



John Taolo Gaetsewe District Municipality
Annual financial statements
for the year ended 30 June 2023

John Taolo Gaetsewe District Municipality

Annual Financial Statements for the year ended 30 June 2023

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 - DC45 John Taolo Gaetsewe	
Mayoral committee		
Executive Mayor	Mogatle P.Q	
Executive Councillors	Masilabele K.F. Matebese I. Kgopodithata O.H. Kgosienewang P.M.	
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. Eilerd A.I.	
Grading of local authority	3	
Speaker	Aiseng I.	
Accounting Officer	Molaole D.H.	Presiding MM up to 31/07/2022
	Teise K.K	Acting MM 01 August 2022 to 31 January 2023
	M.W. Molusi	Acting MM 01 February 2023 to 31 May 2023
	Teise K.K	Appointed MM 01 June 2023
Chief Financial Officer	Moroane G.P Presiding CFO up to 31/07/2023	
	Shupu L.L Acting CFO 01 August 2023	

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General Information

Registered office	P.O. Box 1480 Kuruman 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

John Taolo Gaetsewe District Municipality

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Abbreviations used:

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

John Taolo Gaetsewe District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The 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 are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The annual financial statements have been prepared on the going concern basis, were approved by the Accounting Officer on August 31, 2023 and were signed on its behalf by:"

Accounting Officer
K.K Teise

John Taolo Gaetsewe District Municipality

Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

We are pleased to present our draft report for the financial year ended 30 June as required in terms of section 166 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003, as amended) (MFMA), read with circular 65 published by the National Treasury for the year ended 30 June 2023.

Audit, Performance and Risk committee (APRC) members and attendance

The Audit, Risk and Performance committee (APRC) has been appointed by the District Municipality John Taolo Gaetsewe. Service level agreements between the District and Gamagara, Ga-Segonyana and Joe Morolong Local Municipalities provide for a shared ARPC within the District.

The APRC is governed by formal terms of reference, which are regularly reviewed and approved by the council.

The APRC consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year, 9 meetings were held:

Previous Audit, Performance and Risk Committee:
Ended (31/12/2022)

Name of member	Number of meetings
Tshimomola R. (Chairperson)	6
Buys F.	4
Mashati M.	2

Current Audit, Performance and Risk Committee:
Commenced (01/04/2023)

Name of member	Number of meetings
Snyders J. (Chairperson)	3
Ntseno N.	3
Nkoe K.	3

Audit committee responsibility

The APRC has complied with its responsibilities arising from section 166(2)(a) of the MFMA read with MFMA Circular 65, and 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 APRC has:

- Reviewed and discussed the draft unaudited annual financial statements to be included in the annual report with the Accounting Officer for submission to AGSA on 31 August 2023. The draft unaudited annual financial statements was work in progress, however management committed to finalise and consider the review by internal audit and the APRC. On this basis the APRC support the submission to AGSA.
- Reviews the progress on the audit action plan.

The following will be reviewed in the APRC meeting of November 2023:

- the Auditor-General of South Africa's audit report, management report and management's the response thereto, and
- organisation's compliance with legal and regulatory provisions.

From the above the concurrence and acceptance of the Auditor-General of South Africa's report on the annual financial statements will be assessed.

Internal audit

The APRC is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits. The quality assurance improvement program and combined assurance will be implemented in the next financial year.

John Taolo Gaetsewe District Municipality
Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

Auditor-General of South Africa

The APRC will meet with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

John Taolo Gaetsewe District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2023.

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 that the accounting officer will continue to procure funding for the ongoing operations of the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

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 prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as 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 second quarter 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 01 August 2022 to 31 January 2023
M.W. Molusi	South Africa	Acting MM 01 February 2023 to 31 May 2023
K.K Teise	South Africa	Appointed Municipal Manager 01 June 2023

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, Nedbank and ABSA during the year.

9. Auditors

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

John Taolo Gaetsewe District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	29 219 005	45 785 521
Receivables from exchange transactions	4	8 375 605	8 267 123
Statutory receivable	5	1 035 924	2 530 013
Inventories	6	6 245 596	7 101 793
		44 876 130	63 684 450
Non-Current Assets			
Biological assets	7	4 817 749	4 185 653
Investment property	8	8 230 000	7 110 000
Property, plant and equipment	9	80 021 510	80 392 233
Intangible assets	10	881 743	1 423 217
Heritage assets	11	19 750	19 750
		93 970 752	93 130 853
Total Assets		138 846 882	156 815 303
Liabilities			
Current Liabilities			
Finance lease obligation	12	-	560 063
Payables from exchange transactions	13	36 779 935	9 566 214
Employee benefit obligation	14	1 100 000	1 045 000
Unspent conditional grants and receipts	15	1 226 462	1 096 941
Contract advances	16	30 182	39 383 285
		39 136 579	51 651 503
Non-Current Liabilities			
Employee benefit obligation	14	5 638 000	6 069 000
Total Liabilities		44 774 579	57 720 503
Net Assets		94 072 303	99 094 800
Reserves			
Revaluation reserve	17	62 024 719	62 024 719
Accumulated surplus		32 047 584	37 070 081
Total Net Assets		94 072 303	99 094 800

* See Note 51

John Taolo Gaetsewe District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	18	212 195	198 085
Other income	19	119 660	-
Administration and management fees	20	2 308 366	1 749 426
Interest income	21	5 038 457	2 311 221
Total revenue from exchange transactions		7 678 678	4 258 732
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	22	113 692 735	107 705 302
Contract revenue	16	39 353 102	11 589 715
Donations received	23	2 123 729	4 287 751
Total revenue from non-exchange transactions		155 169 566	123 582 768
Total revenue		162 848 244	127 841 500
Expenditure			
Employee related costs	24	(80 312 589)	(71 855 805)
Remuneration of councillors	25	(6 223 884)	(5 447 245)
Depreciation and amortisation	26	(5 646 440)	(4 857 829)
Finance costs	27	(1 434 301)	(1 295 545)
Debt impairment	28	(76 476)	-
Bad debts written-off	29	(69 552)	(1 486 177)
Contract costs	16	(39 353 102)	(10 078 013)
Transfers and Subsidies	30	-	(18 000)
Operational costs	31	(36 591 521)	(34 881 443)
Total expenditure		(169 707 865)	(129 920 057)
Operating deficit		(6 859 621)	(2 078 557)
Loss on disposal of assets	32	(721 414)	(1 370 480)
Fair value adjustments	33	1 116 433	1 379 750
Actuarial (losses)/gains	14	448 000	(93 000)
Gains on biological assets	34	1 264 499	109 212
Loss on non-current assets held for transfer	6	(270 396)	(2 302 904)
Gain from reversal of impairment	35	-	1 302 230
		1 837 122	(975 192)
Deficit for the year		(5 022 499)	(3 053 749)

* See Note 51

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	62 024 719	40 123 830	102 148 549
Deficit for the year	-	(3 053 749)	(3 053 749)
Total changes	-	(3 053 749)	(3 053 749)
Restated* Balance at 01 July 2022	62 024 719	37 070 083	99 094 802
Changes in net assets			
Deficit for the year	-	(5 022 499)	(5 022 499)
Total changes	-	(5 022 499)	(5 022 499)
Balance at 30 June 2023	62 024 719	32 047 584	94 072 303
Note(s)	17		

