



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

**AUDITED ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

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

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### Abbreviations used:

AO	Accounting Officer
ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
CFO	Chief Finance Officer
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
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MLCCM	Municipal Landfill Closure Costing Model
MPAC	Municipal public account committee
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

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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

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Audited Annual Financial Statements for the year ended 30 June 2023

## 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>	<p>Kai !Garib Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996).</p> <p>The municipality's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations.</p>
<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>Municipal demarcation code</b>	NC082
<b>Grading of municipal Council for the upper limits for Councillors</b>	Low capacity municipality
<b>Grading of remuneration of municipal manager and senior managers</b>	Low capacity municipality
<b>Wage curve categorisation</b>	Low capacity municipality
<b>Accounting Officer</b>	Mr. O.J. Isaacs
<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. Du Pokoy Attorneys Inc.
<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>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)

Audited Annual Financial Statements for the year ended 30 June 2023

## Members of the Municipal Council

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### Mayor

Cllr. M.M.M. Matthys

### Speaker

Cllr. N.E. Vas

### Ward Councillors

Cllr. A.P. Prestley  
Cllr. Y.E. Scheffers  
Cllr. R. Ipinge  
Cllr. L.A. Tieties (Deceased)  
Cllr. E. Padmaker  
Cllr. M.J. Basson  
Cllr. R.G. Saal  
Cllr. A. Johnson

### Proportional Representative Councillors

Cllr. M. Basson  
Cllr. N. du Plessis  
Cllr. T. Renier  
Cllr. C.P.F. Maasdorp  
Cllr. A.C. Kotzee  
Cllr. A. Kampher  
Cllr. C. Bezuidenhout  
Cllr. S.A Bruwer  
Cllr. C.A. April  
Cllr. R.W. Cloete

### Council committees

#### Executive Committee

Chairperson:

Cllr. M.M.M. Matthys

Members:

Cllr. A.P. Prestley  
Cllr. T. Renier

#### Finance committee

Chairperson:

Cllr. A.P. Prestley

Members:

Cllr. L.A. Tieties (Deceased)  
Cllr. M.J. Basson  
Cllr. A. Kampher  
Cllr. M. Basson

#### Socio-economic development committee

Chairperson:

Cllr. Y.E. Scheffers

Members:

Cllr. E. Padmaker  
Cllr. M.J. Basson  
Cllr. R.W. Cloete  
Cllr. N. Du Plessis

# Kai !Garib Local Municipality

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## **Institutional development committee**

Chairperson:

Cllr. R.G. Saal

Members:

Cllr. N.E. Vas

Cllr. A. Johnson

Cllr. C.A. April

Cllr. A.C. Kotzee

## **Infrastructure development committee**

Chairperson:

Cllr. L.A. Tieties (Deceased)

Members:

Cllr. R.G. Saal

Cllr. R. Ipinge

Cllr. S.R. Bruwer

Cllr. T. Renier

## **Disciplinary committee**

Chairperson:

Cllr. N.E. Vas

Members:

Cllr. R.G. Saal

Cllr. T. Renier

## **Municipal public account committee (MPAC)**

Chairperson:

Cllr. M.J. Basson

Members:

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 audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited 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.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's management team, external auditors and other oversight governance structures of Council.

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



# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Responsibilities and Approval

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The accounting officer further certifies that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The audited annual financial statements set out on page 4 - 121, which have been prepared on the going concern basis, were approved by the accounting officer on 09 April 2024 and was signed by him.



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**Mr. O.J. Isaacs**  
**Municipal Manager (Accounting Officer)**  
**Kai !Garib Local Municipality**  
**09 April 2024**

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Report

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

### 1. Review of activities

#### Main business and operations

The municipality is engaged in Kai !Garib local municipality is local municipality performing functions as set out in the constitution (Act no 105 of 1996) and operates principally in South Africa.

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act: 1998 and operates in South Africa. The municipality is a South African category B.

The operating results and state of affairs of the municipality are fully set out in the attached audited annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 173 295 401 (2022: deficit R 154 105 167).

### 2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R (5 658 526) and that the municipality's total assets exceed its liabilities by R (5 658 526).

The audited 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 aware of the following matter that arose after yearend:

Cllr. L.A. Tieties passed away, Cllr. L.A. Tieties which was a ward councillor was also the chairperson of the infrastructure development committee and served on the finance committee until year end.

### 4. Accounting Officers' interest in contracts

The Accounting Officer does not have an interest in contracts awarded, either direct or indirect.

### 5. Accounting policies

The unaudited 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 during the year and to the date of this report is as follows:

Name

Mr. O.J. Isaacs

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## 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 Mr. L. Lankalebalela, who is an independent audit committee member. Other independent members of the audit committee are, Me. M. Venter and Me. A. Delpont.

Only Me. M. Venter was appointed at year end. The chairperson and Me A. Delpont'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.

This is in compliance with the Municipal Finance Management Act, 2003.

### 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 Management Act (Act 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 Management Act (Act 56 of 2003), the accounting officer of a municipality must prepare the annual financial statements within 2 months after the end of the financial year.

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

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Report

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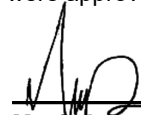
### 12. Municipal jurisdiction

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 audited annual financial statements set out on pages 9 to 121, which have been prepared on the going concern basis, were approved by the accounting officer on 09 April 2024 and was signed by him.

  
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**Mr. O.J. Isaacs**  
**Municipal Manager (Accounting Officer)**  
**Kai !Garib Local Municipality**  
**09 April 2024**

# Munisipaliteit Kai !Garib Municipality

Munisipale Gebou  
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Faks 054 461 6401  
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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

## 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 46470 dated 02/06/2022. 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. O.J. Isaacs**  
**Municipal Manager (Accounting Officer)**  
**Kai !Garib Local Municipality**  
**09 April 2024**

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 <i>Restated*</i>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	537 733	805 039
Inventories	5	312 898	378 222
Other financial assets	6	2 424 577	2 790 114
Receivables from exchange transactions	7&9	21 618 326	18 633 424
Receivables from non-exchange transactions	8&9&10	40 144 203	15 619 651
VAT receivable	11	47 451 745	36 635 466
<b>Total Current Assets</b>		<b>112 489 482</b>	<b>74 861 916</b>
<b>Non-Current Assets</b>			
Receivables from exchange transactions	7	1 949 348	5 337 587
Heritage assets	12	112 955	112 955
Intangible assets	13	16 091	31 857
Investment property	14	158 240 476	155 057 057
Property, plant and equipment	15	777 144 614	790 591 601
<b>Total Non-Current Assets</b>		<b>937 463 484</b>	<b>951 131 057</b>
<b>Total Assets</b>		<b>1 049 952 966</b>	<b>1 025 992 973</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Consumer deposits	16	2 687 727	2 283 930
Employee benefit obligation	17	2 018 085	1 746 474
Finance lease obligation	18	1 659 001	1 433 025
Other financial liabilities	19	10 284 262	238 344
Payables from exchange transactions	20	944 684 148	744 904 390
Unspent conditional grants and receipts	22	2 705 573	6 660 266
<b>Total Current Liabilities</b>		<b>964 038 796</b>	<b>757 266 429</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	17	21 762 853	23 721 927
Finance lease obligation	18	211 484	433 677
Other financial liabilities	19	1 342 176	13 666 122
Provisions	21	68 256 166	63 267 954
<b>Total Non-Current Liabilities</b>		<b>91 572 679</b>	<b>101 089 680</b>
<b>Total Liabilities</b>		<b>1 055 611 475</b>	<b>858 356 109</b>
<b>Net Assets</b>		<b>(5 658 509)</b>	<b>167 636 864</b>
Accumulated surplus		(5 658 526)	167 636 864
<b>Total Net Assets</b>		<b>(5 658 526)</b>	<b>167 636 864</b>

\* See Note 51

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 <i>Restated*</i>
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Agency services	23	288 006	411 125
Interest income	24	15 585 854	10 269 949
Licences and permits	25	713 019	857 671
Rental of facilities and equipment	26	851 015	407 636
Service charges	27	107 076 612	113 477 982
Operational revenue	28	3 625 699	3 608 755
Prescribed revenue		5 606 689	-
<b>Total revenue from exchange transactions</b>		<b>133 746 894</b>	<b>129 033 118</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Availability service charges	29	529 983	478 702
Property rates	30	30 165 512	23 381 183
Interest income	31	7 594 818	4 552 228
<b>Transfer revenue</b>			
Fines	32	56 379	10 900
Government grants and subsidies	33	131 583 101	111 611 972
Public contributions and donations	34	261 850	983 124
<b>Total revenue from non-exchange transactions</b>		<b>170 191 643</b>	<b>141 018 109</b>
<b>Total revenue</b>		<b>303 938 537</b>	<b>270 051 227</b>
<b>Expenditure</b>			
Bulk purchases	35	(87 449 528)	(87 628 189)
Contracted services	36	(53 714 935)	(59 512 479)
Debt impairment	37	(24 611 240)	(16 161 576)
Depreciation and amortisation	38	(36 673 259)	(37 353 525)
Employee related costs	39	(143 553 201)	(135 247 523)
Finance costs	40	(68 373 864)	(39 805 254)
General expenses	41	(42 290 899)	(31 616 083)
Remuneration of councillors	42	(8 377 556)	(7 896 145)
Bad debts written off		(19 174 995)	-
<b>Total expenditure</b>		<b>(484 219 477)</b>	<b>(415 220 774)</b>
<b>Operating deficit</b>		<b>(180 280 940)</b>	<b>(145 169 547)</b>
Loss on disposal of assets and liabilities	14	(187 150)	(329 857)
Actuarial gains	17	4 692 528	1 268 600
Fair value adjustments	44	3 183 419	(5 386 860)
Reversal of impairments/(Impairment loss)	43	(703 258)	(4 487 503)
<b>Deficit for the year</b>		<b>(173 295 401)</b>	<b>(154 105 167)</b>

\* See Note 51

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets for the year ended 30 June 2023

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	358 649 255	358 649 255
Adjustments		
Prior year adjustments 51	(36 907 224)	(36 907 224)
<b>Balance at 01 July 2021 as restated*</b>	<b>321 742 031</b>	<b>321 742 031</b>
Changes in net assets		
Deficit for the year	(154 105 167)	(154 105 167)
Total changes	(154 105 167)	(154 105 167)
Opening balance as previously reported	186 171 380	186 171 380
Adjustments		
Prior year adjustments 51	(18 534 505)	(18 534 505)
<b>Restated* Balance at 01 July 2022 as restated*</b>	<b>167 636 875</b>	<b>167 636 875</b>
Changes in net assets		
Deficit for the year	(173 295 401)	(173 295 401)
Total changes	(173 295 401)	(173 295 401)
<b>Balance at 30 June 2023</b>	<b>(5 658 526)</b>	<b>(5 658 526)</b>

\* See Note 51



# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 <i>Restated*</i>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		21 570 494	12 553 383
Sale of goods and services		72 288 017	92 449 411
Grants		127 628 408	118 124 000
Interest income		49 306	51 124
		<u>221 536 225</u>	<u>223 177 918</u>
<b>Payments</b>			
Employee costs		(150 310 352)	(141 760 688)
Suppliers		(43 231 910)	(50 405 701)
Finance costs		(4 419 444)	(4 174 877)
		<u>(197 961 706)</u>	<u>(196 341 266)</u>
<b>Net cash flows from operating activities</b>	46	<b><u>23 574 519</u></b>	<b><u>26 836 652</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	15	(21 933 137)	(28 235 888)
Proceeds from sale of property, plant and equipment	15	187 148	-
Proceeds from sale of investment property	14	(187 150)	-
Proceeds from sale of financial assets		365 537	(423 649)
<b>Net cash flows from investing activities</b>		<b><u>(21 567 602)</u></b>	<b><u>(28 659 537)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(2 278 028)	1 114 452
Finance lease payments		3 783	163 784
<b>Net cash flows from financing activities</b>		<b><u>(2 274 245)</u></b>	<b><u>1 278 236</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(267 328)</u></b>	<b><u>(544 649)</u></b>
Cash and cash equivalents at the beginning of the year		805 039	1 349 680
<b>Cash and cash equivalents at the end of the year</b>	4	<b><u>537 711</u></b>	<b><u>805 031</u></b>

\* See Note 51

# Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2023

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	487 361	2 639	490 000	288 006	(201 994)	Note 63.2
Interest income	9 935 360	(254 360)	9 681 000	15 585 854	5 904 854	Note 63.5
Licences and permits	748 736	141 264	890 000	713 019	(176 981)	Note 63.3
Operational revenue	1 678 460	1 708 540	3 387 000	3 625 699	238 699	
Miscellaneous other revenue	-	-	-	5 606 689	5 606 689	Note 63.4
Rental of facilities and equipment	708 436	(50 436)	658 000	851 015	193 015	Note 63.1
Service charges	136 853 663	(23 105 663)	113 748 000	107 076 612	(6 671 388)	
<b>Total revenue from exchange transactions</b>	<b>150 412 016</b>	<b>(21 558 016)</b>	<b>128 854 000</b>	<b>133 746 894</b>	<b>4 892 894</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Availability service charges	-	-	-	529 983	529 983	Note 63.7
Interest income	1 672 736	(72 736)	1 600 000	7 594 818	5 994 818	Note 63.8
Property rates	24 873 154	4 448 846	29 322 000	30 165 512	843 512	
<b>Transfer revenue</b>						
Fines	787 361	(729 361)	58 000	56 379	(1 621)	
Government grants and subsidies	154 069 000	-	154 069 000	131 583 101	(22 485 899)	Note 63.9
Public contributions and donations	-	-	-	261 850	261 850	Note 63.10
<b>Total revenue from non-exchange transactions</b>	<b>181 402 251</b>	<b>3 646 749</b>	<b>185 049 000</b>	<b>170 191 643</b>	<b>(14 857 357)</b>	
<b>Total revenue</b>	<b>331 814 267</b>	<b>(17 911 267)</b>	<b>313 903 000</b>	<b>303 938 537</b>	<b>(9 964 463)</b>	

# Kai Igarib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Expenditure</b>						
Bad debts written off	-	-	-	(19 174 995)	<b>(19 174 995)</b>	Note 63.16
Bulk purchases	(69 361 480)	3 361 480	<b>(66 000 000)</b>	(87 449 528)	<b>(21 449 528)</b>	Note 63.17
Contracted Services	(20 873 610)	(6 061 390)	<b>(26 935 000)</b>	(53 714 935)	<b>(26 779 935)</b>	Note 63.18
Debt Impairment	-	-	-	(24 611 240)	<b>(24 611 240)</b>	Note 63.15
Depreciation and amortisation	-	-	-	(36 673 259)	<b>(36 673 259)</b>	Note 63.12
Employee related costs	(143 934 876)	5 814 876	<b>(138 120 000)</b>	(143 553 201)	<b>(5 433 201)</b>	
Finance costs	(17 443 561)	6 715 561	<b>(10 728 000)</b>	(68 373 864)	<b>(57 645 864)</b>	Note 63.14
General Expenses	(29 974 722)	4 920 722	<b>(25 054 000)</b>	(42 290 899)	<b>(17 236 899)</b>	Note 63.20
Remuneration of councillors	(7 933 356)	883 356	<b>(7 050 000)</b>	(8 377 556)	<b>(1 327 556)</b>	Note 63.11
<b>Total expenditure</b>	<b>(289 521 605)</b>	<b>15 634 605</b>	<b>(273 887 000)</b>	<b>(484 219 477)</b>	<b>(210 332 477)</b>	
<b>Operating deficit</b>	<b>42 292 662</b>	<b>(2 276 662)</b>	<b>40 016 000</b>	<b>(180 280 940)</b>	<b>(220 296 940)</b>	
Actuarial gains	-	-	-	4 692 528	<b>4 692 528</b>	
Fair value adjustments	-	-	-	3 183 419	<b>3 183 419</b>	
Loss on disposal of assets and liabilities	-	-	-	(187 150)	<b>(187 150)</b>	
Impairment loss/ Reversal of impairments	-	-	-	(703 258)	<b>(703 258)</b>	<b>Note 63.13</b>
	-	-	-	<b>6 985 539</b>	<b>6 985 539</b>	
<b>Deficit before taxation</b>	<b>42 292 662</b>	<b>(2 276 662)</b>	<b>40 016 000</b>	<b>(173 295 401)</b>	<b>(213 311 401)</b>	

