



**KAI !GARIB LOCAL MUNICIPALITY**  
(Demarcation code: NC082)

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

**KAI !GARIB LOCAL MUNICIPALITY**

(Demarcation code: NC082)

Annual Financial Statements for the year ended 30 June 2022

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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**Abbreviations**

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
CLLR	Councilor
CPI	Consumer Price Index
CRC	Current Replacement Cost
DORA	Division of Revenue Act
DTSL	Department of Transport, Safety and Liaison
DWS	Department of Water Affairs and Sanitation
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognized Accounting Practice
GLCCM	General Landfill Closure Costing Model
HDF	Housing Development Fund
IAS	International Accounting Standards
IDP	Integrated Development Plan
IRD	Initial Rate of Deposition
IPSAS	International Public Sector Accounting Standards
INEP	Integrated National Electrification Programme
LFG	Landfill Gas
LG SETA	Local Government Sector Education Training Programme
LSA	Long Service Awards
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MLCCM	Municipal Landfill Closure Costing Model
mSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal Systems Improvement Grant
NERSA	National Energy Regulator of South Africa
PAYE	Pay As You Earn
PEMA	Post-employment Medical Aid Subsidy Liability
PPP's	Public Private Partnerships
RDP	Reconstruction and Development Programme
SALGA	South African Local Government Association
SARS	South African Revenue Service
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SDBIP	Service Delivery and Budget Implementation Plan
SDL	Skills Development Levy
SG	Surveyor-General
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation
WCA	Workers Compensation Administration

**KAI !GARIB LOCAL MUNICIPALITY**

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**Relevant Legislation**

Constitution of the Republic of South Africa (Act no 108 of 1996)  
Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)

**KAI !GARIB LOCAL MUNICIPALITY**

(Demarcation code: NC082)

Annual Financial Statements for the year ended 30 June 2022

**General Information**

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<b>Legal form of entity</b>	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998)
<b>Nature of business and principal activities</b>	Kai !Garib Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996)
<b>Vision statement</b>	Creating an economically viable and fully developed Municipality, which enhances the standard of living of all the inhabitants/community of Kai !Garib through good governance, excellent service delivery and sustainable development
<b>Mission statement</b>	Provision of transparent, accountable and sustainable service delivery
<b>Demarcation code</b>	NC082
<b>Grading of local authority</b>	Low capacity municipality
<b>Accounting Officer</b>	Mr. A. Phete (Acting)
<b>Chief Finance Officer (CFO)</b>	Mrs. A.F. Beukes
<b>Registered office</b>	164 11th Avenue Kakamas 8870
<b>Postal address</b>	Private Bag X 6 Kakamas 8870
<b>Bankers</b>	ABSA Bank Limited Standard Bank Limited
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Matthews and Partners Inc. Van Wyk Attorneys Inc. Wessels and Smith Ing.
<b>Level of assurance</b>	These annual financial statements has been audited in compliance with the applicable requirements of the Municipal Finance Management Act, No 56 of 2003
<b>Preparer</b>	These annual financial statements were internally compiled by Wim Scheepers, the municipality's Budget and Reporting Manager
<b>Telephone number</b>	(054) 431 6300
<b>Fax number</b>	(054) 431 6301
<b>Email address</b>	admin@kaigarib.gov.za
<b>Website</b>	www.kaigarib.gov.za

**KAI !GARIB LOCAL MUNICIPALITY**

(Demarcation code: NC082)

Annual Financial Statements for the year ended 30 June 2022

**Members of the Municipal Council**

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<b>Mayor</b>	Cllr. M.M.M. Matthys	
<b>Speaker</b>	Cllr. N.E. Vas	
<b>Ward councillors</b>	Cllr. A.P. Prestley	ANC
	Cllr. Y.E. Scheffers	ANC
	Cllr. R. Ipinge	ANC
	Cllr. L.A. Tieties	ANC
	Cllr. E. Padmaker	ANC
	Cllr. M.J. Basson	ANC
	Cllr. R.G. Saal	ANC
	Cllr. A. Johnson	ANC
<b>Proportional members</b>	Cllr. M. Basson	ANC
	Cllr. N. du Plessis	HFTF
	Cllr. T. Renier	HFTF
	Cllr. C.P.F. Maasdorp	DA
	Cllr. A.C. Kotzee	HFTF
	Cllr. A. Kampher	DA
	Cllr. C. Bezuidenhout	DA
	Cllr. S.A. Bruwer	VP
	Cllr. C.A. April	EFF
	Cllr. R.W. Cloete	DA
<b>Council committees</b>		
<b>Executive committee</b>		
Chairperson:	Cllr. M.M.M. Matthys	
Members:	Cllr. A. Prestley	
	Cllr. T. Renier	
<b>Finance committee</b>		
Chairperson:	Cllr. A. Prestley	
Members:	Cllr. L. Tieties	
	Cllr. M.J. Basson	
	Cllr. A. Kampher	
	Cllr. M. Basson	
<b>Socio-economic development committee</b>		
Chairperson:	Cllr. Y.E. Scheffers	
Members:	Cllr. E. Padmaker	
	Cllr. M. Basson	
	Cllr. R. Cloete	
	Cllr. N. Du Plessis	
<b>Institutional development committee</b>		
Chairperson:	Cllr. R. Saal	
Members:	Cllr. E. Vas	
	Cllr. A. Johnson	
	Cllr. C. April	
	Cllr. A. Kotzee	
<b>Infrastructure development committee</b>		
Chairperson:	Cllr. L. Tieties	
Members:	Cllr. R. Saal	
	Cllr. R. Ipinge	
	Cllr. R. Bruwer	
	Cllr. T. Renier	

**KAI !GARIB LOCAL MUNICIPALITY**

(Demarcation code: NC082)

Annual Financial Statements for the year ended 30 June 2022

**Members of the Municipal Council**

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**Disciplinary committee**

Chairperson:

Members:

Cllr. E. Vas

Cllr. R. Saal

Cllr. T. Renier

**Municipal public account committee (MPAC)**

Chairperson:

Members:

Cllr. M.J. Basson

Cllr. A. Johnson

Cllr. E. Padmaker

Cllr. A. Kampher

Cllr. M. Basson

# Munisipaliteit Kai !Garib Municipality

Munisipale Gebou  
11<sup>de</sup> Laan  
Tel 054 461 6400  
Faks 054 461 6401  
Privaatsak X 6  
KAKAMAS  
8870  
BTW Nr. 4170193371



Municipal Building  
11<sup>th</sup> Avenue  
Tel 054 461 6400  
Fax 054 461 6401  
Private Bag X 6  
KAKAMAS  
8870  
VAT No. 4170193371

## Accounting Officer's Responsibilities and Approval

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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 judgments and estimates.

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

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

The annual financial statements are 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 continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality complies with all legislative requirements. The collection of outstanding consumer debtor accounts and effective service delivery is also a priority of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report will be issued after the annual auditing process.

The annual financial statements set out on pages 9 to 126, which have been prepared on the going concern basis, were approved by the accounting officer and were signed by him.



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**Mr. A. Phete (Acting)**  
**Municipal Manager (Accounting Officer)**  
**Kai !Garib Local Municipality**  
**20 June 2023**

**KAI !GARIB LOCAL MUNICIPALITY**

(Demarcation code: NC082)

Annual Financial Statements for the year ended 30 June 2022

**Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2022.

**1. Review of activities****Main business and operations**

Kai !Garib Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996),.

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.

Net deficit of the municipality was R 164,310,748 (2021: deficit R 119,827,595).

**2. Going concern**

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 194,338,506 (2021: R 358,649,263) and that the municipality's total assets exceed its liabilities by R 194,338,506 (2021: R 358,649,263).

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.

**3. Subsequent events**

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

**4. Accounting Officers' interest in contracts**

The accounting officer has no interest in contracts awarded, either direct or indirect.

**5. Accounting policies**

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

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

**6. Accounting Officer**

The accounting officer of the municipality to the date of this report is as follows:

Name

Mr. A. Phete (Acting)

**KAI !GARIB LOCAL MUNICIPALITY**

(Demarcation code: NC082)

Annual Financial Statements for the year ended 30 June 2022

**Accounting Officer's Report**

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**7. Corporate governance****General**

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King IV Report on Corporate Governance for South Africa of September 2009. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the Code on a quaterly basis.

The salient features of the municipality's adoption of the Code is outlined below:

**Audit committee**

The audit committee was established with effect from 1 July 2014. The chairperson of the audit committee is Mr. L. Lankalebalela, who is an independent audit committee member. Other independent members of the audit committee are, Me. M. Venter and Me. A. Delport.

Only Me. M. Venter was appointed at year end. The chairperson and Me A. Delport's contracts had both come to an end. The current Audit Committee does not have contracts with Kai !Garib municipality, but is a shared service from ZF District Municipality.

**Internal audit**

The municipality established an internal audit unit on 1 April 2014.

**8. Bankers**

The municipality's primary bank accounts are with ABSA Bank Limited and Standard Bank Limited and will continue to bank with them in the new financial year.

**9. Auditors**

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

**10. Public Private Partnership**

The municipality did not enter into any Public Private Partnerships for the financial year under review, nor does it have any existing PPP's

**11. Non-compliance with applicable legislation**

In terms of section 65 (2)(e) of the Municipal Finance Act No. 56 of 2003, all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality could not settle all money owing within the prescribed period.

In terms of section 126 (1)(a) of the Municipal Finance Act No. 56 of 2003, the accounting officer of a municipality must ensure that the municipality prepare its annual financial statements within 2 months after year end.

The municipality was unable to comply due to numerous financial system challenges faced during the year.

## KAI !GARIB LOCAL MUNICIPALITY

(Demarcation code: NC082)

Annual Financial Statements for the year ended 30 June 2022

### Accounting Officer's Report

#### 12. Municipal jurisdiction

Kai !Garib Municipality have the following surrounding towns under its jurisdiction:

- Kakamas
- Keimoes
- Kenhardt
- Alheit
- Augrabies
- Blaauwskop
- Bloemsmond
- Cillie
- Currieskamp
- Lennertsville
- Lutzburg
- Mactaggerscamp
- Marchand
- Riemvasmaak
- Soverby
- Vredesvallei
- Eksteenskuil



The annual financial statements set out on pages 9 to 126, which have been prepared on the going concern basis, were approved by the accounting officer and was signed by him:

**Mr. A. Phete (Acting)**  
**Municipal Manager (Accounting Officer)**  
**Kai !Garib Local Municipality**  
**20 June 2023**

# Munisipaliteit Kai !Garib Municipality

Munisipale Gebou  
11<sup>de</sup> Laan  
Tel 054 461 6400  
Faks 054 461 6401  
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Municipal Building  
11<sup>th</sup> Avenue  
Tel 054 461 6400  
Fax 054 461 6401  
Private Bag X 6  
KAKAMAS  
8870  
VAT No. 4170193371

## Certification of Remuneration of Councillors

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### Declaration by the Accounting Officer

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 43246 dated 24 April 2020. This read with the Remuneration of Public Officer Bearers Act, Circular 14/2015 dated 27 March 2015 of SALGA, the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act and the approval letter received from the Minister of Corporative Governance, Human Settlements and Traditional Affairs on 3 April 2018.

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**Mr. A. Phete (Acting)**  
**Municipal Manager (Accounting Officer)**  
**Kai !Garib Local Municipality**  
**20 June 2023**

**KAI !GARIB LOCAL MUNICIPALITY**

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Annual Financial Statements for the year ended 30 June 2022

**Statement of Financial Position as at 30 June 2022**

<b>Figures in Rand</b>	<b>Notes</b>	<b>2022</b>	<b>2021 Restated*</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	917,164	1,349,670
Inventories	4	378,222	492,963
Other financial assets	5	767,328	2,366,465
Receivables from exchange transactions	6&8	14,241,120	4,124,501
Receivables from non-exchange transactions	7&8&9	11,687,586	11,675,438
VAT receivable	9&10	40,386,565	27,259,629
<b>Total Current Assets</b>		<b>68,377,985</b>	<b>47,268,666</b>
<b>Non-Current Assets</b>			
Receivables from non-exchange transactions	7	1,773,796	136,093
Heritage assets	11	112,955	112,955
Intangible assets	12	32,020	66,539
Investment property	13	167,548,390	173,265,106
Property, plant and equipment	14	800,435,804	809,244,742
<b>Total Non-Current Assets</b>		<b>969,902,965</b>	<b>982,825,435</b>
<b>Total Assets</b>		<b>1,038,280,950</b>	<b>1,030,094,101</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Consumer deposits	15	2,283,930	2,107,055
Employee benefit obligation	16	1,746,474	2,332,754
Finance lease obligation	17	1,029,903	869,902
Other financial liabilities	18	13,904,465	12,551,670
Payables from exchange transactions	19	730,040,726	570,390,117
Unspent conditional grants and receipts	21	7,110,266	148,238
<b>Total Current Liabilities</b>		<b>756,115,764</b>	<b>588,399,736</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	16	23,721,927	21,805,918
Finance lease obligation	17	836,799	833,016
Other financial liabilities	18	-	238,344
Provisions	20	63,267,954	60,167,824
<b>Total Non-Current Liabilities</b>		<b>87,826,680</b>	<b>83,045,102</b>
<b>Total Liabilities</b>		<b>843,942,444</b>	<b>671,444,838</b>
<b>Net Assets</b>		<b>194,338,506</b>	<b>358,649,263</b>
Accumulated surplus		194,338,506	358,649,263
<b>Total Net Assets</b>		<b>194,338,506</b>	<b>358,649,263</b>

The accounting policies on pages 23 to 54 and the notes on pages 55 to 126 form an integral part of the annual financial statements.

\* See Note 48

**KAI !GARIB LOCAL MUNICIPALITY**

(Demarcation code: NC082)

Annual Financial Statements for the year ended 30 June 2022

**Statement of Financial Performance for the year ended 30 June 2022**

Figures in Rand	Notes	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Agency services	22	411,125	576,172
Interest income	23	9,208,767	5,346,590
Licences and permits	24	857,671	831,484
Rental of facilities and equipment	25	407,636	818,327
Service charges	26	110,775,893	107,212,155
Operational revenue	27	3,608,209	1,437,872
<b>Total revenue from exchange transactions</b>		<b>125,269,301</b>	<b>116,222,600</b>
<b>Revenue from non-exchange transactions</b>			
Availability service charges	28	478,702	476,858
Property rates	29	23,381,183	22,463,257
Interest income	30	4,036,564	4,654,055
<b>Transfer revenue</b>			
Fines, penalties and forfeits	31	10,900	10,400
Government grants and subsidies	32	111,161,972	136,600,282
Public contributions and donations	33	983,124	54,247
<b>Total revenue from non-exchange transactions</b>		<b>140,052,445</b>	<b>164,259,099</b>
<b>Total revenue</b>		<b>265,321,746</b>	<b>280,481,699</b>
<b>Expenditure</b>			
Bulk purchases	34	87,628,189	76,781,365
Contracted services	35	59,512,479	50,266,095
Debt impairment	36	27,883,141	47,722,971
Depreciation and amortisation	37	36,191,933	35,543,763
Employee related costs	38	135,247,523	130,982,888
Finance costs	39	34,871,050	22,994,884
General expenses	40	31,614,577	32,980,190
Remuneration of councillors	41	7,748,145	7,189,487
<b>Total expenditure</b>		<b>420,697,037</b>	<b>404,461,643</b>
<b>Operating deficit</b>		<b>(155,375,291)</b>	<b>(123,979,944)</b>
Loss on disposal of assets and liabilities	13	(329,857)	(5,575,296)
Actuarial gains	16	1,268,600	987,331
(Impairment loss) Reversal of impairments	42	(4,487,340)	1,039,053
Fair value adjustments	43	(5,386,860)	7,701,261
<b>Deficit for the year</b>		<b>(164,310,748)</b>	<b>(119,827,595)</b>

The accounting policies on pages 23 to 54 and the notes on pages 55 to 126 form an integral part of the annual financial statements.

\* See Note 48

**KAI !GARIB LOCAL MUNICIPALITY**

(Demarcation code: NC082)

Annual Financial Statements for the year ended 30 June 2022

**Statement of Changes in Net Assets for the year ended 30 June 2022**

<b>Figures in Rand</b>	<b>Accumulated surplus</b>	<b>Total net assets</b>
Opening balance as previously reported	482,621,704	482,621,704
Adjustments		
Correction of errors	(4,144,846)	(4,144,846)
<b>Balance at 01 July 2020 as restated*</b>	<b>478,476,858</b>	<b>478,476,858</b>
Changes in net assets		
Deficit for the year	(119,827,595)	(119,827,595)
Total changes	(119,827,595)	(119,827,595)
<b>Restated* Balance at 01 July 2021</b>	<b>358,649,254</b>	<b>358,649,254</b>
Changes in net assets		
Deficit for the year	(164,310,748)	(164,310,748)
Total changes	(164,310,748)	(164,310,748)
<b>Balance at 30 June 2022</b>	<b>194,338,506</b>	<b>194,338,506</b>
Notes	48	

The accounting policies on pages 23 to 54 and the notes on pages 55 to 126 form an integral part of the annual financial statements.

\* See Note 48

**KAI !GARIB LOCAL MUNICIPALITY**

(Demarcation code: NC082)

Annual Financial Statements for the year ended 30 June 2022

**Cash Flow Statement for the year ended 30 June 2022**

Figures in Rand	Notes	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property taxation		12,285,186	17,166,431
Sale of goods and services		118,657,811	118,786,707
Grants		118,124,000	135,191,000
Interest received		51,124	140,398
		<u>249,118,121</u>	<u>271,284,536</u>
<b>Payments</b>			
Employee costs		(140,687,327)	(135,638,407)
Suppliers		(66,862,629)	(110,583,482)
Interest paid		(33,739,809)	(21,951,332)
		<u>(241,289,765)</u>	<u>(268,173,221)</u>
<b>Net cash flows from operating activities</b>	44	<b>7,828,356</b>	<b>3,111,315</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	14	(8,094,598)	(2,299,151)
Proceeds from sale of investment property	13	(1)	-
Proceeds from sale of financial assets		1,599,137	1,793,941
<b>Net cash flows from investing activities</b>		<b>(6,495,462)</b>	<b>(505,210)</b>
<b>Cash flows from financing activities</b>			
Increase in other financial liabilities		1,114,451	1,043,552
Finance lease payments		(2,879,851)	(2,568,527)
<b>Net cash flows from financing activities</b>		<b>(1,765,400)</b>	<b>(1,524,975)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(432,506)</b>	<b>1,081,130</b>
Cash and cash equivalents at the beginning of the year		1,349,670	268,540
<b>Cash and cash equivalents at the end of the year</b>	3	<b>917,164</b>	<b>1,349,670</b>

The accounting policies on pages 23 to 54 and the notes on pages 55 to 126 form an integral part of the annual financial statements.