* See Note 51

John Taolo Gaetsewe District Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		3 905 925	190 975
Grants		113 822 256	106 925 744
Interest income		5 038 457	2 311 608
Construction contracts		-	50 973 000
		<u>122 766 638</u>	<u>160 401 327</u>
Payments			
Employee costs		(86 661 036)	(76 226 095)
Suppliers		(48 666 664)	(48 675 959)
Finance costs		(742 301)	(730 545)
		<u>(136 070 001)</u>	<u>(125 632 599)</u>
Net cash flows from operating activities	36	<u>(13 303 363)</u>	<u>34 768 728</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(2 611 590)	(1 137 383)
Purchase of other intangible assets	10	(91 500)	(400 834)
Proceeds from sale of biological assets	7	-	667 745
		<u>(2 703 090)</u>	<u>(870 472)</u>
Net cash flows from investing activities		<u>(2 703 090)</u>	<u>(870 472)</u>
Cash flows from financing activities			
Finance lease payments		(560 063)	(203 763)
		<u>(560 063)</u>	<u>(203 763)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(16 566 516)</u>	<u>33 694 493</u>
Cash and cash equivalents at the beginning of the year		45 785 521	12 091 027
Cash and cash equivalents at the end of the year	3	<u>29 219 005</u>	<u>45 785 520</u>

* See Note 51

John Taolo Gaetsewe District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	229 360	-	229 360	212 195	(17 165)	
Other income	-	12 303	12 303	119 660	107 357	1
Administration and management fees	2 100 135	-	2 100 135	2 308 366	208 231	
Interest received	1 976 649	2 220 734	4 197 383	5 038 457	841 074	
Total revenue from exchange transactions	4 306 144	2 233 037	6 539 181	7 678 678	1 139 497	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	112 852 000	2 187 000	115 039 000	113 692 735	(1 346 265)	
Contract revenue	-	39 383 285	39 383 285	39 353 102	(30 183)	
Donations received	-	6 500 000	6 500 000	2 123 729	(4 376 271)	2
Total revenue from non-exchange transactions	112 852 000	48 070 285	160 922 285	155 169 566	(5 752 719)	
Total revenue	117 158 144	50 303 322	167 461 466	162 848 244	(4 613 222)	
Expenditure						
Employee related costs	(87 850 399)	5 344 997	(82 505 402)	(80 312 589)	2 192 813	
Remuneration of councillors	(6 412 839)	310 623	(6 102 216)	(6 223 884)	(121 668)	
Depreciation and amortisation	(2 385 040)	(1 863 286)	(4 248 326)	(5 646 440)	(1 398 114)	3
Finance costs	(210 000)	(1 092 000)	(1 302 000)	(1 434 301)	(132 301)	4
Debt Impairment	-	-	-	(76 476)	(76 476)	5
Bad debts written off	(110 757)	-	(110 757)	(69 552)	41 205	6
Contract costs	-	(39 383 285)	(39 383 285)	(39 353 102)	30 183	
Transfers and Subsidies	(101 806)	101 806	-	-	-	
General Expenses	(19 521 727)	(7 365 498)	(26 887 225)	(36 591 521)	(9 704 296)	
Operational costs	-	-	-	-	-	7
Total expenditure	(116 592 568)	(43 946 643)	(160 539 211)	(169 707 865)	(9 168 654)	
Operating (deficit)	565 576	6 356 679	6 922 255	(6 859 621)	(13 781 876)	
Loss on disposal of assets and liabilities	-	-	-	(721 414)	(721 414)	8
Fair value adjustments	-	-	-	1 116 433	1 116 433	9
Actuarial gains/losses	-	-	-	448 000	448 000	10
Gain on biological assets	-	-	-	1 264 499	1 264 499	11
Loss on non-current assets held for sale or disposal groups	-	-	-	(270 396)	(270 396)	
	-	-	-	1 837 122	1 837 122	
Deficit	565 576	6 356 679	6 922 255	(5 022 499)	(11 944 754)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	565 576	6 356 679	6 922 255	(5 022 499)	(11 944 754)	

John Taolo Gaetsewe District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

John Taolo Gaetsewe District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	8 491 346	-	8 491 346	6 245 596	(2 245 750)	1
Receivables from exchange transactions	7 917 292	-	7 917 292	8 375 605	458 313	2
Statutory receivable	-	-	-	1 035 924	1 035 924	3
Cash and cash equivalents	11 836 695	26 573 916	38 410 611	29 219 005	(9 191 606)	4
	28 245 333	26 573 916	54 819 249	44 876 130	(9 943 119)	
Non-Current Assets						
Biological assets	5 264 916	-	5 264 916	4 817 749	(447 167)	
Investment property	6 570 000	540 000	7 110 000	8 230 000	1 120 000	5
Property, plant and equipment	75 914 904	8 849 424	84 764 328	80 021 510	(4 742 818)	
Intangible assets	4 510 353	(2 776 878)	1 733 475	881 743	(851 732)	6
Heritage assets	19 750	-	19 750	19 750	-	
	92 279 923	6 612 546	98 892 469	93 970 752	(4 921 717)	
Total Assets	120 525 256	33 186 462	153 711 718	138 846 882	(14 864 836)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	7 882 374	506 988	8 389 362	36 779 935	28 390 573	7
Employee benefit obligation	-	1 000 000	1 000 000	1 100 000	100 000	8
Unspent conditional grants and receipts	(101 806)	101 806	-	1 226 462	1 226 462	9
Contract advances	-	-	-	30 182	30 182	
	7 780 568	1 608 794	9 389 362	39 136 579	29 747 217	
Non-Current Liabilities						
Employee benefit obligation	3 491 000	-	3 491 000	5 638 000	2 147 000	10
Total Liabilities	11 271 568	1 608 794	12 880 362	44 774 579	31 894 217	
Net Assets	109 253 688	31 577 668	140 831 356	94 072 303	(46 759 053)	
Reserves						
Revaluation reserve	63 703 719	24 358 245	88 061 964	62 024 719	(26 037 245)	
Accumulated surplus	45 549 969	7 219 423	52 769 392	32 047 587	(20 721 805)	
Total Net Assets	109 253 688	31 577 668	140 831 356	94 072 306	(46 759 050)	

John Taolo Gaetsewe District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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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 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.3 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.

The municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) 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.

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. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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 including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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 - 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.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement 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 pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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 14.

Effective interest rate

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

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.

1.4 Biological assets

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

- the entity 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.

1.5 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

Accounting Policies

1.5 Investment property (continued)

- 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.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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.

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.

1.6 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.

Accounting Policies

1.6 Property, plant and equipment (continued)

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 entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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, building and community assets which are 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.

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
Land	Straight-line	Indefinite
Buildings	Straight-line	20-30 years
Furniture and fittings	Straight-line	5 -30 years
Motor vehicles	Straight-line	5 -15 years
Office equipment	Straight-line	5 -30 years
IT equipment	Straight-line	5 -30 years
Community assets- Land	Straight-line	Indefinite
Other property, plant and equipment	Straight-line	2 -25 years
Community assets - building	Straight-line	5 -30 years
Disaster unit - buildings	Straight-line	5 -30 years
Leased Assets	Straight-line	3 -8 years

Accounting Policies

1.6 Property, plant and equipment (continued)

The municipality has re-assessed the useful lives of property, plant and equipment at each reporting date whether there is any indication that the municipality 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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

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 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 47).