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	458 000	610 000	1 068 000	537 733	(530 267)	Note 63.25
Inventories	1 407 000	(927 000)	480 000	312 898	(167 102)	Note 63.22
Other financial assets	2 649 000	-	2 649 000	2 424 577	(224 423)	
Receivables from exchange transactions	113 774 000	35 525 000	149 299 000	21 618 326	(127 680 674)	Note 63.23
Receivables from non-exchange transactions	30 000 000	-	30 000 000	40 144 203	10 144 203	Note 63.24
VAT receivable	45 000 000	-	45 000 000	47 451 745	2 451 745	
<b>Total current assets</b>	<b>193 288 000</b>	<b>35 208 000</b>	<b>228 496 000</b>	<b>112 489 482</b>	<b>(116 006 518)</b>	
<b>Non-Current Assets</b>						
Heritage assets	5	112 950	112 955	112 955	-	
Intangible assets	362 000	(330 000)	32 000	16 091	(15 909)	Note 63.26
Investment property	1 947 000	143 053 000	145 000 000	158 240 476	13 240 476	
Property, plant and equipment	845 876 000	-	845 876 000	777 144 614	(68 731 386)	
Receivables from exchange transactions	1 584 000	306 000	1 890 000	16 101 690	14 211 690	
<b>Total non-current assets</b>	<b>849 769 005</b>	<b>143 141 950</b>	<b>992 910 955</b>	<b>951 615 826</b>	<b>(41 295 129)</b>	
<b>Total Assets</b>	<b>1 043 057 005</b>	<b>178 349 950</b>	<b>1 221 406 955</b>	<b>1 064 105 308</b>	<b>(157 301 647)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Consumer deposits	2 403 000	264 000	2 667 000	2 687 727	20 727	
Employee benefit obligation	3 649 000	(1 969 000)	1 680 000	2 018 085	338 085	Note 63.28
Finance lease obligation	1 080 000	620 000	1 700 000	1 659 001	(40 999)	
Other financial liabilities	7 350 000	6 080 000	13 430 000	10 284 262	(3 145 738)	
Payables from exchange transactions	153 143 000	49 608 000	202 751 000	944 684 148	741 933 148	Note 63.27
Unspent conditional grants and receipts	-	-	-	2 705 573	2 705 573	Note 63.29
<b>Total current liabilities</b>	<b>167 625 000</b>	<b>54 603 000</b>	<b>222 228 000</b>	<b>964 038 796</b>	<b>741 810 796</b>	

# Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Non-Current Liabilities</b>						
Employee benefit obligation	-	-	-	21 762 853	<b>21 762 853</b>	Note 63.30
Finance lease obligation	250 000	-	<b>250 000</b>	211 484	<b>(38 516)</b>	
Other financial liabilities	9 220 000	(8 630 000)	<b>590 000</b>	1 342 176	<b>752 176</b>	
Provisions	98 361 000	(10 413 045)	<b>87 947 955</b>	68 256 166	<b>(19 691 789)</b>	Note 63.31
<b>Total non-current liabilities</b>	<b>107 831 000</b>	<b>(19 043 045)</b>	<b>88 787 955</b>	<b>91 572 679</b>	<b>2 784 724</b>	
<b>Total Liabilities</b>	<b>275 456 000</b>	<b>35 559 955</b>	<b>311 015 955</b>	<b>1 055 611 475</b>	<b>744 595 520</b>	
<b>Net Assets</b>	<b>767 601 005</b>	<b>142 789 995</b>	<b>910 391 000</b>	<b>8 493 833</b>	<b>(901 897 167)</b>	
<b>Net Assets</b>						
Accumulated surplus	767 601 005	142 789 995	<b>910 391 000</b>	(5 658 526)	<b>(916 049 526)</b>	NOTE 38

The accounting policies on pages 21 to 47 and the notes on pages 48 to 121 form an integral part of the audited annual financial statements.

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022
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### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 Basis of preparations

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.

These accounting policies are consistent with the previous period.

#### 1.2 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.

#### 1.3 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.

#### 1.4 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.

When the final accounts have been closed, any transaction that occurs in respect of a prior period, is considered by management individually and collectively for materiality and the annual financial statements are amended with transactions that are material in amount or by nature.

#### 1.5 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:

## Accounting Policies

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### 1.5 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 municipality 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.

#### Allowance for slow moving, damaged and obsolete stock

Management's judgement is required when determining the write down of stock to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the inventory note.

#### 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.

#### Impairment testing

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

#### Provisions

Management's judgement is required when recognising and measuring provisions, contingent liabilities and contingent assets. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

#### Useful lives of infrastructure 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.

## Accounting Policies

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### 1.5 Significant judgements and sources of estimation uncertainty (continued)

#### Effective interest rate

The municipality used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

#### Allowance for impairment

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.

#### Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow (IGRAP 18 par. 41):

- Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use, the land and also by the right to direct access to the land and to restrict or deny access of others to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow (IGRAP 18 par. 41):

- Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the municipality. The municipality does not have the ability to use or direct others to use the land. The municipality does not have rights to direct access to the land and to restrict or deny access of others to the land. There are various housing scheme land where the municipality is still the legal owner per the deeds office, but where control and substantive rights were not transferred. These land are not recognised by the municipality.

#### Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships.

Additional information is disclosed in Note 65.

#### Segment reporting

In applying GRAP 18 Segment Reporting, management makes judgements with regard to the identification of reportable segments of the municipality in a manner consistent with the internal reporting provided to management.

### 1.6 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 fair value. 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.



## Accounting Policies

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### 1.6 Investment property (continued)

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 municipality 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 municipality 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.

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.

Revenue earned from rental of investment property is disclosed as part of rental of facilities and equipment and are thus not disclosed separately, as they are not material. Expenses in respect of investment property are disclosed as other expenditure and not disclosed separately as they are not material.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the audited annual financial statements (see note 14). Cost incurred to repair and maintain investment property comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the audited annual financial statements (see note 14). All investment property under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

### 1.7 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, its deemed cost is the carrying amount of the asset(s) given up.

# Kai Igarib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.7 Property, plant and equipment (continued)

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.

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.

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

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Item	Depreciation method	Average useful life
<b>Immovable assets</b>		
Buildings	Straight-line	7 - 50 years
Community	Straight-line	15 - 50 years
Infrastructure - Electricity network	Straight-line	15 - 40 years
Infrastructure - Roads network	Straight-line	15 - 80 years
Infrastructure - Solid waste network	Straight-line	15 - 50 years
Infrastructure - Water network	Straight-line	15 - 80 years
Land	Straight-line	Indefinite
<b>Movable assets</b>		
Computer equipment	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 15 years
Motor vehicles	Straight-line	7 - 15 years
Plant and machinery	Straight-line	5 - 15 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.

## Accounting Policies

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### 1.7 Property, plant and equipment (continued)

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 15). The expenditure to repair and maintain property, plant and equipment comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 15).

### 1.8 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.

### 1.9 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.

## Accounting Policies

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### 1.9 Intangible assets (continued)

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.

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

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Item	Depreciation method	Average useful life
Computer software	Straight-line	3 -5 years

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The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

Intangible assets are derecognised:

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

### 1.10 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.

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 12). Cost incurred to repair and maintain heritage assets comprises of goods and services and contracted services. These costs excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12). Heritage Assets under construction are carried at cost. All assets under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

### 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.

## Accounting Policies

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### 1.10 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.

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial. Heritage assets are considered to have indefinite useful lives.

#### 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.

#### Transfers

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

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### 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). The gain or loss arising from the disposal or retirement of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying value and is recognised in the statement of financial performance

### 1.11 Financial instruments

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

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.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

## Accounting Policies

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### 1.11 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

## Accounting Policies

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### 1.11 Financial instruments (continued)

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

### 1.12 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

## Accounting Policies

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### 1.12 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Other charges

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

#### Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.



## Accounting Policies

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### 1.12 Statutory receivables (continued)

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

#### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

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

### 1.13 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 municipality's incremental borrowing rate.

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

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

The depreciation policy for depreciable leased assets is consistent with the normal depreciation policy for similar assets.

#### 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.

## Accounting Policies

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### 1.13 Leases (continued)

#### Operating leases - lessee

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

### 1.14 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventories are manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing, construction or production process.

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition;

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

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### 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.

### 1.15 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.

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### 1.15 Construction contracts and receivables (continued)

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.

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 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 1.17 Impairment of cash and non-cash-generating assets

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

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

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash generating assets, are as follows:

- None of the assets are managed with the objective of generating positive cash flows are expected to be significantly higher than the cost of the asset; and
- Although certain services assets generate positive cash flows, these are used for cross subsidisation of services assets that generate negative cash flows.

## Accounting Policies

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### 1.17 Impairment of cash and 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.

#### 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 municipality 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.

## Accounting Policies

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### 1.17 Impairment of cash and non-cash-generating assets (continued)

#### 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.

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.

#### 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.

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 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

The municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined contribution plans and defined-benefit plans.

Defined-contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against the statement of financial performance in the year in which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans. The defined-benefit funds are actuarially valued based on the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. The contributions and lump sum payments are charged against the statement of financial performance in the year in which they become payable.

## Accounting Policies

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### 1.18 Employee benefits (continued)

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

The municipality provides long-service awards to eligible employees, after completion of every five years' service and the liability thereof is based on an actuarial valuation. The projected unit credit method has been used to value the obligation.

Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

The municipality provides post-retirement benefits by subsidising the medical healthcare contributions of certain retired staff. According to the rules of the medical aid funds with which the municipality is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past, or accrued and future in-service element. The liability is recognised at the fair value of the obligation, together with any adjustments required. The projected unit credit method has been used to value the obligation. Refer to note 16.

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

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

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

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

## Accounting Policies

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### 1.18 Employee benefits (continued)

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

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

## Accounting Policies

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### 1.18 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

### 1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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



## Accounting Policies

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### 1.19 Provisions and contingencies (continued)

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 49.

### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.17 .

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

### 1.20 Commitments

Capital commitments disclosed in the annual financial statements represent the contractual balance committed to capital projects on reporting date that will incurred in the period subsequent to the specific reporting date. The municipality discloses capital commitments exclusive of VAT.

### 1.21 Revenue from exchange transactions

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

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

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

### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### Pre-paid Electricity

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.

## Accounting Policies

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### 1.21 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

#### Interest

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

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

Interest is recognised 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.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.22 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 arises 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.

## Accounting Policies

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### 1.22 Revenue from non-exchange transactions (continued)

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.

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.

#### 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.

#### Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

## Accounting Policies

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### 1.22 Revenue from non-exchange transactions (continued)

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

#### Availability charges

The municipality recognise revenue for charges billed to consumers for all vacant or undeveloped land that has been serviced. These properties are not connected to the municipal infrastructure, but can be reasonably be connected to the service.

Availability charges arise from the application of the approved tariff of charges and is recognised when the the asset recognition criteria is met.

#### Fines

Availability charges arise from the application of the approved tariff of charges and is recognised when the the asset recognition criteria is met.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Assets arising from fines are initially measured at its fair value at the date of acquisition, which is the best estimate of the inflow of economic benefits. The probability of non-payment is not considered at initial recognition.

The non-payment of traffic fines is estimated at subsequent measurement with reference to historical data and payment trend analysis. An impairment loss is recognised in surplus and deficit.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

#### Gifts and donations, including goods in-kind

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

#### Services in-kind

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

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

### 1.23 Investment income

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

### 1.24 Borrowing costs

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

## Accounting Policies

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### 1.24 Borrowing costs (continued)

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 2017/07/01. The effective date of the amendments was 2020/04/01.

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.

### 1.25 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.

### 1.26 Unauthorised expenditure

Unauthorised expenditure is defined as any expenditure incurred by a municipality not in accordance with section 15 or 11(3) of the MFMA, and includes an overspending of the total amount appropriated in the municipality's approved budget, an overspending of the total amount appropriated for a vote in the approved budget, an expenditure from a vote unrelated to the department or functional area covered by the vote, an expenditure of money appropriated not in accordance for that specific purpose, a spending of an allocation not in accordance with any conditions of the allocation, or a grant made by the municipality not in accordance with the MFMA.

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

### 1.27 Fruitless and wasteful expenditure

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

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

Fruitless and wasteful expenditure is disclosed inclusive of VAT.

### 1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the 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.

Irregular expenditure is disclosed inclusive of VAT.

### 1.29 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.

## Accounting Policies

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### 1.30 Offsetting

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

### 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.

### 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.

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.

### 1.32 Budget information

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The approved budget is prepared on an accrual basis and presented in accordance with the GRAP reporting framework.

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 accounting basis and for the same municipality and same period but not on the same classification basis 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 based on the prescribed budget schedules using tables B1, B4, B6 and B7.

### 1.33 Related parties

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

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

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

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its audited annual financial statements.

## Accounting Policies

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### 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).

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 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.

### 1.36 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.

### 1.37 Value Added Tax

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

The Municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 1.38 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 backed by cash.

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.

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.38 Bad debts written off (continued)

- 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.



# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	2023	2022
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction</li></ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>Guideline: Guideline on the Application of Materiality to Financial Statements</li></ul>	01 April 2099	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>GRAP 104 (as revised): Financial Instruments</li></ul>	01 April 2025	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>iGRAP 21: The Effect of Past Decisions on Materiality</li></ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>GRAP 2020: Improvements to the standards of GRAP 2020</li></ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>GRAP 1 (amended): Presentation of Financial Statements</li></ul>	01 April 2023	Unlikely there will be a material impact

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 3. Financial instruments disclosure

#### Categories of financial instruments

#### 2023

##### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	21 618 328	21 618 328
Receivables from non-exchange transactions	329 050	329 050
Cash and cash equivalents	537 733	537 733
	<b>22 485 111</b>	<b>22 485 111</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	11 626 438	11 626 438
Payables from exchange transactions	944 684 150	944 684 150
Consumer deposits	2 687 728	2 687 728
	<b>958 998 316</b>	<b>958 998 316</b>

#### 2022

##### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	18 633 426	18 633 426
Receivables from non-exchange transactions	529 453	529 453
Cash and cash equivalents	805 040	805 040
	<b>19 967 919</b>	<b>19 967 919</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	13 904 466	13 904 466
Payables from exchange transactions	744 904 379	744 904 379
Consumer deposits	2 283 930	2 283 930
	<b>761 092 775</b>	<b>761 092 775</b>

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>4. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	195 010	438 385
Short-term deposits	342 723	366 654
	<b>537 733</b>	<b>805 039</b>
The total amount of undrawn facilities available for future operating activities and commitments	537 733	805 039
	<b>537 733</b>	<b>805 039</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
<b>Current accounts</b>	-	-	-	-	-	-
ABSA Bank Limited: 4051 445 435	115 640	44 420	257 880	(36 046)	43 440	447 682
Standard Bank Limited: 0417 902 19	103 385	322 829	182 506	231 056	394 946	243 018
<b>Short-term Investments</b>	-	-	-	-	-	-
ABSA Bank Limited: 9117 271 903	3 780	2 400	289 904	3 780	2 400	289 904
First National Bank: 6200 698 309 4	1 657	1 686	1 681	1 657	1 686	1 676
Standard Bank Limited: 0486 432 700 02	21 732	21 014	1 941	21 732	21 014	1 941
Standard Bank Limited: 0489 042 950 04	59 930	59 293	59 930	59 930	59 930	59 930
Stanlib: 533 550 21	255 624	281 624	305 624	255 624	281 624	305 624
<b>Total</b>	<b>561 748</b>	<b>733 266</b>	<b>1 099 466</b>	<b>537 733</b>	<b>805 040</b>	<b>1 349 775</b>