\* See Note 48

# KAI !GARIB LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2022

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Agency services	244,012	248,700	<b>492,712</b>	411,125	<b>(81,587)</b>	Please refer below for reasons.
Interest income	8,760,972	-	<b>8,760,972</b>	9,208,767	<b>447,795</b>	Please refer below for reasons.
Licences and permits	712,072	89,473	<b>801,545</b>	857,671	<b>56,126</b>	Please refer below for reasons.
Rental of facilities and equipment	563,000	314,915	<b>877,915</b>	407,636	<b>(470,279)</b>	Please refer below for reasons.
Service charges	133,384,091	572,496	<b>133,956,587</b>	110,775,893	<b>(23,180,694)</b>	Please refer below for reasons.
Operational revenue	607,000	-	<b>607,000</b>	3,608,209	<b>3,001,209</b>	Please refer below for reasons.
<b>Total revenue from exchange transactions</b>	<b>144,271,147</b>	<b>1,225,584</b>	<b>145,496,731</b>	<b>125,269,301</b>	<b>(20,227,430)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	21,461,399	631,345	<b>22,092,744</b>	23,381,183	<b>1,288,439</b>	Please refer below for reasons.
Surcharges and Taxes	-	-	-	478,702	<b>478,702</b>	
Interest - Receivables from non-exchange transactions	2,840,000	-	<b>2,840,000</b>	4,036,564	<b>1,196,564</b>	Please refer below for reasons.
<b>Transfer revenue</b>						
Fines, penalties and forfeits	77,413	-	<b>77,413</b>	10,900	<b>(66,513)</b>	Please refer below for reasons.
Government grants and subsidies	132,908,012	-	<b>132,908,012</b>	111,161,972	<b>(21,746,040)</b>	Please refer below for reasons.
Public contributions and donations	-	-	-	983,124	<b>983,124</b>	Please refer below for reasons.
<b>Total revenue from non-exchange transactions</b>	<b>157,286,824</b>	<b>631,345</b>	<b>157,918,169</b>	<b>140,052,445</b>	<b>(17,865,724)</b>	
<b>Total revenue</b>	<b>301,557,971</b>	<b>1,856,929</b>	<b>303,414,900</b>	<b>265,321,746</b>	<b>(38,093,154)</b>	

# KAI !GARIB LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2022

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Expenditure</b>						
Bulk purchases	(52,164,864)	(987,026)	<b>(53,151,890)</b>	(87,628,189)	<b>(34,476,299)</b>	Please refer below for reasons.
Contracted services	(16,497,000)	(3,651,611)	<b>(20,148,611)</b>	(59,512,479)	<b>(39,363,868)</b>	Please refer below for reasons.
Debt impairment	(9,486,009)	-	<b>(9,486,009)</b>	(27,883,141)	<b>(18,397,132)</b>	Please refer below for reasons.
Depreciation and amortisation	(18,469,000)	2,541,294	<b>(15,927,706)</b>	(36,191,933)	<b>(20,264,227)</b>	Please refer below for reasons.
Employee related costs	(132,202,713)	(1,873,610)	<b>(134,076,323)</b>	(135,247,523)	<b>(1,171,200)</b>	Please refer below for reasons.
Finance costs	(16,492,000)	-	<b>(16,492,000)</b>	(34,871,050)	<b>(18,379,050)</b>	Please refer below for reasons.
General expenses	(13,415,216)	-	<b>(13,415,216)</b>	(31,614,577)	<b>(18,199,361)</b>	Please refer below for reasons.
Remuneration of councillors	(8,103,108)	-	<b>(8,103,108)</b>	(7,748,145)	<b>354,963</b>	Please refer below for reasons.
<b>Total expenditure</b>	<b>(266,829,910)</b>	<b>(3,970,953)</b>	<b>(270,800,863)</b>	<b>(420,697,037)</b>	<b>(149,896,174)</b>	
<b>Operating deficit</b>	<b>34,728,061</b>	<b>(2,114,024)</b>	<b>32,614,037</b>	<b>(155,375,291)</b>	<b>(187,989,328)</b>	
Loss on disposal of assets and liabilities	-	-	-	(329,857)	<b>(329,857)</b>	Please refer below for reasons.
Impairment loss/ Reversal of impairments	-	-	-	(4,487,340)	<b>(4,487,340)</b>	Please refer below for reasons.
Fair value adjustments	-	-	-	(5,386,860)	<b>(5,386,860)</b>	Please refer below for reasons.
Actuarial gains/losses	-	-	-	1,268,600	<b>1,268,600</b>	Please refer below for reasons.
	-	-	-	<b>(8,935,457)</b>	<b>(8,935,457)</b>	
<b>Surplus/(deficit) for the year</b>	<b>34,728,061</b>	<b>(2,114,024)</b>	<b>32,614,037</b>	<b>(164,310,748)</b>	<b>(196,924,785)</b>	

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Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2022

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	884,000	-	884,000	917,164	33,164	Please refer below for reasons.
Inventories	380,000	-	380,000	378,222	(1,778)	Please refer below for reasons.
Other financial assets	762,000	-	762,000	767,328	5,328	Please refer below for reasons.
Receivables from exchange transactions	33,746,000	-	33,746,000	14,241,120	(19,504,880)	Please refer below for reasons.
Receivables from non-exchange transactions	7,052,800	-	7,052,800	11,687,586	4,634,786	Please refer below for reasons.
VAT receivable	40,069,000	-	40,069,000	40,386,565	317,565	Please refer below for reasons.
<b>Total current assets</b>	<b>82,893,800</b>	<b>-</b>	<b>82,893,800</b>	<b>68,377,985</b>	<b>(14,515,815)</b>	
<b>Non-Current Assets</b>						
Receivables from non-exchange transactions	1,780,000	-	1,780,000	1,773,796	(6,204)	Please refer below for reasons.
Heritage assets	112,955	-	112,955	112,955	-	Please refer below for reasons.
Intangible assets	32,000	-	32,000	32,020	20	Please refer below for reasons.
Investment property	150,000,000	-	150,000,000	167,548,390	17,548,390	Please refer below for reasons.
Property, plant and equipment	806,863,000	-	806,863,000	800,435,804	(6,427,196)	Please refer below for reasons.
<b>Total non-current assets</b>	<b>958,787,955</b>	<b>-</b>	<b>958,787,955</b>	<b>969,902,965</b>	<b>11,115,010</b>	
<b>Total Assets</b>	<b>1,041,681,755</b>	<b>-</b>	<b>1,041,681,755</b>	<b>1,038,280,950</b>	<b>(3,400,805)</b>	

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Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2022

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Consumer deposits	2,300,000	-	2,300,000	2,283,930	(16,070)	Please refer below for reasons.
Employee benefit obligation	1,750,000	-	1,750,000	1,746,474	(3,526)	Please refer below for reasons.
Finance lease obligation	1,050,000	-	1,050,000	1,029,903	(20,097)	Please refer below for reasons.
Other financial liabilities	13,930,000	-	13,930,000	13,904,465	(25,535)	Please refer below for reasons.
Payables from exchange transactions	542,011,500	-	542,011,500	730,040,707	188,029,207	Please refer below for reasons.
Unspent conditional grants and receipts	-	-	-	7,110,266	7,110,266	Please refer below for reasons.
<b>Total current liabilities</b>	<b>561,041,500</b>	<b>-</b>	<b>561,041,500</b>	<b>756,115,745</b>	<b>195,074,245</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	23,750,000	-	23,750,000	23,721,927	(28,073)	Please refer below for reasons.
Finance lease obligation	850,000	-	850,000	836,799	(13,201)	Please refer below for reasons.
Provisions	65,000,000	-	65,000,000	63,267,954	(1,732,046)	Please refer below for reasons.
<b>Total non-current liabilities</b>	<b>89,600,000</b>	<b>-</b>	<b>89,600,000</b>	<b>87,826,680</b>	<b>(1,773,320)</b>	
<b>Total Liabilities</b>	<b>650,641,500</b>	<b>-</b>	<b>650,641,500</b>	<b>843,942,425</b>	<b>193,300,925</b>	
<b>Net Assets</b>	<b>391,040,255</b>	<b>-</b>	<b>391,040,255</b>	<b>194,338,525</b>	<b>(196,701,730)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Total Net Assets</b>						
Accumulated surplus	391,040,255	-	391,040,255	194,338,525	(196,701,730)	Please refer below for reasons.
<b>Total Net Assets</b>	<b>391,040,255</b>	<b>-</b>	<b>391,040,255</b>	<b>194,338,525</b>	<b>(196,701,730)</b>	

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Annual Financial Statements for the year ended 30 June 2022

**Statement of Comparison of Budget and Actual Amounts****Reasons for variances between Budget and Actuals (Statement of Financial Performance)**

Line item	Variance (%)	Reason for variance
Revenue		
Agency services	(16.56)%	The municipality's traffic office in Kakamas is still providing all DTSL services to the community that was moved to the Post Office
Interest income	5.11%	Consumer debtors charged less interest than originally budgeted for.
Licences and permits	7.00%	More licences and permits were received than was originally anticipated during the budgeting process
Rental of facilities and equipment	(53.57)%	Municipal facilities were used more by the community than was originally anticipated during the budgeting process
Service charges	(17.30)%	Completeness and billing corrections made during the compilation of the Annual Financial Statements
Operational revenue	494.43%	Including the Sales of goods and rendering of services, this is due to an overall better increase in revenue management from the municipality coincided with a tariff increase.
Property rates	5.83%	Completeness and billing corrections made during the compilation of the Annual financial statements
Fines, penalties and forfeits	(85.92)%	Penalties on property rates not anticipated during the budgeting process
Government grants and subsidies	(16.36)%	Immaterial variance
Public contributions and donations	DIV/0	Donations towards the municipality were not anticipated during the budgeting process
Expenditure		
Bulk purchases	64.86%	The consumer base used more electricity than anticipated during the annual budget process
Contracted services	195.37%	Contracted services were reclassified according to the nature of the expenditure
Debt impairment	193.94%	Impairment on consumer debtors accounts corrected
Depreciation and amortisation	127%	Due to the municipality's cash flow constraints, non cash items were not budgeted for effectively
Employee related costs	0.87%	New employees appointed and salary corrections made during the financial year not budgeted for
Finance costs	111.44%	Due to cash flow constraints the municipality cannot pay all its creditors within 30 days
General expenses	135.66%	Due to cash flow constraints, general expenses budgeted for during the financial year did not occur.
Remuneration of councillors	(4.38)%	Classification corrections made after the budgeting process
Other		
Loss on disposal of assets and liabilities	100.00%	During the budgeting process it was not anticipated that the municipality will sell any of its assets or liabilities
Impairment loss/ Reversal of impairments	100.00%	Non cash item not budgeted for
Fair value adjustments	100.00%	Non cash item not budgeted for
Actuarial gains/losses	100.00%	Non cash item not budgeted for

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Annual Financial Statements for the year ended 30 June 2022

**Statement of Comparison of Budget and Actual Amounts****Reasons for variances between Budget and Actuals (Statement of Financial Position)**

Line item	Variance (%)	Reason for variance
Current Assets		
Cash and cash equivalents	3.75%	Budget not aligned with reporting structure
Receivables from exchange transactions	(57.80)%	Provision for debt impairment not accounted for during the budgeting process
Receivables from non-exchange transactions	65.72%	Provision for debt impairment not accounted for during the budgeting process
Other assets	DIV/0	Budget not aligned with reporting structure
Other financial assets	0.70%	Budget not aligned with reporting structure
Inventories	(0.47)%	Budget not aligned with reporting structure
VAT receivable	0.79%	Budget not aligned with reporting structure
Non-Current Assets		
Other financial assets	(85.92)%	Budget not aligned with reporting structure
Heritage assets	(16.36)%	Immaterial variance
Intangible assets	DIV/0	Budget not aligned with reporting structure
Investment property	DIV/0	Budget not aligned with reporting structure
Property, plant and equipment	DIV/0	Budget not aligned with reporting structure
Current Liabilities		
Consumer deposits	64.86%	Immaterial variance
Employee benefit obligation	195.37%	Budget not aligned with reporting structure
Finance lease obligation	193.94%	Budget not aligned with reporting structure
Other financial liabilities	127%	Budget not aligned with reporting structure
Payables from exchange transactions	0.87%	Budget not aligned with reporting structure
Provisions	111.44%	Budget not aligned with reporting structure
Unspent conditional grants and receipts	135.66%	Grants withheld not accounted for during the budget process
Non-Current Liabilities		
Employee benefit obligation	100.00%	Budget not aligned with reporting structure
Finance lease obligation	100.00%	Budget not aligned with reporting structure
Other financial liabilities	100.00%	Budget not aligned with reporting structure
Provisions	100.00%	Budget not aligned with reporting structure

Management considers a variance between the budget and actual amount of less than 10% and less than 3 million in the movement as immaterial.

The accounting policies on pages 23 to 54 and the notes on pages 55 to 126 form an integral part of the annual financial statements.

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Annual Financial Statements for the year ended 30 June 2022

**Accounting Policies for the year ended 30 June 2022**

Figures in Rand	Notes	2022	2021
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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.

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

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

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

These accounting policies are consistent with the previous period.

**1.1 Presentation currency**

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

The amounts disclosed in the annual financial statements are rounded-off to the nearest Rand.

**1.2 Going concern assumption**

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

**1.3 Materiality**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the 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.

**1.4 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:

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Annual Financial Statements for the year ended 30 June 2022

**Accounting Policies for the year ended 30 June 2022**

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**1.4 Significant judgements and sources of estimation uncertainty (continued)****Trade 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 surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a payment rate basis per consumer. The payment rate is calculated on the total payments received per consumer in the current year, and then divided by the total revenue billed per consumer for the current year. The percentage is then converted to a non payment ratio. The non payment ratio is then multiplied with the consumers total outstanding balance. The movement between a consumers yearly impairment balance are accounted through profit and loss in the statement of financial performance.

**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 carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

**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 20 - Provisions.

**Useful lives of waste and water network and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and Investment properties. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. In the event that a depreciating asset is nearing the end of its useful life, the availability of budget to replace the asset is considered. If the asset is not budgeted to be replaced, the useful life is extended by one year. Depreciation is adjusted going forward.

**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.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

**Effective interest rate**

The discounted mean term of the liabilities is approximately 27.2 years. We have therefore used a discount rate of 11.2% p.a.(10.3%), which is the nominal yield at a term of 27.2 years, taken from the South African government zero coupon bond yield curve as at 30 June 2022.

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Annual Financial Statements for the year ended 30 June 2022

**Accounting Policies for the year ended 30 June 2022**

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**1.4 Significant judgements and sources of estimation uncertainty (continued)****Allowance for doubtful debts**

On debtors 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.

**1.5 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
- sale in the ordinary course of operations.

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

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

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

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

**Fair value**

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

The fair value of investment property reflects market conditions at the reporting date.

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.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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.

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Annual Financial Statements for the year ended 30 June 2022

**Accounting Policies for the year ended 30 June 2022**

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**1.5 Investment property (continued)**

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:

- Property intended for sale in the ordinary course of operations or in the process of construction or development from such sale;
- Property being constructed or developed on behalf of third parties;
- Owner occupied property, including among other things property held for future use as owner occupied property, property held for future developments and subsequent use as owner occupied property, property occupied by employees such as housing personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
- Property that is being constructed for future use as investment property;
- Property that is leased to another entity as investment property;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

**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.

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.

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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 are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	10-50 years
Plant and machinery	Straight-line	2-80 years
Furniture and fixtures	Straight-line	3-15 years
Motor vehicles	Straight-line	3-15 years
Office equipment	Straight-line	2-5 years
IT equipment	Straight-line	2-5 years
Infrastructure	Straight-line	5-60 years
Community	Straight-line	5-60 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses 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 as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in 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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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**1.7 Site restoration and dismantling cost**

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

**1.8 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.

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.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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.

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

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Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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 as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	1-2 years

Intangible assets are derecognised:

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

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

**1.9 Heritage assets**

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

**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.

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**1.9 Heritage assets (continued)****Initial measurement**

Heritage assets are measured at cost.

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

**Subsequent measurement**

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

**Impairment**

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.

**Derecognition**

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

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

**1.10 Financial instruments**

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

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.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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### 1.10 Financial instruments (continued)

#### Initial recognition and measurement

A financial instrument is recognised, when the Municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value, as appropriate on initial recognition.

#### Subsequent measurement – financial assets

**Financial assets consist of cash and cash equivalents, deposits, receivables and investments.**

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of Financial Performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of Financial Performance.

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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of Financial Performance.

#### Subsequent measurement – financial liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of Financial Performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

#### 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 Municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

#### Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

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**1.10 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**

Cash and cash equivalents  
Trade and other receivables from exchange transactions  
Other receivables from non-exchange transactions  
Other financial asset

**Category**

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at fair value

The municipality 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**

Bank overdraft  
Consumer deposits  
Other financial liabilities  
Trade and other payables from exchange transactions

**Category**

Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost

**1.11 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.

**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:

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**1.11 Statutory receivables (continued)**

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

**Impairment losses**

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

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.

In estimating the future cash flows, a 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.

**Transitional Provisions**

Every effort is made to ensure compliance with the standard, but due to the risk of omission in some items being implementation on the latest financial system for SCOA compliance and lack of training due to COVID-19 regulations during implementation of this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

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**1.11 Statutory receivables (continued)**

The transitional period commences from 1 July 2019 and will be utilised until the period ending 30 June 2022.

**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 - 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 interest rate implicit in the lease.

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

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.

The aggregate benefit of incentives is recognised as a reduction of rental expense 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.

**1.13 Inventories**

Inventories consist of raw materials and consumables, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

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**1.13 Inventories (continued)**

Redundant and slow moving inventory are identified and written down to their estimated net realisable values estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventory arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

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

**Water Inventory**

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

**1.14 Value-Added-Tax (VAT)**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable, or payable to, the taxation authority is included in the Statement of Financial Position. The municipality accounts for Value Added Tax (VAT) on the cash/payment basis.

**1.15 Construction contracts and receivables**

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

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

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

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

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

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

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

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

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**1.15 Construction contracts and receivables (continued)**

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

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

**1.16 Impairment of cash-generating assets**

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

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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**1.16 Impairment of cash-generating assets (continued)****Designation**

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

**Administrative/owner-occupied assets:**

It is accepted that all administrative assets, for example, vehicles, office equipment/furniture, plant and machinery, computer equipment and administrative land and buildings are non-cash generating assets as they do not generate any return.

**Infrastructure assets:**

Infrastructure assets can be divided into five main groups, roads, water, electricity, sewer and waste management. Roads do not generate any return and is therefore categorised as non-cash generating assets.

Water and electricity infrastructure assets in the municipality generate a return in the form of water and electricity service charges. These returns are not considered to be commercial returns for the following reason:

- These levies are determined annually based on:
  - the funds required as per the budget; and
  - the fees set by ESKOM and NERSA
- The budget is prepared to meet the objective of the municipality as set out in the IDP and SDBIP;
- The objectives of the municipality set in the IDP and SDBIP is to deliver services to the community and not to generate a commercial return.

Water and electricity infrastructure assets are non-cash generating assets.

Waste management do generate a return in the form of a fee charged at landfill sites for the disposing of household waste when the load is of a certain size.

These landfill sites are however management to project health, well-being and the environment by providing the facility to safely dispose of household waste. Landfill sites are treated as non-cash generating assets.

**Community assets:**

Community assets are all categorised as non-cash generating assets even if some of these assets, for example, swimming pool, community hall or cemeteries generate a return. The return generated by these assets is small and immaterial in relation to the cost of the assets and therefore is not considered to be a commercial return. In addition, all community assets are held with the primary objectives of service delivery in the community, to uplift the communities and to stimulate and enhance economic growth in the different communities.

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**1.16 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**

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

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

**Basis for estimates of future cash flows**

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

**Composition of estimates of future cash flows**

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

**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.

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**1.16 Impairment of cash-generating assets (continued)****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.

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

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

**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.

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**1.16 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.

**1.17 Impairment of non-cash-generating assets**

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

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**1.17 Impairment of non-cash-generating assets (continued)**

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

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**1.17 Impairment of non-cash-generating assets (continued)****Designation**

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

**Administrative/owner-occupied assets**

It is accepted that all administrative assets, for example, vehicles, office equipment/furniture, plant and machinery, computer equipment and administrative land and buildings are non-cash generating assets as they do not generate any return.

**Infrastructure assets:**

Infrastructure assets can be divided into five main groups, roads, water, electricity, sewer and waste management. Roads do not generate any return and is therefore categorised as non-cash generating assets.

Water and electricity infrastructure assets in the municipality generate a return in the form of water and electricity service charges. These returns are not considered to be commercial returns for the following reason:

- These levies are determined annually based on:
  - the funds required as per the budget; and
  - the fees set by ESKOM and NERSA
- The budget is prepared to meet the objective of the municipality as set out in the IDP and SDBIP;
- The objectives of the municipality set in the IDP and SDBIP is to deliver services to the community and not to generate a commercial return.

Water and electricity infrastructure assets are non-cash generating assets.

Waste management do generate a return in the form of a fee charged at landfill sites for the disposing of household waste when the load is of a certain size.

These landfill sites are however management to protect health, well-being and the environment by providing the facility to safely dispose of household waste. Landfill sites are treated as non-cash generating assets.

