802	9 681 231
Short-term deposits	42 645 711	2 408 827
	45 785 521	12 091 027

The municipality had the following bank accounts and cash on hand:

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
STD BANK - Call Account 508871603-020	-	17 821	17 207	-	17 821	17 207
STD BANK - Call Account - 048463353-007	-	-	86 421	-	-	-
STD BANK - Main Account - 240923804	3 139 802	9 681 231	8 728 886	3 139 802	9 681 231	8 726 886
STD BANK - Call Account - 048463353-025	-	435 414	-	-	435 414	-
STD BANK - Call Account - 048463353-027	-	1 955 592	-	-	1 955 592	-
Cash on Hand	8	969	43	8	969	43
ABSA - Fixed Deposit- 9370995821	2 798 359	-	-	2 798 359	-	-
ABSA Bank -Fixed Deposit 9370194405	39 847 353	-	-	39 847 353	-	-
Total	45 785 522	12 091 027	8 832 557	45 785 522	12 091 027	8 744 136

The following investment accounts matured during the financial period (i.e. the opening and closing balances at the respective reporting dates were nil):

Standard Bank	Call Account	048463353-02
Standard Bank	Call Account	508871603-020
Standard Bank	Call Account	048463353-025
Standard Bank	Call Account	048463353-032
Standard Bank	Call Account	048463353-033
Standard Bank	Call Account	048463353-034
Standard Bank	Call Account	048463353-035
Standard Bank	Call Account	048463353-036
Standard Bank	Call Account	048463353-037
Standard Bank	Call Account	048463353-038
Standard Bank	Call Account	048463353-039
Standard Bank	Call Account	048463353-040
Standard Bank	Call Account	048463353-041
ABSA Bank	Fixed Deposit	93657504787

The following bank accounts were opened during 2021/22 financial year.

Standard Bank	Call Account	048463353-032
Standard Bank	Call Account	048463353-033
Standard Bank	Call Account	048463353-034
Standard Bank	Call Account	048463353-035
Standard Bank	Call Account	048463353-036

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

	2022	2021	
3. Cash and cash equivalents (continued)			
Standard Bank Call Account 048463353-037			
Standard Bank Call Account 048463353-038			
Standard Bank Call Account 048463353-039			
Standard Bank Call Account 048463353-040			
Standard Bank Call Account 048463353-041			
ABSA Bank Fixed Deposit 9365750478			
ABSA Bank Fixed Deposit 9370194405			
ABSA Bank Fixed Deposit 9370995821			
4. Receivables from exchange transactions			
Trade debtors	7 487 199	7 182 217	
Prepaid expenses	712 844	771 200	
Bursary repayment	3 680	4 880	
	8 203 723	7 958 297	
Trade and other receivables pledged as security			
Trade and other receivables were not pledged as security.			
Current (0 - 30 days)	1 550 026	1 258 563	
31 - 60 Days	25 216	63 089	
61 - 90 Days	132 503	57 269	
+ 90 Days	6 851 533	8 244 247	
Allowance for impairment	(355 555)	(1 664 872)	
	8 203 723	7 958 296	
Summary of receivables by customer classification			
	Other	Organs of state	Total
31 June 2022			
Current (0 - 30 days)	939 156	610 870	1 550 026
31 - 60 Days	16 981	8 235	25 216
61 - 90 Days	47 342	85 161	132 503
+ 90 Days	340 373	6 511 160	6 851 533
Allowance for impairment	(355 555)	-	(355 555)
	988 297	7 215 426	8 203 723
Summary of receivables by customer classification			
	Other	Organs of state	Total
30 June 2021			
Current (0 - 30 days)	799 027	459 536	1 258 563
31 - 60 Days	23 943	39 146	63 089
61 - 90 Days	17 898	39 371	57 269
+ 90 Days	1 667 854	6 576 393	8 244 247
Allowance for impairment	(1 664 872)	-	(1 664 872)
	843 850	7 114 446	7 958 296

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

2022 2021

4. Receivables from exchange transactions (continued)

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

Trade and other receivables past due but not impaired

Impairment is provided for on all individual accounts which are more than one month past due. The full amount is not impaired and variable rates are used on each individual account depending on the risk profile of the account. National and Provincial Government accounts and other receivables are not impaired. At 31 June 2022 R 6 619 855 (June 2021: R 6 654 910) trade receivables were past due but not impaired.

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

1 month past due	22 608	39 146
2 months past due	92 707	39 371
3 months past due	6 506 259	6 576 393

Trade and other receivables impaired

As of 30 June 2022, trade receivables of R406 901 - (June 2021: R 1 732 642) were impaired and provided for, excluding organs of state, prepaid expenses, and the bursary repayment.

The amount of the allowance for impairment was R 357 347 as of 30 June 2022 (June 2021: R 1 664 872).

5. Receivables from non-exchange transactions

Receivable from grants	-	94 055
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Receivables from non exchange transactions are in relation to amounts owed to the municipality by Provincial and National Treasury for Rural Road and Asset Management Grants. The amount was written off in the current year see note 29.

6. Inventories

Consumable stores	705 315	628 940
Properties to be transferred	6 188 442	8 491 346
Bricks	203 176	189 765
Crusher dust	4 860	4 860
	7 101 793	9 314 911

Land inventory with a value of R 2 302 904 was transferred during the year.

Inventory pledged as security

Inventory was not pledged as security.

7. Statutory receivables

VAT receivable	2 537 650	1 116 191
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JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Notes to the Annual Financial Statements

2022 2021

7. Statutory receivables (continued)

VAT receivable is a statutory debtor as it arises from legislation (Value-added Tax Act) and requires settlement by another entity in cash. This receivable arises whenever the municipality enters into vat-able transactions and is recognised at 15% on the transaction amount.

Pledged as security

The statutory receivables have not been pledged as security.

8. Biological assets

	2022		2021	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Biological assets - game	4 185 653	-	4 185 653	5 264 916

Reconciliation of biological assets - 2022

	Opening balance	Additions	Disposals	Gains or losses arising from changes in fair value	Total
Biological assets - game	5 264 916	97 042	(2 038 226)	861 921	4 185 653

Reconciliation of biological assets - 2021

	Opening balance	Additions	Gains or losses arising from changes in fair value	Total
Biological assets - game	2 780 990	1 393 201	1 090 725	5 264 916

Non-financial information

Quantities of each biological asset

Blesbok	-	9
Blue wildebeest	126	409
Duiker	11	22
Eland	30	48
Gemsbok	93	130
Greater Kudu	2	-
Ostrich	50	71
Red hartebeest	25	14
Springbuck	336	398
Zebra	18	24
	691	1 125

The biological assets were valued by JBFE Consulting (PTY) Ltd, an independent professional valuer.