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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.

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 initially measured at cost

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, on a straight-line basis, 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

Accounting Policies

1.7 Intangible assets (continued)

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).

1.8 Heritage assets

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

The Municipality 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 11 - 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.

Recognition

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

1.9 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.

John Taolo Gaetsewe District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
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 or in the notes thereto:

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

Accounting Policies

1.9 Financial instruments (continued)

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.

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

Accounting Policies

1.9 Financial instruments (continued)

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.

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 nonexchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Nonexchange Transactions (Taxes and Transfers).

1.10 Statutory receivables

Identification

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

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 a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Accounting Policies

1.10 Statutory receivables (continued)

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

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 is recognised in surplus or deficit.

Accounting Policies

1.10 Statutory receivables (continued)

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

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;
- 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.

1.11 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. Additional text

1.12 Leases

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

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

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.

Accounting Policies

1.12 Leases (continued)

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 .

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.

1.13 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 municipality 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 municipality.

Accounting Policies

1.13 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.

1.14 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.

1.15 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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.

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Identification

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

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

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.

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.

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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 entity 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

1.15 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 entity estimates the recoverable amount of that asset.

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

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

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.

1.16 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 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. 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

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

Value in use

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

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

Accounting Policies

1.16 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.

1.17 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.

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

1.18 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 entity 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 37.

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.

1.19 Commitments

Items are classified as commitments when an entity 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

Accounting Policies

1.19 Commitments (continued)

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

1.20 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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 municipality;
- 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 entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

Accounting Policies

1.21 Revenue from non-exchange transactions

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

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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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.

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Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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.

1.22 Borrowing costs

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

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

1.23 Accounting by principals and agents

Identification

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

Identifying whether an entity is a principal or an agent

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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.

Accounting Policies

1.24 Comparative figures

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

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 entity'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 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.

1.29 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 2022/07/01 to 2023/06/30

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.

1.30 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.

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.

Accounting Policies

1.30 Related parties (continued)

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

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

1.31 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.

1.32 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.

1.33 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.

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 141	8
Short-term deposits	22 844 846	42 645 711
Bank balance	6 373 018	3 139 802
	29 219 005	45 785 521

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2022

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

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
STD BANK - Main Account - 240923804	6 373 018	3 139 802	9 681 231	6 373 018	3 139 802	9 681 231
STD BANK - Call Account - 508871603-020	-	-	17 821	-	-	17 821
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	1 141	8	969	1 141	8	969
ABSA BANK - Fixed Account - 9370995821	-	2 798 359	-	-	2 798 359	-
ABSA BANK - Fixed Account - 9370194405	22 387 095	39 847 353	-	22 387 095	39 847 353	-
ABSA BANK - Fixed Account - 9372758744	345 426	-	-	345 426	-	-
NEDBANK - Call Account - 037881102918/000064	112 325	-	-	112 325	-	-
Total	29 219 005	45 785 522	12 091 027	29 219 005	45 785 522	12 091 027

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	Fixed deposit	048463353-042
Standard Bank	Fixed deposit	048463353-043
Standard Bank	Fixed deposit	048463353-044
Standard Bank	Fixed deposit	048463353-045
Standard Bank	Fixed deposit	048463353-046
Standard Bank	Fixed deposit	048463353-047
ABSA	Fixed deposit	2080528347
ABSA	Fixed deposit	2080528004
ABSA	Call account	9370995821
ABSA	Fixed deposit	9372756742
ABSA	Fixed deposit	2080979134
Nedbank	Call account	03/7881102918/000062
Nedbank	Call account	03/7881102918/000065
Nedbank	Call account	03/7881102918/000067

The following bank accounts were opened during 2022/23 financial year

Standard Bank	(Cheque) account	240 923 804
ABSA	Call account	9370194405
ABSA	Call account	9372758744
Nedbank	Call account	03/7881102918/000060
Nedbank	Call account	03/7881102918/000061
Nedbank	Call account	03/7881102918/000062
Nedbank	Call account	03/7881102918/000063
Nedbank	Call account	03/7881102918/000066
Nedbank	Call account	03/7881102918/000068
Nedbank	Call account	03/7881102918/000069

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4. Receivables from exchange transactions		
Trade debtors	7 643 307	7 369 430
Accrued Interest - Investments	291 868	181 168
Prepaid expenses	-	712 844
Bursary repayment	2 480	3 680
Other debtors	437 950	1
	8 375 605	8 267 123

Trade and other receivables were not pledged as security.

Current (0 - 30 days)	1 659 172	1 561 193
31 - 60 Days	82 067	25 214
61 - 90 Days	637 960	132 504
+ 90 Days	6 435 524	6 910 854
Allowance for impairment	(439 118)	(362 642)
	8 375 605	8 267 123

	Other	Organs of state	Total
30 June 2023	-	-	-
Current (0 - 30 days)	816 135	843 037	1 659 172
31 - 60 Days	5 714	76 352	82 066
61 - 90 Days	17 477	620 482	637 959
+ 90 Days	481 843	5 953 683	6 435 526
Allowance for impairment	(439 118)	-	(439 118)
	882 051	7 493 554	8 375 605

Summary of receivables by customer classification

	Other	Organs of state	Total
30 June 2022	-	-	-
Current (0 - 30 days)	950 323	610 870	1 561 193
31 - 60 Days	12 724	12 490	25 214
61 - 90 Days	47 343	85 161	132 504
+ 90 Days	399 694	6 511 160	6 910 854
Allowance for impairment	(362 642)	-	(362 642)
	1 047 442	7 219 681	8 267 123

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 (if available) 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 30 June 2023 R 6 650 518 (June 2022: R 6 619 855) trade receivables were past due but not impaired.

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

1 month past due	76 352	22 608
2 months past due	620 482	92 707
3 months past due	5 953 683	6 506 259

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Trade and other receivables impaired

As of 30 June 2023 R 588 803, trade and other receivables of - (2022: R 477 775) were impaired and provided for excluding organs of state, prepaid expenses, and the bursary repayment.

The amount of the allowance for impairment was R 439 117.77 as of 30 June 2023 (June 2022: R355 555).

5. Statutory receivables

VAT	1 035 924	2 530 013
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VAT receivables is a statutory receivables debtor as it arises from legislation (Vat 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.

6. Inventories

Bricks	203 176	203 176
Crusher dust	20 724	4 860
Consumable stores	103 650	705 315
Properties to be transferred	5 918 046	6 188 442
	<u>6 245 596</u>	<u>7 101 793</u>
	6 245 596	7 101 793

Inventory pledged as security

Inventory was not pledged as security.

7. Biological assets

	2023		2022	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Biological assets - game	4 817 749	-	4 817 749	4 185 653

Reconciliation of biological assets - 2023

	Opening balance	Additions	Disposals	Gains or losses arising from changes in fair value	Total
Biological assets - game	4 185 653	1 264 499	(628 836)	(3 567)	4 817 749

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

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Non-financial information		
Quantities of each biological asset		
Blesbok	6	-
Blue wildebeest	155	126
Duiker	-	11
Eland	18	30
Gemsbok	209	93
Greater Kudu	-	2
Ostrich	53	50
Red hartebeest	14	25
Springbuck	269	336
Zebra	22	18
	746	691

The biological assets for the 2023 financial year were valued by EMS Solutions (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.