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>5. Inventories</b>		
Water for distribution	70 705	70 705
Equipment stock	242 193	307 517
	<b>312 898</b>	<b>378 222</b>
<b>Water for distribution</b>		
Opening balance	70 705	95 833
Water Purchased	-	6 683 076
Chemicals used in purification	-	650 991
Water Sold	-	(7 334 067)
Inventories adjustment	-	(25 128)
<b>Closing balance</b>	<b>70 705</b>	<b>70 705</b>

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>6. Other financial assets</b>		
<b>At amortised cost</b>		
Sale of land	301 806	301 806
Properties sold not yet paid for.		
Conventional water	589 372	739 783
Cut-over estimation performed on year-end on conventional water sold not yet consumed.		
Conventional electricity	1 533 399	1 748 525
Cut-over estimation performed on year-end on conventional electricity sold not yet consumed.		
	<b>2 424 577</b>	<b>2 790 114</b>
<b>Current assets</b>		
At amortised cost	2 424 577	2 790 114
	<b>2 424 577</b>	<b>2 790 114</b>
<b>7. Receivables from exchange transactions</b>		
Consumer debtors - Electricity	7 954 153	7 252 608
Consumer debtors - Water	8 206 953	5 884 822
Consumer debtors - Sewerage	3 292 029	3 160 603
Consumer debtors - Refuse	1 811 339	1 610 516
Consumer debtors - Sundry	333 863	700 597
Consumer debtors - Property rentals	19 989	24 278
Arrangements	1 949 348	5 337 587
	<b>23 567 674</b>	<b>23 971 011</b>
Non-current assets	1 949 348	5 337 587
Current assets	21 618 326	18 633 424
	<b>23 567 674</b>	<b>23 971 011</b>
<b>Trade and other receivables pledged as security</b>		
No Trade and other receivables from exchanges transactions were pledged as security		
<b>Fair value of trade and other receivables</b>		
Trade and other receivables	23 567 674	23 971 011
	<b>23 567 674</b>	<b>23 971 011</b>
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	(178 137 087)	(171 836 107)
Provision for impairment	(32 415 974)	(6 300 980)
	<b>(210 553 061)</b>	<b>(178 137 087)</b>

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>8. Receivables from non-exchange transactions</b>		
Consumer debtors - Property rates	39 979 678	15 354 924
Other	164 525	264 727
	<b>40 144 203</b>	<b>15 619 651</b>
<b>Statutory receivables included in receivables from non-exchange transactions above are as follows:</b>		
Property rates	39 979 678	15 354 924
	<b>39 979 678</b>	<b>15 354 924</b>
Financial asset receivables included in receivables from non-exchange transactions above	164 525	264 727
	<b>40 144 203</b>	<b>15 619 651</b>
<b>Total receivables from non-exchange transactions</b>	<b>40 144 203</b>	<b>15 619 651</b>
	<b>40 144 203</b>	<b>15 619 651</b>
<b>Statutory receivables general information</b>		
<b>Reconciliation of provision for impairment for statutory receivables</b>		
Opening balance	(74 458 961)	(62 544 444)
Provision for impairment	7 804 734	(11 914 517)
	<b>(66 654 227)</b>	<b>(74 458 961)</b>
<b>Receivables from non-exchange transactions pledged as security</b>		
No Trade and other receivables from non exchange from exchanges transactions were pledged as security.		
<b>Fair value of receivables from non-exchange transactions</b>		
Trade and other receivables from non exchange	40 144 203	15 619 651
	<b>40 144 203</b>	<b>15 619 651</b>
<b>9. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Property rates	101 895 043	85 552 090
Electricity	30 194 352	25 977 752
Water	91 021 311	78 801 085
Sewerage	46 160 099	37 821 120
Refuse	44 628 050	37 203 993
Sundry Debtors	5 666 676	5 750 938
Property rentals	348 557	3 370 006
Arrangements	16 101 690	13 183 204
Other	4 903 387	4 526 522
	<b>340 919 165</b>	<b>292 186 710</b>

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>9. Consumer debtors disclosure (continued)</b>		
<b>Less: Allowance for impairment</b>		
Property rates	(61 915 365)	(70 197 166)
Electricity	(22 240 199)	(18 725 144)
Water	(82 814 358)	(72 916 263)
Sewerage	(42 868 070)	(34 660 517)
Refuse	(42 816 711)	(35 593 477)
Sundry Debtors	(5 332 813)	(5 050 341)
Property rentals	(328 568)	(3 345 728)
Arrangements	(14 152 342)	(7 845 617)
Other	(4 738 862)	(4 261 795)
	<b>(277 207 288)</b>	<b>(252 596 048)</b>
<b>Net balance</b>		
Property rates	39 979 678	15 354 924
Electricity	7 954 153	7 252 608
Water	8 206 953	5 884 822
Sewerage	3 292 029	3 160 603
Refuse	1 811 339	1 610 516
Sundry Debtors	333 863	700 597
Property rentals	19 989	24 278
Arrangements	1 949 348	5 337 587
Other	164 525	264 727
	<b>63 711 877</b>	<b>39 590 662</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	7 954 152	7 252 608
Water	8 206 954	5 884 823
Sewerage	3 292 030	3 160 603
Refuse	1 811 339	1 610 516
Sundry Debtors	333 864	700 598
Property rentals	19 990	24 279
Other	164 526	264 727
	<b>21 782 853</b>	<b>18 898 153</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Property rates	39 979 677	15 354 924
Arrangements	1 949 348	5 337 588
	<b>41 929 026</b>	<b>20 692 511</b>
<b>Net balance</b>	<b>63 711 879</b>	<b>39 590 664</b>

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>9. Consumer debtors disclosure (continued)</b>		
<b>Property rates</b>		
Current (0 -30 days)	42 981 786	3 001 546
31 - 60 days	387 650	717 197
61 - 90 days	2 568 480	706 930
91 - 120 days	2 889 651	646 145
120+ Days	53 067 477	80 480 272
Impairment	(61 915 365)	(70 197 166)
	<b>39 979 678</b>	<b>15 354 924</b>
<b>Electricity</b>		
Current (0 -30 days)	7 924 057	3 897 545
31 - 60 days	1 912 796	764 537
61 - 90 days	1 000 206	561 481
91 - 120 days	683 871	554 102
120+ Days	18 673 422	20 200 087
Impairment	(22 240 199)	(18 725 144)
	<b>7 954 153</b>	<b>7 252 608</b>
<b>Water</b>		
Current (0 -30 days)	53 358 629	1 639 687
31 - 60 days	1 557 498	1 038 339
61 - 90 days	1 292 866	1 049 171
91 - 120 days	1 462 120	1 039 969
120+ Days	33 350 199	74 033 919
Impairment	(82 814 358)	(72 916 263)
	<b>8 206 953</b>	<b>5 884 822</b>
<b>Sewerage</b>		
Current (0 -30 days)	2 670 075	889 674
31 - 60 days	866 749	518 892
61 - 90 days	755 961	502 746
91 - 120 days	729 014	484 960
120+ Days	41 138 300	35 424 848
Impairment	(42 868 070)	(34 660 517)
	<b>3 292 029</b>	<b>3 160 603</b>
<b>Refuse</b>		
Current (0 -30 days)	2 097 975	607 763
31 - 60 days	807 333	474 391
61 - 90 days	685 784	457 878
91 - 120 days	679 471	442 630
120+ Days	40 357 487	35 221 331
Impairment	(42 816 711)	(35 593 477)
	<b>1 811 339</b>	<b>1 610 516</b>



# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>9. Consumer debtors disclosure (continued)</b>		
<b>Sundry Debtors</b>		
Current (0 -30 days)	140 548	60 990
31 - 60 days	32 193	33 545
61 - 90 days	52 156	35 922
91 - 120 days	52 466	41 889
120+ Days	5 389 312	5 578 592
Impairment	(5 332 813)	(5 050 341)
	<b>333 863</b>	<b>700 597</b>
<b>Property rentals</b>		
Current (0 -30 days)	214 936	79 294
31 - 60 days	91 644	78 459
61 - 90 days	91 055	77 000
91 - 120 days	90 461	75 529
120+ Days	(139 540)	3 059 724
Impairment	(328 568)	(3 345 728)
	<b>19 989</b>	<b>24 278</b>
<b>Arrangements</b>		
Current (0 -30 days)	605 133	313 480
31 - 60 days	304 712	278 100
61 - 90 days	294 186	247 801
91 - 120 days	309 545	257 265
120+ Days	14 588 114	12 086 558
Impairment	(14 152 341)	(7 845 617)
	<b>1 949 348</b>	<b>5 337 587</b>
<b>Other</b>		
Current (0 -30 days)	135 814	110 394
31 - 60 days	55 550	47 762
61 - 90 days	54 454	44 879
91 - 120 days	53 148	44 150
120+ Days	4 604 421	4 279 337
Impairment	(4 738 862)	(4 261 795)
	<b>164 525</b>	<b>264 727</b>
<b>Total</b>		
Current (0 -30 days)	110 128 953	10 600 373
31 - 60 days	6 016 125	3 951 222
61 - 90 days	6 795 147	3 683 808
91 - 120 days	6 949 746	3 586 639
120+ Days	215 042 773	268 914 325
	<b>344 932 743</b>	<b>290 736 367</b>
Less: Allowance for impairment	(277 207 288)	(252 596 048)
	<b>67 725 456</b>	<b>38 140 319</b>

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>9. Consumer debtors disclosure (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(252 596 048)	(234 380 551)
Contributions to allowance	(24 611 240)	(18 215 497)
	<b>(277 207 288)</b>	<b>(252 596 048)</b>

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>10. Statutory receivables</b>		
The municipality had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:		
Statutory receivable from non-exchange transaction - Property rates	39 979 677	15 354 924
Statutory receivables from exchange transactions - VAT	47 451 744	36 635 466
	<b>87 431 422</b>	<b>51 990 389</b>

### 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.

#### 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.

#### 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.

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 10. Statutory receivables (continued)

#### Statutory receivables impaired

As of 30 June 2023, Statutory receivables of (R66654226.97) (2022: R74458961.36) were impaired and provided for.

The amount of the provision was (R-7804734.39) as of 30 June 2023 (2022: R11914516.92).

#### 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.

### 11. VAT receivable

South African Revenue Service	47 451 745	36 635 466
	<b>47 451 745</b>	<b>36 635 466</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).

VAT meets the definition of a statutory receivable as per the accounting policy. For statutory receivable information regarding VAT refer to note 10.

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

# Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 12. Heritage assets

	2023			2022		
	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 areas	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 2023

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

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 12. Heritage assets (continued)

#### Pledged as security

Heritage assets has not been pledged as security.

# Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 13. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	647 767	(631 676)	16 091	647 767	(615 910)	31 857
<b>Total</b>	<b>647 767</b>	<b>(631 676)</b>	<b>16 091</b>	<b>647 767</b>	<b>(615 910)</b>	<b>31 857</b>

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Impairment reversal	Total
Computer software	31 857	(15 929)	163	16 091
	<b>31 857</b>	<b>(15 929)</b>	<b>163</b>	<b>16 091</b>

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	66 539	(34 682)	31 857
	<b>66 539</b>	<b>(34 682)</b>	<b>31 857</b>

#### Pledged as security

Intangible assets has not been pledged as security.

# Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 14. Investment property

	2023	2022
	Fair Value	Fair Value
Investment property	158 240 476	155 057 057
<b>Total</b>	<b>158 240 476</b>	<b>155 057 057</b>

#### Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	155 057 057	3 183 419	158 240 476
	<b>155 057 057</b>	<b>3 183 419</b>	<b>158 240 476</b>

#### Reconciliation of investment property - 2022

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	160 773 774	(329 857)	(5 386 860)	155 057 057
	<b>160 773 774</b>	<b>(329 857)</b>	<b>(5 386 860)</b>	<b>155 057 057</b>

#### Pledged as security

No investment properties has been pledged as security for liabilities.

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.



# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 14. Investment property (continued)

#### Details of valuation

The effective date of the revaluations was 30 June 2023. Revaluations were performed by WRCON (Pty) Ltd. Mr PH Venter was the valuer at WRCON (Pty) Ltd to perform the valuations. Mr Venter is a registered Professional Associated Valuer with the SA Council for Valuers Profession, registration number 7428, a member of the SA Institute of Valuers and has the appropriate experience in performing valuation of investment properties.

The valuation for the land portion was based on adapted comparable sales and for the improvements there-on on replacement costs.

These assumptions are based on current market conditions.

#### 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).

# Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 15. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
<b>Immovable assets</b>						
Buildings	61 123 270	(27 763 583)	33 359 687	61 123 271	(23 651 409)	37 471 862
Community	64 830 417	(34 486 383)	30 344 034	64 830 417	(32 582 970)	32 247 447
Infrastructure - Electricity network	170 475 669	(66 498 020)	103 977 649	160 333 451	(61 182 781)	99 150 670
Infrastructure - Roads network	221 691 557	(100 630 888)	121 060 669	221 691 557	(94 068 540)	127 623 017
Infrastructure - Solid waste network	84 845 185	(23 749 647)	61 095 538	84 845 185	(21 429 650)	63 415 535
Infrastructure - Water network	379 986 350	(114 589 391)	265 396 959	370 188 051	(106 101 489)	264 086 562
Land	97 483 631	-	97 483 631	97 483 631	-	97 483 631
Landfill Site Asset	113 482 959	(77 513 493)	35 969 466	112 972 350	(70 807 178)	42 165 172
Work-in-Progress	21 175 872	-	21 175 872	18 493 421	-	18 493 421
<b>Movable assets</b>						
Computer equipment	9 551 419	(8 216 141)	1 335 278	9 277 421	(7 972 334)	1 305 087
Furniture and fixtures	6 861 488	(6 057 272)	804 216	6 861 489	(5 870 410)	991 079
Motor vehicles	21 013 155	(16 151 789)	4 861 366	20 655 006	(14 898 353)	5 756 653
Plant and machinery	2 267 634	(1 987 385)	280 249	2 256 678	(1 855 213)	401 465
<b>Total</b>	<b>1 254 788 606</b>	<b>(477 643 992)</b>	<b>777 144 614</b>	<b>1 231 011 928</b>	<b>(440 420 327)</b>	<b>790 591 601</b>

# Kai Igarib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 15. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	WIP additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
<b>Immovable assets</b>										
Buildings	37 471 862	-	-	-	-	-	(1 991 641)	(2 241 837)	121 303	33 359 687
Community	32 247 447	-	-	-	-	-	(2 201 552)	(279 182)	577 321	30 344 034
Infrastructure - Electrical network	99 150 670	-	-	-	10 142 218	-	(5 183 214)	(299 574)	167 549	103 977 649
Infrastructure - Roads network	127 623 017	-	-	-	-	-	(7 113 370)	(1 333 743)	1 884 765	121 060 669
Infrastructure - Solid waste network	63 415 535	-	-	-	-	-	(1 943 769)	(765 137)	388 909	61 095 538
Infrastructure - Water network	264 086 562	71 228	(187 148)	-	10 051 306	-	(9 603 596)	(643 399)	1 622 006	265 396 959
Land	97 483 631	-	-	-	-	-	-	-	-	97 483 631
Landfill Site Asset	42 165 172	-	-	-	-	510 609	(6 706 315)	-	-	35 969 466
Work-in-Progress	18 493 421	-	-	24 233 411	(21 550 960)	-	-	-	-	21 175 872
<b>Movable assets</b>										
Computer equipment	1 305 087	273 998	-	-	-	-	(547 895)	(49 622)	353 710	1 335 278
Furniture and fixtures	991 079	-	-	-	-	-	(416 342)	(25 778)	255 257	804 216
Motor vehicles	5 756 653	358 149	-	-	-	-	(811 984)	(450 405)	8 953	4 861 366
Plant and machinery	401 465	10 956	-	-	-	-	(137 652)	(21 369)	26 849	280 249
	<b>790 591 601</b>	<b>714 331</b>	<b>(187 148)</b>	<b>24 233 411</b>	<b>(1 357 436)</b>	<b>510 609</b>	<b>(36 657 330)</b>	<b>(6 110 046)</b>	<b>5 406 622</b>	<b>777 144 614</b>

# Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 15. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	WIP additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
<b>Immovable assets</b>									
Buildings	29 127 772	67 285	-	10 978 484	-	(1 873 645)	(1 007 430)	179 396	37 471 862
Community	35 094 328	-	-	-	-	(2 216 033)	(843 315)	212 467	32 247 447
Infrastructure - Electricity network	104 726 705	244 004	-	-	-	(5 034 878)	(785 161)	-	99 150 670
Infrastructure - Roads network	131 766 450	-	-	3 213 519	-	(7 114 034)	(786 630)	543 712	127 623 017
Infrastructure - Solid waste network	66 342 537	95 684	-	-	-	(1 942 954)	(1 104 014)	24 282	63 415 535
Infrastructure - Water network	274 324 383	152 561	-	-	-	(9 469 576)	(1 210 989)	290 183	264 086 562
Land	96 378 431	1 105 200	-	-	-	-	-	-	97 483 631
Landfill Site Asset	49 195 958	-	-	-	607 371	(7 638 157)	-	-	42 165 172
Work-in-Progress	9 528 379	-	23 157 045	(14 192 003)	-	-	-	-	18 493 421
<b>Movable assets</b>									
Computer equipment	1 827 328	260 809	-	-	-	(783 050)	-	-	1 305 087
Furniture and fixtures	1 649 955	4 784	-	-	-	(663 660)	-	-	991 079
Motor vehicles	188 763	5 993 395	-	-	-	(425 505)	-	-	5 756 653
Plant and machinery	536 898	21 918	-	-	-	(157 351)	-	-	401 465
	<b>800 687 887</b>	<b>7 945 640</b>	<b>23 157 045</b>	<b>-</b>	<b>607 371</b>	<b>(37 318 843)</b>	<b>(5 737 539)</b>	<b>1 250 040</b>	<b>790 591 601</b>

#### Pledged as security

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

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 15. Property, plant and equipment (continued)

#### Property, plant and equipment in the process of being constructed or developed

#### Cumulative expenditure recognised in the carrying value of property, plant and equipment

Infrastructure - Road network	9 437 705	5 231 179
Infrastructure - Electricity network	6 066 090	11 126 602
Infrastructure - Water network	5 672 078	2 135 640
	<b>21 175 873</b>	<b>18 493 420</b>

#### Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

7814 - Lutzburg: Access & Collector Roads Project on hold due to non-payment of work performed.	9 437 705	5 231 179
	<b>9 437 705</b>	<b>5 231 179</b>

#### Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	18 493 420	-	18 493 420
Additions/capital expenditure	24 233 411	-	24 233 411
Transferred to completed items	(21 550 959)	-	(21 550 959)
	<b>21 175 873</b>	<b>-</b>	<b>21 175 872</b>

#### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	761 177	8 767 202	9 528 379
Additions/capital expenditure	17 732 243	5 424 802	23 157 045
Transferred to completed items	-	(14 192 004)	(14 192 004)
	<b>18 493 420</b>	<b>-</b>	<b>18 493 420</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

Contracted services	232 992	-
General expenses	14 942 700	11 944 210
	<b>15 175 692</b>	<b>11 944 210</b>

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.

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>16. Consumer deposits</b>		
Electricity	1 625 482	1 461 654
Water	1 062 245	822 276
	<b>2 687 727</b>	<b>2 283 930</b>
No guarantees held in lieu of electricity and water deposits.		
Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.		
No interest accrues on consumer deposits.		
<b>17. Employee benefit obligations</b>		
The amounts recognised in the statement of financial position are as follows:		
<b>Non-current employee benefits</b>		
Post-Retirement Medical Aid benefits	(14 380 987)	(15 676 411)
Long-service awards benefits	(7 381 866)	(8 045 516)
	<b>(21 762 853)</b>	<b>(23 721 927)</b>
<b>Current employee benefits</b>		
Post-Retirement Medical Aid benefits	(758 121)	(731 626)
Long-service awards benefits	(1 259 964)	(1 014 848)
	<b>(2 018 085)</b>	<b>(1 746 474)</b>
<b>Total employee benefits</b>		
Post-Retirement Medical Aid benefits	(15 139 108)	(16 408 037)
Long-service awards benefits	(8 641 830)	(9 060 364)
	<b>(23 780 938)</b>	<b>(25 468 401)</b>
Non-current liabilities	(21 762 853)	(23 721 927)
Current liabilities	(2 018 085)	(1 746 474)
	<b>(23 780 938)</b>	<b>(25 468 401)</b>

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 17. Employee benefit obligations (continued)

#### Post employment health care benefits

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by D T Mureriwa of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service members (Employees)	108	93
Continuation members (Retirees)	18	18
<b>Total members</b>	<b>126</b>	<b>111</b>

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

Bonitas

LA Health

Key Health

Samwumed

The liability in respect of past service has been estimated as follow:

In-service members (Employees)	-	-
In-service non-members (Employees)	-	-
Continuation members (Retirees)	15 139 109	16 408 036
<b>Total liability</b>	<b>15 139 109</b>	<b>16 408 036</b>
Non-current	14 380 987	15 676 411
Current	758 121	731 625
	<b>15 139 108</b>	<b>16 408 036</b>

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

#### Rates of interest

Discount rate	12.78 %	12.30 %
Health care cost inflation rate	8.34 %	8.81 %
Net effective discount rate	4.11 %	3.21 %

#### Normal retirement age

The average retirement age for all active employees was assumed to be 62 years.

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 17. Employee benefit obligations (continued)

Amounts recognised in the statement of financial position

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

<b>Present value of unfunded obligations</b>	<b>15 139 108</b>	<b>16 408 036</b>
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Net expense recognised in the statement of financial performance

**The amounts recognised in the statement of financial performance is as follows:**

Current service cost	-	-
Interest cost	1 973 194	1 878 283
Actuarial (gain) recognised in the year	(2 960 386)	(2 132 438)
	<b>(987 192)</b>	<b>(254 155)</b>

### Movements in the present value of the defined benefit obligation

Opening balance	16 408 036	16 774 124
Current service cost	812 264	733 938
Interest cost	1 973 194	1 878 283
Actual employer benefit payments	(1 093 999)	(845 871)
Actuarial (gain) recognised in the year	(2 960 386)	(2 132 438)

<b>Present value of fund obligation at the end of the year</b>	<b>15 139 109</b>	<b>16 408 036</b>
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Amounts for the current and previous four periods are as follows:

### Present value of unfunded defined benefit

2023	15 139 109
2022	16 408 036
2021	16 774 124
2020	16 869 000
2019	17 772 000

### Sensitivity analysis on the Accrued Liability (R Millions)

Assumption	Change	Total
Health care inflation	1	17 226 105
Health care inflation	(1)	13 417 278
Discount rate	1	13 515 681
Discount rate	(1)	17 130 200

### Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Total	% change
Health care inflation	1	2 149 294	13.97 %
Health care inflation	(1)	1 663 131	(11.81)%
Discount rate	1	1 831 588	(2.90)%
Discount rate	(1)	1 991 751	5.60 %
Post retirement mortality	1	1 840 203	(2.40)%
Post retirement mortality	(1)	2 033 822	7.80 %



# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 17. Employee benefit obligations (continued)

Discount rate: 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 2022 the duration of liabilities was 8.27 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 11.75% per annum, and the yield on the inflation-linked bonds of a similar term was about 4.91% per annum, implying an underlying expectation of inflation of 6.04% per annum  $([1 + 11.75\% - 0.5\%] / [1 + 4.91\%] - 1)$ . A healthcare cost inflation rate of 7.54% 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 3.91% per annum  $([1 + 11.75\%] / [1 + 7.54\%] - 1)$ . This year's valuation basis is consistent with the previous year's basis from a discount rate perspective.

#### Mortality Rates

PA (90) - 1 with a 1% mortality improvement per annum from the year 2010.

Continuation of Membership

With the appointment of 1 Pangaea Expertise and Solutions Pty (Ltd) for the year ending 30 June 2023.

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

Liability History	2023/06/30	2022/06/30	2021/06/30	2020/06/30	2019/06/30
Accrued Liability	(15 139 109)	16 408 036	(16 774 124)	(16 869 000)	(17 772 000)
Surplus / (Deficit)	15 139 109	(16 408 036)	16 774 124	16 869 000	17 772 000

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	2023/06/30	2022/06/30	2021/06/30	2020/06/30	2019/06/30
Liabilities: (Gain) / Loss	(2 960 386)	(2 132 438)	(1 852 431)	(2 476 875)	263 000
	(2 960 386)	(2 132 438)	(1 852 431)	(2 476 875)	263 000

#### Long-service awards benefits

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by 1 Pangaea Expertise and Solutions Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. Additional text

At year end 242 (2022: 253) employees were eligible for Long Services Awards.

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

Discount rate	10.73 %	10.41 %
General Salary inflation	6.39 %	7.73 %
Net effective discount rate	4.08 %	2.49 %

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 17. Employee benefit obligations (continued)

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

Present value of unfunded obligations	8 641 830	9 060 365
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Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:

Current service cost	899 438	823 597
Interest cost	890 363	698 182
Actuarial losses / (gains) recognised	(1 732 142)	863 838
<b>Total expense included in employee related costs</b>	<b>57 659</b>	<b>2 385 617</b>

Opening balance	9 060 365	7 364 548
Current service cost	899 438	823 597
Interest cost	890 363	698 182
Actual employer benefit payments	(476 194)	(689 800)
Actuarial loss/ (gain) recognised in the year	(1 732 142)	863 838
	<b>8 641 830</b>	<b>9 060 365</b>

Liability History	2023/06/30	2022/06/30	2021/06/30	2020/06/30	2019/06/30
Accrued Liability	(8 641 830)	(9 060 365)	(7 364 548)	(5 723 026)	-
<b>Surplus / (Deficit)</b>	<b>8 641 830</b>	<b>9 060 365</b>	<b>7 364 548</b>	<b>5 723 026</b>	-

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	2023/06/30	2022/06/30	2021/06/30	2020/06/30	2019/06/30
Liabilities: (Gain) / Loss	(1 732 142)	863 838	865 100	(409 808)	-
	<b>1 732 142</b>	<b>(863 838)</b>	<b>(865 100)</b>	<b>409 808</b>	-

### 18. Finance lease obligation

#### Minimum lease payments due

- within one year	(3 808 603)	(3 311 828)
- in second to fifth year inclusive	(1 975 945)	(5 784 548)

	(5 784 548)	(9 096 376)
less: future finance charges	3 914 063	7 229 674

<b>Present value of minimum lease payments</b>	<b>(1 870 485)</b>	<b>(1 866 702)</b>
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Non-current liabilities	211 484	433 677
Current liabilities	1 659 001	1 433 025
	<b>1 870 485</b>	<b>1 866 702</b>

### Market risk

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

Rand	1 870 485	1 866 702
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# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>19. Other financial liabilities</b>		
<b>At amortised cost</b>		
Development Bank of Southern Africa Ltd	1 036 333	2 222 503
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	10 483 819
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	106 286	1 198 144
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>Total other financial liabilities</b>	<b>11 626 438</b>	<b>13 904 466</b>
<b>Non-current liabilities</b>		
At amortised cost	1 342 176	13 666 122
	<b>1 342 176</b>	<b>13 666 122</b>
<b>Current liabilities</b>		
At amortised cost	10 284 262	238 344
	<b>10 284 262</b>	<b>238 344</b>
<b>Financial liabilities at amortised cost</b>		
<b>Nominal value of financial liabilities at amortised cost</b>		
Development Bank of Southern Africa Ltd	11 626 438	13 904 466
	<b>11 626 438</b>	<b>13 904 466</b>

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>20. Payables from exchange transactions</b>		
Accrued leave pay	13 098 962	11 894 983
Agency fees	51 188 486	48 938 572
Bonus accrual	4 497 103	4 140 256
Consumer debtors with credit balances	15 844 240	15 364 843
Other payables	(68 145)	(2 589 805)
Overtime accrual	325 207	373 278
Payments received in advance	519 247	460 686
Retention fees	5 093 849	3 698 530
Standby accrual	257 258	291 123
Trade payables	853 927 941	662 331 924
	<b>944 684 148</b>	<b>744 904 390</b>
<b>Fair value of trade and other payables</b>		
Trade payables	944 684 148	744 904 390

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 51 for prior period corrections made to Payables from exchange transactions.

# Kai !Garib Local Municipality

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## Notes to the Audited Annual Financial Statements

Figures in Rand

### 21. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in provision	Finance cost	Total
Rehabilitation of landfill site	63 267 954	-	-	-	510 609	4 477 604	68 256 166
	<b>63 267 954</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>510 609</b>	<b>4 477 604</b>	<b>68 256 166</b>

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in provision	Finance cost	Total
Rehabilitation of landfill site	60 167 824	-	-	-	607 372	2 492 758	63 267 954
	<b>60 167 824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>607 372</b>	<b>2 492 758</b>	<b>63 267 954</b>

Non-current liabilities	68 256 166	63 267 954
	<b>68 256 166</b>	<b>63 267 954</b>

#### Environmental rehabilitation provision

The provision is made in terms of the municipality's licensing stipulations on the landfill waste sites.

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.

# Kai !Garib Local Municipality

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## Notes to the Audited Annual Financial Statements

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### 21. Provisions (continued)

#### Key cost parameters:

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 2023 was 12.31% p.a.. The consumer price inflation of 5.40% 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).

Consumer price inflation (C) 5.40% (2022: 7.40%)

Discount rate (D) 12.31% (2022: 11.64%)

Net discount rate 6.56% (2022: 3.94%)

The movement on each of the landfill site's provisions is:

	Opening balance	Change in provision	Utilised during the year	Finance cost	Total
Curries Camp	5 419 567	46 750	-	383 765	5 850 083
Keimoes	7 233 136	14 741	-	508 841	7 756 718
Lennertsville	7 450 203	107 535	-	530 595	8 088 333
Kakamas	14 295 377	(39 726)	-	1 000 825	15 256 477
Alheit/Marchand	5 981 550	51 597	-	423 560	6 456 707
Kenhardt	12 699 436	255 272	-	909 491	13 864 198
Riemvasmaak	5 440 717	46 932	-	385 263	5 872 912
Vredesvallei	4 747 967	27 507	-	335 264	5 110 738
	63 267 954	510 609	-	4 477 604	68 256 166

### 22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant	1 538 964	3 538 964
Integrated National Electrification Programme	1 121 302	3 121 302
Local Government Financial Management Grant	45 307	-
	<b>2 705 573</b>	<b>6 660 266</b>

#### Movement during the year

Balance at the beginning of the year	6 660 267	148 238
Additions during the year	23 296 408	30 188 000
Income recognition during the year	(27 251 102)	(23 675 971)
	<b>2 705 573</b>	<b>6 660 267</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.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See reconciliation of grants from National/Provincial Government note

These amounts are invested in a ring-fenced investment until utilised.

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 23. Agency services

Driver's licenses and permits	288 006	411 125
	<b>288 006</b>	<b>411 125</b>

The municipality collects licence fees on behalf of the Department of Transport and receives a 12% agency fee. The amount received as commission was R 288 006 (2023) and R 411 125 (2022). Own revenue is also collected by the traffic office and disclosed under note 23 Licences and permits.

### 24. Interest income (Exchange transactions)

#### Interest income

Bank accounts	49 307	51 124
Receivables from exchange transactions	15 536 547	10 218 825
	<b>15 585 854</b>	<b>10 269 949</b>

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 11 402 953 (2022: R 9 208 767).