Game is valued using officially listed and publicised game auction and numbers. An active market exists for game but some species have no commercial value and are counted but not valued for trading. These are reflected in the listing below.

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Notes to the Annual Financial Statements

	2022	2021
8. Biological assets (continued)		
Non-Biological assets with no commercial value		
Bat-eared fox	21	-
Black backed jackal	4	1
Vultures	-	36
Domestic cattle	35	72
Domestic horses	10	10
Warthog	10	-
Steenbok (Ibex)	14	-
	94	119

Domestic animals on the farm are known to belong to members of the community, and are not considered to be assets of the municipality.

The key assumption in the valuation method used is that genetic variation in species are excluded from the valuation. This means that rare species types sales values are excluded as their pricing is not a fair reflection of the game populations value.

The increase could be due to changes in environmental factors such as rainfall, which resulted in an incline in population numbers.

A register containing the information required by section 63 of MFMA is available for inspection at the registered office of the municipality.

Pledged as security

The biological assets have not been pledged as security.

Methods and assumptions used in determining fair value

The fair value represents the market values for biological assets that are traded on active markets in the Northern Cape.

9. Investment property

	2022			2021		
	Cost / Valuation	Gains or losses arising from changes in fair value	Carrying value	Cost / Valuation	Gains or losses arising from changes in fair value	Carrying value
Investment property	6 580 000	530 000	7 110 000	6 570 000	10 000	6 580 000

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	6 580 000	530 000	7 110 000

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	6 570 000	10 000	6 580 000

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

2022 2021

9. Investment property (continued)

Pledged as security

Investment properties are not pledged as security.

The deficit for the period includes rental income of R191 239 generated from the investment property.

Details of property

Erf 2617 - Kuruman - Campus

Freehold ownership property in the Kuruman registration division. Site area is 1190 m square. Title deed No. T1049/1993, previously T610/1978. Registration date is 15 June 1978 with conditions and servitudes in accordance with Erf 2617 which is a consolidation of erven 1105 and 1106.

- Valuation 2 360 000 2 180 000

Erf 938 Kuruman - Offices let to the John Taolo Gaetsewe Development Trust

Property in the Northern Cape province with title deed number T416/1996. Site area is 1190m².

- Valuation 2 030 000 1 690 000

Erf 4439 Kuruman - Vacant stand

Property in the Northern Cape province with title deed number T26/2011 previously T25/2011. Site area is 17052m

- Valuation 2 720 000 2 710 000

The effective date of the revaluations of investment property was Thursday, 30 June 2022. Revaluations were performed by independent valuers, DDP Property Evaluation Experts. DDP Property Evaluation Experts are not connected to the municipality.

The method of valuation entailed the comparison of recent sales of land and buildings with similar value forming attributes in comparison to the subject property, situated in the surrounding area of the subject property. The market value was determined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

These assumptions were based on current market conditions.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

10. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	45 560 000	-	45 560 000	45 560 000	-	45 560 000
Buildings	23 477 229	(2 676 225)	20 801 004	23 477 228	(1 312 972)	22 164 256
Furniture and office equipment	5 768 022	(4 008 646)	1 759 376	5 502 022	(3 599 467)	1 902 555
Transport assets	13 378 116	(6 771 761)	6 606 355	10 319 107	(5 624 610)	4 694 497
Computer equipment	8 615 898	(6 050 231)	2 565 667	7 048 997	(5 153 698)	1 895 299
Community assets	622 000	(65 792)	556 208	622 000	(32 737)	589 263
Other property, plant and equipment	3 242 721	(587 506)	2 655 215	1 944 440	(113 073)	1 831 367
Total	100 663 986	(20 160 161)	80 503 825	94 473 794	(15 836 557)	78 637 237

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Total
Land	45 560 000	-	-	45 560 000
Buildings	22 164 258	-	(1 363 273)	20 801 004
Furniture and office equipment	1 902 556	266 002	(409 179)	1 759 379
Transport assets	4 694 498	3 059 009	(1 147 151)	6 606 356
Computer equipment	1 895 262	1 565 766	(895 360)	2 565 668
Community assets	589 263	-	(33 055)	556 208
Other property, plant and equipment	1 831 366	1 298 297	(474 433)	2 655 230
	78 637 203	6 189 074	(4 322 451)	80 503 845

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	46 540 000	-	-	(980 000)	-	45 560 000
Buildings	24 158 793	-	-	(700 000)	(1 294 536)	22 164 258
Furniture and office equipment	2 567 331	95 869	(155 283)	-	(605 361)	1 902 556
Transport assets	2 103 774	3 284 860	-	-	(694 136)	4 694 498
Computer equipment	1 904 259	549 621	(37 077)	-	(521 541)	1 895 262
Community assets	621 000	-	-	1 000	(32 737)	589 263
Other property, plant and equipment	61 605	1 803 383	(44)	-	(33 578)	1 831 366
	77 956 762	5 733 733	(192 404)	(1 679 000)	(3 181 889)	78 637 203

Change in accounting estimate

The expected useful lives of property, plant and equipment has increased as a result of the re-assessment. The re-assessment has resulted in a decrease in depreciation of R259 365 in current period and an increase in depreciation by the same amount in the future period:

None of the above property, plants and equipment have been pledged as security.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

2022 2021

10. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations of land and buildings was Thursday, 30 June 2022. Revaluations were performed by independent valuers, DDP Property Evaluation Experts. DDP Property Evaluation Experts are not connected to the entity.

The method of valuation entailed the comparison of recent sales of land and buildings with similar value forming attributes in comparison to the subject property, situated in the surrounding area of the subject property. The market value was determined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

These assumptions were based on current market conditions.

Additions

Of the assets additions, a total of R4 287 751 (June 2021: R4 395 670) are donated assets not purchased for cash. Assets purchased for cash amounted to R 1 246 607 (June 2021: R 1 338 063).

Expenditure incurred to repair and maintain property, plant and equipment

Maintenance of equipment	565 842	564 450
Repairs of community owned properties	1 022 824	1 194 667
	1 588 666	1 759 117

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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11. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 791 975	(2 368 759)	1 423 216	3 391 141	(1 795 742)	1 595 399

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	1 595 399	400 834	(573 017)	1 423 216

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	2 224 670	68 012	(29 984)	(667 299)	1 595 399

Pledged as security

The intangible assets are not pledged as security.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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	2022	2021				
12. Heritage assets						
	2022	2021				
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	19 750	-	19 750	19 750	-	19 750

Reconciliation of heritage assets 2022

	Opening balance	Total
Mayoral chain	19 750	19 750

Reconciliation of heritage assets 2021

	Opening balance	Total
Mayoral chain	19 750	19 750

Assessment for Impairment of Heritage assets

The Mayoral chain was assessed for impairment and there were no indications of impairment noted.