Non-Biological assets with no commercial value

Bat-eared fox	-	21
Black backed jackal	3	4
Vultures	9	1
Domestic cattle	27	35
Domestic horses	14	10
Warthog	6	10
Steenbok (Ibex)	7	14
	66	95

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 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 environment 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.

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8. Investment property

	2023		2022	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	8 230 000	-	8 230 000	7 110 000

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	7 110 000	1 120 000	8 230 000

Reconciliation of investment property - 2022

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

Pledged as security

Investment properties are not pledged as security.

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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

	2 980 000	2 360 000
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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

	2 520 000	2 030 000
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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

	2 730 000	2 720 000
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The effective date of the revaluations of investment property was 30 June 2023. 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 municipality.

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9. Property, plant and equipment

	2023			2022		
	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	(3 966 490)	19 510 739	23 477 229	(2 668 393)	20 808 836
Furniture and office equipment	5 852 929	(4 399 098)	1 453 831	5 768 022	(4 008 646)	1 759 376
Transport assets	16 412 750	(8 331 630)	8 081 120	13 378 116	(6 771 761)	6 606 355
Computer equipment	8 748 582	(6 710 452)	2 038 130	8 500 074	(6 024 873)	2 475 201
Community assets	622 000	(98 510)	523 490	622 000	(65 792)	556 208
Other property, plant and equipment	3 994 440	(1 140 240)	2 854 200	3 206 583	(580 326)	2 626 257
Total	104 667 930	(24 646 420)	80 021 510	100 512 024	(20 119 791)	80 392 233

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Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Land	45 560 000	-	-	-	45 560 000
Buildings	20 808 836	-	-	(1 297 442)	19 510 739
Furniture and office equipment	1 759 376	354 015	(25 320)	(427 938)	1 453 831
Transport assets	6 606 355	3 309 392	(11 435)	(1 823 192)	8 081 120
Computer equipment	2 475 201	490 353	(55 218)	(872 206)	2 038 130
Community assets	556 208	-	-	(32 718)	523 490
Other property, plant and equipment	2 626 257	581 559	-	(560 575)	2 854 200
	80 392 233	4 735 319	(91 973)	(5 014 071)	80 021 510

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Total
Land	45 560 000	-	-	45 560 000
Buildings	22 172 109	-	(1 363 273)	20 808 836
Furniture and office equipment	1 902 556	266 002	(409 182)	1 759 376
Transport assets	4 694 498	3 059 009	(1 147 152)	6 606 355
Computer equipment	1 895 262	1 449 942	(870 003)	2 475 201
Community assets	589 263	-	(33 055)	556 208
Other property, plant and equipment	1 802 412	1 298 297	(474 452)	2 626 257
	78 616 100	6 073 250	(4 297 117)	80 392 233

Change in accounting estimate

The expected useful lives of property, plant and equipment has increased as a result of the re-assessment. The reassessment resulted in a decrease in depreciation of R259 365 in 2021/22 financial year and an increase in depreciation by the same amount in the futures period.

Assets subject to finance lease (net carrying amount)

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Revaluations

The effective date of the revaluations of land and buildings was 30 June 2023. 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

Assets purchased for cash amounted to R 2 703 090 (June 2022: R 1 246 607).

Expenditure incurred to repair and maintain property, plant and equipment

Repairs of community owned properties	864 373	1 022 824
Maintenance of equipment	369 068	565 842
	1 233 441	1 588 666

None of the Property, Plant and Equipment has been pledged as security.

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.

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10. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 834 976	(2 953 233)	881 743	3 791 976	(2 368 759)	1 423 217

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 423 217	91 500	(639)	(632 335)	881 743

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	1 595 400	400 834	(573 017)	1 423 217

Pledged as security

Intangible assets are not pledged as security.

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11. Heritage assets

	2023			2022		
	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 2023

	Opening balance	Total
Mayoral chain	19 750	19 750

Reconciliation of heritage assets 2022

	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

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12. 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

It is the entity's policy to lease office equipment such as photocopying and printing machines under finance leases.

13. Payables from exchange transactions

Trade payables	25 659 627	901 818
Payroll related liabilities	109 770	473 447
Leave accrual	6 918 846	6 340 959
Bonus accrual	2 074 047	1 792 820
Retentions	1 967 655	-
Other Creditors	49 990	57 170
	36 779 935	9 566 214

14. 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 2023 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.

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Carrying value		
Present value of unfunded obligation at the beginning of the year	7 114 000	6 625 000
Net actuarial (gains)/ losses	(448 000)	93 000
Difference between expected and actual current service costs	(620 000)	(169 000)
Interest cost	692 000	565 000
	6 738 000	7 114 000
Non-current liabilities	5 638 000	6 069 000
Current liabilities	1 100 000	1 045 000
	6 738 000	7 114 000

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 2023 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	10,84 %	10,35 %
Health Care cost inflation	6,84 %	7,35 %
Net Discount rate	3,74 %	2,62 %
Present value of unfunded obligation at the beginning of the year	3 030 000	3 002 000
Actuarial (gains)/losses	(306 000)	84 000
Difference between expected and actual current service costs	(325 000)	(304 000)
Interest cost	297 000	248 000
	2 696 000	3 030 000
Non-current liabilities	2 383 000	2 705 000
Current liabilities	313 000	325 000
	2 696 000	3 030 000

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Long Service Awards- Key Assumptions

Discount Rate	11 %	11 %
General Earnings Inflation Rate	6 %	7 %
Net effective discount rate	4	3

Long service awards

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.

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.

Present value of unfunded obligation at the beginning of the year	4 084 000	3 623 000
Actuarial (gains)/losses	(142 000)	9 000
Difference between expected and actual current service costs	(295 000)	135 000
Interest cost	395 000	317 000
	4 042 000	4 084 000

Non-current liabilities	3 255 000	3 364 000
Current liabilities	787 000	720 000
	4 042 000	4 084 000

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Khotso Pula Nala Grant	30 197	30 197
LG Seta	204 000	204 000
HIV & AIDS	129 521	-
CoGHSTA Housing Grant	862 744	862 744
	1 226 462	1 096 941

The nature and extent of government grants recognised in the interim financial statements and an indication of other forms of government assistance from which the municipality has directly benefited

16. Construction contracts

At 30 June 2023, retention of contracts in progress are 1 967 655.1 - (2022:0).

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Agreements that meet all the criteria in paragraph .29 of GRAP9

The entity determines which agreements meet all the criteria in paragraph .29 of the Standard of GRAP on Revenue from Exchange Transactions continuously as construction progresses in the following manner:

The amount of revenue arising from such agreements in the period	39 383 285	50 973 000
The aggregate amount of costs incurred for agreements in progress	39 353 102	11 589 715
Amount of advances received for agreements in progress	30 182	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.

17. Revaluation reserve

Opening balance	62 024 719	62 024 719
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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 2023.