**Community assets:**

Community assets are all categorised as non-cash generating assets even if some of these assets, for example, swimming pool, community hall or cemeteries generate a return. The return generated by these assets is small and immaterial in relation to the cost of the assets and therefore is not considered to be a commercial return. In addition, all community assets are held with the primary objectives of service delivery in the community, to uplift the communities and to stimulate and enhance economic growth in the different communities.

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**1.17 Impairment of non-cash-generating assets (continued)****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.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service 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**

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.

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

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.

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**1.17 Impairment of non-cash-generating assets (continued)****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.

**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.

**1.18 Unspent Conditional Grants and Receipts**

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be cashbacked.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised,
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the unspent conditional grant into the Statement of Financial Performance as revenue.

**1.19 Consumer deposits**

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with Council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

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**1.20 Employee benefits**

The municipality provides short term benefits, long term benefits and retirement benefits for its employees.

**Short-term employee benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

**Leave pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position.

**Bonus provisions**

The municipality recognises the expected cost of bonuses as a provision only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

**Post-employment benefits: Defined contribution plans**

A defined contribution plan is a plan for Health Care Benefits under which the municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees

Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

**Post-employment benefits: Defined benefit plans**

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

**Long-service awards**

The municipality has an obligation to provide Long-service awards to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

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**1.21 Provisions and contingencies**

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

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

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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### 1.21 Provisions and contingencies (continued)

#### Environmental Rehabilitation Provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

### 1.22 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
- 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.

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### 1.23 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

#### Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

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

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

#### Service Charges – exchange revenue

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### Pre-paid Electricity – exchange revenue

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

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Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### **Sale of goods – exchange revenue**

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

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

### **Revenue Recognition of Unclaimed Deposits – exchange revenue**

Unclaimed deposits older than three (3) years are recognised as revenue.

### **Rates and Taxes – non-exchange revenue**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

### **Fines – non-exchange revenue**

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.

Subsequent to initial recognition and measurement, the Municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

### **Donations and Contributions – non-exchange revenue**

Donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

### **Transfers and subsidies – non-exchange revenue**

#### **Unconditional Grants**

Equitable share allocations are recognised in revenue at the start of the financial year.

#### **Conditional Grants**

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

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### Services Received In-kind – non-exchange revenue

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

### 1.24 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### 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.

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**1.24 Revenue from non-exchange transactions (continued)****Measurement**

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

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

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.

**1.25 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

**1.26 Borrowing costs**

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

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

**Change in accounting policy due to amendments to GRAP 5 - Borrowing costs**

The adoption of amendments to GRAP 5 - Borrowing costs resulted in a change in accounting policy during the current period. The effect of the change is that borrowing costs are now expensed when incurred, and this change is applied prospectively since 01/07/2017. The effective date of the amendments was 01/04/2020.

Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, is recognised in accordance with the municipality's previous accounting policy.

**1.27 Comparative figures**

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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**1.28 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.

**1.29 Fruitless and wasteful expenditure**

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

**1.30 Irregular expenditure**

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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.

**1.31 Segment information**

A segment is an activity of an entity:

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

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

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**Accounting Policies for the year ended 30 June 2022**

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**1.31 Segment information (continued)****Measurement**

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

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

**1.32 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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 01/07/2021 to 30/06/2022.

The budget for the economic entity includes all the entities approved budgets under its control.

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

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.

Comparative information is not required.

**1.33 Related parties**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**1.34 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).

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**Accounting Policies for the year ended 30 June 2022**

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**1.34 Events after reporting date (continued)**

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.

**1.35 Offsetting**

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

**1.36 Change on accounting policies estimates and errors**

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

**1.37 Bad debts written off**

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the debt provision account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

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Figures in Rand	2022	2021
<b>2. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2022</b>		
<b>Financial assets</b>		
	<b>At amortised cost</b>	<b>Total</b>
Other financial assets	767,328	767,328
Cash and cash equivalents	917,164	917,164
Receivables from exchange transactions	11,687,586	11,687,586
Receivables from non-exchange transactions - Non-Current	1,773,796	1,773,796
	<b>15,145,874</b>	<b>15,145,874</b>
<b>Financial liabilities</b>		
	<b>At amortised cost</b>	<b>Total</b>
Consumer deposits	2,283,930	2,283,930
Other financial liabilities	13,904,465	13,904,465
Payables from exchange transactions	730,040,726	730,040,726
	<b>746,229,121</b>	<b>746,229,121</b>
<b>2021</b>		
<b>Financial assets</b>		
	<b>At amortised cost</b>	<b>Total</b>
Other financial assets	2,366,465	2,366,465
Cash and cash equivalents	1,349,670	1,349,670
Receivables from exchange transactions	11,675,438	11,675,438
Receivables from non-exchange transactions - Non-Current	136,093	136,093
	<b>15,527,666</b>	<b>15,527,666</b>
<b>Financial liabilities</b>		
	<b>At amortised cost</b>	<b>Total</b>
Consumer deposits	2,107,055	2,107,055
Other financial liabilities	12,551,670	12,551,670
Payables from exchange transactions	570,390,117	570,390,117
	<b>585,048,842</b>	<b>585,048,842</b>
<b>3. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	706,520	690,701
Short-term deposits	210,644	658,969
	<b>917,164</b>	<b>1,349,670</b>

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**Notes to the Annual Financial Statements for the year ended 30 June 2022**

Figures in Rand	2022	2021
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**3. Cash and cash equivalents (continued)**

The total amount of undrawn facilities available for future operating activities and commitments	917,164	1,349,670
	<b>917,164</b>	<b>1,349,670</b>

Refer to note 48 for prior period corrections made to cash and cash equivalents

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

**Credit rating**

Baa3	917,164	1,349,670
	<b>917,164</b>	<b>1,349,670</b>

**The municipality had the following bank accounts**

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Current accounts						
ABSA Bank Limited: 4051 445 435	44,420	257,880	(238,845)	(224,241)	(355,568)	(355,568)
Standard Bank Limited: 0417 902 19	322,829	182,506	106,058	378,946	106,058	106,058
Short-term Investments						
ABSA Bank Limited: 9117 271 903	2,400	289,904	1,594	19,073	1,594	1,594
First National Bank: 6200 698 309 4	(1,686)	1,681	1,676	1,676	1,676	1,676
Standard Bank Limited: 0486 432 700 02	21,014	1,941	21,813	1,941	21,813	21,813
Standard Bank Limited: 0489 042 950 04	59,293	59,930	59,930	59,930	59,930	59,930
<b>Total</b>	<b>448,270</b>	<b>793,842</b>	<b>(47,774)</b>	<b>237,325</b>	<b>(164,497)</b>	<b>(164,497)</b>

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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
<b>4. Inventories</b>		
Consumable stores	307,517	397,130
Water for distribution	70,705	95,833
	<b>378,222</b>	<b>492,963</b>
Carrying value of inventories carried at the lower of cost and net realisable value	378,222	492,963
Water inventory relates to water under the control of the municipality. The cost of sale per kiloliter increased from R1.66 p/kl in 2021 to R1.57 p/kl in 2022 representing an decrease in cost of sale of 26%.		
All inventory for the current year are carried at the lower of cost or the net realisable value.		
<b>Water for distribution</b>		
Opening balance	95,833	81,453
System input volume	(25,128)	14,380
<b>Closing balance</b>	<b>70,705</b>	<b>95,833</b>
<b>5. Other financial assets</b>		
<b>At amortised cost</b>		
Sale of land	301,806	301,806
Terms and conditions Properties sold not yet paid for.		
Conventional water	453,999	743,437
Cutt over estimation performed on year-end on conventional water sold not yet consumed.		
Conventional electricity	11,523	1,321,222
Cutt over estimation performed on year-end on conventional electricity sold not yet consumed.		
	<b>767,328</b>	<b>2,366,465</b>
<b>Current assets</b>		
At amortised cost	767,328	2,366,465
	<b>767,328</b>	<b>2,366,465</b>

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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
<b>6. Receivables from exchange transactions</b>		
Consumer debtors - Electricity	2,605,541	1,595,577
Consumer debtors - Water	5,470,694	1,250,369
Consumer debtors - Sewerage	2,285,894	737,775
Consumer debtors - Refuse	984,480	450,894
Consumer debtors - Sundry	2,871,354	54,955
Consumer debtors - Property rentals	23,157	34,931
	<b>14,241,120</b>	<b>4,124,501</b>

**Trade and other receivables pledged as security**

There are no trade and other receivables from exchange transactions pledged as security for overdraft facilities.

**Fair value of trade and other receivables**

Trade and other receivables	14,241,120	4,124,501
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**7. Receivables from non-exchange transactions**

Arrangements	1,773,796	136,093
Consumer debtors - Availability Charges	4,536,132	4,154,781
Consumer debtors - Property rates	7,151,454	7,520,657
	<b>13,461,382</b>	<b>11,811,531</b>
Non-current assets	1,773,796	136,093
Current assets	11,687,586	11,675,438
	<b>13,461,382</b>	<b>11,811,531</b>

**Statutory receivables included in receivables from non-exchange transactions above are as follows:**

Property rates	7,151,454	7,520,657
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**Financial asset receivables included in receivables from non-exchange transactions above**

<b>7,151,454</b>	<b>7,520,657</b>
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**Total receivables from non-exchange transactions**

13,461,382	11,811,531
<b>13,461,382</b>	<b>11,811,531</b>

**Statutory receivables general information**

Refer to note 9 for the disclosure of Statutory receivables.

There are no receivables from non-exchange transactions pledged as security for overdraft facilities.

**Fair value of receivables from non-exchange transactions**

Other receivables from non-exchange transactions	13,461,382	11,811,531
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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
<b>8. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Property rates	85,676,363	70,065,101
Electricity	25,970,594	23,722,953
Water	80,084,832	69,551,285
Sewerage	37,712,689	32,730,019
Refuse	37,199,781	32,560,358
Sundry debtors	7,316,039	4,149,852
Property rentals	3,046,263	2,500,082
Arrangements	10,477,422	10,882,153
	<b>287,483,983</b>	<b>246,161,803</b>
<b>Less: Allowance for impairment</b>		
Property rates	(78,524,909)	(62,544,444)
Electricity	(23,365,053)	(22,127,376)
Water	(74,614,138)	(68,300,916)
Sewerage	(35,426,795)	(31,992,244)
Refuse	(36,215,301)	(32,109,464)
Sundry debtors	(4,444,685)	(4,094,897)
Property rentals	(3,023,106)	(2,465,151)
Arrangements	(8,703,626)	(10,746,060)
	<b>(264,317,613)</b>	<b>(234,380,552)</b>
<b>Net balance</b>		
Property rates	7,151,454	7,520,657
Electricity	2,605,541	1,595,577
Water	5,470,694	1,250,369
Sewerage	2,285,894	737,775
Refuse	984,480	450,894
Sundry debtors	2,871,354	54,955
Property rentals	23,157	34,931
Arrangements	1,773,796	136,093
	<b>23,166,370</b>	<b>11,781,251</b>
<b>Statutory receivables included in consumer debtors above are as follows:</b>		
Property rates	6,440,131	7,520,657
Vat receivable	40,386,565	27,259,629
	<b>46,826,696</b>	<b>34,780,286</b>
<b>Financial asset receivables included in consumer debtors above</b>	<b>(23,660,326)</b>	<b>(22,999,035)</b>
<b>Total consumer debtors</b>	<b>23,166,370</b>	<b>11,781,251</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	2,605,541	1,595,577
Water	5,470,694	1,250,369
Sewerage	2,285,894	737,775
Refuse	984,480	450,894
Sundry debtors	2,871,354	54,955
Property rentals	23,157	34,931
	<b>14,241,120</b>	<b>4,124,501</b>

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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
<b>8. Consumer debtors disclosure (continued)</b>		
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Property rates	7,151,454	7,520,657
Arrangements	1,773,796	136,093
	<b>8,925,250</b>	<b>7,656,750</b>
<b>Net balance</b>	<b>23,166,370</b>	<b>11,781,251</b>
<b>Property rates</b>		
Current (0 -30 days)	3,001,546	830,638
31 - 60 days	717,197	586,038
61 - 90 days	706,930	547,196
91 - 120 days	646,145	527,527
121 - 150 days	643,774	532,075
151 - 180 days	79,960,770	67,041,627
Less: Allowance for impairment	(78,524,909)	(62,544,444)
	<b>7,151,453</b>	<b>7,520,656</b>
<b>Electricity</b>		
Current (0 -30 days)	3,897,545	3,995,085
31 - 60 days	764,537	1,325,146
61 - 90 days	561,481	1,160,653
91 - 120 days	554,102	1,247,246
121 - 150 days	416,298	565,599
151 - 180 days	24,312,763	19,584,005
Less: Allowance for impairment	(23,365,053)	(22,127,376)
	<b>7,141,673</b>	<b>5,750,358</b>
<b>Water</b>		
Current (0 -30 days)	1,639,687	1,664,463
31 - 60 days	1,038,339	1,121,833
61 - 90 days	1,049,171	1,217,580
91 - 120 days	1,039,969	1,027,372
121 - 150 days	1,155,622	952,559
151 - 180 days	74,162,045	63,567,478
Less: Allowance for impairment	(74,614,138)	(68,300,916)
	<b>5,470,694</b>	<b>1,250,369</b>
<b>Sewerage</b>		
Current (0 -30 days)	889,674	807,944
31 - 60 days	518,892	558,544
61 - 90 days	502,746	508,827
91 - 120 days	484,960	489,177
121 - 150 days	479,462	475,490
151 - 180 days	34,836,955	29,890,036
Less: Allowance for impairment	(35,426,795)	(31,992,244)
	<b>2,285,894</b>	<b>737,775</b>

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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
<b>8. Consumer debtors disclosure (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	607,763	621,073
31 - 60 days	474,391	449,208
61 - 90 days	457,878	426,461
91 - 120 days	442,630	417,749
121 - 150 days	437,619	405,312
151 - 180 days	34,779,501	30,240,556
Less: Allowance for impairment	(36,198,616)	(32,109,464)
	<b>1,001,165</b>	<b>450,895</b>
<b>Arrangements</b>		
Current (0 -30 days)	313,480	192,710
31 - 60 days	278,100	198,642
61 - 90 days	247,801	201,079
91 - 120 days	257,265	197,849
121 - 150 days	242,844	194,744
151 - 180 days	9,137,931	9,897,130
Less: Allowance for impairment	(8,703,626)	(10,746,060)
	<b>1,773,796</b>	<b>136,094</b>
<b>Property rentals</b>		
Current (0 -30 days)	79,294	78,604
31 - 60 days	78,459	77,664
61 - 90 days	77,000	77,060
91 - 120 days	75,529	76,240
121 - 150 days	74,781	72,289
151 - 180 days	2,661,200	2,118,225
Less: Allowance for impairment	(3,023,106)	(2,465,151)
	<b>23,157</b>	<b>34,931</b>
<b>Sundry Debtors</b>		
Current (0 -30 days)	60,990	39,090
31 - 60 days	33,545	28,425
61 - 90 days	35,922	25,181
91 - 120 days	41,889	25,152
121 - 150 days	30,656	25,474
151 - 180 days	4,307,271	4,308,337
Less: Allowance for impairment	(4,444,686)	(4,094,897)
	<b>65,587</b>	<b>356,761</b>
<b>Total</b>		
Current (0 -30 days)	10,489,979	8,229,607
31 - 60 days	3,903,460	4,345,499
61 - 90 days	3,638,928	4,164,037
91 - 120 days	3,542,489	4,008,312
121 - 150 days	3,481,056	3,223,542
151 - 180 days	264,158,436	226,647,394
> 365 days	-	39,090
Less: Allowance for impairment	(264,300,929)	(234,380,551)
	<b>24,913,419</b>	<b>16,276,929</b>

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Figures in Rand	2022	2021
<b>8. Consumer debtors disclosure (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(234,380,551)	(186,670,553)
Contributions to allowance	(29,920,377)	(47,709,998)
	<b>(264,300,928)</b>	<b>(234,380,551)</b>
<b>Collection rate of consumer receivables</b>		
Property rates	54 %	55 %
Electricity	91 %	80 %
Water	47 %	41 %
Sewerage	54 %	44 %
Refuse	47 %	37 %
<b>Overall collection rate</b>	<b>59 %</b>	<b>51 %</b>
<b>9. Statutory receivables</b>		
<b>The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:</b>		
Statutory receivable from non-exchange transaction - Property rates	7,151,454	7,520,657
Statutory receivables from exchange transactions - VAT	40,386,565	27,259,629
	<b>47,538,019</b>	<b>34,780,286</b>

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## Notes to the Annual Financial Statements for the year ended 30 June 2022

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### 9. (continued)

#### Statutory receivables general information

##### Transaction(s) arising from statute

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court in Kai-Garib.

Government grants related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

##### Determination of transaction amount

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

Traffic fines transaction amounts are determined in line with the Traffic Offence Code Book as approved by Senior Magistrate and implemented in the district of Kai-Garib.

Government grants related transaction amounts allocated to the municipality are stipulated in the applicable annual Division of Revenue Act as well as the relevant Provincial Gazette.

##### Interest or other charges levied/charged

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arrear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges includes contempt of court fees/ warrant of arrest fee determined in terms of the Criminal Procedure Act.

Interest or other charges levied on Government grants, if applicable, is based on the average investment rate for the applicable year.

The rates and interest charges are determined by the Value Added Tax Act 89 of 1991.

##### Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines, Provincial fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical trend.

##### Statutory receivables impaired

As of 30 June 2022, Statutory receivables of R(78,524,909) (2021: R(62,544,444)) were impaired and provided for.

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**Notes to the Annual Financial Statements for the year ended 30 June 2022**

<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
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**9. (continued)****Factors the entity considered in assessing statutory receivables impaired**

A payment % report was drawn in order to establish the payment percentage per type of debtor. This payment percentage was used to impair these statutory receivables

**10. VAT receivable**

South African Revenue Service	40,386,565	27,259,629
	<b>40,386,565</b>	<b>27,259,629</b>

Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from the South African Revenue Service (SARS).

Refer to note 9 for the disclosure of Statutory receivables.

VAT is (payable)/receivable on the cash basis.

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**Notes to the Annual Financial Statements for the year ended 30 June 2022**

Figures in Rand	2022	2021
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**11. Heritage assets**

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Areas of land of historic specific significance	3	-	3	3	-	3
Conservation area	1	-	1	1	-	1
Municipal jewellery	112,950	-	112,950	112,950	-	112,950
Works of art and collections	1	-	1	1	-	1
<b>Total</b>	<b>112,955</b>	<b>-</b>	<b>112,955</b>	<b>112,955</b>	<b>-</b>	<b>112,955</b>

**Reconciliation of heritage assets 2022**

	Opening balance	Total
Municipal jewellery	112,950	112,950
Areas of land of historic specific significance	3	3
Works of art and collections	1	1
Conservation area	1	1
	<b>112,955</b>	<b>112,955</b>

**Reconciliation of heritage assets 2021**

	Opening balance	Total
Municipal jewellery	112,950	112,950
Areas of land of historic specific significance	3	3
Works of art and collections	1	1
Conservation area	1	1
	<b>112,955</b>	<b>112,955</b>

**Pledged as security**

There are no Heritage assets pledged as security for overdraft facilities.