Pledged as security

The heritage assets are not pledged as security.

Expenditure incurred to repair maintain heritage assets

No such expenditure was incurred in relation to heritage assets.

Other information

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

13. Finance lease obligation

Minimum lease payments due

- within one year	928 696	-
	928 696	-
less: future finance charges	(368 633)	-
Present value of minimum lease payments	560 063	-

Present value of minimum lease payments due

- within one year	560 063	-
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It is entity policy to lease office equipment such as photocopying and printing machines under finance leases.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Notes to the Annual Financial Statements

	2022	2021
14. Payables from exchange transactions		
Trade payables	901 819	4 423 071
Payments received in advanced- contract in process	-	862 744
Payroll related liabilities at year end	473 447	83 961
Leave accrual	5 941 416	5 538 579
Bonus accrual	1 792 820	1 738 731
Debtors with Credit Balances	57 170	48 814
	9 166 672	12 695 900

Payroll related liabilities include payroll taxes due to SARS and bonus installments.

Payables are recognised net of any discounts.

As far as possible, payables are being 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.

15. Employee benefit obligations

The employee benefit obligation relate to post-retirement medical aid benefits provided and long service awards.

Impact of COVID-19:

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

Post-retirement Medical Aid Benefit and Long Service Award

The municipality provides post-employment medical aid benefits upon retirement to some retirees. The entitlement to post-employment medical aid benefits is based on special resolution by the council. The municipality operates an unfunded defined benefit plan for these qualifying individuals. No other post-retirement benefit are provided to these individuals.

The actuarial valuation of the present value of the obligation at 30 June 2022 was carried out by Arch Actuarial Consulting. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Carrying value

Present value of unfunded obligation at the beginning of the year	6 625 000	5 185 000
Net actuarial (gains)/ losses	93 000	1 214 000
Difference between expected and actual current service costs	(169 000)	(148 000)
Interest cost	565 000	374 000
	7 114 000	6 625 000
Non-current liabilities	6 069 000	6 018 000
Current liabilities	1 045 000	607 000
	7 114 000	6 625 000

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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15. Employee benefit obligations (continued)

Medical Aid Benefit- Key Assumptions used

The Municipality provides post-employment medical aid benefits upon retirement to some retirees. The entitlement to post-employment medical aid benefits is based on special resolution by the council, or the terms of employment prevailing at the time the employees retired. The Municipality operates an unfunded defined benefit plan for these qualifying individuals. No other post-retirement benefit are provided to these individuals. The actuarial valuation of the present value of the obligation at 30 June 2022 was carried out by Arch Actuarial Consulting. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method. Assumptions used at the reporting date for Medical Aid Benefit:

Discount rate	10,35 %	8,70 %
Health Care cost Inflation	7,35 %	6,14 %
Net Discount rate	2,62 %	2,41 %
Present value of unfunded obligation at the beginning of the year	3 002 000	1 694 000
Actuarial (gains)/losses	84 000	1 363 000
Expected subsidy (benefit) payments	(304 000)	-
Difference between expected and actual current service costs	-	(190 000)
Interest cost	248 000	135 000
	3 030 000	3 002 000
Non-current liabilities	2 705 000	2 698 000
Current liabilities	325 000	304 000
	3 030 000	3 002 000

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

	2022	2021
15. Employee benefit obligations (continued)		
Long Service Awards- Key Assumptions		
Discount Rate	10,60 %	9,13 %
General Earnings Inflation Rate	7,04 %	5,77 %
Net effective discount rate	3,33 %	3,18 %
Long service awards		
<p>The municipality has an obligation to provide long service awards benefits to all its permanent employees. In terms of the municipalities policies and practice, permanent employees other than section 57 managers are entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 40 and 45 years of continued service. The municipality operates an unfunded defined benefit plan for these qualifying employees.</p> <p>The actuarial valuation of the present value of the obligation at 30 June 2022 was carried out by Arch Actuarial Consulting CC. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.</p>		
Present value of unfunded obligation at the beginning of the year	3 623 000	3 491 000
Actuarial (gains)/losses	9 000	(149 000)
Difference between expected and actual current service costs	135 000	42 000
Interest cost	317 000	239 000
	4 084 000	3 623 000
Non-current liabilities	3 364 000	3 320 000
Current liabilities	720 000	303 000
	4 084 000	3 623 000
		-
16. Unspent conditional grants and receipts		
Khotso Pula Nala grant	30 197	30 197
Fire grant	-	5
COVID-19 grant	-	1 663 048
LG SETA grant	204 000	69 000
HIV and AIDS council	-	114 249
CoGHSTA Housing Grant	862 744	-
	1 096 941	1 876 499
<p>The nature and extent of government grants recognised on these annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited.</p>		
17. Revaluation reserve		
Opening balance	62 024 719	63 703 719
Revaluation of land and buildings - current year	-	(1 679 000)
	62 024 719	62 024 719
<p>The revaluation reserve is created by surplus arising from the revaluation of property, plant and equipment. The fair value assessment of land and buildings was performed by DDP Valuers as at 30 June 2022.</p>		

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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	2022	2021
18. Rental of facilities and equipment		
Premises	191 239	139 924
19. Other income		
Insurance refunds	-	314 743
20. Administration and management fees		
Product related services	1 626 751	1 756 080
Training (LGSETA)	122 675	113 831
	1 749 426	1 869 911
21. Interest received		
Interest revenue		
Receivables from exchange transactions	585 729	685 988
Bank	1 725 879	1 160 401
	2 311 608	1 846 389

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

	2022	2021
22. Government grants and subsidies		
Operating grants		
Equitable share	95 976 000	93 279 000
LG SETA	50 000	36 360
Fire grant	5	5 000
Financial management grant	1 000 000	1 000 000
Expanded public works program	1 075 000	1 000 000
Rural roads asset management grant	2 027 000	2 000 000
HIV/AIDS grant	114 249	496 952
COVID-19 grant	1 663 048	3 103 952
Infrastructure skills development grant	5 500 000	4 150 000
Housing accreditation grant	300 000	-
	107 705 302	105 071 264