### 25. Licences and permits

Road and transport	713 019	857 671
	<b>713 019</b>	<b>857 671</b>

### 26. Rental of facilities and equipment

#### Facilities and equipment

Facilities and equipment owned by the municipality	851 015	407 636
	<b>851 015</b>	<b>407 636</b>

### 27. Service charges

Sale of electricity - Conventional	46 291 887	53 472 579
Sale of electricity - Prepaid	31 595 038	32 512 152
Sale of water - Conventional	14 708 004	13 553 900
Sale of water - Prepaid	248 682	202 680
Sewerage and sanitation charges	6 773 274	8 124 416
Refuse removal	7 459 727	5 612 255
	<b>107 076 612</b>	<b>113 477 982</b>

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>28. Operational revenue</b>		
Administrative connection fees	332 078	327 947
Advertisements	6 493	2 286
Building plans	31 921	45 646
Camping fees	58 850	71 677
Clearance certificates	5 559	171 937
Discount received	-	546
Entrance fees	-	875
Escort fees	965	1 287
Incidental cash surpluses	29 532	32 219
Materials and equipment	50 019	70 819
Occupation certificates	1 260	50 708
Photocopies and faxes	978	4 574
Sale of property	843 201	727 904
Tender documents	57 791	16 087
Town planning and servitudes	48 047	23 000
Transaction handling fees	2 155 097	2 056 862
Valuation services	3 908	4 381
	<b>3 625 699</b>	<b>3 608 755</b>
<b>29. Availability service charges</b>		
Electricity	525 747	475 566
Water	4 236	3 136
	<b>529 983</b>	<b>478 702</b>



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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 30. Property rates

#### Rates received

Property rates	30 165 512	23 381 183
	<b>30 165 512</b>	<b>23 381 183</b>

#### Valuations

Residential	1 240 635 000	802 922 000
Business properties	298 645 000	320 194 000
Commercial properties	337 450 000	209 637 000
Municipal	118 045 500	247 041 000
Small holdings and farms	11 586 466 500	6 543 046 000
Government buildings	296 765 000	358 396 000
Public buildings	-	15 767 000
Vacant land	801 553 000	60 895 000
	<b>14 679 560 000</b>	<b>8 557 898 000</b>

Assessment Rates are levied on the value of land and improvements, which valuation is performed every five years. Interim valuations are processed on an annual basis to consider any changes in individual property values, due to amendments. The last general valuation came into effect on 1 July 2021. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

#### Municipal valuation threshold value

On qualifying residential properties, property owners will receive a rebate up to a maximum value of R120 000, which amount includes a value of R15 000 as per Section 17(1)(h) of the Local Government: All residential property with a market value of less than the amount as annually determined by the Municipality, are exempted from paying property rates. The maximum amount is determined as R20 000. The impermissible rates of R15 000 contemplated in terms of Section 17(1)(h) of the Act and the R5 000 is a council reduction. The remaining R100 000 is aimed primarily at alleviating poverty and forms an important part of the Municipality's Indigent Policy.

#### Other rebates

Taking into account the effects of rates on PBO's performing a specific public benefit activity and if registered in terms of the Income Tax Act, 1962 (No. 58 of 1962) for tax reduction because of those activities, Public Benefit Organisations may apply for the exemption of property rates. Any other exclusions or exemptions have been granted in accordance with the Local Government: Municipal Property Rates Act, No. 6, 2004.

### 31. Interest income (Non-exchange transactions)

Receivables from non-exchange transactions	7 594 818	4 552 228
	<b>7 594 818</b>	<b>4 552 228</b>

### 32. Fines, Penalties and Forfeits

Municipal traffic fines	56 379	10 900
	<b>56 379</b>	<b>10 900</b>

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>33. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	108 332 000	87 936 000
Expanded Public Works Programme Integrated Grant	1 120 000	1 142 000
LGSETA Grant	6 408	-
Library Subsidy	1 550 000	450 000
Local Government Financial Management Grant	2 954 693	3 000 000
	<b>113 963 101</b>	<b>92 528 000</b>
<b>Capital grants</b>		
Integrated National Electrification Programme	5 420 000	1 989 698
Municipal Infrastructure Grant	5 000 000	14 946 036
Water Services Infrastructure Grant	7 200 000	2 148 238
	<b>17 620 000</b>	<b>19 083 972</b>
	<b>131 583 101</b>	<b>111 611 972</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	23 251 101	23 675 971
Unconditional grants received	108 332 000	87 936 000
	<b>131 583 101</b>	<b>111 611 971</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and the day to day running of the municipality.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	3 538 964	-
Current-year receipts	5 000 000	18 485 000
Conditions met - transferred to revenue	(5 000 000)	(14 946 036)
Other	(2 000 000)	-
	<b>1 538 964</b>	<b>3 538 964</b>
<b>Water Services Infrastructure Grant</b>		
Balance unspent at beginning of year	-	148 238
Current-year receipts	7 200 000	2 000 000
Conditions met - transferred to revenue	(7 200 000)	(2 148 238)
	<b>-</b>	<b>-</b>

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>33. Government grants and subsidies (continued)</b>		
<b>Integrated National Electrification Programme</b>		
Balance unspent at beginning of year	3 121 302	-
Current-year receipts	5 420 000	5 111 000
Conditions met - transferred to revenue	(5 420 000)	(1 989 698)
Other	(2 000 000)	-
	<b>1 121 302</b>	<b>3 121 302</b>
Conditions still to be met - remain liabilities see note 22		
<b>Local Government Financial Management Grant</b>		
Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(2 954 693)	(3 000 000)
	<b>45 307</b>	<b>-</b>
Conditions still to be met - remain liabilities see note 22		
<b>Expanded Public Works Programme Integrated Grant</b>		
Current-year receipts	1 120 000	1 142 000
Conditions met - transferred to revenue	(1 120 000)	(1 142 000)
	<b>-</b>	<b>-</b>
<b>Library Subsidy</b>		
Current-year receipts	1 550 000	450 000
Conditions met - transferred to revenue	(1 550 000)	(450 000)
	<b>-</b>	<b>-</b>
<b>LGSETA Grant</b>		
Current-year receipts	6 408	-
Conditions met - transferred to revenue	(6 408)	-
	<b>-</b>	<b>-</b>
<b>34. Public contributions and donations</b>		
Property, plant and equipment	261 850	983 124
	<b>261 850</b>	<b>983 124</b>
<b>35. Bulk purchases</b>		
Electricity	81 604 095	80 945 113
Water	5 845 433	6 683 076
	<b>87 449 528</b>	<b>87 628 189</b>

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>36. Contracted services</b>		
<b>Outsourced Services</b>		
Business and advisory	326 807	299 113
Cleaning services	517 583	2 488 074
Information technology services	-	3 982 397
Lease rentals on operating leases	1 826 087	10 533
Refuse removal	2 889 511	5 413 490
Sewerage services	9 803 634	8 370 733
Telecommunication	1 958 660	-
Water tankers	14 216 107	16 278 048
<b>Consultants and Professional Services</b>		
Business and advisory	17 917 594	19 792 497
Infrastructure and Planning	554 900	28 850
Legal cost	2 113 626	2 848 744
<b>Contractors</b>		
Maintenance of Buildings and facilities	1 529 379	-
Maintenance of Unspecified assets	61 047	-
	<b>53 714 935</b>	<b>59 512 479</b>
<b>37. Debt impairment</b>		
Consumer debtors - Debt impairment	24 611 240	16 161 576
	<b>24 611 240</b>	<b>16 161 576</b>
<b>38. Depreciation and amortisation</b>		
Property, plant and equipment	36 657 330	37 318 843
Intangible assets	15 929	34 682
	<b>36 673 259</b>	<b>37 353 525</b>

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>39. Employee related cost</b>		
<b>Municipal staff</b>	<b>143 553 194</b>	<b>135 247 509</b>
<b>Municipal staff costs</b>		
Acting allowances	330 650	1 092 383
Bargaining council contributions	51 994	47 932
Basic salaries and wages	95 907 872	89 568 599
Bonus	7 950 602	7 305 932
Group life insurance	2 721	2 579
Housing allowances	249 904	275 629
Leave pay-outs	1 760 031	1 720 394
Long-service awards	476 194	425 879
Medical aid - company contributions	3 437 246	2 909 870
Nightshift allowance	1 029 059	968 710
Non-pensionable allowances	81 360	1 302 000
Overtime payments	4 761 376	4 395 505
Pension fund contributions	16 185 412	14 650 082
Performance bonus	378 847	-
Post employment service costs	141 508	21 864
Shift allowance	648 031	628 931
Skills development levy	1 127 013	1 140 998
Standby allowance	3 138 918	3 017 976
Telephone allowance	308 572	239 334
Travel allowances	4 746 513	4 712 742
UIF contributions	839 378	820 184
	<b>143 553 201</b>	<b>135 247 523</b>
<b>Senior management costs breakdown</b>		
<b>Remuneration of Municipal Manager</b>		
Basic Salary	372 518	-
Acting allowance	19 752	-
Contribution to pension fund, UIF, SDL	708	-
	<b>392 978</b>	<b>-</b>
Dr. J. Mac Kay, director Properties, planning and development is acting as Municipal Manager from 1 July 2021 to 30 June 2022.		
Mr O.J. Isaacs was appointed for 3 months during the financial year from November 2022 to January 2023.		
Mr A. Phete was acting as municipal manager from March 2023 to August 2023.		
<b>Remuneration of Chief Finance Officer</b>		
Basic salary and wages	859 740	828 996
Non-pensionable allowances	20 340	-
Performance bonus	88 427	-
Travel allowance	278 752	276 336
Unemployment insurance fund contribution (UIF)	2 125	2 125
Long service awards	-	22 770
	<b>1 249 384</b>	<b>1 130 227</b>

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

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 39. Employee related cost (continued)

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

Basic salary and wages	1 138 497	1 105 344
Non-pensionable allowances	20 340	-
Performance bonus	88 427	-
Unemployment insurance fund contribution (UIF)	2 125	2 125
	<b>1 249 389</b>	<b>1 107 469</b>

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

#### Remuneration of Director Corporate Services

Basic salary and wages	981 958	946 848
Cellphone allowance	16 500	-
Non-pensionable allowances	20 340	-
Performance bonus	100 997	-
Travel allowance	318 375	315 612
Unemployment insurance fund contribution (UIF)	2 125	2 125
	<b>1 440 296</b>	<b>1 264 585</b>

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

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

Basic salary and wages	18 937	946 848
Acting allowance	-	160 076
Non-pensionable allowances	20 340	-
Performance bonus	100 997	-
Travel allowance	-	315 612
Unemployment insurance fund contribution (UIF)	-	2 125
Leave pay-outs	242 392	-
	<b>382 666</b>	<b>1 424 662</b>

Dr. J. Mac Kay, director Properties, planning and development was acting as Municipal Manager during the 2021/22 financial year.

Dr. J. MacKay was permanently appointed as Director: Development and Planning on 1 December 2013 and resigned 30 June 2022.

### 40. Finance costs

Development Bank of South Africa	1 103 833	1 131 241
Employee benefit obligation	2 863 557	2 576 465
Finance leases	3 315 611	3 043 635
Landfill site rehabilitation	4 477 604	2 520 233
Trade and other payables	56 613 259	30 533 680
	<b>68 373 864</b>	<b>39 805 254</b>

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>41. General expenses</b>		
Advertising	429 395	219 083
Auditors remuneration	5 083 299	1 210 078
Bank charges	708 762	742 591
Computer expenses	82 065	684 978
Conferences and seminars	117 008	24 000
Discount allowed	-	137 888
Donations	-	17 000
Entertainment	397 979	767 285
Fuel and oil	76 017	1 950 616
Hire	163 125	247 294
Insurance	712 544	557 302
Motor vehicle expenses	4 369 747	445 060
Postage and courier	33 382	57 059
Printing and stationery	111 010	49 611
Protective clothing	56 953	398 545
Refuse	141 792	211 303
Repairs and maintenance	15 855 073	12 093 170
Repayment of forfeited deposits	4 798	57 255
Security services	1 465 122	759 581
Subscriptions and membership fees	1 283 442	1 174 282
Telephone and fax	1 024 401	1 325 702
Travel, subsistence and accommodation	7 168 497	6 973 691
Voluntary workers	3 006 488	1 512 709
	<b>42 290 899</b>	<b>31 616 083</b>

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>42. Remuneration of councillors</b>		
Mayor	953 416	758 374
Executive committee	853 124	879 115
Speaker	778 292	367 883
Councillors	5 303 224	5 742 773
Ward Committees	489 500	148 000
	<b>8 377 556</b>	<b>7 896 145</b>
<b>Mayor</b>		
Councillor remuneration	903 378	640 479
Telephone allowance	40 800	40 990
Travel allowance	-	76 905
Contributions to Medical, Pension Funds, Skills and UIF	9 238	-
	<b>953 416</b>	<b>758 374</b>
<b>Executive Committee</b>		
Councillor remuneration	763 556	703 433
Telephone allowance	81 600	81 981
Travel allowance	-	93 701
Contributions to Medical, Pension Funds, Skills and UIF	7 968	-
	<b>853 124</b>	<b>879 115</b>
<b>Speaker</b>		
Councillor remuneration	730 061	341 471
Telephone allowance	40 800	26 412
Contributions to Medical, Pension Funds, Skills and UIF	7 431	-
	<b>778 292</b>	<b>367 883</b>
<b>Councillors</b>		
Councillor remuneration	4 641 944	4 443 651
Telephone allowance	612 000	714 383
Travel allowance	-	584 739
Contributions to Medical, Pension Funds, Skills and UIF	49 280	-
	<b>5 303 224</b>	<b>5 742 773</b>
<b>Ward Committees</b>		
Ward Councillor remuneration	489 500	148 000
	<b>489 500</b>	<b>148 000</b>
<b>In-kind benefits</b>		

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.



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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 42. Remuneration of councillors (continued)

#### 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.

Refer to note 50 for details breakdown of remuneration of councillors under the related parties note.

### 43. Reversal of impairments/(Impairment loss)

#### Impairments

Property, plant and equipment	(6 110 046)	(5 737 540)
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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.

#### Method

Carrying value – Value in Use = Impairment Loss

#### Significant assumptions applied

Value in use is directly related to a calculated current replacement cost considering the national CPI history factor.

(6 110 046)	(5 737 540)
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#### Reversal of impairments

Property, plant and equipment	5 406 788	1 250 037
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Repairs and additions to the network assets resulted in previous conditions of assets to improve, thus a reversal of impairments.

<b>Total impairment losses (recognised) /reversed</b>	<b>(703 258)</b>	<b>(4 487 503)</b>
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The main classes of assets affected by impairment losses are:

Buildings

Community

Infrastructure - Electrical network

Infrastructure - Roads network

Infrastructure - Solid waste network

Infrastructure - Road network

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>43. Reversal of impairments/(Impairment loss) (continued)</b>		
Infrastructure - Water network		
Infrastructure - Electricity network		
Computer equipment		
Furniture and fixtures		
Plant and machinery		
The main classes of assets affected by reversals of impairment losses are:		
Motor vehicles		
The main events and circumstances that led to the recognition of these impairment losses are as follows:		
Physical verification of movable and immovable assets was performed during the financial year, each assets condition was assessed and was graded accordingly. Should the asset be found to be in a very poor condition and not able to fulfill its service potential the asset was then impaired accordingly. Details of the verification condition assessments are recorded in the fixed asset register.		
<b>44. Fair value adjustments</b>		
Investment property	3 183 419	(5 386 860)
	<b>3 183 419</b>	<b>(5 386 860)</b>
<b>45. Auditors' remuneration</b>		
Fees	5 083 299	1 210 078
	<b>5 083 299</b>	<b>1 210 078</b>
<b>46. Cash generated from operations</b>		
Surplus/(deficit)	(173 295 401)	(154 105 167)
<b>Adjustments for:</b>		
Depreciation and amortisation	36 673 259	37 353 525
Gain on sale of assets and liabilities	187 150	329 857
Fair value adjustments	(3 183 419)	5 386 860
Impairment deficit	703 258	4 487 503
Debt impairment	24 611 240	16 161 576
Bad debts written off	19 174 995	-
Movements in retirement benefit assets and liabilities	(1 687 463)	1 329 729
Movements in provisions	4 988 212	3 100 130
Landfill site movement	(510 609)	(607 372)
Other non-cash items - Retentions	(1 395 320)	(1 883 671)
Other non-cash items - Donations of PPE	(261 850)	(983 124)
<b>Changes in working capital:</b>		
Inventories	65 324	114 741
Receivables from exchange transactions	403 337	(19 775 022)
Consumer debtors	(43 786 235)	(16 161 576)
Other receivables from non-exchange transactions	(24 524 552)	(3 944 213)
Payables from exchange transactions	199 779 768	162 372 494
VAT	(10 816 279)	(13 028 521)
Unspent conditional grants and receipts	(3 954 693)	6 512 028
Consumer deposits	403 797	176 875
	<b>23 574 519</b>	<b>26 836 652</b>

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>47. Operating surplus</b>		
Operating surplus for the year is stated after accounting for the following:		
Loss on sale of investment property	(187 150)	(329 857)
Impairment on property, plant and equipment	6 110 046	5 737 540
Reversal of impairment on property, plant and equipment	5 406 788	1 250 037
Amortisation on intangible assets	15 929	34 682
Depreciation on property, plant and equipment	36 657 330	37 318 843
Employee costs	151 930 757	143 143 668
	<b>199 933 700</b>	<b>187 154 913</b>

## 48. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

• Property, plant and equipment	28 356 522	26 920 341
	<b>28 356 522</b>	<b>26 920 341</b>

#### Total capital commitments

Already contracted for but not provided for	28 356 522	26 920 341
	<b>28 356 522</b>	<b>26 920 341</b>

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc. This commitments are also presented inclusive of VAT.