18. Rental of facilities and equipment

Premises	212 195	198 085
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19. Other income

Other income	119 660	-
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20. Administration and management fees

Product related services	2 177 182	1 626 751
Training (LGSETA)	131 184	122 675
	2 308 366	1 749 426

21. Interest received

Interest revenue

Interest charged on receivables from exchange transaction	799 866	585 729
Bank	4 238 591	1 725 492
	5 038 457	2 311 221

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22. Government grants and subsidies		
Operating grants		
Equitable share	102 257 000	95 976 000
LG SETA	1 070 256	50 000
Fire grant	-	5
Financial management grant	1 000 000	1 000 000
Expanded public works program	1 073 000	1 075 000
Rural roads asset management grant	2 122 000	2 027 000
HIV/AIDS grant	370 479	114 249
COVID-19 grant	-	1 663 048
Infrastructure skills development grant	5 500 000	5 500 000
Housing accreditation grant	300 000	300 000
	113 692 735	107 705 302

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Equitable share		
<p>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.</p>		
Current-year receipts	102 257 000	95 976 000
Conditions met - transferred to revenue	(102 257 000)	(95 976 000)
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	-	-
<p>The Financial management grant is paid by National Treasury to municipalities to help implement the financial reforms required by the MFMA.</p>		
Fire grant		
Balance unspent at beginning of year	-	5
Conditions met - transferred to revenue	-	(5)
Net of unspent grants	-	-
<p>Kuruman is prone to natural disasters, mainly fires. This grant was used to assist local municipalities to upgrade and render a fire service.</p>		
Housing accreditation grant		
Current-year receipts	300 000	300 000
Conditions met - transferred to revenue	(300 000)	(300 000)
Net of unspent grants	-	-
<p>The housing grant was utilised for the development of erven and the erection of top structures.</p>		
Khotso Pula Nala		
Balance unspent at beginning of year	30 197	30 197
<p>The grant related to disaster relief projects at the local municipalities in the district.</p>		
Expanded public works programme - incentive grant		
Current-year receipts	1 073 000	1 075 000
Conditions met - transferred to revenue	(1 073 000)	(1 075 000)
Net of unspent grants	-	-
<p>The grant was used for debushing, fencing of graveyards as well as to address issues of unemployment as it is labour intensive.</p>		
HIV and AIDS council		
Balance unspent at beginning of year	-	114 249
Current-year receipts	500 000	-
Conditions met - transferred to revenue	(370 479)	(114 249)

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Figures in Rand	2023	2022
Net of unspent grants	129 521	-

The grant was used for HIV and AIDS awareness programmes

Infrastructure skill development grant

Current-year receipts	5 500 000	5 500 000
Conditions met - transferred to revenue	(5 500 000)	(5 500 000)
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	2 122 000	2 027 000
Conditions met - transferred to revenue	(2 122 000)	(2 027 000)
Net of unspent 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
Conditions met - transferred to revenue	-	(1 663 048)
	-	-

The grant was used for Covid 19 related expenditure.

LG SETA

Balance unspent at beginning of year	204 000	69 000
Current-year receipts	1 070 256	185 000
Conditions met - transferred to revenue	(1 070 256)	(50 000)
	204 000	204 000

The grant is used for learning interventions within the district

CoGHSTA - Housing development project

Balance unspent at beginning of year	862 744	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.

23. Donations in kind

Assmang Black Rock Mine	2 123 729	4 287 751
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24. Employee related costs		
Basic salary	51 955 976	47 599 551
Bonus	5 172 295	4 084 322
Medical aid - company contributions	3 997 132	3 615 430
Unemployment insurance fund	277 820	265 563
Skills development levy	653 851	590 988
Leave	3 717 899	3 562 979
Remote allowance	368 900	432 968
Non-Pension allowance	101 700	312 000
Inconvenience allowance	212 426	121 942
Nightshift allowance	561 425	548 676
Long-service awards	353 107	125 373
Acting allowances	686 381	45 916
Travel allowance	2 364 107	1 363 244
Housing benefits and allowances	1 896 412	1 794 438
Contribution provident fund	969 538	609 051
Contribution pension fund	7 402 547	6 703 456
Contribution industrial council	13 144	12 144
Change in valuation of employee benefit obligations	(620 000)	(169 000)
Cellular phone allowance	227 929	236 764
	80 312 589	71 855 805

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

Remuneration of Former Municipal Management: DH Molaole

Annual Remuneration	105 589	1 267 066
Travel allowance	2 400	28 800
Remote Allowance	7 391	88 695
Cellular phone allowance	1 600	19 200
Performance Bonuses	177 389	177 389
Leave Payout	-	76 024
	294 369	1 657 174

Remuneration of Director of Infrastructure: MW Molusi

Annual Remuneration	951 535	920 327
Travel allowance	120 000	120 000
Additional transport allowance	28 800	28 800
Cellular phone allowance	19 200	19 200
Remote Allowance	75 008	72 823
Performance Bonus	295 661	145 646
Leave Payout	42 237	62 420
Acting Allowance	209 244	-
Non Pensionable Gratuity allowance	20 340	-
	1 762 025	1 369 216

Mr M. Molusi was acting in the position of municipal manager from 01 February 2023 until 31 May 2023.

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Remuneration of Director Community Service: TH Matlhare

Annual Remuneration	901 598	850 107
Travel allowance	100 800	100 800
Additional Transport allowance	28 800	28 800
Performance Bonuse	270 248	133 127
Remote Allowance	70 678	66 564
Cellular phone allowance	19 200	19 200
Leave Payout	181 453	38 036
Non Pensionable Gratuity allowance	20 340	-
	1 593 117	1 236 634

Remuneration of Director LED: K.K Teise

Annual Remuneration	949 750	899 363
Travel Allowance	140 964	140 964
Additional Transport allowance	28 800	28 800
Performance Bonuses	295 661	145 646
Remote Allowance	76 350	72 823
Cellular phone allowance	19 200	19 200
Leave Payout	210 562	62 420
Acting Allowance	314 344	-
Non Pensionable Gratuity allowance	20 340	-
	2 055 971	1 369 216

Remuneration of Acting Chief Financial Officer: GP Moroane

Annual Remuneration	987 535	956 327
Travel Allowance	84 000	84 000
Additional Transport allowance	28 800	28 800
Performance Bonuses	295 661	145 646
Remote Allowance	75 008	72 823
Cellular phone allowance	19 200	19 200
Leave Payout	198 515	41 613
Non Pensionable Gratuity allowance	20 340	-
	1 709 059	1 348 409

Remuneration of Director Corporate Services: EM Tshabaemang

Annual Remuneration	750 929	666 307
Travel Allowance	170 000	180 000
Additional Transport allowance	28 800	28 800
Performance Bonuses	268 091	118 482
Remote Allowance	64 465	59 241
Cellular phone allowance	19 200	19 200
Leave payout	34 360	50 779
Non Pensionable Gratuity allowance	20 340	-
	1 356 185	1 122 809

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25. Remuneration of councillors

Mayor, Speaker and Councillors 6 223 884 5 447 245

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 remuneration of councillors is in line with the 2023 upper limits as per the Government Gazette.