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

	2022	2021
22. Government grants and subsidies (continued)		
Equitable share		
The equitable share is a financial allocation from National Treasury in the form of an unconditional grant that enables municipalities to provide basic services to poor households, and to enable municipalities with limited own resources to afford basic administrative and governance capacity and perform core municipal functions.		
Current-year receipts	95 976 000	93 279 000
Conditions met - transferred to revenue	(95 976 000)	(93 279 000)
Net grant receivable	-	-
Financial management grant		
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
Net of unspent grants	-	-
The Financial management grant is paid by National Treasury to municipalities to help implement the financial reforms required by the MFMA.		
Fire grant		
Balance unspent at beginning of year	5	5 005
Conditions met - transferred to revenue	(5)	(5 000)
Net of unspent grants	-	5
Kuruman is prone to natural disasters, mainly fires. This grant was used to assist local municipalities to upgrade and render a fire service.		
Housing accreditation grant		
Current-year receipts	300 000	-
Conditions met - transferred to revenue	(300 000)	-
Net of (unspent)/receivable grants	-	-
The housing grant was utilised for the development of erven and the erection of top structures.		
Khotso Pula Nala		
Balance unspent at beginning of year	30 197	30 197
The grant related to disaster relief projects at the local municipalities in the district.		
Expanded public works programme - incentive grant		
Current-year receipts	1 075 000	1 000 000
Conditions met - transferred to revenue	(1 075 000)	(1 000 000)
Net of unspent/(unpaid) grants	-	-
The grant was used for debushing, fencing of graveyards as well as to address issues of unemployment as it is labour intensive.		
HIV and AIDS council		
Balance unspent at beginning of year	114 249	311 201

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

	2022	2021
22. Government grants and subsidies (continued)		
Current-year receipts	-	300 000
Conditions met - transferred to revenue	(114 249)	(496 952)
Net of unspent grants	-	114 249

The grant was used for HIV and AIDS awareness programmes.

Infrastructure skill development grant

Current-year receipts	5 500 000	4 150 000
Conditions met - transferred to revenue	(5 500 000)	(4 150 000)
Net of unspent grants	-	-

The grant was used to employ interns for training in civil engineering, building inspections and town planning.

Rural road asset management grant

Current-year receipts	2 027 000	2 000 000
Conditions met - transferred to revenue	(2 027 000)	(2 000 000)
Net of unspent/(unpaid) grants	-	-

This grant is gazetted in the DORA to establish a road asset management system. The municipality uses these funds to employ interns to analyse and report on road usage.

Covid 19 Grant

Balance unspent at beginning of year	1 663 048	-
Current-year receipts	-	4 767 000
Conditions met - transferred to revenue	(1 663 048)	(3 103 952)
	-	1 663 048

The grant was used for Covid 19 related expenditure.

LG SETA

Balance unspent at beginning of year	69 000	-
Current-year receipts	185 000	105 360
Conditions met - transferred to revenue	(50 000)	(36 360)
	204 000	69 000

The grant is used for learning interventions within the district

CoGHSTA - Housing development project

Transfer from	862 744	-
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Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Notes to the Annual Financial Statements

	2022	2021
23. Donations in kind		
Assmang Black Rock Mine	4 287 751	4 395 670

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Notes to the Annual Financial Statements

24. Employee related costs

Basic salary	47 599 551	46 431 793
Bonus	4 084 322	3 133 149
Medical aid - company contributions	3 615 430	3 452 764
Unemployment insurance fund	265 563	222 697
Skills development levy	590 988	476 855
Leave	3 163 437	3 987 037
Remote Allowance	432 968	432 968
Non-Pension allowance	312 000	-
Inconvenience allowance	121 942	117 818
Nightshift allowance	548 676	626 421
Long-service awards	125 373	271 759
Acting allowance	45 916	54 366
Travel allowance	1 363 244	1 407 174
Housing benefits and allowances	1 794 438	1 826 400
Contribution provident fund	609 051	445 939
Contribution pension fund	6 703 456	6 561 095
Contribution industrial council	12 144	11 777
Change in valuation of employee benefit obligations	(169 000)	(148 000)
Cellular phone allowance	236 764	243 039
	71 456 263	69 555 051

Remuneration Municipal Management DH Molaole

Annual Remuneration	1 267 066	1 267 066
Car Allowance	28 800	28 800
Remote Allowance	88 695	88 695
Cellular phone allowance	19 200	19 200
Performance bonus	177 389	-
Leave Payout	76 024	76 024
	-	-
	-	-
	1 657 174	1 479 785

Remuneration of director of infrastructure: M.W. Molusi

Annual Remuneration	920 327	920 327
Car Allowance	120 000	110 000
Additional transport allowance	28 800	28 800
Cellular phone allowance	19 200	19 200
Remote Allowance	72 823	72 823
Performance bonus	145 646	-
Leave Payout	62 420	455 491
	1 369 216	1 606 641

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Notes to the Annual Financial Statements

24. Employee related costs (continued)

Remuneration of Acting Director of Community Services: T.H. Matlhare

Annual Remuneration	850 107	850 107
Car Allowance	100 800	100 800
Additional transport allowance	28 800	28 800
Performance Bonuses	133 127	-
Remote Allowance	66 564	66 564
Cellular phone allowance	19 200	19 200
Leave payout	38 036	438 253
	1 236 634	1 503 724

Appointed as Acting Director of Community Services from 1 July 2021.

Remuneration of director of development and planning: K.K. Teise

Annual Remuneration	899 363	899 363
Car Allowance	140 964	140 964
Additional transport allowance	28 800	28 800
Performance Bonuses	145 646	-
Remote Allowance	72 823	72 823
Cellular phone allowance	19 200	19 200
Leave Payout	62 420	297 883
	1 369 216	1 459 033

Remuneration of Acting Chief Financial Officer GP Moroane

Annual Remuneration	956 327	956 327
Car Allowance	84 000	84 000
Additional transport allowance	28 800	28 800
Performance Bonuses	145 646	-
Remote Allowance	72 823	72 823
Cellular phone allowance	19 200	19 200
Leave Payout	41 613	400 170
	1 348 409	1 561 320

Appointed as Acting Chief Financial Officer on 1 July 2021.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

24. Employee related costs (continued)

Director Corporate services E Tshabaemang

Annual Remuneration	666 307	666 307
Car Allowance	180 000	180 000
Additional transport allowance	28 800	28 800
Performance Bonuses	118 483	-
Remote Allowance	59 241	59 242
Cellular phone allowance	19 200	19 200
Leave payout	50 778	50 779
	1 122 809	1 004 328

The senior manager remuneration is in line with the upper limits as per the Government Gazette.

25. Remuneration of councillors

Mayor, Speaker and Councillors	5 447 245	5 179 268
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JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

25. Remuneration of councillors (continued)

In-kind benefits

The executive mayor, speaker and mayoral committee members are full-time. Each is provided with an office and secretarial support at the cost of the council.