Refer to note 51 for prior period corrections made to commitments.

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>49. Contingencies</b>		
<b>Contingent liabilities</b>		
<b>Contractual disputes</b>		
Below is a list of possible liability claims where the outcome was unknown at 30 June 2023 with the maximum unforeseen liability for the Municipality:		
HC Turner, CJG Turner & DJ Turner / Kai !Garib Municipality	664 100	664 100
JG van Niekerk & Van Niekerk Nieuwoudt / Kai !Garib Municipality	250 041	250 041
Me. E. Basson / Kai !Garib Municipality	52 728	52 728
Andre Bezuidenhout t/a Snoekie Wegneemetes & Andre Bezuidenhout t/a Water Empire / Kai !Garib Municipality	325 000	325 000
Transnet / Poonasaib & Kai !Garib Municipality	50 000	50 000
Kai !Garib Municipality / Mpepule Trading	2 491 500	2 491 500
Triple D Farms / W Bosman & 9 Others	500 000	500 000
NHBRC / Markus & 9 Others	4 285	4 285
SS Straus / Kai !Garib Municipality	120 000	120 000
ESKOM Holdings SOC Ltd / Kai !Garib Municipality	350 000	600 000
Mr I De Waal / Kai !Garib Municipality	91 737	91 737
TT Property Consultants / Kai !Garib Municipality	22 183	22 183
Municipal Workers Retirement Fund v Kai !Garib Local Municipality	300 000	200 000
Municipal By Laws on Tuck Shops	350 000	350 000
Auditor general SA v Kai Garib Municipality	180 000	-
Nashua (Solutions Pro) v Kai Garib Municipality	400 000	-
	<b>6 151 574</b>	<b>5 721 574</b>

### HC Turner, CJG Turner & DJ Turner / Kai !Garib Municipality (Pending)

*Claim: Orange River Flood Damage, Keimoes*

### JG van Niekerk & Van Niekerk Nieuwoudt / Kai !Garib Municipality (Pending)

*Claim: Orange River Flood Damage, Keimoes*

### Me. E. Basson / Kai !Garib Municipality (Pending)

*Claim: Three months salary, medical disability on own request, Keimoes*

### Andre Bezuidenhout t/a Snoekie Wegneemetes & Andre Bezuidenhout t/a Water Empire / Kai !Garib Municipality (Pending)

*Claim for damages due to power failure in regards of stock losses.*

### Transnet / Poonasaib & Kai !Garib Municipality (Pending)

*Eviction. Municipality is the 2nd Respondent to provide alternative accommodation*

### Kai !Garib Municipality / Mpepule Trading (Pending)

*In terms of a court order the municipality is ordered to pay R50,000 a month for damages claimed by the deponent.*

### Triple D Farms / W Bosman & 9 Others (Pending)

*Eviction. Municipality is the 2nd Respondent to provide alternative accommodation*

### NHBRC / Markus & 9 Others (Pending)

*Interdict barring Municipality from issuing Certificate of Occupancy: Instructions not to defend.*

### SS Straus / Kai !Garib Municipality (Pending)

*Personal injury claim against municipality.*

### ESKOM Holdings SOC Ltd / Kai !Garib Municipality (Pending)

*Eskom holdings SOC Ltd High court, Kimberley interdict and review application not to interrupt electricity power supply.*

### Mr I De Waal / Kai !Garib Municipality (Pending)

*Unlawful appointment of I De Waal*

### TT Property Consultants / Kai !Garib Municipality (Pending)

*Attorney disbursements to date - Further instruction to follow*

### Municipal Workers Retirement Fund v Kai !Garib Local Municipality (Pending)

*Claim against the municipality for outstanding fees*

### Municipal By Laws on Tuck Shops (Pending)

*Review and implementation of municipal By-laws*

### Auditor general SA v Kai Garib Municipality (Pending)

*High Court Litigation*

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

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Figures in Rand

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### 50. Related parties

Relationships

Accounting Officer

Members of key management

Refer to accounting officers' report.

Mr. A. Phete

Mrs. A.F. Beukes

Adv. R.S. Neethling

Mr. M.C. Links

### Related party disclosures

#### Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004.

#### Remuneration of management

Compensation of key management and personnel is set out in notes 38 and 41 respectively in the annual financial statements.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

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### 50. Related parties (continued)

#### Remuneration of management

#### Management class: Councillors

#### 2023

Name	Councillor allowances	Cell phone allowances	Back pay allowance	Total
<b>Mayor</b>	-	-	-	-
Cllr. M.M.M. Matthys	912 616	40 800	-	953 416
<b>Speaker</b>	-	-	-	-
Cllr. N.E. Vas	730 133	40 800	-	770 933
Cllr. W.D. Klim	-	-	7 359	7 359
<b>Executive committee members</b>	-	-	-	-
Cllr. A.P. Presley	381 970	40 800	-	422 770
Cllr. T. Renier	381 970	40 800	-	422 770
Cllr. B.B. Kordom	-	-	3 848	3 848
Cllr. D.R. Jaar	-	-	3 735	3 735
<b>Councillors</b>	-	-	-	-
Cllr. S.A. Bruwer	288 954	40 800	-	329 754
Cllr. N. du Plessis	288 954	40 800	-	329 754
Cllr. Y.E. Scheffers	370 761	40 800	-	411 561
Cllr. C.F.P. Maasdorp	291 894	40 800	-	332 694
Cllr. A.C. Kotzee	288 954	40 800	-	329 754
Cllr. R.W. Cloete	291 894	40 800	-	332 694
Cllr. A. Johnson	288 954	40 800	-	329 754
Cllr. L.A. Tieties	370 760	40 800	-	411 560
Cllr. A. Kampher	288 954	40 800	-	329 754
Cllr. R.G. Saal	370 761	40 800	-	411 561
Cllr. M. Basson	288 954	40 800	-	329 754
Cllr. E. Padmaker	288 954	40 800	-	329 754
Cllr. M.J. Basson	373 701	40 800	-	414 501
Cllr. C.A. April	291 894	40 800	-	332 694
Cllr. R. Ipinge	286 941	40 800	-	327 741
Cllr. V.W.W. Sacco	-	-	3 736	3 736
Cllr. B.M. Bock	-	-	3 736	3 736
Cllr. N.J. Snyers	-	-	3 736	3 736

# Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 50. Related parties (continued)

Cllr. E.E. Fritz	-	-	2 911	2 911
Cllr. M.A. Papier	-	-	2 911	2 911
Cllr. E.K.W. Strauss	-	-	2 911	2 911
Ward Committees	489 500	-	-	489 500
	<b>7 567 473</b>	<b>775 200</b>	<b>34 883</b>	<b>8 377 556</b>

### 2022

Name	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.F.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
Ward Committees	148 000	-	148 000
	<b>4 020 190</b>	<b>491 445</b>	<b>4 511 635</b>

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 50. Related parties (continued)

Refer to note 42 for remuneration of councillors.

#### Management class: Councillors before National Election

2022

	Councillor allowances	Cell phone allowances	Travel allowance	Total
<b>Name</b>				
<b>Mayor</b>	-	-	-	-
Cllr. M.M. Louw	230 712	14 579	76 905	322 196
<b>Speaker</b>	-	-	-	-
Vacant	-	-	-	-
<b>Executive committee members</b>	-	-	-	-
Cllr. W.D. Klim	184 568	14 579	61 524	260 671
Cllr. C. Markgraaf	96 531	14 579	32 177	143 287
<b>Councillors</b>	-	-	-	-
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
	<b>2 256 850</b>	<b>372 312</b>	<b>755 348</b>	<b>3 384 510</b>



# Kai Igarib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 50. Related parties (continued)

#### Additional information

Refer to note 42 for remuneration of councillors.

#### Management class: Executive management

##### 2023

	Basic salary	Cellphone allowance	Travel allowances	Leave payouts	Performance bonus	Acting allowance	UIF	Total
<b>Name</b>								
Accounting officer	372 518	-	-	-	-	19 752	708	392 978
Chief finance officer	880 080	-	278 752	-	88 427	-	2 125	1 249 384
Corporate services	1 002 298	16 500	318 375	-	100 997	-	2 125	1 440 295
Technical and engineering services	1 158 837	-	-	-	88 427	-	2 125	1 249 389
Planning and development	39 277	-	-	242 392	100 997	-	-	382 666
	<b>3 453 010</b>	<b>16 500</b>	<b>597 127</b>	<b>242 392</b>	<b>378 848</b>	<b>19 752</b>	<b>7 083</b>	<b>4 714 712</b>

##### 2022

	Basic salary	Travel allowances	Long services	Acting allowance	UIF	Total
<b>Name</b>						
Chief finance officer	828 996	276 336	22 770	-	2 125	1 130 227
Corporate services	946 848	315 612	-	-	2 125	1 264 585
Technical and engineering services	1 105 344	-	-	-	2 125	1 107 469
Planning and development	946 848	315 612	-	160 076	2 125	1 424 661
	<b>3 828 036</b>	<b>907 560</b>	<b>22 770</b>	<b>160 076</b>	<b>8 500</b>	<b>4 926 942</b>

Refer to note 39 for employee related costs.

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022				
<b>51. Prior-year adjustments</b>						
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:						
<b>Statement of financial position</b>						
<b>2022</b>						
	<b>Note</b>	<b>As previously reported</b>	<b>Correction of error</b>	<b>Change in accounting policy</b>	<b>Re-classification</b>	<b>Restated</b>
<b>Assets</b>						
<b>Current Assets</b>						
Other financial assets		767 328	2 022 786	-	-	2 790 114
Receivables from exchange transactions		14 241 120	7 956 095	-	(3 563 791)	18 633 424
Receivables from non-exchange transactions		11 687 586	3 932 065	-	-	15 619 651
VAT receivable		40 386 565	(3 751 099)	-	-	36 635 466
Cash and cash equivalents		917 164	(112 125)	-	-	805 039
<b>Non-current Assets</b>						
Receivables from non-exchange transactions - NC		1 773 796	-	-	3 563 791	5 337 587
Investment property		167 548 390	(12 491 333)	-	-	155 057 057
Property, plant and equipment		800 435 804	(9 844 203)	-	-	790 591 601
Intangible assets		32 020	(163)	-	-	31 857
<b>Total Assets</b>		<b>1 037 789 773</b>	<b>(12 287 977)</b>	<b>-</b>	<b>-</b>	<b>1 025 501 796</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities - CL		13 904 465	(13 666 121)	-	-	238 344
Finance lease obligation - CL		1 029 903	403 122	-	-	1 433 025
Payables from exchange transactions		730 040 726	14 863 664	-	-	744 904 390
Unspent conditional grants and receipts		7 110 266	(450 000)	-	-	6 660 266
<b>Non-current Liabilities</b>						
Other financial liabilities - NCL		-	13 666 122	-	-	13 666 122
Finance lease obligation - NCL		836 799	(403 122)	-	-	433 677
<b>Total Liabilities</b>		<b>752 922 159</b>	<b>14 413 665</b>	<b>-</b>	<b>-</b>	<b>767 335 824</b>
<b>Total Net Assets</b>		<b>284 867 614</b>	<b>(26 701 642)</b>	<b>-</b>	<b>-</b>	<b>258 165 972</b>
Accumulated surplus		194 338 506	(26 701 642)	-	-	167 636 864

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023		2022			
51. Prior-year adjustments (continued)						
Statement of financial performance						
2022						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Revenue from exchange transactions						
Service charges		110 775 893	2 702 089	-	-	113 477 982
Operational revenue		3 608 209	-	-	546	3 608 755
Interest income		9 208 767	1 061 182	-	-	10 269 949
Revenue from non-exchange transactions						
Availability service charges		478 702	-	-	-	478 702
Government grants & subsidies		111 161 972	450 000	-	-	111 611 972
Taxation revenue - Interest income		4 036 564	515 664	-	-	4 552 228
<b>Total Revenue</b>		<b>239 270 107</b>	<b>4 728 935</b>	<b>-</b>	<b>546</b>	<b>243 999 588</b>
Expenditure						
Remuneration of councillors		(7 748 145)	-	-	(148 000)	(7 896 145)
Depreciation and amortisation		(36 191 933)	(1 161 592)	-	-	(37 353 525)
Debt Impairment		(27 883 141)	11 721 565	-	-	(16 161 576)
General Expenses		(31 614 577)	(148 960)	-	147 454	(31 616 083)
Finance costs		(34 871 050)	(4 934 204)	-	-	(39 805 254)
<b>Total Expenditure</b>		<b>(138 308 84)</b>	<b>5 476 80</b>		<b>(546)</b>	<b>(132 832 58)</b>
Reversal of impairments (Impairment loss)		(4 487 340)	(163)	-	-	(4 487 503)

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022			
51. Prior-year adjustments (continued)					
Cash flow statement					
2022					
	Note	As previously reported	Correction of error	Re-classification	Restated
Cash flow from operating activities					
Taxation Revenue		12 285 186	268 197	-	12 553 383
Sale of goods and services		118 657 811	(26 208 400)	-	92 449 411
Employee costs		(140 687 327)	(1 073 361)	-	(141 760 688)
Suppliers		(66 862 629)	16 456 928	-	(50 405 701)
Finance costs		(33 739 809)	29 564 932	-	(4 174 877)
Net cash from operating activities		(110 346 768)	19 008 296	-	(91 338 472)
Cash flow from investing activities					
Purchase of property, plant and equipment		(8 094 598)	(20 141 290)	-	(28 235 888)
Proceeds from sale of investment property		(1)	1	-	-
Proceeds from sale of financial assets		(1 599 137)	1 175 488	-	(423 649)
Net cash from investing activities		(9 693 736)	(18 965 801)	-	(28 659 537)
Cash flow from financing activities					
Finance lease payments		(2 879 851)	3 043 635	-	163 784
Increase in other financial liabilities		1 114 451	-	-	1 114 451
Net cash from financing activities		(1 765 400)	3 043 635	-	1 278 235
Cash and cash equivalents at the beginning of the year		1 349 670	10	-	1 349 680

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 51. Prior-year adjustments (continued)

#### Errors

The following prior period errors were identified and corrected during the year:

#### Error 1: Investment property

All Land and Investment properties was verified against the valuation roll, properties was identified that was not included in the prior year register. Additional properties was identified that had to be removed as the properties transferred from owners and did not meet the criteria of Land or Investment properties.

##### *Affected line items*

Accumulated Surplus/(Deficit)	12 491 333
Investment property	(12 491 333)

#### Error 2: Cash and cash equivalents

Correction of call accounts identified not accurately accounting for interest and transfers, management identified during the audit error and reclassified interest on overdraft incorrectly recognized as part of Cash and Bank.