Executive Mayor: PQ Mogatle
Appointed 8 November 2021

Annual remuneration	840 326	478 952
Pension fund contributions	64 564	37 663
Skills development levy	7 980	4 554
Cell phone allowance	40 800	25 964
Mobile data	3 600	2 291
	957 270	549 424

Executive mayor: S Mosikatsi

Terminated 8 November 2021	-	-
Annual remuneration	-	236 392
Travel Allowance	-	30 789
Pension fund contributions	-	43 043
Skills development levy	-	2 265
Cell phone allowance	-	14 836
Mobile data	-	1 309
	-	328 634

Speaker: IE Aiseng
Appointed 9 November 2021

Annual remuneration	718 577	416 182
Pension fund contributions	-	4 303
Skills development levy	7 408	23 800
Cell phone allowance	40 800	2 164
Mobile data	3 600	2 291
	770 385	448 740

Speaker: PQ Mogatle

Terminated 8 November 2021	-	-
Annual remuneration	-	197 838
Travel Allowance	-	34 731
Skills development levy	-	2 165
Cell phone allowance	-	14 836
Pension fund contributions	-	17 217
Mobile data	-	1 309
	-	268 096

Member of the mayoral committee: OG Monaki

Terminated 8 November 2021	-	-
Annual remuneration	-	218 186
Pension Fund contributions	-	16 141
Cell phone allowance	-	14 836
Mobile data	-	1 309
Skills Development Levy	-	2 101
	-	252 573

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Member of the mayoral committee: TG Anthony		
Terminated 8 November 2021	-	-
Annual remuneration	-	235 876
Skills development levy	-	2 440
Skills development levy	-	14 836
Mobile data	-	1 309
	-	254 461
MPAC Chairperson: OH Kgopodithata		
Terminated 8 November 2021	-	-
Annual remuneration	-	28 199
Skills development levy	-	322
Cell phone allowance	-	7 418
Mobile data	-	655
	-	36 594
Member of the mayoral committee: GC Assegai		
Terminated 8 November 2021	-	-
Annual remuneration	-	136 348
Cell phone allowance	-	7 418
Mobile data	-	655
Skills development Levy	-	1 438
	-	145 859
Member of mayoral committee: KF Masilabele		
Reappointed 9 November 2021		
Annual remuneration	630 906	601 189
Pension fund contributions	48 423	24 212
Skills development levy	6 047	5 991
Cell phone allowance	40 800	40 800
Mobile data	3 600	3 600
	729 776	675 792
Member of Mayoral Committee: OH Kgopodithata		
Appointed 9 November 2021		
Annual remuneration	627 747	366 862
Pension fund contributions	48 423	24 212
Skills development levy	6 015	3 568
Cell phone allowance	40 800	25 963
Mobile data	3 600	2 291
	726 585	422 896
Member of Mayoral Committee: I Matebese		
Appointed on 9 November 2021		
Annual remuneration	339 600	227 824
Mobile data	3 600	-
Skills development levy	3 948	2 278
Cell phone allowance	20 400	-
Transport allowance	54 000	-
	421 548	230 102
Member of Mayoral Committee: PM Kgosiengewang		
Appointed 9 November 2021		
Annual remuneration	606 641	391 074
Transport allowance	66 502	-
Skills development levy	6 820	4 052
Cell phone allowance	40 800	25 964

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Mobile data	3 600	2 291
	724 363	423 381
MPAC Chairperson: TM Motsoare		
Appointed 9 November 2021		
Annual remuneration	80 662	45 026
Skills development levy	927	450
Mobile data	3 600	-
Cell phone allowance	20 400	-
	105 589	45 476
Councillor: NG Ngesi		
Appointed 9 November 2021		
Annual remuneration	262 700	164 851
Pension fund contributions	20 432	8 513
Skills development levy	2 645	1 705
Cell phone allowance	40 800	25 964
Mobile data	3 600	2 291
	330 177	203 324
Councillor: KR Paul		
Reappointed 9 November 2021		
Annual remuneration	243 610	225 177
Transport allowance	40 865	47 572
Skills development levy	2 985	2 855
Cell phone allowance	40 800	40 800
Mobile data	3 600	3 600
	331 860	320 004
Councillor: TC Moliwe/Kegakilwe		
Appointed 9 November 2021		
Annual remuneration	262 700	161 446
Pension fund contributions	20 432	11 919
Skills development levy	2 645	1 637
Cell phone allowance	40 800	25 964
Mobile data	3 600	2 291
	330 177	203 257
Councillor: AI Eilerd		
Appointed 9 November 2021		
Annual remuneration	283 132	173 365
Skills development levy	3 053	1 875
Cell phone allowance	40 800	25 964
Mobile data	3 600	2 291
	330 585	203 495
Chief Whip: TG Mosegedi		
Appointed 01 August 2022		
Annual remuneration	108 252	-
Skills development levy	1 203	-
Cell phone allowance	20 400	-
Mobile data	3 600	-
	133 455	-
Councillor (MPAC committee member): PJ Ohentswe		
Reappointed 9 November 2021		
Annual remuneration	264 618	243 111

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Figures in Rand	2023	2022
Pension fund contributions	20 432	15 324
Skills development levy	2 664	2 610
Cell phone allowance	40 800	40 800
Mobile data	3 600	3 600
Transport allowance	-	13 739
	332 114	319 184
Councillor: KS Setlhodi		
Reappointed 9 November 2021	-	-
Annual remuneration	-	92 063
Pension fund contributions	-	6 811
Skills development levy	-	211
Cell phone allowance	-	14 836
Mobile data	-	1 309
	-	115 230
26. Depreciation and amortisation		
Property, plant and equipment	5 014 071	4 284 812
Intangible assets	632 369	573 017
	5 646 440	4 857 829
27. Finance costs		
Interest on overdue accounts	373 668	5 612
Finance leases	368 633	724 933
Interest on employee benefit obligations	692 000	565 000
	1 434 301	1 295 545
28. Debt impairment		
Debt impairment	76 476	-
29. Bad debts written-off		
Bad debts written off	69 552	1 486 177
During 2023 financial year the council approved write-offs of organs of state and of trade receivables. The R 69 552 that had been long standing and included interest was written off to this regard.		
30. Transfer and subsidies		
Other subsidies		
Bursaries to non-employees	-	18 000

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31. Operational costs		
Advertising	212 355	19 057
Assessment rates	-	1 133
Auditors remuneration	3 234 015	3 007 782
Bank charges	223 083	168 556
Business Advisory Services	5 495 550	5 566 292
Maintenance of Equipment	369 068	565 842
Catering	572 842	765 033
Hire	454 301	162 492
Insurance premiums	1 501 111	74 254
Community development and training	1 702 690	1 530 800
Conferences and seminars	324 774	840 748
Maintenance of buildings and facilities	306 090	300 000
IT expenses	854 563	1 301 085
Legal fees	864 246	879 208
Call centre - disaster management	85 780	1 956 060
Municipal services	1 618 165	1 879 881
Postage and courier	7 472	3 148
Printing and stationery	387 356	695 897
Inventory Consumed	1 027 605	612 350
Repairs of community owned properties	864 373	1 022 824
Security services	2 990 314	2 671 347
Staff welfare	26 102	-
Membership fees	733 052	820 375
Telephone	473 597	436 552
Travel, subsistence and accommodation	6 240 210	4 341 329
Water quality monitoring	135 740	124 880
Uniforms	128 442	112 314
Study assistance	64 296	62 927
Training and Professional fees	3 551 828	2 774 442
Imbizo events	67 493	75 890
Cleaning Services	2 075 008	2 073 838
Communication	-	35 107
	36 591 521	34 881 443
32. Gain/(Loss) on disposal of asset		
Gain/(Loss) on disposal of assets	(721 414)	(1 370 480)
33. Fair value adjustments		
Fair value adjustment on Investment property	1 120 000	530 000
Fair value adjustment on Biological assets	(3 567)	849 750
	1 116 433	1 379 750
34. Gain on biological assets		
Gains or losses arising from a change in fair value less point of sale costs	1 264 499	109 212
35. Gain/Loss on debt impairment		
Gains/Loss on debt impairment	-	1 302 230