The executive mayor has use of a council owned vehicle for official duties.

The remuneration of councillors is in line with the 2022 upper limits as per the Government Gazette.

Executive mayor: S Mosikatsi

Terminated 8 November 2021

Annual remuneration	236 392	647 060
Car Allowance	30 789	84 670
Pension fund contributions	43 043	129 129
Skills development levy	2 265	5 271
Cell phone allowance	14 836	40 800
Mobile data	1 309	3 600
	328 634	910 530

Executive Mayor: PQ Mogatle

Appointed 8 November 2021

Annual remuneration	478 952	-
Municipal Contribution to funds	37 663	-
Skills development levy	4 554	-
Cell phone allowance	25 964	-
Mobile data	2 291	-
	549 424	-

Speaker: PQ Mogatle

Terminated 8 November 2021

Annual remuneration	197 838	541 527
Car Allowance	34 731	95 510
Skills development levy	2 165	4 989
Cell phone allowance	14 836	40 800
Pension fund contributions	17 217	51 652
Mobile data	1 309	3 600
	268 096	738 078

Speaker: IE Aiseng

Appointed 9 November 2021

Annual remuneration	416 182	-
Skills development levy	4 303	-
Cell phone allowance	23 800	-
Backpay Cellphone Allowance	2 164	-
Mobile data	2 291	-
	448 740	-

Member of the mayoral committee: OG Monaki

Terminated 8 November 2021

Annual remuneration	218 186	596 232
Pension Fund contributions	16 141	49 414
Cell phone allowance	14 836	40 800
Mobile data	1 309	3 600
Skills Development Levy	2 101	4 833
	252 573	694 879

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Notes to the Annual Financial Statements

25. Remuneration of councillors (continued)

Member of the mayoral committee: TG Anthony
Terminated 8 November 2021

Annual remuneration	235 876	645 646
Skills development levy	2 440	5 650
Cell phone allowance	14 836	40 800
Mobile data	1 309	3 600
	254 461	695 696

MPAC Chairperson: OH Kgopodithata
Terminated 8 November 2021

Annual remuneration	28 199	77 188
Skills development levy	322	778
Cell phone allowance	7 418	20 400
Mobile data	655	1 800
	36 594	100 166

Member of the mayoral committee: GC Assegaai
Terminated 8 November 2021

Annual remuneration	136 348	373 216
Cell phone allowance	7 418	20 400
Mobile data	655	1 800
Skills development Levy	1 438	3 339
	145 859	398 755

Councillor (MPAC committee member): PJ Ohentswe
Reappointed 9 November 2021

Annual remuneration	243 111	214 216
Car Allowance	13 739	37 782
Municipal Contribution to funds	15 324	20 432
Skills development levy	2 610	2 137
Cell phone allowance	40 800	40 800
Mobile data	3 600	3 600
	319 184	318 967

Councillor: TF Molwagae
Resigned on 30 November 2020

Annual remuneration	-	104 999
Pension fund contributions	-	8 514
Skills development levy	-	719
Cell phone allowance	-	17 000
Mobile data	-	1 500
	-	-
	-	132 732

Councillor: KR Paul
Reappointed 9 November 2021

Annual remuneration	225 177	188 430
Skills development levy	2 855	2 400
Car Allowance	47 572	84 000
Cell phone allowance	40 800	40 800
Mobile data	3 600	3 600
	320 004	319 230

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Notes to the Annual Financial Statements

25. Remuneration of councillors (continued)

Member of mayoral committee: KF Masilabele

Reappointed 9 November 2021

Annual Remuneration	601 189	597 223
Backpay annual remuneration	-	-
Skills Development levy	5 991	4 843
Cell phone Allowance	40 800	40 800
Municipal contribution to fund	24 212	48 423
Mobile Data	3 600	3 600
	675 792	694 889

Member of Mayoral Committee: OH Kgopodithata

Appointed 9 November 2021

Annual Remuneration	366 862	-
Skills development levy	3 568	-
Cell phone allowance	25 963	-
Mobile Data	2 291	-
Municipal contribution to funds	24 212	-
	422 896	-

Member of Mayoral Committee: I Matebese

Appointed on 9 November 2021

Basic Salary	227 824	-
Skills development levy	2 278	-
	230 102	-

Member of Mayoral Committee: PM Kgosiengewang

Appointed 9 November 2021

Annual remuneration	391 074	-
Skills development levy	4 052	-
Cell phone allowance	25 964	-
Backpay Cell phone allowance	-	-
Mobile data	2 291	-
Pension fund contributions	-	-
	423 381	-

MPAC Chairperson: TM Motsoare

Appointed 9 November 2021

Annual remuneration	45 026	-
Skills development levy	450	-
	45 476	-

Councillor: NG Ngesi

Appointed 9 November 2021

Annual remuneration	164 851	-
Skills development levy	1 705	-
Cell phone allowance	23 800	-
Backpay Cell phone allowance	2 164	-
Mobile Data	2 291	-
Municipal contribution	8 513	-
	203 324	-

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

25. Remuneration of councillors (continued)

Councillor: KS Setlhodi

Reappointed 9 November 2021

Annual remuneration	92 063	129 404
Pension fund contributions	6 811	6 811
Skills development levy	211	634
Cell phone allowance	-	22 100
Mobile data	14 836	1 950
	1 309	14 447
	115 230	175 346

Councillor: TC Moilwe

Appointed 9 November 2021

Annual remuneration	161 446	-
Municipal contribution to funds	11 919	-
Skills development levy	1 637	-
Cell phone allowance	25 964	-
Mobile data	2 291	-
	203 257	-

Councillor: AI Eilerd

Appointed 9 November 2021

Annual remuneration	173 365	-
Skills development levy	1 875	-
Cell phone allowance	25 964	-
Mobile data	2 291	-
	203 495	-

26. Depreciation and amortisation

Property, plant and equipment	4 322 371	3 181 854
Intangible assets	573 017	667 299
	4 895 388	3 849 153

27. Finance costs

Unwinding cost - DBSA	-	16 560
Interest on overdue accounts	5 612	79 696
Finance leases	724 933	51 105
Non-current borrowings	-	59 992
Interest on employee benefit obligations	565 000	374 000
	1 295 545	581 353

28. Debt impairment

Additional amounts impaired/ Reduction of debt impairment	(1 309 205)	113 755
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In 2022, debt impairment decreased resulting in income of R 1 309 205 (2021: expense R113 755)

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

29. Bad Debts Written off

The council approved write-offs of R94 055 of organs of state and R1 392 123 of trade receivables. The amounts had been long outstanding and included interest.