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**12. Intangible assets**

	<b>2022</b>			<b>2021</b>		
	<b>Cost / Valuation</b>	<b>Accumulated amortisation and accumulated impairment</b>	<b>Carrying value</b>	<b>Cost / Valuation</b>	<b>Accumulated amortisation and accumulated impairment</b>	<b>Carrying value</b>
Computer software	647,767	(615,747)	32,020	647,767	(581,228)	66,539
<b>Total</b>	<b>647,767</b>	<b>(615,747)</b>	<b>32,020</b>	<b>647,767</b>	<b>(581,228)</b>	<b>66,539</b>

**Reconciliation of intangible assets - 2022**

	<b>Opening balance</b>	<b>Amortisation</b>	<b>Impairment reversal</b>	<b>Total</b>
Computer software	66,539	(34,682)	163	32,020
	<b>66,539</b>	<b>(34,682)</b>	<b>163</b>	<b>32,020</b>

**Reconciliation of intangible assets - 2021**

	<b>Opening balance</b>	<b>Amortisation</b>	<b>Impairment reversal</b>	<b>Total</b>
Computer software	103,288	(49,053)	12,304	66,539
	<b>103,288</b>	<b>(49,053)</b>	<b>12,304</b>	<b>66,539</b>

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Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements for the year ended 30 June 2022**

Figures in Rand	2022	2021
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**13. Investment property**

Investment property	Fair value 167,548,390	Fair value 173,265,106
<b>Total</b>	<b>167,548,390</b>	<b>173,265,106</b>

	Fair Value		Fair Value	
	167,548,390	-	173,265,106	- 173,265,106
<b>Total</b>	<b>167,548,390</b>	<b>-</b>	<b>173,265,106</b>	<b>- 173,265,106</b>

**Reconciliation of investment property - 2022**

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	173,265,106	(329,856)	(5,386,860)	167,548,390
	<b>173,265,106</b>	<b>(329,856)</b>	<b>(5,386,860)</b>	<b>167,548,390</b>

**Reconciliation of investment property - 2021**

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	171,139,141	(5,575,296)	7,701,261	173,265,106
	<b>171,139,141</b>	<b>(5,575,296)</b>	<b>7,701,261</b>	<b>173,265,106</b>

**Pledged as security**

There are no Investment properties pledged as security.

**Details of property**

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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**Notes to the Annual Financial Statements for the year ended 30 June 2022**

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**13. Investment property (continued)****Details of valuation**

When valuing real estate, the Valuer must concern himself with placing a value on the rights attaching to the property and the benefits of occupation and/or ownership thereof. In the valuation process, cognisance must be taken of the purpose for which the property is capable of being used and the future income or amenities, which it is likely to produce. At the same time, however, the property must be compared with available substitutes and/or alternative investment opportunities. The object of the valuation process, therefore, is to arrive at a figure which will reflect the point of equilibrium between supply and effective demand at the time of valuing the property.

When valuing real estate, the Valuer must concern himself with placing a value on the rights attaching to the property and the benefits of occupation and/or ownership thereof. In the valuation process, cognisance must be taken of the purpose for which the property is capable of being used and the future income or amenities, which it is likely to produce. At the same time, however, the property must be compared with available substitutes and/or alternative investment opportunities. The object of the valuation process, therefore, is to arrive at a figure which will reflect the point of equilibrium between supply and effective demand at the time of valuing the property.

Investment properties comprise residential and commercial properties that are rented out, as well as vacant land held for a currently undetermined use.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

The municipality applies the Fair Value model to value and measure investment properties.

The fair value of investment property was calculated as follows:

**2022**

As the house price index is available and published, the municipality opted to rely on the FNB Economic report on house prices.

This report is performed by an Economist with qualified statisticians. The information can therefore be deemed reliable as the necessary qualifications and experience is presented to achieve a fairvalue (market) growth rate.

The fair value for each investment property was adjusted according to the factor as per the FNB barometer in the link below:

*PropertyBarometerSeptember.pdf (fnb.co.za)*

The HPI (house price index) for 2020 had a positive growth of 3.6%.

The professional valuator's values from 2021 was rolled over to 2022 by utilizing the FNB barometer house price index, which accurately indicates the growth over the period.

**2021**

As recommend by GRAP 16.45, an entity is encouraged, but not required, to determine the fair value of investment property on the basis of a valuation by a valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

All valuations were done as per the available report of the professional valuator.

All SG parcels were considered, and after ownership was tested and applied, the rate per square meter was assigned to determine the 2021 fair value for each property.

All investment property which includes a building owned by the municipality, the actual cost of the building was considered and a CRC factor was applied to determine the fair value in 2021.

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**13. Investment property (continued)****Legal ownership**

.18 Legal ownership refers to the owner being the registered title deed holder of the land. Legal ownership also arises where the land is transferred from the legal owner to another entity or party, through legislation or similar means. For example, when a change in ownership is recorded by way of an endorsement on the existing title deed, rather than a formal transfer or change in ownership reflected on the title deed. References to legal owner or legal ownership in this Interpretation include both situations.

.19 In the absence of an entity demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land, and to restrict or deny the access of others to land. The legal owner is thus able to demonstrate both criteria in paragraph.

.16 The right to direct access to land, and to restrict or deny the access of others to land .20 In assessing whether the rights that have been granted to an entity in a binding arrangement result in control of the land, it is important to distinguish between substantive rights and protective rights. Only substantive rights are considered in assessing whether an entity controls land.

.21 Substantive rights grant the entity the ability to make decisions about, and benefit from, certain rights and assets, such as how to use the land to provide services, and when to dispose of the land, to whom and at what price. For the right to be substantive, the holder of the right must have the present ability to exercise that right.

The accounting for land is based on the rights that an entity is presently able to exercise in terms of its ownership of the land or other rights granted in terms of a binding arrangement.

**Derecognise**

The invasion of land may be an illegal act. Although the illegal occupants may have certain rights, these rights do not supersede or eliminate the entity's currently exercisable rights in terms of its legal ownership of the land. Land ownership means that the entity has substantive rights to direct or restrict access to the economic benefits or service associated with the land. The fact that the entity may not execute these rights because of political, socio-economic or other factors, is irrelevant in establishing whether control exists for accounting purposes. An entity would need to assess if its ownership rights are subsequently changed through another legal action, such as the outcome of a court process such as the outcome of court case, court order, etc. The illegal occupation of land may indicate that an impairment loss should be recognised. An entity should apply the principles in either GRAP 21 or GRAP 26 when these occupations occur (and throughout their duration).

Amounts recognised in surplus and deficit for the year.

Fair value adjustments	(5,386,860)	7,701,261
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**14. Property, plant and equipment**

	2022			2021		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
<b>Immovable assets</b>						
Buildings	60,945,367	(23,633,386)	37,311,981	49,899,598	(20,937,862)	28,961,736
Community	64,830,417	(32,582,969)	32,247,448	64,830,417	(29,736,088)	35,094,329
Electrical infrastructure	160,482,411	(61,185,840)	99,296,571	160,089,446	(55,362,742)	104,726,704
Land	101,637,248	-	101,637,248	100,532,048	-	100,532,048
Landfill sites	112,972,350	(65,097,191)	47,875,159	112,364,979	(58,599,754)	53,765,225
Roads infrastructure	221,691,557	(94,068,537)	127,623,020	218,478,036	(86,711,583)	131,766,453
Solid waste infrastructure	84,845,185	(21,429,540)	63,415,645	84,749,502	(18,406,963)	66,342,539
Water network	370,188,051	(106,102,256)	264,085,795	370,035,489	(95,711,106)	274,324,383
Work-in-progress	18,470,221	-	18,470,221	9,528,379	-	9,528,379
<b>Movable assets</b>						
Computer equipment	9,278,933	(7,973,846)	1,305,087	9,018,125	(7,190,796)	1,827,329
Furniture and fixtures	6,861,489	(5,870,410)	991,079	6,856,706	(5,206,750)	1,649,956
Motor vehicles	20,655,006	(14,879,921)	5,775,085	14,661,612	(14,472,849)	188,763
Plant and machinery	2,256,678	(1,855,213)	401,465	2,234,760	(1,697,862)	536,898
<b>Total</b>	<b>1,235,114,913</b>	<b>(434,679,109)</b>	<b>800,435,804</b>	<b>1,203,279,097</b>	<b>(394,034,355)</b>	<b>809,244,742</b>

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**14. Property, plant and equipment (continued)****Reconciliation of property, plant and equipment - 2022**

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
<b>Immovable assets</b>									
Buildings	28,961,736	67,285	-	10,978,484	-	(1,867,490)	(1,007,430)	179,396	37,311,981
Community	35,094,329	-	-	-	-	(2,216,033)	(843,315)	212,467	32,247,448
Electrical infrastructure	104,726,704	392,965	-	-	-	(5,037,937)	(785,161)	-	99,296,571
Land	100,532,048	1,105,200	-	-	-	-	-	-	101,637,248
Landfill sites	53,765,225	-	-	-	607,371	(6,497,437)	-	-	47,875,159
Roads infrastructure	131,766,453	-	3,213,520	-	-	(7,114,034)	(786,630)	543,711	127,623,020
Solid waste infrastructure	66,342,539	95,683	-	-	-	(1,942,844)	(1,104,014)	24,281	63,415,645
Water network	274,324,383	152,562	-	-	-	(9,470,343)	(1,210,989)	290,182	264,085,795
Work-in-progress	9,528,379	-	23,133,845	(14,192,003)	-	-	-	-	18,470,221
<b>Movable assets</b>									
Computer equipment	1,827,329	260,808	-	-	-	(783,050)	-	-	1,305,087
Furniture and fixtures	1,649,956	4,783	-	-	-	(663,660)	-	-	991,079
Plant and machinery	536,898	21,918	-	-	-	(157,351)	-	-	401,465
Motor vehicles	188,763	5,993,394	-	-	-	(407,072)	-	-	5,775,085
	<b>809,244,742</b>	<b>8,094,598</b>	<b>26,347,365</b>	<b>(3,213,519)</b>	<b>607,371</b>	<b>(36,157,251)</b>	<b>(5,737,539)</b>	<b>1,250,037</b>	<b>800,435,804</b>

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**14. Property, plant and equipment (continued)****Reconciliation of property, plant and equipment - 2021**

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
<b>Immovable assets</b>									
Buildings	28,630,145	51,410	-	1,802,012	-	(1,591,100)	(12,965)	82,234	28,961,736
Community assets	37,088,994	8,937	-	-	-	(2,305,645)	(1,242)	303,285	35,094,329
Electrical infrastructure	106,041,625	172,150	3,338,025	-	-	(4,975,691)	-	150,595	104,726,704
Land	100,532,048	-	-	-	-	-	-	-	100,532,048
Landfill sites	59,385,378	-	-	-	752,097	(6,372,250)	-	-	53,765,225
Roads infrastructure	137,840,827	-	-	-	-	(7,233,167)	-	1,158,793	131,766,453
Solid waste infrastructure	52,728,122	-	15,538,191	-	-	(1,769,802)	(225,603)	71,631	66,342,539
Water network	266,323,044	628,935	17,103,194	-	-	(9,166,273)	(1,357,713)	793,196	274,324,383
Work-in-progress	14,595,627	-	34,374,020	(39,441,268)	-	-	-	-	9,528,379
<b>Movable assets</b>									
Computer equipment	1,971,039	1,015,586	-	-	-	(1,121,362)	(137,632)	99,698	1,827,329
Furniture and fixtures	2,191,250	96,060	-	-	-	(732,476)	(15,687)	110,809	1,649,956
Plant and machinery	395,248	275,915	-	-	-	(133,223)	(17,396)	16,354	536,898
Motor vehicles	223,935	50,158	-	-	-	(93,721)	-	8,391	188,763
	<b>807,947,282</b>	<b>2,299,151</b>	<b>70,353,430</b>	<b>(37,639,256)</b>	<b>752,097</b>	<b>(35,494,710)</b>	<b>(1,768,238)</b>	<b>2,794,986</b>	<b>809,244,742</b>

**Pledged as security**

There are no property, plant and equipment pledged as security for overdraft facilities.

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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
<b>14. Property, plant and equipment (continued)</b>		
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	-	761,177
Community	18,470,220	8,767,202
	<b>18,470,220</b>	<b>9,528,379</b>
<b>Reconciliation of Work-in-Progress 2022</b>		
	<b>Included within Infrastructure</b>	<b>Total</b>
Opening balance	9,528,378	9,528,378
Additions/capital expenditure	23,133,845	23,133,845
Transferred to completed items	(14,192,003)	(14,192,003)
	<b>18,470,220</b>	<b>18,470,220</b>
<b>Reconciliation of Work-in-Progress 2021</b>		
	<b>Included within Infrastructure</b>	<b>Total</b>
Opening balance	14,595,626	14,595,626
Additions/capital expenditure	34,374,020	34,374,020
Transferred to completed items	(39,441,268)	(39,441,268)
	<b>9,528,378</b>	<b>9,528,378</b>

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<b>14. Property, plant and equipment (continued)</b>		
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
General expenses	11,944,210	9,602,842
	<b>11,944,210</b>	<b>9,602,842</b>
Refer to note 48 for prior period corrections made to Property, plant and equipment.		
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.		
<b>15. Consumer deposits</b>		
Electricity	1,461,654	1,371,600
Water	822,276	735,455
	<b>2,283,930</b>	<b>2,107,055</b>
No guarantees held in lieu of electricity and water deposits.		
No interest accrues on consumer deposits.		
<b>16. Employee benefit obligations</b>		
<b>Current liabilities</b>		
Post-Retirement Medical Plan Obligation	731,626	810,975
Long service awards	1,014,848	1,521,779
	<b>1,746,474</b>	<b>2,332,754</b>
<b>Non-current liabilities</b>		
Post-Retirement Medical Plan Obligation	15,676,411	15,963,148
Long service awards	8,045,516	5,842,770
	<b>23,721,927</b>	<b>21,805,918</b>
<b>Total liabilities</b>		
Post-Retirement Medical Plan Obligation	16,408,037	16,774,123
Long service awards	9,060,364	7,364,549
	<b>25,468,401</b>	<b>24,138,672</b>

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**16. Employee benefit obligations (continued)****Defined benefit plan**

The GRAP 25 Statement sets out the measurement recognition and disclosure requirements in accounting for postretirement "defined benefit" plans.

GRAP 25 requires the actuarial assumptions to be unbiased (i.e. neither imprudent nor excessively conservative) and mutually compatible (i.e. reflective of the economic relationships between factors such as return on assets and inflation rates).

**Post retirement medical aid plan**

The Municipality offers in-service members and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP 25 Statement places the responsibility on management to set these assumptions as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

**Post-employment medical aid subsidy policy**

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions including dependants who are offered continued membership of the medical scheme on the death of the primary member.

The liability generated by the obligation to subsidise medical contribution in retirement, for qualifying retirees and their eligible dependants, is classified as a defined benefit liability in terms of GRAP 25.

Eligible in-service members will receive a post-employment subsidy of 70% of the contribution payable should they be a member of a medical scheme at retirement.

Continuation members and their eligible dependants receive a 70% subsidy.

Upon a member's death-in-service, surviving dependants are entitled to commence receipt of the same post-employment subsidy. Upon a member's death-in-retirement, surviving dependants are entitled to continue to receive the same subsidy.

**Valuation method**

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's postemployment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.

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### 16. Employee benefit obligations (continued)

#### Valuation assumptions

##### Net discount rate

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

##### Assumption

Discount rate (D)	12.30%	11.30%
Consumer price inflation (C)	7.31%	6.10%
Health care cost inflation (H)	8.81%	7.60%
Net discount rate $((1+D)/(1+H)-1)$	3.21%	3.44%

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2021 the duration of liabilities was 13.14 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 12.30% per annum, and the yield on the inflationlinked bonds of a similar term was about 4.18% per annum, implying an underlying expectation of inflation of 7.31% per annum  $([1 + 12.30\% - 0.5\%] / [1 + 4.18\%] - 1)$ .

A healthcare cost inflation rate of 8.81% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.21% per annum  $([1 + 12.30\%] / [1 + 8.81\%] - 1)$ . This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

#### Demographic Assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	Active employees	Continuation pensioners
Normal retirement age	65	N/a
Fully accrued age (to take account for ill-health and early retirement decrements)	62	N/a
Employment age used for past service period	Actual service entry ages	
age differences between spouses	4 years	Actual ages used
Proportion married	60% at retirement	Actual marital status
Mortality basis	SA85-90 (Normal)	PA (90) – 1 with a 1% mortality improvement p.a. from 2010

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### 16. Employee benefit obligations (continued)

These assumptions remain unchanged from the previous valuation.

We have assumed an average retirement age of 62 in order to allow for early retirement.

We assumed that 60% of employees would be married at retirement. We assumed an age difference of 4 years (males being 4 years older than females). No employees were assumed to have dependent children when they retire. For pensioners, we have used the current marital status and exact age of the spouse.

We used the same withdrawal rates assumption used by the previous actuary to be consistent between valuations:

Age	Withdrawal rate (Male)	Withdrawal rate (Female)
20	9.00%	9.00%
25	8.00%	8.00%
30	6.00%	6.00%
35	5.00%	5.00%
40	5.00%	5.00%
45	4.00%	4.00%
50	3.00%	3.00%
55+	0.00%	0.00%

### Valuation data

The table below illustrates the average total monthly medical contribution subsidies payable to continuation pensioners and active employees. The employees' contributions are those payable to the employees and their spouses in retirement, at the current rates. The contributions include risk and the medical savings account.

Average age:		
Active employees	40.8	40.0
Continuation pensioners	72.2	71.0
Average employer monthly contribution:		
Active employees	1,880	3,687
Continuation pensioners	3,467	3,772

The table below summarises the profile of Kai !Garib's active employees who have been used for the actuarial valuation:

Age band	Number of active employees	Average past service (years)
< 24	-	-
25 - 29	5	4.79
30 - 34	16	7.25
35 - 39	30	9.53
40 - 44	16	9.31
45 - 49	10	8.96
50 - 54	5	16.15
55 - 59	9	14.40
60 - 64	2	13.99
> 65	-	-
<b>Total</b>	<b>93</b>	<b>9.71</b>

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### 16. Employee benefit obligations (continued)

The table below summarises the profile of the continuation pensioners subsidised by Kai ! Garib as at 30 June 2022:

Age band	Number of continuation pensioners
< 50	-
50 - 64	2
65 - 74	10
> 75	6
<b>Total</b>	<b>18</b>

The following variables in the current valuation data, supplied by Kai !Garib, were analysed and checked against the previous valuation data:

- Dates of Births, Gender;
- Dates of Engagements;
- Salaries; and
- Movements in the number of participants.

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### 16. Employee benefit obligations (continued)

#### Medical contribution table

The following monthly contribution table contains the medical schemes from which the participants chose from namely, KeyHealth, LA Health, Hosmed, Bonitas and SAMWUMED. They are effective 1 January 2022 and form the basis of the valuation.

Medical scheme	Medical option	Lower limit of salary band	Principal member	Adult dependant	Child dependant
Key Health	Equilibrium	-	2,368	1,463	727
	Silver	-	4,084	2,197	852
	Gold	-	5,977	4,042	1,173
	Platinum	-	9,624	6,747	2,031
Bonitas	BonCap	-	1,274	1,274	600
		8,981	1,507	1,507	693
		14,591	2,429	2,429	919
		19,931	2,982	2,982	1,131
	Essential	-	2,033	1,555	596
	Primary	-	2,654	2,076	844
	Save	-	2,950	2,284	883
	Standard	-	4,230	3,667	1,241
	Comprehensive	-	8,217	7,749	1,672
LA Health	LA Key Plus	-	1,239	1,082	453
		9,701	1,307	1,143	477
		13,401	1,968	1,751	735
	LA Focus	-	2,589	1,673	761
	LA Active	-	3,127	2,102	1,037
	LA Comprehensive	-	8,063	6,157	1,955
HOSMED	Essential	-	1,480	1,480	510
		8,501	1,773	1,773	655
		13,001	2,250	2,250	670
	Value	-	3,645	3,395	693
Samwumed	Option A	-	1,298	1,298	458
		3,901	1,534	1,534	538
		6,301	1,952	1,952	682
		9,701	2,144	2,144	756
	Option B	-	2,162	2,162	758
		5,801	2,616	2,616	918
		8,001	2,680	2,680	942
		14,801	2,964	2,964	976

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### 16. Employee benefit obligations (continued)

#### Sensitivity of results to medical inflation

The table below shows the impact of a change in the Medical Inflation compared to the best estimate.

Medical Inflation Increase Sensitivity	1% decrease	Valuation basis	1% increase
Employer's accrued liability	14,441,062	16,408,036	18,811,444
Employer's current service cost	667,082	812,264	998,947
Employer's interest costs	1,729,685	1,973,194	2,266,812

As per the table above, a 1% increase in the medical inflation rate results in a 14.65% increase in the accrued liability whilst a 1% decrease in the medical inflation rate will result in a 11.99% decrease in the accrued liability.

#### Sensitivity of results to mortality changes

The table that follows shows the impact of a change in the mortality assumption from PA(90)-2 to PA(90)-3 with a three year adjustment.