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36. Cash generated from operations		
Deficit	(5 022 499)	(3 053 749)
Adjustments for:		
Depreciation and amortisation	5 646 440	4 895 388
Donations	(3 388 228)	-
Transfer of Land		2 302 904
Gain/Loss on disposal of assets		1 370 481
Fair value adjustments	(1 116 433)	(1 379 750)
Gain/(Loss) on biological assets	628 836	(97 168)
Interest income	560 063	-
Other non-cash adjustment	-	768 659
Donations	-	(4 287 751)
Debt impairment	76 476	(1 309 317)
Bad debts written off	69 55	1 486 178
Movements in retirement benefit assets and liabilities		489 000
Asset write-offs	92 576	-
	-	-
Changes in working capital:		
Inventories	856 197	(89 786)
Receivables from exchange transactions	(108 482)	(328 230)
Payables from exchange transactions	27 213 723	(3 529 231)
VAT	1 494 089	(1 421 459)
Unspent conditional grants and receipts	129 521	(779 558)
Contract advances	-	39 383 285
	30 450 507	34 419 896
37. Commitments		
Authorised expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	-	1 334 560
Total capital commitments		
Already contracted for but not provided for	-	1 334 560

John Taolo Gaetsewe District Municipality

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38. Contingencies

Matters disclosed in 2023

Zitshunele Trading & contracting CC VS John Taolo Gaetsewe District Municipality litigation claim of R2 300 000 plus R 200 000 (legal fees). The matter is still at a preliminary stage but there is a possibility that the matter may go to court.

John Taolo Gaetsewe District Municipality VS Edith Tshabaemang labour litigation claim of between R3 000 000 and R300 000 including legal fees. The first respondent (Ms Tshabaemang) has filed her answering affidavit. The municipality has filed the answering affidavit together with the application for condonation. However there were discussions of settlement between the municipality and Ms Tshabaemang which have not been concluded as of yet.

John Taolo Gaetsewe District Municipality VS T Mathabathe litigation claim of R3 000 000-R300 000 (legal fees)The matter is currently under appeal at the labour court. The court granted the leave to appeal.

John Taolo Gaetsewe District Municipality VS Public protector litigation claim of R 300 000 - R50 000 including legal fees. The applicant brought an application intention to tax bill of costs. We have perused the judgement the Municipality succeeded with the review application, however we ordered to pay the costs of the late filing of the condonation application in the sum of R 158 792.71.

IMATU obo Rossouw and Van der westhuizen VS John Taolo Gaetsewe District Municipality litigation claim of R800 000 and Legal cost of R500 000. The file is not part of our records. We noted the matter has been set down for hearing at the Labour Court on 02 March 2023. We appeared on 2nd of March 2023, the matter was postponed to 11 September 2023. The municipality was ordered to pay costs occasioned by the postponement. The next step is providing the municipality with a legal opinion on the prospects of success on the matter and to schedule a meeting with the MM once the legal opinion been submitted.

Matters disclosed in 2022

Zitshunele Trading & contracting CC VS John Taolo Gaetsewe 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 Gaetsewe 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 Gaetsewe 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 Gaetsewe District Municipality VS Public protector litigation claim of R 50 000-R100 000 including legal fees.

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39. 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	21 723	7 033
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All councillors and senior managers are required to declare their business interest annually. Such business interest are listed below:

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Councillors:

P.Q Mogatle	Pulane Mogatle Trading Enterprise Bomme-Sejo Services and Supply Co-Operative Limited Queen Felicity Fuel and Truck Inn Annex Langdon Commodities Smelte Adonia Kuruman Mall
O.H Kgopodithata	Faraway Agricultural, Refemele Multi-Purpose Primary Co-operative Limited
N.G Ngesi	Joyful Attempt Construction and Projects 99 Bokone Mining Primary C-Operative Limited Nkavutha Transport Service Mpho ya Basadi Supplier and Projects Bangeko Construction and Projects Gamotinye Investment Holding Ditukus Projects Abotype, Tulasign, Abotrim, Ladospace Battharo le Bathaping Mining solutions NC Women Mining Projects Retsogile Mining Resources
P.M Kgosiengewang	Kgosiengewang Civil and General Construction
K.R Paul	Koklas Catering and Cleaning Service Dikoke Gambling Enterprise and Manufacturing
P.J Ohentswe	PJO Contractor S.T.P.J Construction and Manufacturing Hiddel Mining and Logistics Ohentswe Construction Supply and Training Perth 1 Stop Station and Shop Letso Investment JTG Logistics JTG Community Development Association SABA Logistics

Senior Management:

K.K Teise	Kuruman Development Corporation Kurara Clap Your Hands01 Kagisano Motlhaping Manganese Mine Kagisano Manganese and Iron Ore Mine KM Manganese and Iron Ore Mine
G.P Moroane	EnvisionForthtoo
E. Tshabaemang	JC Chabi Trade and Construction Services Kuruman Voice of Hope
T.H Matlhare	Maremane Mining and Projects Moremolemo Trading
D.H Molaole	Maverick Trading 1640 cc Phimola Keledi Burial Scheme (Pty) Ltd

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

Councillors seconded from local Municipalities:

Joe Morolong Local Municipality

I. Matebese	Candle Away General Trading Avera General Trading
N. Tswere	Tsela Kgopo Primary Co-Operative Limited Batho Phutanang Sand Mining Gabosegangwe Trading
T. Mosegedi	Mosegedi Construction and Supply
G. Kaotsane	Hiddekil Mining and Logistics Asili Ya Mama SABA Logistics
O. Etshetshang	OTT Solution Providers

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Ga-Segonyana Local Municipality

N. Mereothle
O. Mathibe

Poplas Restaurant
Nomisa Enterprise

Gamagara Local Municipality

B. Sebegu
T. Motsoare

Mapoteng Community Forum
Pharaphama Multi Business
Gamagara Business Forum
Tsantsabane Social and Labour Development Forum
Goodness of Umzansi Trading and Projects

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

40. 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, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality 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 municipality'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.