Approved Bad Debts Written Off	1 486 177	-
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30. Transfers and subsidies

Bursaries to non-employees	18 000	78 115
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31. Operational costs

Advertising	358 505	400 870
Assessment rates	1 133	-
Auditors remuneration	3 007 782	2 686 883
Bank charges	168 556	138 668
Business Advisory Services	5 566 292	3 690 691
Maintenance of Equipment	565 842	564 450
Catering	765 033	800 968
Hire	162 492	86 315
Insurance premiums	74 254	1 639 048
Community development and training	1 530 800	36 360
Conferences and seminars	840 748	380 726
Maintenance of buildings and facilities	300 000	-
IT expenses	1 301 085	3 157 914
Legal fees	879 208	2 332 575
Call centre - disaster management	1 956 060	1 112 462
Municipal services	1 879 881	1 336 911
Postage and Courier Services	3 148	288
Printing and stationery	356 449	17 619
Inventory Consumed	612 350	571 367
Repairs of community owned properties	1 022 824	1 194 667
Security services	2 671 347	1 367 094
Membership fees	820 375	744 780
Telephone	436 552	540 181
Travel, subsistence and accommodation	4 341 191	3 144 280
Water quality monitoring	126 626	41 080
Uniforms	112 314	119 183
Study assistance	62 927	84 535
Training and Professional fees	2 774 442	2 648 155
Imbizo events	75 890	14 961
Cleaning Services	2 073 838	1 885 844
Communications	35 107	5 520
Capacity building	-	243 520
	34 883 051	30 987 915

32. Gain/(Loss) on disposal of asset

Property, plant and equipment	-	(167 991)
Intangible assets	-	(29 983)
Biological assets	(1 370 480)	-
	(1 370 480)	(197 974)

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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33. Fair value adjustments

Fair value adjustment on Investment property	530 000	10 000
Fair value adjustment on Biological assets	861 921	1 090 725
	1 391 921	1 100 725

34. Gains/(Loss) on biological assets

Gain on biological assets		
	97 041	1 393 201

35. Cash generated from operations

(Deficit) surplus	(2 692 746)	4 375 244
Adjustments for:		
Depreciation and amortisation	4 895 388	3 849 153
Other non cash adjustment	768 659	-
Donations	(4 287 751)	(4 395 671)
Transfer of Land	2 302 904	-
Gain/Loss on disposal of assets	1 370 481	197 974
Fair value adjustments	(1 391 921)	(1 100 725)
Gains/(Loss) on biological assets	(97 168)	(1 393 201)
Debt impairment	(1 309 317)	113 755
Bad debts written off	1 486 178	-
Movements in retirement benefit assets and liabilities	489 000	1 440 000
Changes in working capital:		
Inventories	(89 786)	(530 551)
Receivables from exchange transactions	(328 230)	774 687
Payables from exchange transactions	(3 529 231)	1 667 541
VAT	(1 421 459)	(828 396)
Unspent conditional grants and receipts	(779 558)	1 530 096
Contract advances	39 383 285	-
	34 768 728	5 699 906

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36. Contingencies

Matters disclosed in 2022

Zitshunele Trading & contracting CC VS John Taolo Gaetswe District Municipality litigation claim of R2 214 604 plus R 100 000 (legal fees). The matter is still at a preliminary stage but there is a possibility that the matter may go to court.

John Taolo Gaetswe District Municipality VS Edith Tshabaemang labour litigation claim of between R300 000 and R500 000 including legal fees. The matter is currently under review at labour court.

John Taolo Gaetswe District Municipality VS SAMWU obo T Mathabathe litigation claim of R300 000-R500 000 (legal fees)The matter is currently under appeal at the labour court.

John Taolo Gatswe District Municipality VS Public protector litigation claim of R 50 000-R100 000 including legal fees.

Matters of disclosure 2021.

Case No: JS229/17: Imatu obo Rossouw & Van Der Westhuizen V John Taolo Gaetswe Municipality, alleged unfair labour amounting to R66 676.6.

Case No: JR1464/17: Mathabathe V John Taolo Gaetswe Municipality, alleged unfair dismissal amounting to R119 259.20.1

Zitshunele V John Taolo Gaetswe District Municipality, litigation claim which could amount to a total cost of R2 314 603.79 including legal costs

The municipality is in a dispute with SEBATA, with regards to the invoices raised for the periods April 2018, May 2018, September 2018, October 2018, January 2019, March 2019 and November 2019 which amount to R2 537 480.84. The dispute was as a result of the service provider failing to submit progress reports to the municipality to substantiate the work that was being billed for. As at 30 June 2021, the service provider had not provided the progress reports to this regard. The municipality also engaged Treasury to ensure that they are aware of the dispute and to intervene. The liability due to the service provider could therefore not be measured with sufficient litigation claim of R300 000- R500 000 (legal fees)The matter is currently under appeal at the Labour court.

37. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Treasury maintains flexibility in funding by maintaining availability under committed 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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

At 30 June 2022	Less than 1 year	Between 1 and 2 years	
Trade and other payables	901 819	-	
At 30 June 2021	Less than 1 year	Between 1 and 2 years	
Trade and other payables	3 539 267	-	

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Notes to the Annual Financial Statements

2022 2021

37. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial instrument	2022	2021
Trade Receivables from exchange transactions	7 487 199	7 182 217

Market risk

Interest rate risk

The entity's interest rate risk arises from long-term borrowings. Borrowings arises at fixed rates, which expose the Municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk. During 2022 and 2021, the entity's borrowings at variable rate were denominated in the Rand.

The entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Financial Instruments Categories

Financial Assets 2022/2021	At Fair Value through Surplus/Deficit 2022	At Amortised Cost 2022	At Amortised Cost 2021	At Fair Value Through Surplus/deficit 2021
Receivables from exchange		8 203 723	7 958 297	7 958 297
Cash and Cash Equivalents		45 785 521	12 091 027	12 091 027
Financial Liabilities 2022/2021		-	-	-
Contract advance	39 383 258	-	-	-
Payables from exchange	-	901 819	4 423 071	-
Unspent conditional grants	1 096 941	-	-	1 876 499
Finance Lease obligations	-	560 063	-	-

Price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The entity is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the entity.

The entity's investments in equity of other entities that are publicly traded and are included in one of the following three equity indexes: DAX equity index, Dow Jones and FTSE 100 UK equity index.

The table below summarises the impact of increases/decreases of the indexes on the entity's post-tax surplus for the year and on equity. The analysis is based on the assumption that the equity indexes has increased/decreased by 5% with all other variables held constant and all the entity's equity instruments moved according to the historical correlation with the index:

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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2022 2021

38. Going concern

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

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account of R 5 612.