Mortality sensitivity	Valuation basis PA(90)-2	Sensitivity PA(90)-3
Employer's accrued liability	16,408,036	16,936,696
Employer's current service cost	812,264	835,187
Employer's interest costs	1,973,194	2,036,367

PA(90) -3(with a three-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual three years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

The above table highlights the effects of a three-year adjustment to the mortality assumption as at 30 June 2022. The adjustment would result in a 3.22% increase in the accrued liability.

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

The current actual accrued liability, and the projected accrued liability, progress as shown the tables that follow.

#### Description

Active employees	7,927,698	6,465,678
Continuation pensioners	8,480,338	10,308,446
<b>Employer's accrued liability</b>	<b>16,408,036</b>	<b>16,774,124</b>

The funded status is calculated by comparing the accrued liabilities, as at the valuation date, with the plan assets held. The funded status, as at the 2020/21 and 2021/22 valuation dates, is shown below:

#### Description

A: Employer's accrued liability	16,408,036	16,774,124
B: Fair value of plan assets	-	-
<b>Funded status at valuation date = B - A</b>	<b>16,408,036</b>	<b>16,774,124</b>

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	16,408,036	16,774,124
	<b>16,408,036</b>	<b>16,774,124</b>

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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
<b>16. Employee benefit obligations (continued)</b>		
Current liabilities	731,626	810,975
Non-current liabilities	15,676,411	15,963,148
	<b>16,408,037</b>	<b>16,774,123</b>

**Changes in the present value of the defined benefit obligation are as follows:**

Below we have summarised the reconciliation of the opening accrued liability as at the prior valuation date 30 June 2021 to the current valuation date of 30 June 2022.

Opening balance	16,774,124	16,869,000
Benefits paid	(845,871)	(810,975)
Net expense recognised in the statement of financial performance	479,783	716,099
	<b>16,408,036</b>	<b>16,774,124</b>

**Net expense recognised in the statement of financial performance**

The actual expense cost for the year ending 30 June 2022, and the net change in the accrued obligation over the financial year ending 30 June 2022 are determined as follows:

Current service cost	733,938	847,453
Interest cost	1,878,283	1,721,077
Actuarial (gains) losses	(2,132,438)	(1,852,431)
	<b>479,783</b>	<b>716,099</b>

The actuarial (gain)/loss summarises the effects of the valuation assumptions compared to the actual experience of the participants.

**Current and previous four years disclosure**

Summary of the accrued liabilities and the plan assets for the current period and the previous four periods:

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Accrued liability	16,408,037	16,774,123	16,869,000	17,772,000	16,711,000
<b>Surplus</b>	<b>(16,408,037)</b>	<b>(16,774,123)</b>	<b>(16,869,000)</b>	<b>(17,772,000)</b>	<b>(16,711,000)</b>

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Liabilities: (Gain) / Loss	(2,132,438)	(1,852,431)	(2,476,875)	263,000	(1,120,000)
<b>Total</b>	<b>(2,132,438)</b>	<b>(1,852,431)</b>	<b>(2,476,875)</b>	<b>263,000</b>	<b>(1,120,000)</b>

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### 16. Employee benefit obligations (continued)

#### Long service awards

A comprehensive report containing the results of the liability valuation as at 30 June 2022 is available to the municipality for inspection. The results background methodology and assumptions are explained in the report.

The liability as at 30 June 2022 was calculated using data, economic and demographic assumptions relevant to the period.

#### Long service awards policy

The municipality provides long service bonuses in line with its employment policy. The benefits are bonuses for every 5 years of completed service from 10 years to 45 years. The bonuses awarded to employees are described below:

Completed service (Years)	Long service bonus awards	Cash bonus R
10	10 days accumulative leave + 3% of annual salary	$(10/250 + 3\%) \times \text{Annual Salary}$
15	10 days accumulative leave + 4% of annual salary	$(10/250 + 4\%) \times \text{Annual Salary}$
20	15 days accumulative leave + 5% of annual salary	$(15/250 + 5\%) \times \text{Annual Salary}$
25, 30, 35, 40, and 45	15 days accumulative leave + 6% of annual salary	$(15/250 + 6\%) \times \text{Annual Salary}$

It is assumed that there are 250 work days per year. This implies that one day of annual leave is worth 1/250 of the employee's annual salary.

#### Valuation method

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in the future based on service accrued to the valuation date and awards projected to the retirement date. In determining these liabilities, due allowance has been made for future award increases.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

#### Valuation assumptions

##### Net discount rate

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

##### Assumption

Discount rate	10.41%	9.50%
Consumer price inflation	6.73%	4.60%
Salary increase rate	7.73%	5.60%
Net discount rate	2.49%	3.69%

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### 16. Employee benefit obligations (continued)

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology for setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2021 the duration of liabilities was 5.94 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 is 10.41% per annum, and the yield on inflation-linked bonds of a similar term was about 2.98% per annum. This implies an underlying expectation of inflation of 6.73% per annum  $([1 + 10.41\% - 0.50\%] / [1 + 2.98\%] - 1)$ .

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 7.73% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 2.49% per annum  $([1 + 10.41\%] / [1 + 7.73\%] - 1)$ .

#### Withdrawals

The probability of withdrawal at 5-year intervals is illustrated in the following table: Expected rate of withdrawal Age Males and Females valuations:

Age	Withdrawal rate (Male)	Withdrawal rate (Female)
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55+	0%	0%

These assumptions are consistent with that used for the previous valuation.

#### Demographic and decrement assumption

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

##### Assumption

Normal retirement age	65	65
Average retirement age	62	62
Mortality basis	SA85-90	SA85-90

An average retirement age of 62 was assumed for employees to take account of ill-health and early retirements. There are assumed to be no late retirements.

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### 16. Employee benefit obligations (continued)

#### Valuation data

The table below summarises the employees eligible for long service bonus awards as at the current valuation date, 30 June 2022, as provided by Kai Garib, with the summary as at 30 June 2021 shown for comparative purposes.

#### Employee statistics

Number of employees	423	432
Average annual salary (R)	222,126	200,584
Average age (Years)	44.95	43.45
Average past service (Years)	10.54	8.61

The average annual salary includes a 4.90% expected increase as at 1 July 2022.

The following variables in the current valuation data, supplied by Kai !Garib, were analysed and checked against the previous valuation data:

- Date of Births, Gender
- Dates of Engagements
- Salaries; and
- Movements in the number of participants

#### Valuation results

The valuation results as at 30 June 2022 in compliance with GRAP 25 are set out below. The valuation results for the previous financial year are also included.

The funding level is the excess of the value of Plan Assets in excess of the accrued liability. The funding levels for the current and previous valuation periods are shown below:

#### Description

A: Employer's accrued liability	9,060,365	7,364,548
B: Fair value of plan assets	-	-
<b>Funded status at valuation date = B - A</b>	<b>9,060,365</b>	<b>7,364,548</b>

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

The valuation results as at 30 June 2022 in compliance with GRAP 25 are set out below. The previous accrued liability, current accrued liability, and the projected accrued liability are shown in the tables that follow.

#### Carrying value

##### Long service awards

Present value of the defined benefit obligation-wholly unfunded	9,060,365	7,364,548
	<b>9,060,365</b>	<b>7,364,548</b>
Non-current liabilities	1,014,848	1,521,779
Current liabilities	8,045,516	5,842,770
	<b>9,060,364</b>	<b>7,364,549</b>

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**16. Employee benefit obligations (continued)****Changes in the present value of the defined benefit obligation are as follows:**

Opening balance	7,364,548	5,723,025
Benefits paid	(689,800)	(492,187)
Net expense recognised in the statement of financial performance	2,385,617	2,133,710
	<b>9,060,365</b>	<b>7,364,548</b>

**Net expense recognised in the statement of financial performance**

Current service cost	823,597	699,543
Interest cost	698,182	569,067
Actuarial (gains) losses	863,838	865,100
	<b>2,385,617</b>	<b>2,133,710</b>

**Current and previous four years disclosure**

Summary of the accrued liabilities and the plan assets for the current period and the previous four periods:

	2022	2021	2020	2019	2018
Accrued liability	9,060,365	7,364,548	5,723,026	-	-
<b>Surplus</b>	<b>(9,060,365)</b>	<b>(7,364,548)</b>	<b>(5,723,026)</b>	-	-

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

	2022	2021	2020	2019	2018
Liabilities: (Gain) / Loss	863,838	865,100	(409,808)	-	-
<b>Total</b>	<b>863,838</b>	<b>865,100</b>	<b>(409,808)</b>	-	-

**17. Finance lease obligation****Minimum lease payments due**

- within one year	(3,311,828)	(2,879,851)
- in second to fifth year inclusive	(5,784,548)	(9,096,376)

	(9,096,376)	(11,976,227)
less: future finance charges	7,229,674	10,273,309

<b>Present value of minimum lease payments</b>	<b>(1,866,702)</b>	<b>(1,702,918)</b>
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Non-current liabilities	836,799	833,016
Current liabilities	1,029,903	869,902
	<b>1,866,702</b>	<b>1,702,918</b>

**Market risk**

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	1,866,702	1,702,918
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<b>18. Other financial liabilities</b>		
<b>At amortised cost</b>		
Development Bank of Southern Africa Ltd	2,222,502	2,049,796
Loan number: 100498/1 Product number: 61000080		
The loan is secured and is being repaid over a period of 20 years in equal installments of R130,186.67 every 6 months with a fixed interest rate of 12.100% per annum.		
Redemption date: 30/06/2023.		
Development Bank of Southern Africa Ltd	10,483,819	9,608,528
Loan number: 103723/2 Product number: 61001016		
The loan is secured and is being repaid monthly over a period of 7 years in equal installments of R110,140.87 with a fixed interest rate of 6.750% per annum.		
Redemption date: 28/02/2019.		
Development Bank of Southern Africa Ltd	-	16,789
Loan Number: 103723/3 Product number: 61001017		
The loan is secured and is being repaid monthly over a period of 5 years in equal installments of R32,506.21 with a fixed interest rate of 6.750% per annum.		
Redemption date: 31/08/2015.		
Development Bank of Southern Africa Ltd	1,198,144	1,114,901
Loan number: 13702/101 Product number: 61003256		
The loan is secured and is being repaid over a period of 20 years in equal capital installments of R39,349.17 every 6 months with a semi-floating interest rate of 9.800% per annum.		
Redemption date: 30/06/2021.		
	<b>13,904,465</b>	<b>12,790,014</b>
<b>Non-current liabilities</b>		
At amortised cost	-	238,344
	-	<b>238,344</b>
<b>Current liabilities</b>		
At amortised cost	13,904,465	12,551,670
	<b>13,904,465</b>	<b>12,551,670</b>

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<b>18. Other financial liabilities (continued)</b>		
<b>Financial liabilities at amortised cost</b>		
<b>Nominal value of financial liabilities at amortised cost</b>		
Development Bank of Southern Africa Ltd	13,904,465	12,551,670
	<b>13,904,465</b>	<b>12,551,670</b>
<b>19. Payables from exchange transactions</b>		
Accrued bonus	4,140,256	3,959,950
Accrued leave pay	11,894,983	10,839,664
Agency fees	48,938,572	45,706,217
Consumer debtors with credit balances	16,814,274	14,640,994
Overtime accrual	373,278	292,743
Other payables	(2,589,805)	(670,680)
Payments received in advance	5,267,419	4,806,733
Retention fees	3,660,666	1,803,675
Standby accrual	291,123	246,181
Trade payables	641,249,951	488,764,649
	<b>730,040,726</b>	<b>570,390,117</b>
<b>Fair value of trade and other payables from exchange transactions</b>		
Trade payables	641,249,951	488,764,649
	<b>641,249,951</b>	<b>488,764,649</b>

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30-day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice / statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

Refer to note 48 for prior period corrections made to Payables from exchange transactions.

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**20. Provisions****Reconciliation of provisions - 2022**

	Opening Balance	Change in provision	Finance Cost	Total
Environmental rehabilitation provision	60,167,824	607,372	2,492,758	63,267,954
	<b>60,167,824</b>	<b>607,372</b>	<b>2,492,758</b>	<b>63,267,954</b>

**Reconciliation of provisions - 2021**

	Opening Balance	Change in provision	Finance Cost	Total
Environmental rehabilitation provision	56,190,731	752,097	3,224,996	60,167,824
	<b>56,190,731</b>	<b>752,097</b>	<b>3,224,996</b>	<b>60,167,824</b>

**Environmental rehabilitation provision**

Kai !Garib Local Municipality consists of eight (8) towns (Alheit, Curries camp, Keimoes, Kakamas, Kenhardt, Lennertsville, Riemvasmaak & Vredevallei). Keimoes is the central business district of Kai !Garib Local Municipality.

Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

**Key financial assumptions and calculations used**

Accounting Standard GRAP 19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2022 was 11.64% p.a. The consumer price inflation of 7.40% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2022.

Discount rate (D) 11.64 %  
Consumer price inflation (C) 7.40%  
Net discount rate 3.94 %

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**20. Provisions (continued)****Curries Camp Landfill site:**

The landfill site is situated approximately 0.9km from Curries Camp town, a small rural town in the Northern Cape, situated 40km from Upington. As the area is surrounded by multiple other small towns, the Curries Camp landfill site is responsible of accommodating the solid waste of Curries Camp, Bloemsmond, Kanoneiland, Soverby, Asbosknop, Geelkop, Rooirant towns. The total population of the mentioned towns accumulate to 3286 in 2022 (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by a gravel road linked to the main road and its coordinates are 21.0338325°E 28.6724349°S. The estimated footprint of the item is approximately 6 000 m<sup>2</sup> and the fully utilised area is approximately 2 400m<sup>2</sup>. A total of 2 700m<sup>2</sup> is partially utilized and the total partially utilised airspace is 723.34m<sup>3</sup>.

The remaining life is calculated at 7 years, up to 2029 based on the annual population growth and available air space.

**Keimoes Landfill site:**

The landfill site is situated approximately 3.2km from Keimoes town in the Northern Cape, situated 50km from Upington. The area includes multiple small suburbs which the Keimoes landfill site is responsible of accommodating the solid waste of, such as Akasia Park, Akasia Park Ext 2, Akasia Park Ext 3, Gardina Ext 6, Keimoes SP, Lennertsville, Neilersdrif, Wahlsig. The total population of the mentioned suburbs accumulate to 11 695 in 2022 (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by a gravel road linked to the main road and its coordinates are 20.9730353°E 28.6861462°S. The estimated footprint of the item is approximately 16 000m<sup>2</sup> and the fully utilised area is approximately 9 700m<sup>2</sup>. A total of 2 635m<sup>2</sup> is partially utilized and the partially utilised airspace is 663.44m<sup>3</sup>.

The remaining life is calculated at 3 years, up to 2025 based on the annual population growth and available air space.

**Lennertsville Landfill site:**

The landfill site is situated approximately 0.35km from Lennertsville a small town in the Northern Cape, situated 50km from Upington. The town includes three small suburbs and is responsible of accommodating the solid waste of Area 0052, Area 0055, and Area 0087. The total population of the mentioned suburbs accumulate to 2832 in 2022 (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by a gravel road linked to the main road and its coordinates are 20.9997233°E 28.7534896°S. The estimated footprint of the item is approximately 9150m<sup>2</sup> and the fully utilised area is approximately 6 000m<sup>2</sup>. A total of 3 100m<sup>2</sup> is partially utilized and the total partially utilised airspace is 1383.6m<sup>3</sup>.

The remaining life is calculated at 7 years, up to 2029 based on the annual population growth and available air space.

**Kakamas Landfill site:**

The landfill site is situated approximately 2.25km from Kakamas a town in the Northern Cape, situated 95km from Upington. The town includes several suburbs and surrounding areas which the Kakamas landfill site is responsible of accommodating the solid waste of Bergsig, Hillock, Kakamas Fase 4, Kakamas Fase 5, Kliprand, Langverwaght and Timber Town, Alheit, Augrabies SP, Augrabies Falls National Park. Augrabies Mission, Cillie SP, Schroder, Lutzburg SP, Korea-eiland, Marchand SP, Riemvasmaak SP. The total population of the mentioned suburbs accumulate to 26 801 in 2022 (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by a gravel road linked to the town and its coordinates are 20.6098011°E 28.7942495°S. The estimated footprint of the item is approximately 45 000m<sup>2</sup> and the fully utilised area is approximately 16 600m<sup>2</sup>. A total of 23 500m<sup>2</sup> is partially utilized and the total utilised airspace is 7037.62m<sup>3</sup>.

The remaining life is calculated at 5 years, up to 2027 based on the annual population growth and available air space.

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**20. Provisions (continued)****Alheit/Marchand Landfill site:**

The landfill site is situated approximately 3.5km from Marchand and 2.5km from Alheit, both towns in the Northern Cape, situated approximately 100km from Upington. These towns include themselves as well as Korea-Eiland. The total population of the mentioned suburbs accumulate to 5582 in 2022 (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by a gravel road from the main road R359 and its coordinates are 20.5170381°E 28.7501812°S. The estimated footprint of the item is approximately 9 400 m<sup>2</sup>. The site is no longer in use as it has been fully utilized with no room for further utilization.

The remaining life is calculated at 0 years.

**Kenhardt Landfill site:**

The landfill site is situated approximately 2.7km from Kenhardt, a small town in the Northern cape, situated approximately 130km from Upington. The main town consists out of the following suburbs: Groot Kroek, Hantam, Hillside, Kenhardt SP and Rugseer. The total population of the mentioned suburbs accumulate to 5679 in 2022 (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by a gravel road linked to the main road R 27 and its coordinates are 21.1507378°E 29.3240537°S. The estimated footprint of the item is approximately 45 500.00m<sup>2</sup> and the fully utilised area is approximately 12 256.85m<sup>2</sup>. A total of 20 300m<sup>2</sup> is partially utilized and the total partially utilised airspace is 3187.28m<sup>3</sup>.

The remaining life is calculated at 32 years, up to 2054 based on the annual population growth and available air space.

**Riemvasmaak Landfill site:**

The landfill site is situated approximately 422m from Riemvasmaak. It is a small town in Northern Cape, situated near the Orange River and close to the Namibian border. The total population of the mentioned town accumulates to 814 in 2022 (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by a gravel road which is linked directly to the town and its coordinates are 28.5051094°S 20.1932286°E. The estimated footprint of the item is approximately 13 900m<sup>2</sup> and no area of the landfill site has been fully utilised. A total of 2 200m<sup>2</sup> has been partially utilised and the total partially utilised airspace is 802.36m<sup>3</sup>.

The remaining life is calculated at 70 years, up to 2092 based on the annual population growth and available air space.

**Vredesvallei Landfill site:**

The landfill site is situated approximately 700m from Vredesvallei, a small town in the Northern Cape, situated between Augrabies Riemvasmaak close to the Namibian border. The total population of the mentioned town accumulates to 814 in 2022 (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by a gravel road which is linked directly to the town and its coordinates are 28.5014036°S 20.1842684°E. The estimated footprint of the item is approximately 8 300m<sup>2</sup> and no area of the site has been fully utilised yet. A total of 242m<sup>2</sup> is partially utilised and the total partially utilised airspace is 34.52m<sup>3</sup>.

The remaining life is calculated at 51 years, up to 2073 based on the annual population growth and available air space.

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### 20. Provisions (continued)

#### Applicable legislation

The Department of Water Affairs Minimum Requirements for Waste Disposal by Landfill, 2nd Edition (1998) and Norms and Standards for Assessment of Waste for Landfill Disposal prior to the disposal of waste to landfill (GN R.635 promulgated on 23 August 2013) are the latest and most up to date legislation in South Africa pertaining to the permitting of landfill waste sites.

This document addresses landfill classification, siting, investigation, design operation, monitoring and closure of landfill sites. A landfill is classified in terms of its waste class, size of operation, and potential for significant leachate generation, all of which influence the risk it poses to the environment.

In accordance with The Department of Water Affairs Minimum Requirements for Waste Disposal by Landfill, 2nd Edition (1998) waste is classified into two types, namely General (G) or Hazardous (H) waste. General waste is a generic term for waste such as domestic, commercial, certain industrial wastes and builders' rubble, which, due to its composition and characteristics, does not pose a significant threat to public health or the environment. Hazardous waste is waste which, because of its inherent characteristics (e.g. toxicity, corrosivity, etc.) can have a significant negative effect on public health and/or the environment even in low concentrations.