##### *Affected line items*

Accumulated Surplus/(Deficit)	(10)
Cash and cash equivalents	(112 125)
Finance costs	112 136

#### Error 3: Other financial liabilities

Correction of opening balances not accurately account for in the prior year.

##### *Affected line items*

Other financial liabilities - CL	13 666 122
Other financial liabilities - NCL	(13 666 122)

#### Error 4: Property, plant and equipment

Landfill Site Asset: Correction of Landfill site asset due to correction of prior year a formula error was identified in the prior year that impacted the calculation of depreciation. During the Audit management corrected the calculation methodology to comply with iGRAP 2. Property, plant and equipment: Management have changed the methodology of the prior year impairment calculations. The prior year asset registers was reversed from the GL excluding additions, transfers, disposals as it would not be practical to correct each line item individually. All assets was physically verified during the year and all conditions were updated for the current year. The new register was accounted for accordingly. All completed WIP projects was re-unbundled and correctly transferred to PPE per phase of completion based on supporting completion certificates.

##### *Affected line items*

Accumulated Surplus/(Deficit)	8 785 648
Property, plant and equipment	(9 867 406)
Depreciation and amortisation	1 119 246
Reversal of impairments (Impairment loss)	12 310
General Expenses	148 960
Intangible assets	(198 757)

#### Error 5: Unspent conditional grants and receipts

Account for Library expenses not recognised in the prior year.

##### *Affected line items*

Government grants & subsidies	(450 000)
Unspent conditional grants and receipts	450 000

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 51. Prior-year adjustments (continued)

#### Error 6: Finance lease obligation

Correction of opening balances not accurately account for in the prior year.

##### *Affected line items*

Finance lease obligation - CL	(403 122)
Finance lease obligation - NCL	403 122

#### Error 7: Payables from exchange transactions

Correction of prior year accruals was done as it impact the current year opening balances of Payables from exchange transactions, all calculation and statements were obtained and creditors were accurately accounted for. Where differences was identified an adjustment was processed in the prior year. Management identified during the audit that the Creditor AGSA was incorrectly accounted for and was corrected.

##### *Affected line items*

Accumulated Surplus/(Deficit)	15 794 444
Payables from exchange transactions	(16 313 094)
VAT receivable	(3 737 562)
Property, plant and equipment	23 200
Service charges	(589 056)
Finance costs	4 822 068

#### Error 8: Consumer Debtors

Prior year corrections was done on Consumer debtors where the system and the GL did not previously agree, the sub system was then aligned to the GL. Impairment for the prior year was recalculated based on the correct 2022 debtors age analysis. Management identified during the audit that Sewer service charges was not billed for the full financial year management proceeded to correct the completeness there off.

##### *Affected line items*

Accumulated Surplus/(Deficit)	64 605
Payables from exchange transactions	1 449 431
VAT receivable	(13 537)
Receivables from non-exchange transactions	3 932 065
Debt Impairment	(11 721 565)
Receivables from exchange transactions	7 956 095
Service charges	(90 247)
Taxation revenue - Interest income	(515 665)
Interest income	(1 061 182)

#### Error 9: Other financial assets

Correction of opening balances not accurately account for in the prior year. Correction of opening balance and calculation of metered cutover at yearend.

##### *Affected line items*

Other financial assets	2 022 787
Service charges	(2 022 787)

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 51. Prior-year adjustments (continued)

#### Error 10: Intangible assets

Correction of opening balances not accurately account for in the prior year.

#### Affected line items

Accumulated Surplus/(Deficit)	(228 795)
Depreciation and amortisation	42 348

### 52. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

The effects of the restatement are as follows:

Commitments	24 022 191	2 829 454	26 920 341
Correction of prior year disclosure error identified during audit not corrected			
Fruitless and wasteful expenditure	157 393 321	4 822 069	162 215 390
Correction on interest and penalties			
Contributions to organised local government	5 755 553	3 009 218	8 764 771
Correction of prior year disclosure error identified			
Audit fees	16 796 482	(3 119 420)	13 677 062
Fees written of in prior year			
PAYE and UIF	15 060 446	12 606 192	27 666 638
[Nature of the prior error]			
Councillors' arrear consumer accounts	164 595	16 465	181 060
Correction of prior year disclosure error identified			
Segment information	-	154 105 156	154 105 156
Addition disclosure of segment information not previously presented in AFS.			

# Kai Igarib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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### 53. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Treasury function reports periodically to the municipality's finance committee, that monitors risks and policies implemented to mitigate risk exposures.

#### Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

At 30 June 2023	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	944 684 150	-	-	-
At 30 June 2022	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	744 904 379	-	-	-



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### 53. Risk management (continued)

#### Credit risk

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

Potential concentrations of credit rate risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The municipality only deposits with major banks with high quality credit standing.

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

Financial instrument	2023	2022
Receivables from exchange transactions	21 618 328	18 633 426
Receivables from non-exchange transactions	40 308 728	15 884 377
Bank balances	537 733	805 040

The method for determining the credit quality of the different financial instruments is disclosed in their individual notes.

Consumer deposits and guarantees held in lieu of service accounts are disclosed in note 16.

#### Market risk

##### Interest rate risk

The municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

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 changes.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings and finance leases are therefore usually at fixed rates.

This risk is managed on an ongoing basis.

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### 53. Risk management (continued)

#### Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

### 54. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus/(deficit) of R -5658509 and that the municipality's total liabilities exceed its assets by R -5658508.97000039

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
3. High levels of distribution losses; refer note
4. Slow collection and low recoverability of outstanding consumer accounts; and
5. Unfavourable financial ratios.

In addition, the municipality owed Eskom Holdings SOC R 662 223 607 (2022: R531 543 769) and the Kakamas waterverbruiker vereniging R 16 095 144 (2022: R 11 606 761) and Department water and sanitation R 30 467 993 (2022: R 24 648 184) as at 30 June 2023.

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.
4. Additional supplementary valuation rolls were implemented during the financial year to improve property rates billing and enhance cashflow.

### 55. Events after the reporting date

Mr. O.J. Isaacs was appointed as Municipal Manager after year end on 1 September 2023.

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### 56. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	297 758 146	1 070 570 269
Irregular expenditure	155 305 394	433 239 914
Fruitless and wasteful expenditure	84 194 537	162 215 390

<b>Closing balance</b>	<b>537 258 077</b>	<b>1 666 025 573</b>
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### 57. Unauthorised expenditure

Opening balance as previously reported	1 070 570 269	893 881 744
Add: Unauthorised expenditure - current	121 069 621	176 688 525
Less: Amount written off - current	(893 881 744)	-

<b>Closing balance</b>	<b>297 758 146</b>	<b>1 070 570 269</b>
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Unauthorised expenditure is disclosed exclusive of VAT.

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

Non-cash	57 533 411	52 583 462
Cash	63 536 210	124 105 063

<b>121 069 621</b>	<b>176 688 525</b>
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### Unauthorised expenditure: Budget overspending – per municipal department:

Vote 1 - Office of the mayor and speaker	-	1 231 797
Vote 2 - Office of the municipal manager	-	125 684
Vote 3 - Budget and treasury office	121 069 621	86 959 354
Vote 4 - Corporate services	-	5 568 273
Vote 5 - Technical and engineering services	-	67 319 187
Vote 6 - Properties, planning and development	-	15 484 230

<b>121 069 621</b>	<b>176 688 525</b>
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## Notes to the Audited Annual Financial Statements

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<b>58. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	162 215 390	132 848 021
Add: Fruitless and wasteful expenditure identified - current	54 827 167	24 545 301
Add: Fruitless and wasteful expenditure identified - prior period	-	4 822 068
Less: Amount written off - current	(132 848 021)	-
<b>Closing balance</b>	<b>84 194 537</b>	<b>162 215 390</b>

Fruitless and wasteful expenditure is presented inclusive of VAT

### Details of fruitless and wasteful expenditure

A3 Engineering	-	231
Atm Auto Elektries (Motolek)	-	-
Buildzone	-	1 939
Carlem beleggers	-	80
Eskom	44 095 508	22 353 094
Jam office stationers	-	1 673
South African Revenue Service	7 016 064	4 822 068
N & S ELEKTRIES	100	-
Telkom SA	196	1 702
Water verbruikers vereniging	2 439 494	1 616 638
Water and Sanitation - National	1 275 804	569 944
	<b>54 827 167</b>	<b>29 367 369</b>

No write off's of amounts were proposed to council or approved by council for the prior period under review.

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>59. Irregular expenditure</b>		
Opening balance as previously reported	433 239 914	347 547 227
<b>Opening balance as restated</b>	<b>433 239 914</b>	<b>347 547 227</b>
Add: Irregular Expenditure - current	69 612 707	85 692 687
Less: Amount written off - current	(347 547 227)	-
<b>Closing balance</b>	<b>155 305 394</b>	<b>433 239 914</b>

Irregular expenditure is presented inclusive of VAT

### Amount written-off

After the council committee meeting held on 29 June 2023, council adopted the council committee recommendation to write-off an amount of R -347 547 227 from the total irregular expenditure amount as this relates to all irregular expenditure prior to June 2021. The council committee did not perform any investigations for the prior year write-offs. It was also noted in the council resolution that all irregular expenditure from July 2021 will be investigated in future and the responsible individuals will be investigated.

### Disciplinary steps taken/criminal proceedings

Based on the above, no disciplinary steps or criminal proceedings were taken during the reporting period under review.

## 60. Additional disclosure in terms of Municipal Finance Management Act

### Contributions to organised local government

Opening balance	8 764 771	7 281 608
Current year subscription / fee	1 556 872	1 483 163
Amount paid - current year	(5 000)	-
	<b>10 316 643</b>	<b>8 764 771</b>

### Material losses

#### Electricity distributed losses

Units purchased (kWh)	44 055 805	51 466 707
Units lost during distribution (kWh)	14 272 471	15 033 007
Percentage lost during distribution	32%	29%

These losses are due to technical losses on the distribution system (transformers, cables, overhead lines), faulty meters, theft and vandalism.

#### Water distributed losses

Mega litres purified	3 190	4 247
Mega litres lost during distribution	2 429	2 921
Percentage lost during distribution	76%	69%

These losses are due to defective meters, losses on water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.

### Audit fees

Opening balance	16 796 481	14 877 005
Current year subscription / fee	7 595 279	2 445 766
Amount paid - current year	(3 590 461)	(526 289)
	<b>20 801 300</b>	<b>16 796 481</b>

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
<b>60. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>PAYE and UIF</b>		
Opening balance	27 666 638	14 364 965
Current year subscription	25 961 890	22 012 632
Amount paid - current year	(7 426 483)	(8 710 960)
	<b>46 202 045</b>	<b>27 666 638</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	9 394 167	7 145 869
Current year subscription / fee	22 170 847	26 565 193
Amount paid - current year	(4 583 795)	(17 171 026)
Amount paid - previous years	-	(7 145 869)
	<b>26 981 219</b>	<b>9 394 167</b>
<b>VAT</b>		
South African Revenue Service	47 451 745	36 635 466

VAT output payables and VAT input receivables are shown in note 11.

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

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## Notes to the Audited Annual Financial Statements

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### 60. 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 2023:

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. M.M.M. Matthys	3 237	29 913	33 150
Cllr. E.N. Vas	4 776	39 640	44 416
Cllr. A.P. Presley	287	-	287
Cllr. R Ipinge	583	78 250	78 832
Cllr. C.F.P Maasdorp	2 097	592	2 690
Cllr. T. Renier	3 251	18 769	22 020
Cllr. M. Basson	913	1 556	2 469
Cllr. A.C. Kotzee	1 354	-	1 354
Cllr. S.A. Bruwer	2 227	-	2 227
	<b>18 725</b>	<b>168 721</b>	<b>187 445</b>

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. A.C. Kotzee	1 263	-	1 263
Cllr. E.N. Vas	2 365	31 230	33 595
Cllr. R Ipinge	3 822	85 511	89 332
Cllr. C.F.P Maasdorp	269	933	1 201
Cllr. T. Renier	2 366	13 037	15 403
Cllr. M. Basson	252	1 840	2 092
Cllr. S.A. Bruwer	4 617	-	4 617
Cllr. M.M.M. Matthys	2 970	30 587	33 557
	<b>17 924</b>	<b>163 136</b>	<b>181 060</b>

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

30 June 2023	Highest outstanding amount	Aging (in days)
Cllr. R. Ipinge	78 250	180
Cllr. E.N. Vas	37 443	180
Cllr. M.M.M. Mathys	28 451	180
Cllr. T. Renier	17 216	180
Cllr. M. Basson	1 538	180
Cllr. C.F.P Maasdorp	592	180
	<b>163 490</b>	<b>1 080</b>

30 June 2022	Highest outstanding amount	Aging (in days)
Cllr. R. Ipinge	83 895	180
Cllr. E.N. Vas	29 811	180
Cllr. M.M.M. Mathys	29 593	180
Cllr. T. Renier	12 253	180
Cllr. M. Basson	1 625	180
Cllr. C.F.P Maasdorp	577	180

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### 60. Additional disclosure in terms of Municipal Finance Management Act (continued)

157 753	1 080
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#### Non-compliance with the Municipal Finance Management Act

In terms of section 65 (2)(e) of the Municipal Finance Management Act (Act 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 Management Act (Act 56 of 2003), the accounting officer of a municipality must prepare the annual financial statements within 2 months after the end of the financial year.

### 61. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	11 626 438	13 904 466
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 62. Deviation from supply chain management regulations

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

Deviation from, and ratification of minor breaches of, the procurement processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the annual financial statements.

SCM paragraph  
reference

36 (1)(a) i	Dispense with the official procurement processes in an emergency	4 805 755	1 222 921
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	56 291	31 856
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	831 098	122 012

<b>Total deviations</b>	<b>5 693 145</b>	<b>1 376 789</b>
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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

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### 63. Segment information

#### General information

#### Identification of segments

For management purposes, the municipality is organised and operates in seven key functional segments. To this end, management monitors the operating results of these segments for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these segments are allocated at a transactional level.

The six key functional segments comprise of:

- Budget and Treasury
- Corporate Services
- Office of Municipal Manager
- Property, Planning & Development
- Technical and Engineering Services
- Office of the Mayor and Speaker

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does not monitor performance geographically as it does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

#### Aggregated segments

The municipality does not aggregate any other municipal activities into a general reportable segment.

#### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

#### Reportable segment

Budget and Treasury  
Corporate Services

Office of Municipal Manager

Property, Planning & Development  
Technical and Engineering Services

Office of the Mayor and Speaker

#### Goods and/or services

Administration and financial services  
Administrative functions in human resources, legal services or compliance, communications and finance  
The Municipal Manager, as the Head of Administration and the Accounting Officer of the municipality.  
Planning and development  
Energy sources, Water management, Waste water management and waste management  
Municipal Governance and Administration

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## Notes to the Audited Annual Financial Statements

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### 63. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2023

	Budget and Treasury	Corporate Services	Office of Municipal Manager	Property, Planning & Development	Technical and Engineering Services	Office of the Mayor and Speaker	Total
<b>Revenue</b>							
<b>Revenue from exchange transactions</b>							
Agency services	(288 006)	-	-	-	-	-	(288 006)
Interest income	(1 182 987)	-	-	-	(14 402 867)	-	(15 585 855)
Licences and permits	-	(713 019)	-	-	-	-	(713 019)
Operational revenue	(3 591 554)	(965)	-	(33 181)	-	-	(3 625 701)
Prescribed revenue	(5 606 689)	-	-	-	-	-	(5 606 689)
Rental of facilities and equipment	(76 466)	(47 018)	-	(727 530)	-	-	(851 014)
Service charges	(1 024 544)	-	-	-	(106 052 068)	-	(107 076 612)
<b>Revenue from non-exchange transactions</b>							
Availability service charges	(529 983)	-	-	-	-	-	(529 983)
Fines	-	(56 379)	-	-	-	-	(56 379)
Government grants & subsidies	(111 293 101)	(1 550 000)	-	-	(18 740 000)	-	(131 583 101)
Interest income	(7 594 818)	-	-	-	-	-	(7 594 818)
Property rates	(30 164 383)	-	-	(1 129)	-	-	(30 165 511)
Public contributions and donations	(261 850)	-	-	-	-	-	(261 850)
<b>Total segment revenue</b>	<b>(160 513 371)</b>	<b>(2 367 381)</b>	<b>-</b>	<b>(761 840)</b>	<b>(139 194 935)</b>	<b>-</b>	<b>(303 938 538)</b>
<b>Total revenue</b>							<b>(303 938 538)</b>

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	Budget and Treasury	Corporate Services	Office of Municipal Manager	Property, Planning & Development	Technical and Engineering Services	Office of the Mayor and Speaker	Total
<b>63. Segment information (continued)</b>							
<b>Expenditure</b>							
Bad debts written off	19 174 995	-	-	-	-	-	19 174 995
Bulk purchases	-	-	-	-	87 449 528	-	87 449 528
Contracted Services	25 024 629	-	155 027	1 560 891	26 974 386	-	53 714 932
Debt Impairment	24 611 240	-	-	-	-	-	24 611 240
Depreciation and amortisation	36 673 259	-	-	-	-	-	36 673 259
Employee costs	24 296 645	36 963 952	8 194 955	12 796 001	58 068 484	3 233 156	143 553 194
Finance costs	65 510 010	2 863 557	-	-	297	-	68 373 863
General	11 125 884	969 419	1 239 229	2 143 235	24 472 128	2 341 001	42 290 896
Remuneration of councillors	-	-	-	-	-	8 377 556	8 377 556
<b>Total segment expenditure</b>	<b>206 416 661</b>	<b>40 796 929</b>	<b>9 589 211</b>	<b>16 500 127</b>	<b>196 964 823</b>	<b>13 951 712</b>	<b>484 219 463</b>
Actuarial gains/losses	(4 692 528)	-	-	-	-	-	(4 692 528)
Fair value adjustments	(3 183 419)	-	-	-	-	-	(3 183 419)
Gain or loss on disposal of assets and liabilities	187 150	-	-	-	-	-	187 150
Reversal of impairments/(Impairment loss)	703 256	-	-	-	-	-	703 256
	(6 985 541)	-	-	-	-	-	(6 985 541)
<b>Surplus (deficit) for the period</b>							<b>(173 295 384)</b>

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## Notes to the Audited Annual Financial Statements

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	Budget and Treasury	Corporate Services	Office of Municipal Manager	Property, Planning & Development	Technical and Engineering Services	Office of the Mayor and Speaker	Total
<b>63. Segment information (continued)</b>							
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	537 733	-	-	-	-	-	537 733
Inventories	312 898	-	-	-	-	-	312 898
Other financial assets	891 178	-	-	-	1 533 399	-	2 424 578
Receivables from exchange transactions	(79 135 341)	-	-	-	100 753 668	-	21 618 328
Receivables from non-exchange transactions	40 271 002	-	-	(126 799)	-	-	40 144 203
VAT receivable	47 451 744	-	-	-	-	-	47 451 744
<b>Non-current assets</b>							
Heritage assets	112 955	-	-	-	-	-	112 955
Intangible assets	16 091	-	-	-	-	-	16 091
Investment property	158 240 476	-	-	-	-	-	158 240 476
Property, plant and equipment	738 113 569	358 150	-	6 080 258	32 592 637	-	777 144 614
Receivables from non-exchange transactions	1 949 348	-	-	-	-	-	1 949 348
<b>Total segment assets</b>	<b>908 761 656</b>	<b>358 150</b>	<b>-</b>	<b>5 953 459</b>	<b>134 879 705</b>	<b>-</b>	<b>1 049 952 968</b>
<b>Total assets as per Statement of financial Position</b>							<b>1 049 952 968</b>

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## Notes to the Audited Annual Financial Statements

Figures in Rand

	Budget and Treasury	Corporate Services	Office of Municipal Manager	Property, Planning & Development	Technical and Engineering Services	Office of the Mayor and Speaker	Total
<b>63. Segment information (continued)</b>							
<b>Liabilities</b>							
<b>Current liabilities</b>							
Consumer deposits	(2 107 055)	-	-	-	(580 672)	-	(2 687 728)
Employee benefit obligation	(2 018 085)	-	-	-	-	-	(2 018 085)
Finance lease obligation	(1 659 001)	-	-	-	-	-	(1 659 001)
Other financial liabilities	(10 284 262)	-	-	-	-	-	(10 284 262)
Payables from exchange transactions	(944 684 150)	-	-	-	-	-	(944 684 150)
Unspent conditional grants and receipts	(4 705 574)	2 000 000	-	-	-	-	(2 705 574)
<b>Non-current liabilities</b>							
Employee benefit obligation	(21 762 853)	-	-	-	-	-	(21 762 853)
Finance lease obligation	(211 483)	-	-	-	-	-	(211 483)
Other financial liabilities	(1 342 176)	-	-	-	-	-	(1 342 176)
Provisions	(68 256 166)	-	-	-	-	-	(68 256 166)
<b>Total segment liabilities</b>	<b>(1 057 030 806)</b>	<b>2 000 000</b>	<b>-</b>	<b>-</b>	<b>(580 672)</b>	<b>-</b>	<b>-(1 055 611 478)</b>
<b>Total liabilities as per Statement of financial Position</b>							<b>(1 055 611 478)</b>

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### 63. Segment information (continued)

2022

	Budget and Treasury	Corporate Services	Office of Municipal Manager	Property, Planning & Development	Technical and Engineering Services	Office of the Mayor and Speaker	Total
<b>Revenue</b>							
<b>Revenue from exchange transactions</b>							
Agency services	(411 125)	-	-	-	-	-	(411 125)
Interest income	(1 906 357)	-	-	-	(8 363 591)	-	(10 269 949)
Licences and permits	-	(857 671)	-	-	-	-	(857 671)
Operational revenue	(3 504 270)	(16 631)	-	(87 854)	-	-	(3 608 755)
Rental of facilities and equipment	340 966	(23 845)	-	(724 755)	-	-	(407 634)
Service charges	(963 204)	-	(3 341 377)	-	(109 173 402)	-	(113 477 983)
<b>Revenue from non-exchange transactions</b>							
Availability service charges	(478 702)	-	-	-	-	-	(478 702)
Fines	-	(5 500)	-	-	(5 400)	-	(10 900)
Government grants & subsidies	(90 936 000)	(450 000)	-	(14 946 036)	(5 279 935)	-	(111 611 971)
Interest income	(4 552 228)	-	-	-	-	-	(4 552 228)
Property rates	(23 403 435)	-	-	22 252	-	-	(23 381 183)
Public contributions and donations	(983 124)	-	-	-	-	-	(983 124)
<b>Total segment revenue</b>	<b>(126 797 479)</b>	<b>(1 353 646)</b>	<b>(3 341 377)</b>	<b>(15 736 393)</b>	<b>(122 822 329)</b>	<b>-</b>	<b>(270 051 225)</b>
<b>Total revenue</b>							<b>(270 051 225)</b>
<b>Expenditure</b>							
Bulk purchases	-	-	-	-	87 628 189	-	87 628 189
Contracted Services	26 741 324	10 533	181 426	28 850	32 550 345	-	59 512 478
Debt Impairment	16 161 576	-	-	-	-	-	16 161 576
Depreciation and amortisation	37 353 525	-	-	-	-	-	37 353 525
Employee costs	23 763 129	27 933 325	6 898 769	13 017 607	60 695 468	2 939 211	135 247 509
Finance costs	37 195 690	2 576 465	-	-	33 099	-	39 805 254
General	9 793 236	1 928 703	719 190	1 991 494	14 682 035	2 501 429	31 616 086
Remuneration of councillors	-	-	-	-	-	7 896 144	7 896 144
<b>Total segment expenditure</b>	<b>151 008 480</b>	<b>32 449 026</b>	<b>7 799 385</b>	<b>15 037 951</b>	<b>195 589 136</b>	<b>13 336 784</b>	<b>415 220 761</b>

# Kai Igarib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

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	Budget and Treasury	Corporate Services	Office of Municipal Manager	Property, Planning & Development	Technical and Engineering Services	Office of the Mayor and Speaker	Total
<b>63. Segment information (continued)</b>							
Actuarial gains/losses	(1 268 600)	-	-	-	-	-	(1 268 600)
Fair value adjustments	5 386 860	-	-	-	-	-	5 386 860
Gain or loss on disposal of assets and liabilities	329 857	-	-	-	-	-	329 857
Reversal of impairments/(Impairment loss)	4 487 502	-	-	-	-	-	4 487 502
	8 935 619	-	-	-	-	-	8 935 619
<b>Surplus (deficit) for the period</b>							<b>(154 105 155)</b>
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	805 040	-	-	-	-	-	805 040
Inventories	378 222	-	-	-	-	-	378 222
Other financial assets	1 041 589	-	-	-	1 748 525	-	2 790 115
Receivables from exchange transactions	4 451 158	-	-	-	14 182 268	-	18 633 426
Receivables from non-exchange transactions	15 641 351	-	-	(21 701)	-	-	15 619 650
VAT receivable	36 635 466	-	-	-	-	-	36 635 466
<b>Non-current assets</b>							
Heritage assets	112 955	-	-	-	-	-	112 955
Intangible assets	31 858	-	-	-	-	-	31 857
Investment property	155 057 057	-	-	-	-	-	155 057 057
Property, plant and equipment	860 774 500	2 906 125	244 005	2 587 865	(75 920 897)	-	790 591 597
Receivables from non-exchange transactions	5 337 588	-	-	-	-	-	5 337 588
<b>Total segment assets</b>	<b>1 080 266 783</b>	<b>2 906 125</b>	<b>244 005</b>	<b>2 566 163</b>	<b>(59 990 103)</b>	<b>-</b>	<b>1 025 992 973</b>
<b>Total assets as per Statement of financial Position</b>							<b>1 025 992 973</b>

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	Budget and Treasury	Corporate Services	Office of Municipal Manager	Property, Planning & Development	Technical and Engineering Services	Office of the Mayor and Speaker	Total
<b>63. Segment information (continued)</b>							
<b>Liabilities</b>							
<b>Current liabilities</b>							
Consumer deposits	(2 107 055)	-	-	-	(176 875)	-	(2 283 930)
Employee benefit obligation	(1 746 474)	-	-	-	-	-	(1 746 474)
Finance lease obligation	(1 433 025)	-	-	-	-	-	(1 433 025)
Other financial liabilities	(238 344)	-	-	-	-	-	(238 344)
Payables from exchange transactions	(744 904 379)	-	-	-	-	-	(744 904 379)
Unspent conditional grants and receipts	(7 110 266)	450 000	-	-	-	-	(6 660 266)
<b>Non-current liabilities</b>							
Employee benefit obligation	(23 721 927)	-	-	-	-	-	(23 721 927)
Finance lease obligation	(433 677)	-	-	-	-	-	(433 677)
Other financial liabilities	(3 182 303)	-	-	-	(10 483 819)	-	(13 666 122)
Provisions	(63 267 954)	-	-	-	-	-	(63 267 954)
<b>Total segment liabilities</b>	<b>(848 145 404)</b>	<b>450 000</b>	<b>-</b>	<b>-</b>	<b>(10 660 694)</b>	<b>-</b>	<b>(858 356 098)</b>
<b>Total liabilities as per Statement of financial Position</b>							<b>(858 356 098)</b>



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### 64. Budget differences

#### Material differences between budget and actual amounts

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

The materiality framework of the municipality informs the determining base ranges. The framework outlines all principles and guiding practices to allow management to enforce a consistent application of the framework's guidelines. With regard to reporting, the understandability and transparency to users of the financial statements was a determining factor when deciding on the base %. The determining base was if the line item in the Statement of financial position or Statement of financial performance has more than a 10% deviation between the Final Budgeted amount and the Actual reported balance.

The variances identified in the Budget Statement is as follows:

Note 63.1	Cut over on water meters not budgeted for
Note 63.2	Revenue from rental income higher than anticipated during the budgeting process
Note 63.3	Revenue from Agency fees lower than anticipated during the budgeting process
Note 63.4	Revenue from Licences and permits lower than anticipated during the budgeting process
Note 63.5	Discounts received for early payments higher than anticipated during the budgeting process
Note 63.6	Interest billed to Consumers higher than anticipated during the budgeting process
Note 63.7	Property values and rates billed against the correct properties corrected
Note 63.8	Interest billed to Consumers higher than anticipated during the budgeting process
Note 63.9	Municipal Infrastructure Grant money withheld not budgeted for
Note 63.10	Public contributions and donations not budgeted for during the budgeting process
Note 63.11	Remuneration of councillors expenditure higher than anticipated during the budgeting process
Note 63.12	Depreciation and amortisation (Non-cash item) not budgeted for
Note 63.13	Impairment loss (Non-cash item) not budgeted for
Note 63.14	Finance costs not budgeted for correctly
Note 63.15	Debt impairment (Non-cash item) not budgeted for
Note 63.16	Additional Bulk purchase expenditure not budgeted for during the adjustment budget process
Note 63.17	Additional Contracted Service expenditure not budgeted for during the adjustment budget process
Note 63.18	Fair value adjustments (Non-cash item) not budgeted for
Note 63.19	Inventory on hand is being used first. Inventory on hand at year-end lower than anticipated during the budgeting process
Note 63.20	Debt impairment (Non-cash item) not budgeted or accounted for during the budgeting process
Note 63.21	Debt impairment (Non-cash item) not budgeted or accounted for during the budgeting process
Note 63.22	Cash on hand at year-end higher than anticipated during the budgeting process
Note 63.23	Depreciation and amortisation (Non-cash item) not budgeted or accounted for during the budgeting process
Note 63.24	Debt impairment (Non-cash item) not budgeted or accounted for during the budgeting process
Note 63.25	Payables at year-end not budgeted correctly
Note 63.26	Employee benefit obligation is only calculated after year-end by experts
Note 63.27	Management did not anticipate to have Unspent conditional grants left at year-end
Note 63.28	Employee benefit obligation is only calculated after year-end by experts
Note 63.29	Provisions is only calculated after year-end by experts
Note 63.30	Deficit of previous financial years not accounted for
NOTE 31	STATE REASON WHY DIFFERENCE
NOTE 32	STATE REASON WHY DIFFERENCE

#### Changes from the approved budget to the final budget

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

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

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### 64. Budget differences (continued)

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

### 65. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

#### Details of the arrangement(s) is|are as follows:

Department of Transport

The municipality is an agent for the Department of Transport. The Department of Transport is a principal in the agreement for collection of motor registration license revenue entered into with the municipality as it collects these monies on behalf of Provincial government.

The municipality receives commission of 12% on all motor registration transactions performed by the municipality. The aggregate amount of revenue recognised as compensation for the transactions carried out on behalf of the principal is R288 006 in the 2023 financial year. Refer to note 23.

Resources held by the Licensing section for the effective execution of the function from the principal, remain theirs and have not been included in the financial statements of the municipality.

#### Municipality as agent

##### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R288 006 (2022: R411 125).

##### Liabilities and corresponding rights of reimbursement recognised as assets

Money collected on behalf of the Department of Transport amounted to R1 001 024 for the reporting period. As at 30 June 2023.

Money collected on behalf of the Department of Transport amounted to R51 188 486 for the reporting period. As at 30 June 2023.

### 66. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

#### Electricity distributed losses

Units purchased (kWh)	44 055 805	51 466 707
Units lost during distribution (kWh)	14 272 471	15 033 007
Percentage lost during distribution	32%	29%

These losses are due to technical losses on the distribution system (transformers, cables, overhead lines), faulty meters, theft and vandalism.

#### Water distributed losses

Mega litres purified	3 190	4 247
Mega litres lost during distribution	2 429	2 921
Percentage lost during distribution	76%	69%

These losses are due to defective meters, losses on water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.