Despite the above negative indicator, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently comply with the Constitution.

Government Grants	2023
Equitable Share	39 880 000
Infrastructure Skills Development Grant	3 000 000
Rural Roads and Asset Management Grant	1 485 000
	44 365 000

There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation. Part of the grants tabled above has already been paid in July 2022 (Equitable share, Rural roads asset management, Infrastructure skills development).

There was an outbreak of COVID-19 which was declared an epidemic by the World Health Organisation and following that, the South Africa Government declared a nationwide lockdown. In spite of the COVID-19 outbreak, the municipality will continue as a going concern as it is part of the institutions that supply critical services to the communities it serves. The President of South Africa also pledged support for all institutions that supply critical services and a fund has also been set up to support these institutions. Unemployment Insurance Fund (UIF) will also be used to support salaries during this period. The municipality has also received their grants (Equitable share) and they will continue to receive grants in the foreseeable future.

39. Events after the reporting date

The Municipality is undergoing some investigations at the time of signing of the annual financial statements

40. Unauthorised expenditure

Opening balance as previously reported	17 063 289	4 820 073
	17 063 289	4 820 073
Add: Current year unauthorised expenditure	12 523 188	12 243 216
Less: Amount written off - current	(17 063 289)	-
Closing balance	12 523 188	17 063 289

Analysed as follows (per vote)

Vote 1 -Executive & Council	748 067	-
Vote 2 - Finance & Administration	11 119 063	2 517 947
Vote 3- Internal Audit	412 298	3 658 732
Vote 4 - Planning & Development	129 318	4 657 204
Vote 6 - Community & Social Services	59 169	-
Vote 8 - Health Services	55 273	-
Vote 13 - Enviromental Protection	-	1 409 333
	12 523 188	12 243 216

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	2022	2021
41. Fruitless and wasteful expenditure		
Opening balance as previously reported	966	-
	966	-
Add: Current year fruitless and wasteful expenditure	5 612	4 634
Less: Amount written off by council - current	(3 940)	(3 668)
Closing balance	2 638	966
The amounts disclosed for fruitless and wasteful expenditure are exclusive of VAT.		
42. Irregular expenditure		
Opening balance as previously reported	230 254	217 201
	230 254	217 201
Add: Irregular Expenditure - current year	462 387	230 254
Less: Amount written off - prior period	(692 641)	(217 201)
Closing balance	-	230 254
Incidents/cases identified in the current year include those listed below		
Investigations are still in progress for the incident below related to non-compliance with procurement process requirements. The amounts below are inclusive of VAT.		
Competitive bid not advertised for 30 days	462 387	230 254
43. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	771 200	736 386
Amount paid - current year	(771 200)	(736 386)
	-	-
Audit fees		
Opening balance	-	1 748
Current year subscription / fee	3 007 782	2 686 883
Amount paid - current year	(3 007 782)	(2 688 631)
	-	-
SDL and UIF		
Opening balance	-	35 675
Current year subscription / fee	1 153 032	955 623
Amount paid - current year	(1 153 032)	(991 298)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	10 054 915	9 821 337
Amount paid - current year	(10 054 915)	(9 821 337)
	-	-

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Notes to the Annual Financial Statements

	2022	2021
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43. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	2 537 650	1 116 191

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

44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette and section 36 of the Supply Chain Management regulations state that a supply management policy may allow the accounting officer -

To dispense with the official procurement process established by the policy and to procure any required goods or services through any convenient process which may include direct negotiations, but only-

- i. In an emergency
- ii. If such goods or services are produced or available from a single provider only
- iii. For acquisition of animals for zoos or
- iv. In any other exceptional case where it is impractical or impossible to follow the official procurement process

The accounting Officer may dispense with the official procurement process in the above circumstances, provided that he records the reasons for any deviations and reports them to **the next meeting of the council** and includes a note to the annual financial statements.

The following tables shows the amounts of deviation and reasons for deviation:

Reason for deviation		
Emergency	50 972 831	680 199
Sole supplier	54 338	472 503
Impractical or impossible to follow procurement process/Expetional case	874 353	2 066 544
Special works of art	-	30 000
	51 901 522	3 249 246

45. Commitments

Authorised expenditure

Already contracted for but not provided for

Property, plant and equipment	1 334 560	-
	-	-

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46. Related parties

Subject to significant degree of control by a member of key management	John Taolo Gaetsewe Development Trust
Members of key management	Refer to note 24
Councillors	Refer to note 25

Compensation of key management personnel

The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

John Taolo Gaetsewe Development Trust	7 033	12 365
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Irregular expenditure, interest and other amounts recoverable from councillors

T.G. Anthony	-	306
G.C. Assegaai	-	20 959
S.B. Gaobusiwe	-	187 616
O.E. Hantise	-	192 097
E.V. Makoke	-	105 697
M.E. Mochwari	-	230 706
C. Mogodi	-	203 744
S. Mosikatsi	-	221 769
A. Mwembo	-	77 070
J. Rakoi	-	68 825
A. van der Westhuizen	-	74 174

The municipality leases one of its buildings to the John Taolo Gaetsewe Development Trust; interest is charged on overdue amounts.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

2022 2021

46. Related parties (continued)

All councillors and senior managers are required to declare their business interests annually. Such business interests are listed below:

Councillors:

S. Mosikatsi	Gamagara Close Corporation (member) John Taolo Gaetsewe Development Trust (Trustee)
G.C. Assegaai	Gadikgadi, Self-Propelled Trading and Projects, Bomme-Sejo Services and Supply Co-operative Limited
L.L. Kaebis	Sepoane Trading Enterprise, Hemmogo
O.H. Kgopodithata	Faraway Agricultural, Refemele Multi Purpose Primary Co-operative Limited
P.Q. Mogatle	Pulane Mogatle Trading Enterprise, Queen Felicity Fuel and Truck Inn, Bomme-Sejo Services and Supply Co-operative Limited,Annex langdon commodities Smelters,Adonia Kuruman mall
P.J Ohentswe	PJO Contractor, Letso Investment, Perth 1 Shop Station and Shop, Ohentswe Construction supply & Training Construction, S.T.P.J. Construction and Manufacturing Mothisize, JTG Community Development Association, JTG Logistics Hiddekil Mining and Logistics, SABA Logistics
T.G. Athony	Kalahari Rural Events and Projects Co-operative Limited, Maje a Mokgothy Projects
O.G. Monaki	Tshomaki Trading and Projects, Unity and Empowerment
O. Mathibe	Nomisa Enterprise
G. Kaotsane	Asili ya mama, Hiddekil Mining and Logistics, SABA Logistics
N. Ngesi	Joyful attempt and Projects 99, Bakone Mining Primary Coperative Limited, Nkavutha transport Service, Mpho ya Basadi Supplier and Projects, Bangeko Construction and Projects, Gamotinye Investments, Ditukus Projects , Abotype, Tulasign, Abotrim, Batlharo le Batlhaping Mining Solutions, NC Women Mining Projects, Retsogile Mining Resources
M. Itumeleng	Candle Away General Trading, Awera General Trading
O. Gomolemo	Batlharoi Agricultural Co-operation
K Paul	Dikoke Gambling Enterprise and Manufacturing, Koklas Catering & Cleaning Services
P.M Kgosiengewang	Kgosiengewang Civil and General Construction
I Matebese	Candle AwayGeneral Traing,Awara trading
Senior management:	
G.P. Moroane	Envision Forthtoo
T.H. Matlhare	Maremane Mining and Projects ,Moremolemo trading
D.H. Molaole	Ba - Ga - Matswiri Mining - Resource ,Moshu 1640 Mining Company Phimola Keledi Burial Scheme (Pty) Ltd
K. Teise	Kurara Clap Your Hands 01, Kuruman Development Corporation, Kagisano Motlhaping Manganese Mine, Kagisano Manganese and Iron ore Mine, KM Managnese and Iron ore Mine,United powe construction,strong team construction and project 8
E. Tshabaemang	Kuruman Voice of Hope, JC Chabi Trade and Constrcution services
M. Molusi	BOM Transportation Services

Those councillors and senior managers not listed above declared that they had no business interests.

Councillors seconded from local municipalities:

Gamagara Local Municipality

B. Sebegu	Mapoteng Community Forum
T. Motsoare	Pharaphama Multi Business, Goodness of Umzansi Trading and Projects, Gamagara Business Forum, Tsantsabane Social and Labour Development Forum

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46. Related parties (continued)

Ga-segonyana Local Municipality

G. Chere	
N. Mereotlhe	Poplas Restaurant
M. Elliot Valela	
O. Mathibe	Nomisa Enterprise
K. Setlhodi	

Joe Morolong Local Municipality

I. Matebese	Candle Away Rading, Awera General Trading
N. Tswere	Batho Phuthanag Sand Mining, Tsela Kgopo Primary Co-Operative Limited, Gabosegangwe Trading
M. Filipo	
T. Mosegadi	Mosegedi Construction and Supply
G. Kaotsane	Hiddeki Mining and Logistics, Sli Ya Mama, SABA Logistics
O. Etshetshang	OTT Solution Providers

No transactions were entered in to with these entities during the period.

47. Regulation 45 of the supply chain management regulations

There were no awards to close family members of persons in the service of the state.

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Notes to the Annual Financial Statements

2022

2021

48. Budget differences

Material differences between budget and actual amounts

STATEMENT OF FINANCIAL PERFORMANCE

1. Increase in rental due to escalation increase in rental contracts.
2. Decrease due to limited shared services provided to Municipality
3. Decrease due to delay in receipt of insurance funds.
4. Decrease due to interest rates lower than anticipated and utilising funds for expenditure.
5. Increase due to Emergency Housing Grant allocation.
6. Municipality did not expect to receive any donations. The donations received was from a local mine in the form of donated assets.
7. The variance is due to resignations and vacant positions not yet filled for the year under review.
8. The variance is as a result of Remuneration of S79 and seating allowance being budgeted for under Operational costs.
9. Movement in depreciation calculations
10. The interest for Finance leases.
11. Impairment calculated on debtors
12. Impairment calculated on debtors
13. Actual related to Bursaries paid to non-employees
14. There were actual amounts for other materials for the year under review. Inventory Consumed
15. The nature of this transaction requires the valuation and expert advice
16. The nature of this transaction requires the valuation and expert advice
17. The nature of this transaction requires the valuation and expert advice
18. Actual relates to the land transfers done in Q4 by the appointed attorney.

STATEMENT OF FINANCIAL POSITION

1. There was a loss on transfer of properties to local municipalities which.
2. The budget assumption was as a result of bad debts written-off thus decrease in debtors.
3. The challenge of determining whether the municipality will have a VAT payable or receivable.
4. Increase in investments.
5. The nature of this transaction requires the valuation and expert advice
6. The nature of this transaction requires the valuation and expert advice
7. Current year movement relates to the additions, depreciation, disposals and revaluations.
8. Current year movement relates to the additions and amortisation.

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Notes to the Annual Financial Statements

49. Prior-year adjustments

Presented below are those items contained in the statement of financial position, that have been affected by prior-year adjustments:

Statement of financial position

2022

	Note	As previously reported	Reclassification	Restated
Trade Payables	14	4 471 887	(48 814)	4 423 073
Debtors with credit balances	14	-	48 814	48 814
		4 471 887	-	4 471 887

Errors

The Municipality was issued with a credit note on Insurance expense after year-end June 2021. Insurance expense, Value added tax (statutory receivable) and trade payables have been restated accordingly. The effect on the accumulated surplus is an increase of R 768 531.42

Reclassifications

Trade and Other payables note components:
Reclassification of R48 814, previously recorded within trade payables to debtors with credit balances. The reclassification has no effect on accumulated surplus.

50. Construction contracts

Construction contract (Emergency housing) in progress as at 30 June 2022

	Recognised in current year	Recognised in Prior years	To Date
Amount of Revenue in agreed contract	50 973 000	-	50 973 000
Contract Revenue recognised within revenue	11 589 715	-	11 589 715
Cost recognised within value added tax	1 511 702	-	1 511 702
Cost recognised within expenditure	10 078 013	-	10 078 013
Contract advance	-	-	39 383 285
	-	-	-

The cost basis was utilised to compute the percentage of completion of the contract. The percentage of completion arises from the cost incurred in the current period over the estimated total cost. Contract Revenue is measured at the fair value of the contract revenue received. The revenue measurement is affected by uncertainties that depend on outcomes of future events

There were no retentions withheld relating to the contract as at 30 June 2022

51. Segment information

General information

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
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Notes to the Annual Financial Statements

51. Segment information (continued)

The Municipality does not have reportable segment information.

John Taolo Gaetsewe District Municipality is located in Kuruman Northern cape ,geographic area inland.

Reporting Segment Reporting factors:

John Taolo Gaetsewe is a district municipality that does not offer a wide variety of services to the public. Due to its limited revenue streams and client base management reports on the municipality's financial health as a whole. The municipality also does not have any designated cost centres for the different revenue streams; and assets and liabilities are not linked to each, thus strengthening the point of reporting on an overall perspective.