The ultimate physical size of a landfill will depend on the amount of waste it receives over its lifetime. The size of a landfill operation depends on the daily rate of waste deposition. This, in turn, relates to, amongst other things, the size of the population served. To take time and growth into account, landfills are classified using the 'Maximum Rate of Deposition' or 'MRD'. This is simply the projected maximum average annual rate of waste deposition, expressed in tonnes per day, during the expected life of a landfill.

Closure is the final step in the operation of a landfill. In order to close a landfill properly, however, the closure must be preceded by rehabilitation, to ensure that the site is acceptable to the environment. The site must also be rendered suitable for its proposed end-use, as determined during permitting and set out in the End-use Plan. Where bad practice has occurred, this must be rectified by means of remedial measures. Once the Operation has ceased, aftercare is necessary to ensure sustained acceptability. Where it is intended to close a landfill, the Permit Holder must inform the Department of its intention at least one year prior to closure. This is because certain procedures must be implemented and criteria met before closure. If the site is permitted to be closed, it must be rehabilitated in accordance with the Permit conditions and the relevant Minimum Requirements for closure. If, however, the site does not have a Permit, it must be permitted with a view to closure. In this event, the emphasis of the Permit Application is on closure design and rehabilitation. Regardless of whether a landfill is permitted or not, it must be investigated before rehabilitation and closure can commence, so as to identify any closure requirements that must be implemented.

#### Purpose of the report

The purpose of this report is to address the scope of work to assess the present condition of the site including present operations according to recognised operational procedures for similar size landfill sites.

Recommendations are also provided to improve the status quo.

During the site visit the following aspects were noted and considered for the costing analysis:

- Containment of the waste
- Manage leachate production by controlling the ingress of water into the waste
- Prevent uncontrolled escape of landfill gas and odors or the entry of air into the wastes
- Provide protection and covering for the wastes
- Accommodate environmental control measures such as gas vents, etc.
- Provide physical separation between waste and humans, animals and plants by means of perimeter protection

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### 20. Provisions (continued)

#### Methodology

Estimating the life expectancy and rehabilitation costs of a waste site is not a precise science as there are numerous factors that affect it including those within the control of landfill owners as well as those outside of the control of the landfill owner. For example, within the limits of the applicable regulations and permits, a landfill owner is able to control the amount of permitted airspace, compacted waste density, waste diversion techniques within the landfill, and the use of innovative techniques like leachate recirculation or liquids addition (to degrade waste material).

At the same time, there are factors outside of the landfill owner's control, such as, changes in waste generation quantities (mostly linked to economic changes) and characteristics (e.g. more builders' rubble coming into the sites), waste diversion at the source or point of collection, and regulatory restrictions (e.g. Air Quality Act.) the owner can also consider a landfill site to either be capped at the end of its useful life according to the standards set out by its licence or capping could be phased in during its lifetime.

Final capping is frequently delayed for the following reasons:

- To allow LFG generation and extraction to continue, which a low permeability cap hinders; and
- To allow significant settlement to take place before capping, and thus avoid the large stresses induced by ongoing differential settlement.

Phased capping of a landfill site involves capping portions of the waste body that are at final height. The main motivation for phased capping is given below:

- Capping the site will ensure no additional liquids enter the waste body from surface, which reduces the quantities of leachate generated.
- Seepage from the side slopes will be minimized.
- Partial rehabilitation will result in the removal of large areas from the contaminated catchment resulting in less contaminated water requiring management.
- It will help prevent oxygen entering the site once the gas wells are placed under suction, improving yield, and reducing the risk of a landfill fire.
- Vegetation of the side slopes will mitigate sedimentation of the storm water infrastructure.

#### Assumptions and calculations

##### Discount rate

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pretax rate that reflects current market assessments of the time value of money, and the risks specific to the liability.

Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate.

The net discount rate of 5.36% (2021: 5.00%) was applied over the investigation period. The net discount rate is inversely related to the provision. As such an increase in the net discount rate results in a decrease in the provision.

Changes in the variables of the assumptions used in the determination of the rehabilitation and closure costs over the assessment period resulted in an increase in the provision.

As each financial year lapses, the useful lives of the sites diminish. The emergence of the costs for rehabilitation and closure is pushed closer and results in a higher provision.

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### 20. Provisions (continued)

#### Generation

According to a governmental (iwmp.environment.gov.za) reach done in 2006, the link between household income and waste generation-, low-, middle- and high-income households in South Africa, residents generate an estimated 0.47, 0.27, 0.149 and 0.149 kilograms per person per day respectively.

For the purposes of this report an average of 0.34kg per person per day will be used.

#### Airspace

Site life is calculated by comparing the total available airspace with annual airspace utilisation whereas the excavation cover depth for the air space calculations will be considered at 2m.

#### Cover to waste ratio

To determine the total remaining life of each plant, the total available air space it to be determined. A factor 1:4 is considered when calculating the amount of waste to still be dumped within the site before the available air space is occupied in total.

The ratio means that for every available 1m<sup>3</sup> a total of 0.8m<sup>3</sup> can be utilized for waste.

This represents a somewhat rudimentary approach, as the cover to waste ratio is approximate, the compaction density of the waste is estimated, and no allowance is made for the effect of 'bulking' or 'debulking' on the volume of potential cover material.

#### Calculation of annual airspace utilization

Airspace utilisation is calculated from the Initial rate of disposal. The IRD, expressed in T/day based on the population being served by the landfill site is then expressed in an annual tonnage of waste. By dividing this figure by the average density of the waste (between 0.75 T/m<sup>3</sup> to 1.20 T/m<sup>3</sup> depending on waste type and compaction efficiency), the volume of waste to be deposited in the first year is determined.

By multiplying this volume by 5/4, the total airspace utilisation for the first year is obtained. Airspace utilisation for subsequent years is obtained by escalating the IRD for each year. This is then cumulated.

#### Landfill site life

The landfill site life is arrived at by matching the available airspace volume for the landfill, with the cumulative airspace utilisation.

#### Annual growth rate

Obtained from Stats SA the available data for annual average annual growth rate is calculated at 1.52% which will be used to determine the population for each town within the Kai! Garib local municipality implied at the respective landfill sites:

#### Closing methodology

The following cost elements are included in the rehabilitation of the said landfill site's planning for closure (incurred in the two years ahead of actual closure of the landfill)

- License application for the operation to closure (only if the landfill is not permitted/licensed)
- Landfill closure report
- Basic assessment
- Finalize end-use plan
- Closure design

[Note: In practice, some of the elements of the above planning for closure costs may be part of the same process. However, the elements have been split to allow for the effect of variables on different parts of the process/documents to be transparent. The design of the model ensures that no double accounting takes place.]

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### 20. Provisions (continued)

Rehabilitation and closure (incurred in the year of closure of the landfill and the following three years)

- Clearing, shaping, and compacting
- Capping
- Top-soiling and vegetating
- Stormwater control system
- Gas control system (if applicable)
- Fencing
- Decommissioning of infrastructure (if applicable)
- End-use related infrastructure (if applicable).

Post-closure monitoring and maintenance (incurred for a period of 30 years after the closure of the landfill)

- Water monitoring
- Gas/air quality monitoring
- Rehabilitation monitoring
- Maintenance of cover, subsidence, and drainage
- Fire control and vegetation maintenance
- Ongoing leachate management

As capping is considered as the highest cost within the rehabilitation process, the following steps are considered during execution:

- Vegetation
- Topsoil
- 2 x 150 mm thick compacted layers
- 1 mm linear low-density polyethylene (LLDPE) geomembrane liner
- 1 x 150 mm thick compacted layer
- Separation geotextile
- 1 x 150 mm thick compacted layer
- 19 mm stone gas drainage and capillary break layer (if applicable)

### Limitations and Recommendations

#### Limitations

There were several limitations that were observed and noted when the analysis was done, and these can be summarised as follows:

- There are no precise records in terms of waste deposition tonnages. As a result, we relied on information sourced from the Census 2011.
- The lack of a detailed closure design and end-use plan had an impact on the estimated cost of the basic assessment as well as rehabilitation and closure costs.
- The lack of water monitoring has an impact on the amount of various cost elements. The lack of information to confirm the absence of adverse impact on water, contingency has to be built in, just in case such impact may exist.
- The lack of internal and external auditing adds to the uncertainty regarding environmental impacts, which is reflected in several cost elements.
- The lack of local contractors to provide rates for the rehabilitation landfill sites could have a significant effect on the valuation.

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## Notes to the Annual Financial Statements for the year ended 30 June 2022

Figures in Rand	2022	2021
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### 20. Provisions (continued)

#### Recommendations

Several aspects of landfill management directly or indirectly affect the amount of the closure costs. The following recommendations are a summary regarding the management of the landfills:

- There is a need for the implementation of the means of recording waste tonnages, accurately as it enters the landfill sites. Furthermore, bi-annual topographical surveys should be undertaken to determine the precise quantity of airspace utilised on an on-going basis. This recommendation should be urgently implemented at all the sites.
- A comprehensive operating plan for the sites should be developed and implemented in accordance with the Minimum Requirements.
- It is recommended that any part of the landfill that has been used to its full capacity, be rehabilitated, and capped in accordance with the Minimum Requirements. This way the closure and rehabilitation costs will be spread out over the life of the landfill.
- It is strongly recommended that water monitoring is urgently instituted, with immediate effect at all the sites.
- The establishment of a monitoring committee should be considered for all the sites.
- The information on the availability of cover and capping material should be recorded and submitted annually to ensure compliance with the permit conditions.

#### Conclusion

The provision for the final rehabilitation and closure costs indicated was based on currently available information and current management practices. The costs of final rehabilitation and closure can be reduced by either improving the availability of information or management practices at the landfill.

The life expectancy and cost of rehabilitation of a landfill are estimated at a given time based on the most reasonable set of assumptions known at that particular time. Changes to the assumptions can have a dramatic impact on the life expectancy and cost of rehabilitation of a landfill. However, it is important to highlight that, apart from careful measurement of the site's lifespan; the municipality has the final say as to what the lifespan should be.

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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
<b>21. Unspent conditional grants and receipts</b>		
Unspent conditional grants and receipts comprises of:		
<b>Unspent conditional grants and receipts</b>		
Integrated National Electrification Programme (INEP)	3,121,302	-
Municipal Infrastructure Grant (MIG)	3,538,964	-
Water Services Infrastructure Grant (WSIG)	-	148,238
Library Grant (LG)	450,000	-
	<b>7,110,266</b>	<b>148,238</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	148,238	1,557,520
Additions during the year	30,188,000	31,321,000
Income recognition during the year	(23,225,972)	(31,172,762)
Returned to the National Revenue Fund (NRF)	-	(1,557,520)
	<b>7,110,266</b>	<b>148,238</b>
The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.		
See note 32 for reconciliation of grants from National/Provincial Government.		
<b>22. Agency services</b>		
Driver's licenses and permits	411,125	576,172
	<b>411,125</b>	<b>576,172</b>
<b>23. Interest income (Exchange transactions)</b>		
<b>Interest income</b>		
Bank accounts	51,124	140,398
Receivables from exchange transactions	9,157,643	5,206,192
	<b>9,208,767</b>	<b>5,346,590</b>

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 9,208,767 (2021: R 5,346,590).

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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
<b>24. Licences and permits</b>		
Road and Transport	857,671	831,484
	<b>857,671</b>	<b>831,484</b>
<b>25. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Facilities and equipment owned by the municipality	407,636	818,327
	<b>407,636</b>	<b>818,327</b>
<b>26. Service charges</b>		
Sale of electricity	83,658,672	75,216,814
Sale of water	13,470,796	16,469,477
Sewerage and sanitation charges	8,034,170	8,938,225
Refuse removal	5,612,255	6,587,639
	<b>110,775,893</b>	<b>107,212,155</b>
<b>27. Operational revenue</b>		
Administrative connection fees	327,947	98,450
Advertisements	2,286	-
Building plans	45,646	47,537
Camping fees	71,677	50,509
Clearance certificates	171,937	23,205
Entrance fees	875	-
Escort fees	1,287	(1,666)
Incidental cash surpluses	32,219	23,619
Materials and equipment	70,819	58,757
Occupation certificates	50,708	504
Photocopies and faxes	4,574	1,260
Sale of property	727,904	629,000
Tender documents	16,087	31,739
Town planning and servitudes	23,000	-
Transaction handling fees	2,056,862	472,349
Valuation services	4,381	2,609
	<b>3,608,209</b>	<b>1,437,872</b>
<b>28. Availability service charges</b>		
Availability charge - Electricity	475,566	466,367
Availability charge - Water	3,136	10,491
	<b>478,702</b>	<b>476,858</b>

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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
<b>29. Property rates</b>		
<b>Rates received</b>		
Property rates	23,381,183	22,463,257
	<b>23,381,183</b>	<b>22,463,257</b>
<b>Valuations</b>		
Residential	802,922,000	5,282,119,655
Business properties	320,194,000	172,244,200
Commercial properties	209,637,000	21,316,700
Municipal	247,041,000	174,228,000
Small holdings and farms	6,543,046,000	7,974,000
Government buildings	358,396,000	894,789,000
Public buildings	15,767,000	-
Vacant land	60,895,000	6,901,000
	<b>8,557,898,000</b>	<b>6,559,572,555</b>
The new general valuation will be implemented on 01 July 2021.		
<b>30. Interest income (Non-exchange transactions)</b>		
Receivables from non-exchange transactions	4,036,564	4,654,055
	<b>4,036,564</b>	<b>4,654,055</b>
<b>31. Fines, penalties and forfeits</b>		
Municipal traffic fines	10,900	10,400
	<b>10,900</b>	<b>10,400</b>
<b>32. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share (ES)	87,936,000	105,428,000
Financial Management Grant (FMG)	3,000,000	3,000,000
Expanded Public Works Programme (EPWP)	1,142,000	1,299,000
	<b>92,078,000</b>	<b>109,727,000</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	14,946,036	22,015,520
Integrated National Electrification Programme (INEP)	1,989,698	3,006,000
Water Services Infrastructure Grant (WSIG)	2,148,238	1,851,762
	<b>19,083,972</b>	<b>26,873,282</b>
	<b>111,161,972</b>	<b>136,600,282</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	28,225,972	31,172,282
Unconditional grants received	96,170,000	105,428,000
	<b>124,395,972</b>	<b>136,600,282</b>

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Figures in Rand	2022	2021
<b>32. Government grants and subsidies (continued)</b>		
<b>Reconciliation of conditional contributions</b>		
Balance unspent at beginning of year	148,238	1,557,520
Current-year receipts	30,188,000	31,321,000
Conditions met - transferred to revenue	(23,225,972)	(31,172,762)
Returned to the National Revenue Fund (NRF)	-	(1,557,520)
	<b>7,110,266</b>	<b>148,238</b>
Conditions still to be met - remain liabilities (see note 21)		
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R 482 (2021: R 472), which is funded by the Equitable share grant.		
<b>Expanded Public Works Programme (EPWP)</b>		
Current-year receipts	1,142,000	1,299,000
Conditions met - transferred to revenue	(1,142,000)	(1,299,000)
	-	-
<b>Financial Management Grant (FMG)</b>		
Current-year receipts	3,000,000	3,000,000
Conditions met - transferred to revenue	(3,000,000)	(3,000,000)
	-	-
<b>Library Grant (LG)</b>		
Current-year receipts	450,000	-
	<b>450,000</b>	-
Conditions still to be met - remain liabilities (see note 21).		
<b>Integrated National Electrification Programme (INEP)</b>		
Current-year receipts	5,111,000	3,006,000
Conditions met - transferred to revenue	(1,989,698)	(3,006,000)
	<b>3,121,302</b>	-
Conditions still to be met - remain liabilities (see note 21).		
<b>Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	-	1,557,520
Current-year receipts	18,485,000	22,016,000
Conditions met - transferred to revenue	(14,946,036)	(22,016,000)
Returned to the National Revenue Fund (NRF)	-	(1,557,520)
	<b>3,538,964</b>	-
Conditions still to be met - remain liabilities (see note 21).		

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Figures in Rand	2022	2021
<b>32. Government grants and subsidies (continued)</b>		
<b>Water Services Infrastructure Grant (WSIG)</b>		
Balance unspent at beginning of year	148,238	-
Current-year receipts	2,000,000	2,000,000
Conditions met - transferred to revenue	(2,148,238)	(1,851,762)
	<b>-</b>	<b>148,238</b>
Conditions still to be met - remain liabilities (see note 21).		
<b>33. Public contributions and donations</b>		
Property, plant and equipment	983,124	54,247
	<b>983,124</b>	<b>54,247</b>
<b>34. Bulk purchases</b>		
Electricity	80,945,113	72,439,061
Water	6,683,076	4,342,304
	<b>87,628,189</b>	<b>76,781,365</b>
Refer to note 48 for prior period corrections made to bulk purchases.		
<b>35. Contracted services</b>		
<b>Outsourced Services</b>		
Business and advisory services	20,091,610	11,020,915
Cleaning Services	2,488,074	4,351,264
Information technology services	3,982,397	-
Infrastructure and planning	28,850	509,130
Legal cost	2,848,744	5,748,214
Lease rentals on operating leases	10,533	1,678,553
Maintenance of buildings and facilities	-	560,482
Maintenance of unspecified assets	-	6,028,684
Refuse Removal	5,413,490	5,142,925
Sewerage Services	8,370,733	-
Telecommunication	-	553,377
Water Tankers	16,278,048	14,672,551
	<b>59,512,479</b>	<b>50,266,095</b>
Refer to note 48 for prior period corrections made to contracted services.		
<b>36. Debt impairment</b>		
Debt impairment	27,883,141	47,722,971
	<b>27,883,141</b>	<b>47,722,971</b>
<b>37. Depreciation and amortisation</b>		
Intangible assets	34,682	49,053
Property, plant and equipment	36,157,251	35,494,710
	<b>36,191,933</b>	<b>35,543,763</b>

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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
<b>38. Employee related costs</b>		
Acting allowances	1,092,383	1,209,807
Bargaining council contributions	47,932	44,191
Bonus	7,305,932	7,051,751
Basic salaries and wages	89,568,599	85,446,513
Group life insurance	2,579	2,506
Housing allowances	275,629	559,988
Leave pay-outs	1,720,394	2,332,423
Long service awards	559,676	461,418
Medical aid contributions	2,063,999	2,751,683
Nightshift allowance	968,710	987,318
Non-pensionable allowances	1,302,000	148,400
Overtime payments	4,395,505	4,635,041
Pension fund contributions	14,650,082	14,074,632
Post employment service costs	733,938	847,453
Shift allowance	628,931	622,727
Skills development levy	1,140,998	1,123,818
Standby allowance	3,017,976	3,000,391
Telephone allowance	239,334	300,300
Travel allowances	4,712,742	4,627,211
UIF contributions	820,184	755,317
	<b>135,247,523</b>	<b>130,982,888</b>

**Remuneration of Municipal Manager**

Basic salary and wages	-	84,141
Travel allowances	-	28,047
Leave pay-outs	-	96,930
Unemployment insurance fund contributions (UIF)	-	149
	<b>-</b>	<b>209,267</b>

Mr. I.G.A. de Waal resigned as acting Municipal Manager on 31 July 2020.

Dr. J. Mac Kay, director Properties, planning and development is acting as Municipal Manager from 1 July 2021 to 30 June 2022.

**Remuneration of Chief finance officer**

Basic salary and wages	828,996	828,996
Cell phone allowances	-	6,600
Travel allowances	276,336	276,336
Unemployment insurance fund contributions (UIF)	2,125	1,898
Long services	22,768	-
	<b>1,130,225</b>	<b>1,113,830</b>

Mrs. A.F. Beukes was appointed as Chief Financial Officer (CFO) on 1 September 2019.