	Less than 1 year	Between 1 and 2 years
At 30 June 2023	-	-
Trade and other payables	35 726 286	-
At 30 June 2022	-	-
Trade and other payables	901 819	-
	36 628 105	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality 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	2023	2022
Trade Receivables from exchange transactions	7 015 921	7 309 902

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Market risk

Interest rate risk

The entity's interest rate risk arises from long-term borrowings. Borrowings arise 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 2023 and 2022, 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	At Fair Value through Surplus/Deficit 2023	At Amortised Cost 2023	At Fair Value Through Surplus/deficit 2022	At Amortised Cost 2022
Financial Assets 2023/2022				
Receivables from exchange		7 331 386		8 211 210
Cash and Cash Equivalents		29 219 005		45 785 521
Financial Liabilities 2023/2022				
Contract advance	30 182		39 383 258	
Payables from exchange		25 659 628		901 819
Unspent conditional grants	1 226 462		1 096 941	
Finance Lease obligations		-		560 063

Price risk

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

41. 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.

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 373 668 .

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.

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Government Grants		2024
Equitable Share		106 128 000
infrastructure Skills Development Grant		5 500 000
Rural Roads and Asset Management Grant		2 130 000
		113 758 000

42. Unauthorised expenditure

Opening balance as previously reported	12 523 188	17 063 289
Add: Unauthorised Expenditure - current	1 651 263	12 523 188
Less: Amount authorised - current	(1 651 263)	-
Less: Amount authorised - prior period	(12 523 188)	(17 063 289)
Closing balance	-	12 523 188

Analysed as follows (per vote)

Vote 1 -Executive & Council	1 305 007	748 067
Vote 2 - Finance & Administration	-	11 119 063
Vote 3 - Internal Audit	-	412 298
Vote 4 - Planning & Development	-	129 318
Vote 6 - Community & Social Services	346 255	59 169
Vote 8 - Health Services	-	55 273
	1 651 262	12 523 188

43. Fruitless and wasteful expenditure

Opening balance as previously reported	2 638	966
Add: Current year fruitless and wasteful expenditure	373 668	5 612
Less: Amount written off by council - current	(373 668)	(3 940)
Less: Amount written off by council - prior period	(2 638)	-
Closing balance	-	2 638

The amounts disclosed for fruitless and wasteful expenditure are exclusive of VAT.

44. Irregular expenditure

Opening balance as previously reported	-	230 254
Add: Irregular expenditure - current	45 368	462 387
Add: Irregular expenditure - prior period	217 764	-
Non Compliance with PPR2022	1 203 573	-
Less: Amount written off - current	(45 368)	(462 387)
Less: Amount written off - prior period	(217 764)	(230 254)
Closing balance	1 203 573	-

Incidents/cases identified in the current year include those listed below

The incident below related to non-compliance with procurement process requirements. The amounts below are inclusive of VAT.

Non Compliance with PPR2022	1 203 573	-
Competitive bid not advertised for 30 days	45 368	462 387
	1 248 941	462 387

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45. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	712 844	771 200
Amount paid - current year	(712 844)	(771 200)
	<u>-</u>	<u>-</u>
Audit fees		
Current year subscription / fee	3 234 015	3 007 782
Amount paid - current year	(3 193 818)	(3 007 782)
	<u>40 197</u>	<u>-</u>
SDL and UIF		
Current year subscription / fee	926 712	1 153 032
Amount paid - current year	(926 712)	(1 153 032)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	11 101 689	10 054 915
Amount paid - current year	(11 101 689)	(10 054 915)
	<u>-</u>	<u>-</u>
VAT		
VAT receivable	<u>1 035 924</u>	<u>2 530 013</u>

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

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46. 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	18 105	50 972 831
Sole supplier	141 841	54 338
Impractical or impossible to follow procurement process/exceptional case	1 176 154	874 353
Special works of art		
	1 336 100	51 901 522

47. Segment information

General information

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.

48. Budget differences

Material differences between budget and actual amounts

STATEMENT OF FINANCIAL PERFORMANCE

- 1. Insurance claims/refund received not anticipated.
- 2. Decrease due to delay in transferring donated motor vehicles.
- 3. The municipality received furniture and office equipment from the mines. The assets were donated after the adjustment budget and there were no prior communications.
- 4. Increase in overdue accounts.
- 5. Impairment calculated on debtor.
- 6. Council approved write-offs of organs of state and of trade receivables.

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7. Increase in fuel due to loadshedding.

8. The nature of this transaction requires the valuation and expert advice.

9. The nature of this transaction requires the valuation and expert advice.

10. The nature of this transaction requires the valuation and expert advice.

11. The nature of this transaction requires the valuation and expert advice.

STATEMENT OF FINANCIAL POSITION

1. Movement in consumables.

2. Movement in debt impairment.

3. The challenge of determining whether the municipality will have a VAT payable or receivable.

4. Large portion of investments related to housing emergency grant and were withdrawn.

5. The nature of this transaction requires the valuation and expert advice.

6. Current year movement relates to the additions and amortisation.

7. Accrued expenses and retention costs.

8. The nature of this transaction requires the valuation and expert advice.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages to in the annual report

49. Regulation 45 of the supply chain management regulations

There were no awards to close family members of person of the state.

50. Events after the reporting date

The CFO, Galaletsang P. Moroane resigned on the 31st of July 2023. Lorato L. Shupu was appointed as the acting CFO on the 1st of August 2023.

51. Prior period errors

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

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Statement of financial position		As previously reported	classification	Restated
Receivables from exchange transactions	-	8 203 723	63 399	8 267 122
Property, plant and equipment	-	80 503 825	(111 592)	80 392 233
Accumulated surplus	-	(37 525 451)	455 370	(37 070 081)
Statutory receivable	-	2 537 650	(7 637)	2 530 013
Payables from exchange transactions	-	(9 166 672)	(399 540)	(9 566 212)
	-	44 553 075	-	44 553 075

Statement of financial performance	Note	As previously reported	Classification	Restated
Interest income	-	2 311 608	(387)	2 311 221
Employee related costs	-	(71 456 263)	(399 542)	(71 855 805)
Depreciation and amortisation	-	(4 895 388)	37 559	(4 857 829)
Rental of facilities	-	191 239	6 846	198 085
Operational costs	-	(34 883 051)	1 608	(34 881 443)
Fair value adjustments	-	1 391 921	(12 171)	1 379 750
Gain on biological asstes	-	97 041	12 171	109 212
Gain from reversal of impairment	-	1 309 317	(7 087)	1 302 230
	-	(105 933 576)	(361 003)	(106 294 579)

Errors

Receivables were restated as a result of interest income relating to 2023 that was incorrectly accrued for as a receivable in 2022 financial year. Receivables were also restated as a result of a correction on rental of facilities income and the debt impairment thereof.

Interest income was restated as a result of interest income relating to 2023 that was incorrectly accrued for as income in 2022 financial year.

Property plant and equipment was restated as a result of assets that were incorrectly recognised as donations during the 2022 financial year yet they were not received by the municipality. The correction also resulted in a restatement of depreciation.

Statutory receivable was restated as a result of the restatement of the VAT on rental of facilities and operational costs.

Payables were restated as a result of correction of leave accrual as at year end as the incorrect leave days had been used to calculate the leave accrual.

Accumulated surplus was restated as a result of the net effect of adjustments on Property plant and equipment (donated assets),Receivables from exchange transactions (Interest accrued) and payables (leave accrual).

Employee related costs was restated as a result of correction of leave accrual as at year end as the incorrect leave days had been used to calculate the leave accrual.

Operational costs expenditure was restated as a result of corrections on expenditure incurred.

Fair value adjustment and Gain on biological assets were restated,because 2021 values were used instead of 2022 values.