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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
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**38. Employee related costs (continued)****Remuneration of the Director Corporate Services**

Basic salary and wages	946,848	946,848
Acting allowances	-	7,149
Cell phone allowances	-	6,600
Travel allowances	315,612	315,612
Unemployment insurance fund contributions (UIF)	2,125	1,898
	<b>1,264,585</b>	<b>1,278,107</b>

Adv. R.S. Neethling was permanently appointed as the Director: Corporate Services on 1 December 2013.

**Remuneration of the Director Technical and Engineering Services**

Basic salary and wages	1,105,344	1,105,344
Cell phone allowances	-	6,600
Unemployment insurance fund contributions (UIF)	2,125	1,898
	<b>1,107,469</b>	<b>1,113,842</b>

Mr. M.C. Links was appointed as Director: Technical and Engineering Services on 1 September 2019.

**Remuneration of the Director Properties, Planning and Development**

Basic salary and wages	946,848	946,848
Acting allowances	160,076	160,076
Cell phone allowances	-	6,600
Travel allowances	315,612	315,612
Unemployment insurance fund contributions (UIF)	2,125	1,898
	<b>1,424,661</b>	<b>1,431,034</b>

Dr. J. MacKay was permanently appointed as Director: Development and Planning on 1 December 2013.

**39. Finance costs**

Available-for-sale debt instruments	-	137
Development Bank of South Africa	1,131,241	1,043,552
Employee benefit obligation	2,576,465	2,290,144
Finance leases	3,043,635	2,607,348
Landfill site rehabilitation	2,520,233	3,224,996
Trade and other payables	25,599,476	13,828,707
	<b>34,871,050</b>	<b>22,994,884</b>

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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
<b>40. General expenses</b>		
Advertising	219,083	829,093
Assets expensed	-	116,825
Auditors remuneration	1,210,078	3,339,265
Bank charges	742,591	862,130
Computer expenses	684,978	841,708
Conferences and seminars	24,000	-
Discount allowed	137,342	152,638
Donations	17,000	-
Entertainment	767,285	304,485
Fuel and oil	1,950,616	-
Hire	247,294	2,361,726
Insurance	557,302	-
Motor vehicle expenses	445,060	924,063
Postage and courier	57,059	15,380
Printing and stationery	49,611	208,467
Protective clothing	398,545	922,692
Refuse	211,303	182,321
Repairs and maintenance	11,944,210	9,602,842
Repayment of forfeited deposits	57,255	4,905
Security services	759,581	2,076,321
Subscriptions and membership fees	1,174,282	1,164,872
Telephone and fax	1,325,702	-
Training	-	50,523
Travel, subsistence and accommodation	6,973,691	6,416,554
Voluntary workers	1,512,709	2,108,380
Ward committee members	148,000	495,000
	<b>31,614,577</b>	<b>32,980,190</b>
<b>41. Remuneration of councillors</b>		
Mayor	758,374	837,663
Speaker	367,883	197,910
Executive committee members	879,115	867,812
Councillors	5,742,773	5,286,102
	<b>7,748,145</b>	<b>7,189,487</b>

**Additional information**

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

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<b>42. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	(4,894,225)	(2,271,141)
An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.		
Infrastructure assets - GRAP 26.(23) states: In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:		
(g) - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. Due to significant budget constraints, the municipality could not maintain the maintenance plan as required for the infrastructure assets. This lead to the value in use being lower than the economic value of the assets. Assets were therefore impaired to a condition grade lower based on physical assessment of these assets.		
Land - IGRAP 18 indicates that land is recognised based on control. Control of land is evidenced by the following criteria:		
(a) legal ownership; and/or		
(b) the right to direct access to land, and to restrict or deny the access of others to land. During the prior year it was identified that control over land has been lost. The most significant part of this was rural development for housing. As the land was not yet transferred to the legal new owners name, the land was impaired.		
<b>Method</b>		
Carrying value – Value in Use = Impairment Loss		
<b>Significant assumptions applied</b>		
Value in use is directly related to a calculated current replacement cost considering the national CPI history factor.		
	<b>(4,894,225)</b>	<b>(2,271,141)</b>
<b>Reversal of impairments</b>		
Property, plant and equipment	406,722	3,297,890
Repairs and additions to the network assets resulted in previous conditions of assets to improve, thus a reversal of impairments.		
Intangible assets	163	12,304
An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.		
<b>Method</b>		
Carrying value – Value in Use = Impairment Loss		
	<b>406,885</b>	<b>3,310,194</b>
<b>Total impairment losses (recognised) reversed</b>	<b>(4,487,340)</b>	<b>1,039,053</b>
<b>43. Fair value adjustments</b>		
Investment property	(5,386,860)	7,701,261
	<b>(5,386,860)</b>	<b>7,701,261</b>

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<b>44. Cash generated from operations</b>		
Deficit	(164,310,748)	(119,827,595)
<b>Adjustments for:</b>		
Depreciation and amortisation	36,191,933	35,543,763
Gain on sale of assets and liabilities	329,857	5,575,296
Fair value adjustments	5,386,860	(7,701,261)
Finance costs - Finance leases	3,043,635	2,607,348
Impairment loss (reversal)	4,487,340	(1,039,053)
Debt impairment	27,883,141	47,722,971
Movements in retirement benefit assets and liabilities	1,329,729	1,546,646
Movements in provisions	3,100,130	3,977,093
Other non-cash item - Landfill site adjustment	(524,611)	6,516
<b>Changes in working capital:</b>		
Inventories	114,741	278,353
Receivables from exchange transactions	(10,116,619)	9,756,185
Consumer debtors	(27,883,141)	(47,722,971)
Other receivables from non-exchange transactions	(1,649,851)	5,954,406
Payables from exchange transactions	136,433,993	77,377,401
VAT	(13,126,936)	(9,643,815)
Unspent conditional grants and receipts	6,962,028	(1,409,282)
Consumer deposits	176,875	109,314
	<b>7,828,356</b>	<b>3,111,315</b>

**45. Commitments****Authorised capital expenditure****Already contracted for but not provided for**

• Property, plant and equipment	24,022,191	45,811,317
	<b>24,022,191</b>	<b>45,811,317</b>

**Total capital commitments**

Already contracted for but not provided for	24,022,191	45,811,317
	<b>24,022,191</b>	<b>45,811,317</b>

This committed expenditure relates to property and will be financed by available conditional grants, retained surpluses, existing cash resources, funds internally generated, etc. This commitments are also presented inclusive of VAT.

Refer to note 46 for prior period corrections made to commitments.

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**Notes to the Annual Financial Statements for the year ended 30 June 2022****Figures in Rand****2022****2021****46. Contingencies****Contingent liabilities**

The municipality has the following Legal cases pending in the 2021 and 2022 financial year which could result in possible outflow of economic resources.

Type of case	Parties involved	Description	Year	Status	Potential liability 2022	Potential liability 2021
Litigation	HC Turner, CJG Turner & DJ Turner / Kai !Garib Municipality	Claim: Orange River Flood Damage, Keimoes	Prior 2012/13	Pending	664,100	664,100
Litigation	JG van Niekerk & Van Niekerk Nieuwoudt / Kai !Garib Municipality	Claim: Orange River Flood Damage, Keimoes	Prior 2012/13	Pending	250,041	250,041
Litigation	Me. E. Basson / Kai !Garib Municipality	Claim: Three months salary, medical disability on own request, Keimoes	2014/15	Pending	52,728	52,728
Litigation	Andre Bezuidenhout t/a Snoekie Wegneemetes & Andre Bezuidenhout t/a Water Empire / Kai !Garib Municipality	Claim for damages due to power failure in regards of stock losses.	2016/2017	Pending	325,000	325,000
Litigation	Transnet / Poonasaib & Kai !Garib Municipality	Eviction. Municipality is the 2nd Respondent to provide alternative accommodation	2018	Pending	50,000	50,000
Litigation	Kai !Garib Municipality / Mpepule Trading	In terms of a court order the municipality is ordered to pay R50,000 a month for damages claimed by the deponent.	2018	Pending	2,491,500	2,491,500
Litigation	Triple D Farms / W Bosman & 9 Others	Eviction. Municipality is the 2nd Respondent to provide alternative accommodation	2018	Pending	500,000	500,000
Litigation	NHBRC / Markus & 9 Others	Interdict barring Municipality from issuing Certificate of Occupancy: Instructions not to defend	2018	Pending	4,285	4,285
Litigation	SS Straus / Kai !Garib Municipality	Personal injury claim against municipality	2019	Pending	120,000	300,000
Litigation	ESKOM Holdings SOC Ltd / Kai !Garib Municipality	Eskom holdings SOC Ltd High court, Kimberley interdict and review application not to interrupt electricity power supply.	2021	Pending	600,000	600,000
Litigation	Mr I De Waal / Kai !Garib Municipality	Unlawful appointment of I De Waal	2021	Pending	91,737	91,737
Litigation	TT Property Consultants / Kai !Garib Municipality	Attorney disbursements to date - Further instruction to follow	2021	Pending	22,183	22,183
Litigation	Municipal Workers Retirement Fund v Kai Garib Local Municipality	Claim against the municipality for outstanding fees	2022	Pending	200,000	-
Litigation	Municipal By Laws on Tuck Shops	Review and implementation of municipal By-laws	2022	Pending	350,000	-
<b>Total</b>					<b>5,721,574</b>	<b>5,351,574</b>

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**47. Related parties****Relationships**

Accounting Officer

Members of key management

Refer to accounting officers' report

Mr. O.J. Isaacs

Dr. J. Mac Kay

Mrs. A.F. Beukes

Adv. R.S. Neethling

Mr. M.C. Links

**Related party balances****Amounts included in Trade receivable (Trade Payable) regarding related parties**

AF Beukes	-	50,000
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**Related party transactions****Purchases of properties from related parties**

AF Beukes	-	50,000
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**Management class: Councillors****2022**

	Councillor allowances	Cell phone allowances	Total
<b>Mayor</b>			
Cllr. M.M.M. Matthys	409,767	26,411	436,178
<b>Speaker</b>			
Cllr. N.E. Vas	341,471	26,411	367,882
<b>Executive committee members</b>			
Cllr. A.P. Presley	211,166	26,411	237,577
Cllr. T. Renier	211,166	26,411	237,577
<b>Councillors</b>			
Cllr. S.A. Bruwer	176,357	26,411	202,768
Cllr. N. du Plessis	176,357	26,411	202,768
Cllr. Y.E. Scheffers	206,973	26,411	233,384
Cllr. C.P.P. Maasdorp	176,357	26,411	202,768
Cllr. A.C. Kotzee	176,357	26,411	202,768
Cllr. R.W. Cloete	176,357	26,411	202,768
Cllr. A. Johnson	176,357	26,411	202,768
Cllr. L.A. Tieties	206,973	26,411	233,384
Cllr. A. Kampher	176,357	26,411	202,768
Cllr. R.G. Saal	206,973	26,411	233,384
Cllr. M. Basson	176,357	26,411	202,768
Cllr. E. Padmaker	176,357	26,411	202,768
Cllr. M.J. Basson	206,973	26,411	233,384
Cllr. C.A. April	176,357	26,411	202,768
Cllr. R. Ipinge	107,158	16,047	123,205
	<b>3,872,190</b>	<b>491,445</b>	<b>4,363,635</b>

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47. Related parties (continued)				
Management class: Councillors before National Election				
2022				
	Councillor allowances	Cell phone allowances	Bonuses and performance related payments	Total
Mayor				
Cllr. M.M. Louw	230,712	14,579	76,905	322,196
Speaker				
Vacant	-	-	-	-
Executive committee members				
Cllr. W.D. Klim	184,568	14,579	61,524	260,671
Cllr. C. Markgraaf	96,531	14,579	32,177	143,287
Councillors				
Cllr. D. Jaar	93,697	14,579	31,234	139,510
Cllr. B.B. Kordom	96,531	14,579	32,177	143,287
Cllr. B.M. Bock	93,697	14,579	31,234	139,510
Cllr. P.A. Thomas	73,012	14,579	24,339	111,930
Cllr. N.J. Snyers	93,697	14,579	31,234	139,510
Cllr. E.E. Frits	73,012	14,579	24,339	111,930
Cllr. V.W. Sacco	93,697	14,579	31,234	139,510
Cllr. M.A. Papier	73,012	14,579	24,339	111,930
Cllr. E.K. Strauss	73,012	14,579	24,339	111,930
Cllr. C. Kruger	68,108	13,600	22,704	104,412
Cllr. C.F.P. Maasdorp	73,012	14,579	24,339	111,930
Cllr. J.M. de Klerk	73,012	14,579	24,339	111,930
Cllr. C. April	73,012	14,579	24,339	111,930
Cllr. A.R. Smith	548,504	110,869	185,874	845,247
Cllr. R.W. Cloete	73,012	14,579	24,339	111,930
Cllr. M.J. Basson	73,012	14,579	24,339	111,930
	6,129,040	863,757	755,348	7,748,145

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**47. Related parties (continued)****2021**

	Councillor allowances	Travel allowances	Cell phone allowances	Total
<b>Mayor</b>				
Cllr. M.M. Louw	645,648	215,220	40,800	901,668
<b>Speaker</b>				
Vacant	-	-	-	-
<b>Executive committee members</b>				
Cllr. W.D. Klim	324,346	103,736	40,800	468,882
Cllr. C. Markgraaf	270,144	90,048	40,800	400,992
<b>Councillors</b>				
Cllr. D. Jaar	262,212	87,408	40,800	390,420
Cllr. B.B. Kordom	263,851	87,954	40,800	392,605
Cllr. B.M. Bock	262,212	87,408	40,800	390,420
Cllr. P.A. Thomas	204,324	68,112	40,800	313,236
Cllr. N.J. Snyers	216,288	72,100	40,800	329,188
Cllr. E.E. Frits	204,324	68,112	40,800	313,236
Cllr. V.W. Sacco	532,791	87,408	40,800	660,999
Cllr. M.A. Papier	204,324	68,112	40,800	313,236
Cllr. E.K. Struass	204,324	68,112	40,800	313,236
Cllr. C. Kruger	204,324	68,112	40,800	313,236
Cllr. C.F.P. Maasdorp	204,324	68,112	40,800	313,236
Cllr. J.M. de Klerk	204,324	68,112	40,800	313,236
Cllr. C. April	204,324	68,112	40,800	313,236
Cllr. A.R. Smith	119,189	39,732	23,800	182,721
Cllr. R. van Rooyen	34,054	11,352	6,800	52,206
Cllr. R.W. Cloete	204,324	68,112	40,800	313,236
Cllr. M.J. Basson	130,632	43,546	26,084	200,262
	<b>4,900,283</b>	<b>1,538,920</b>	<b>750,284</b>	<b>7,189,487</b>

**Management class: Senior management****2022**

Name	Basic salary	Travel allowances	Acting allowance	Long services	UIF	Total
Chief finance officer - A.F. Beukes	828,996	276,336	-	22,768	2,125	1,130,225
Corporate services - R.S. Neethling	946,848	315,612	-	-	2,125	1,264,585
Technical and engineering services - M.C. Links	1,105,344	-	-	-	2,125	1,107,469
Planning and development - Dr. J. Mackay	946,848	315,612	160,076	-	2,125	1,424,661
	<b>3,828,036</b>	<b>907,560</b>	<b>160,076</b>	<b>22,768</b>	<b>8,500</b>	<b>4,926,940</b>

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**47. Related parties (continued)****2021**

Name	Basic salary	Travel allowances	Leave pay-outs	Cell phone allowance	Acting allowance	UIF	Total
Accounting officer - Mr. I.G.A. de Waal	84,141	28,047	96,930	-	-	149	209,267
Chief finance officer - A.F. Beukes	828,996	276,336	-	6,600	-	1,898	1,113,830
Corporate services - R.S.. Neethling	946,848	315,612	-	6,600	7,149	1,898	1,278,107
Technical and engineering services - M.C. Links	1,105,344	-	-	6,600	-	1,898	1,113,842
Planning and development - Dr. J. Mackay	946,848	315,612	-	6,600	160,076	1,898	1,431,034
	<b>3,912,177</b>	<b>935,607</b>	<b>96,930</b>	<b>26,400</b>	<b>167,225</b>	<b>7,741</b>	<b>5,146,080</b>

\*Refer to note "Employee related costs" note 38

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**48. Prior-year adjustments**

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

**Statement of financial position****2021**

	Note	As previously reported	Correction of error	Re-classification	Restated
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	1,402,047	(52,377)	-	1,349,670
Other financial assets	5	-	2,064,659	301,806	2,366,465
Receivables from exchange transactions	6	8,581,089	(4,154,781)	(301,806)	4,124,502
Receivables from non-exchange transactions	7	-	4,154,781	-	4,154,781
VAT receivable	10	27,256,796	2,833	-	27,259,629
<b>Total current assets</b>		<b>37,239,932</b>	<b>2,015,115</b>	<b>-</b>	<b>39,255,047</b>
<b>Non-current assets</b>					
Investment property	13	188,820,643	(33,636,202)	-	155,184,441
Property, plant and equipment	14	752,062,850	57,181,892	-	809,244,742
<b>Total non-current assets</b>		<b>940,883,493</b>	<b>23,545,690</b>	<b>-</b>	<b>964,429,183</b>
<b>Total assets</b>		<b>978,123,425</b>	<b>25,560,805</b>	<b>-</b>	<b>1,003,684,230</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Payables from exchange transactions	19	(553,090,065)	(17,300,049)	-	(570,390,114)
Provisions	20	(2,249,530)	2,249,530	-	-
<b>Total current liabilities</b>		<b>(555,339,595)</b>	<b>(15,050,519)</b>	<b>-</b>	<b>(570,390,114)</b>
<b>Non current liabilities</b>					
Provision	20	(39,719,315)	(20,448,509)	-	(60,167,824)
<b>Total non-current liabilities</b>		<b>(39,719,315)</b>	<b>(20,448,509)</b>	<b>-</b>	<b>(60,167,824)</b>
<b>Total liabilities</b>		<b>(595,058,910)</b>	<b>(35,499,028)</b>	<b>-</b>	<b>(630,557,938)</b>
<b>Accumulated surplus</b>		<b>350,506,825</b>	<b>(4,144,846)</b>	<b>-</b>	<b>346,361,979</b>

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Figures in Rand		2022	2021		
48. Prior-year adjustments (continued)					
Statement of financial performance					
2021					
	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Revenue from exchange transactions					
Sales of goods and rendering of services		(214,454)	-	214,454	-
Service charges	26	-	(476,858)	-	(476,858)
Operational revenue	27	(594,418)	-	(843,454)	(1,437,872)
Total revenue from exchange transactions		(808,872)	(476,858)	(629,000)	(1,914,730)
Taxation revenue					
Availability service charges	28	-	476,858	-	476,858
Total taxation revenue		-	476,858	-	476,858
Total revenue from non-exchange transactions		-	476,858	(629,000)	(152,142)
Total revenue		(808,872)	-	-	(808,872)
Expenditure					
Bulk purchases	34	78,231,025	(1,449,660)	-	76,781,365
Contracted services	35	50,661,420	(395,325)	-	50,266,095
Depreciation	37	30,751,969	4,789,728	-	35,541,697
Finance cost	39	21,494,518	954,437	-	22,448,955
General expenses	40	29,463,689	3,516,501	-	32,980,190
Total expenditure		210,602,621	7,415,681	-	218,018,302
Operating deficit		209,793,749	7,415,681	-	217,209,430
Loss on disposal of assets and liabilities	13&14	4,946,296	1,302,692	629,000	6,877,988
Fair value adjustments	43	(9,783,789)	2,596,596	-	(7,187,193)
Impairment loss	42	4,482,539	(5,521,592)	-	(1,039,053)
Deficit for the year		209,438,795	5,793,377	-	215,232,172

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**Notes to the Annual Financial Statements for the year ended 30 June 2022**

Figures in Rand		2022	2021	
48. Prior-year adjustments (continued)				
Cash flow statement				
2021				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Receipts				
Property rates	29	12,035,518	5,130,913	17,166,431
Sale of goods and services	26	126,981,561	(8,194,854)	118,786,707
Grants and subsidies	32	135,191,000	-	135,191,000
Interest income	23	10,000,645	(9,860,247)	140,398
Payments				
Employee cost	38	(135,638,407)	-	(135,638,407)
Suppliers	19	(92,808,379)	(17,775,103)	(110,583,482)
Finance costs	39	(18,887,170)	(3,064,162)	(21,951,332)
Net cash flows from operating activities		36,874,768	(33,763,453)	3,111,315
Cash flow from investing activities				
Purchase of property, plant and equipment	14	(34,897,654)	32,598,503	(2,299,151)
Proceeds from sale of property, plant and equipment	14	628,999	(628,999)	-
Other financial assets	12	-	1,793,941	1,793,941
Net cash flows from investing activities		(34,268,655)	33,763,445	(505,210)
Cash flow from financing activities				
Repayment of other financial liabilities	18	1,043,552	-	1,043,552
Finance lease payments	18	(2,568,527)	-	(2,568,527)
Net cash flows from financing activities		(1,524,975)	-	(1,524,975)

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<b>48. Prior-year adjustments (continued)</b>		
<b>Errors</b>		
The following prior period errors adjustments occurred:		
Current assets		
<b>Cash and cash equivalents</b>		
Correction opening balance incorrectly brought forward from SCOA.		
Balance stated previously:	1,402,047	
Error:	(52,377)	
<b>Balance restated:</b>	<b>1,349,670</b>	
Other financial assets		
Correction of prepaid conventional accounting from payables from exchange to other financial assets.		
Balance stated previously:	-	
Error:	2,064,659	
<b>Balance restated:</b>	<b>2,064,659</b>	
VAT Receivable		
Correction of disclosure as per GRAP 17		
Correction of Bulk purchases as it was identified that it was misstated. This is to account for the correct movement for the year		
Account for transaction not correctle capture to AGSA		
Balance stated previously:	27,256,796	
Error:	2,833	
<b>Balance restated:</b>	<b>27,259,629</b>	
Non-current assets		
Investment Property		
Correction of investment property impaired not in accordance with GRAP 16		
Balance stated previously:	188,820,643	
Error:	(33,636,202)	
<b>Balance restated:</b>	<b>155,184,441</b>	
Property, plant and equipment		

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<b>48. Prior-year adjustments (continued)</b>		
Correction of depreciation and impairment calculation in accordance with GRAP 17		
The remaining useful measurement basis was adjusted to the actual usage with drone technology. There was also an error with the deemed interest calculation as well as the depreciation charge on the landfill site asset.		
Correction of disclosure as per GRAP 17		
Correction of work in progress payment vouchers not correctly accounted as per GRAP 1		
The effect of the error is as follows:		
Balance stated previously:	752,062,850	
Error:	57,181,892	
<b>Balance restated:</b>	<b>809,244,742</b>	
Current liabilities		
Payables from exchange transactions		
Correction of disclosure as per GRAP 17		
Correction of Bulk purchases as it was identified that it was misstated. This is to account for the correct movement for the year		
Correction of prepaid conventional accounting from payables from exchange to other financial assets.		
Account for transaction not correctly capture to SALGA		
Correction of journal incorrectly account for in the prior year		
Account for transaction not correctly capture to AGSA		
Balance stated previously:	(553,090,065)	
Error:	(17,300,049)	
<b>Balance restated:</b>	<b>(570,390,114)</b>	
<b>Provisions</b>		
The municipality identified additional two landfill sites that was previously omitted in the 2021 audit, the additional sites are Riemvasmaak & Vredesvallei amounting to -R 9,689,438. The remaining useful measurement basis was adjusted to the actual usage with the assistance of 3D rendering using drone technology amounting to -R 8,509,542. The short term portion was restated as the municipality classify the entire provision as non-current due to the fact that the initial short term portion (Interest) will not be paid within the next 12 months amounting to -R 2,249,530.		
<b>Current portion of provision:</b>		
Balance stated previously:	(2,249,530)	
Error:	2,249,530	
<b>Balance restated:</b>	<b>-</b>	
Long term portion of provision:		
Balance stated previously:	(39,719,315)	
Error:	(20,448,509)	
<b>Balance restated:</b>	<b>(60,167,824)</b>	

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<b>48. Prior-year adjustments (continued)</b>		
<b>Accumulated surplus</b>		
Correction of investment property impaired not in accordance with GRAP 16		
Correction of depreciation and impairment calculation in accordance with GRAP 17		
The remaining useful measurement basis was adjusted to the actual usage with drone technology. There was also an error with the deemed interest calculation as well as the depreciation charge on the landfill site asset.		
Correction of disclosure as per GRAP 17		
Correction of Bulk purchases as it was identified that it was misstated. This is to account for the correct movement for the year		
Correction of prepaid conventional accounting from payables from exchange to other financial assets.		
Correction opening balance incorrectly brought forward from SCOA		
Account for transaction not correctle capture to SALGA		
Correction of journal incorrectly account for in the prior year		
Account for transaction not correctle capture to AGSA		
Balance stated previously:	350,506,825	
Error:	(10,133,241)	
<b>Balance restated:</b>	<b>340,373,584</b>	
<b>Expenditure</b>		
<b>Bulk purchases</b>		
Correction of Bulk purchases as it was identified that it was misstated. This is to account for the correct movement for the year		
Correction of classification error identified in prior year audit report		
Balance stated previously:	78,231,025	
Error:	(1,449,660)	
<b>Balance restated:</b>	<b>76,781,365</b>	
<b>Contracted services</b>		
Correction of classification error identified in prior year audit report		
Balance stated previously:	50,661,420	
Error:	(395,328)	
<b>Balance restated:</b>	<b>50,266,092</b>	

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<b>48. Prior-year adjustments (continued)</b>		
<b>Depreciation and amortisation</b>		
Correction of depreciation and impairment calculation in accordance with GRAP 17		
The remaining useful measurement basis was adjusted to the actual usage with drone technology. There was also an error with the deemed interest calculation as well as the depreciation charge on the landfill site asset.		
Correction of disclosure as per GRAP 17		
Balance stated previously:	30,751,969	
Error:	4,789,728	
<b>Balance restated:</b>	<b>35,541,697</b>	
<b>Finance costs</b>		
The remaining useful measurement basis was adjusted to the actual usage with drone technology. There was also an error with the deemed interest calculation as well as the depreciation charge on the landfill site asset.		
Correction of Bulk purchases as it was identified that it was misstated. This is to account for the correct movement for the year		
Balance stated previously:	21,494,518	
Error:	954,437	
<b>Balance restated:</b>	<b>22,448,955</b>	
<b>General expenses</b>		
Correction of classification error identified in prior year audit report		
Account for transaction not correctle capture to SALGA		
Account for transaction not correctle capture to AGSA		
Balance stated previously:	29,463,689	
Error:	3,516,501	
<b>Balance restated:</b>	<b>32,980,190</b>	
<b>Fair value adjustments</b>		
Correction of investment property impaired not in accordance with GRAP 16		
Balance stated previously:	(9,783,789)	
Error:	2,596,596	
<b>Balance restated:</b>	<b>(7,187,193)</b>	
<b>Impairment loss</b>		
Correction of depreciation and impairment calculation in accordance with GRAP 17		
Correction of disclosure as per GRAP 17		
Balance stated previously:	4,482,539	
Error:	(5,521,592)	
<b>Balance restated:</b>	<b>(1,039,053)</b>	

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**48. Prior-year adjustments (continued)****Loss on disposal of assets and liabilities**

Correction of investment property impaired not in accordance with GRAP 16

Balance stated previously:	4,946,296
Error:	1,302,692
<b>Balance restated:</b>	<b>6,248,988</b>

**Capital Commitments**

Opening balance	- 13,998,398
Adjustments made - Movement	- 31,812,919
<b>Restated opening balance</b>	<b>- 45,811,317</b>

Adjustment made to opening balance of capital commitments is due to an omission of capital commitments: R31,812,919 made in the 30 June 2021 financial statements

**Financial instruments**

Opening balance	- 593,147,677
Adjustments made - Movement	- 7,428,831
<b>Restated opening balance</b>	<b>- 600,576,508</b>

Adjustment made to opening balance of financial instruments is due to an omission of financial instruments: R7,428,831 made in the 30 June 2021 financial statements. Financial assets (2021) -R9,632,877 ,Financial liabilities (2021) R17,061,708

**49. Comparative figures**

Certain comparative figures have been reclassified.

The effects of the restatement are as follows:

Contributions to organised local government have been restated from R7 281 608 to R4 581 281

Material losses have been restated from R18 531 504 to R14 717 313

PAYE and UIF have been restated from R5 319 391 to R15 060 446

Pension and Medical Aid Deductions been restated from R9 394 167 to R7 145 869

The above relate to movement in the statement of financial performance and the effect of the statement of financial position misstated is fully disclosed with detail in Note 48 of the financial statement.

**50. Risk management****Market risk****General risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risks, which is currency risk, interest rate risk and other prices risk.

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**50. Risk management (continued)****Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income received on interest on investments are dependent of changes in prime interest rates. Interest rate risk is deferred that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result in prime interest changes.

To decrease interest rate risk exposure, investments is mostly done on a on a term not longer than six months. The current Interest rate shown below is the average interest earned during the year under review on call investment deposits and cash in current banking institutions.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes. The possible impact on financial instruments is disclosed in the note for financial instruments.

**Price risk**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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

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

**51. Going concern**

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 194,338,506 and that the municipality's total assets exceed its liabilities by R 194,338,506.

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 municipality is experiencing some financial difficulties, indicators are as follows:

1. Suppliers are not paid within the legislative 30 days.
2. Employee benefit obligations are unfunded; refer note 16
3. High levels of distribution losses; refer note 55
4. Slow collection and low recoverability of outstanding consumer accounts; and
5. Unfavourable financial ratios.

In addition, the municipality owed Eskom Holdings SOC R531,543,769 (2021: R418,561,422) and the Kakamas waterverbruiker vereniging R11,597,456 (2021: R7,214,714) and Department water and sanitation R24,116,117 (2021: R18,783,009) as at 30 June 2022.

The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. There is material uncertainty that the municipality can operate as a going concern if additional funding cannot be procured. The ability of the municipality to continue as a going concern is dependent on several factors:

1. Circular 124 – Eskom write-off agreement application.
2. Circular 123 – Budgeting process and improved tariff adjustments to improve service delivery collections.
3. Valuation roll implementation from 2020/21, this will improve property rates billing for next 5 years supplementary roll implemented every quarter.

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**52. Unauthorised expenditure**

Opening balance as previously reported	893,881,744	755,491,904
<b>Opening balance as restated</b>	<b>893,881,744</b>	<b>755,491,904</b>
Add: Expenditure identified - current	176,688,525	138,389,840
<b>Closing balance</b>	<b>1,070,570,269</b>	<b>893,881,744</b>

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	(52,583,462)	(69,936,829)
Cash	(124,105,063)	(68,453,011)
	<b>(176,688,525)</b>	<b>(138,389,840)</b>

Unauthorised expenditure: Budget overspending – per municipal department:

Vote 1 - Office of the mayor and speaker	(1,231,797)	(290,407)
Vote 2 - Office of the municipal manager	(125,684)	(1,411,660)
Vote 3 - Budget and treasury office	(86,959,354)	(90,480,122)
Vote 4 - Corporate services	(5,568,273)	(10,107,641)
Vote 5 - Technical and engineering services	(67,319,187)	(34,729,512)
Vote 6 - Properties, planning and development	(15,484,230)	(1,370,498)
	<b>(176,688,525)</b>	<b>(138,389,840)</b>

**53. Fruitless and wasteful expenditure**

Opening balance as previously reported	132,848,021	119,544,214
<b>Opening balance as restated</b>	<b>132,848,021</b>	<b>119,544,214</b>
Add: Expenditure identified - current	24,545,300	13,303,807
<b>Closing balance</b>	<b>157,393,321</b>	<b>132,848,021</b>

Expenditure identified in the current year include those listed below:

**Name of Supplier/Creditor**

A3 Engineering	231	801
Atm Auto Elektries (Motolek)	-	24
Auditor General Of South Africa	-	835,211
BB Handelaars	-	13
Buildzone	1,939	-
Carlem beleggers	80	-
Driving licences card	-	161
Eskom	22,353,094	11,426,521
Jam office stationers	1,673	(1,179)
The phonebook company	-	12,262
NFMW	-	5,421
Telkom SA	1,702	275
Water verbruikers vereniging	1,616,638	-
Water and Sanitation - National	569,944	1,024,297
	<b>24,545,301</b>	<b>13,303,807</b>

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<b>Figures in Rand</b>	<b>2022</b>	<b>2021</b>
<b>54. Irregular expenditure</b>		
Opening balance as previously reported	347,547,227	231,393,660
<b>Opening balance as restated</b>	<b>347,547,227</b>	<b>231,393,660</b>
Add: Irregular Expenditure - current	85,692,687	116,153,567
<b>Closing balance</b>	<b>433,239,914</b>	<b>347,547,227</b>
<b>55. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	4,581,271	3,720,948
Current year subscription / fee	1,174,282	1,160,323
Amount paid - current year	-	(300,000)
	<b>5,755,553</b>	<b>4,581,271</b>
<b>Material losses</b>		
Electricity distribution loss	22,069,446	12,382,879
Water distribution loss	4,579,037	2,334,434
	<b>26,648,483</b>	<b>14,717,313</b>
<b>Audit fees</b>		
Opening balance	14,877,005	17,462,465
Current year subscription / fee	1,210,078	3,339,266
Interest charges	1,054,176	835,211
Value added tax (VAT)	181,512	806,087
Amount paid - current year	(526,289)	(3,089,321)
Credit notes	-	(4,476,703)
	<b>16,796,482</b>	<b>14,877,005</b>
<b>PAYE and UIF</b>		
Opening balance	5,319,391	3,977,972
Current year subscription / fee	18,181,378	15,912,536
Amount paid - current year	(5,859,840)	(13,332,052)
Amount paid - previous years	(2,580,483)	(1,239,065)
	<b>15,060,446</b>	<b>5,319,391</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	7,145,869	3,542,293
Current year subscription / fee	26,565,193	25,159,574
Amount paid - current year	(17,171,026)	(18,013,705)
Amount paid - previous years	(7,145,869)	(3,542,293)
	<b>9,394,167</b>	<b>7,145,869</b>

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**55. Additional disclosure in terms of Municipal Finance Management Act (continued)****VAT**

VAT receivable	40,386,565	27,259,629
	<b>40,386,565</b>	<b>27,259,629</b>

VAT output payables and VAT input receivables are shown in note 10.

All VAT returns have been submitted to the South African Revenue Service.

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**55. Additional disclosure in terms of Municipal Finance Management Act (continued)****Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. M.M.M. Matthys	2,355	31,202	33,557
Cllr. E.N. Vas	1,809	31,786	33,595
Cllr. A.P. Presley	183	121	304
Cllr. R. Ipinge	3,009	86,324	89,333
Cllr. C.F.P. Bezuidenhout	201	1,000	1,201
Cllr. T. Renier	1,725	1,526	3,251
Cllr. M. Basson	190	1,901	2,091
Cllr. A.C. Kotzee	1,263	-	1,263
	<b>10,735</b>	<b>153,860</b>	<b>164,595</b>

  

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. B.B. Kordom	83	55	138
Cllr. C. Markgraaf	1,403	2,835	4,238
	<b>1,486</b>	<b>2,890</b>	<b>4,376</b>

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

30 June 2022	Highest outstanding amount	Aging (in days)
Cllr. R. Ipinge	89,332	180
Cllr. M.M.M. Mathys	33,557	180
Cllr. E.N. Vas	33,595	180
Cllr. T. Renier	3,251	180
Cllr. M. Basson	2,092	180
Cllr. A.C. Kotzee	1,263	30
Cllr. C.F.P. Bezuidenhout	1,201	180
Cllr. A.P. Presley	304	180
	<b>164,595</b>	<b>1,290</b>

  

30 June 2021	Highest outstanding amount	Aging (in days)
Cllr. C. Markgraaf	4,238	360
Cllr. B.B. Kordom	138	-
	<b>4,376</b>	<b>360</b>

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**55. Additional disclosure in terms of Municipal Finance Management Act (continued)****Supply chain management regulations**

In terms of section 36 of the Municipal Supply Chain Management Regulations the following deviations are listed below.

**Incident**

Agents Sole service Provider

Emergency

Strip and repair

31,856	-
1,222,921	1,766,191
122,012	-
<b>1,376,789</b>	<b>1,766,191</b>

NAME OF THE SUPPLIER	DEVIATION TYPE	DEPARTMENT	AMOUNT
Andrag Agrico	Emergency	Technical Department	R 11,065.62
Andrag Agrico	Emergency	Technical Department	R 16,309.01
Andrag Agrico	Strip And Repair	Technical Department	R 16,521.19
Aqua Agri Solutions	Emergency	Technical Department	R 75,404.17
Aqua Agri Solutions	Emergency	Technical Department	R 174,087.00
Highway Panelbeeters	Strip And Repair	Technical Department	R 12,198.00
Jj Electrowinding	Strip And Repair	Technical Department	R 16,514.46
Jj Electrowinding	Strip And Repair	Technical Department	R 6,597.98
Jj Electrowinding	Strip And Repair	Technical Department	R 6,597.98
Jj Electrowinding	Strip And Repair	Technical Department	R 9,137.10
Jj Electrowinding	Strip And Repair	Technical Department	R 16,944.88
Jj Electrowinding	Strip And Repair	Technical Department	R 3,539.28
Kaap Agri	Emergency	Technical Department	R 27,474.94
Kaap Agri	Emergency	Technical Department	R 17,791.54
Kaap Agri	Emergency	Technical Department	R 19,32.00
Lateral Unison	Emergency	Finance Department	R 60,762.17
Masshire Kalahari Pt	Emergency	Technical Department	R 10,120.00
Media24 Advertensies	Emergency	Corporate Services	R 44,763.75
Milanos Elect Instr	Strip And Repair	Corporate Services	R 23,978.57
N&S Elektries	Emergency	Technical Department	R 13,189.88
Power Transformers	Emergency	Technical Department	R 57,301.63
Power Transformers	Emergency	Technical Department	R 171,400.00
Spectruchem	Emergency	Technical Department	R 56,925.00

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<b>55. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>				
Spectruchem	Emergency	Technical Department	R 140,673.75	
Spectruchem	Emergency	Technical Department	R 57,270.00	
Spectruchem	Emergency	Technical Department	R 51,750.00	
Spectruchem	Emergency	Technical Department	R 48,631.20	
Upington Enginwerke	Strip And Repair	Technical Service	R 7,562.80	
Voltex Upington	Emergency	Technical Department	R 44,188.75	
Voltex Upington	Emergency	Technical Department	R 108,568.05	
Voltex Upington	Emergency	Technical Department	R 76,667.33	
Volvo Group Sa	Strip And Repair	Technical Department	R 2,420.11	
Volvo Group Sa	Agency Sole	Technical Department	R 5,723.26	
Volvo Group Sa	Agency Sole	Technical Department	R 11,692.97	
Volvo Group Sa	Agency Sole	Technical Department	R 14,439.91	
Vrautech	Emergency	Technical Department	R 53,107.00	

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

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### 57. Segment information

#### General information

#### Identification of segments

The municipality does not have any separate identifiable segments, as the whole of the municipality is operated and reported with the municipal jurisdiction. The entity operates within Kai !Garib local municipality which consists of the following seventeen towns:

- Kakamas
- Keimoes
- Kenhardt
- Alheit
- Augrabies
- Blaauwskop
- Bloemsmond
- Cillie
- Currieskamp
- Lennertsville
- Lutzburg
- Mactaggerscamp
- Marchand
- Riemvasmaak
- Soverby
- Vredesvallei
- Eksteenskuil

Please refer to the statement of financial performance mentioned above for revenue from exchange and non exchange transactions and total expenditure. Refer to the statement of financial position for non current assets.

### 58. Budget differences

#### 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. The changes are based in terms of Section 18 of the MFMA which states that the budget must be funded from realistically

anticipated revenues to be collected, cash-backed accumulated funds from previous years' surplus not committed and borrowed funds but only for capital projects.

Final approved budgets were based on incorrect forecasts calculated using the prior year annual reports. The adjusted final budget was compiled using the actual performance indicators available as at 31 January 2022 that made use of actual income received and levied as well as actual expenditure incurred..