



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

**AUDITED ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

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The reports and statements set out below comprise the audited annual financial statements presented to the Auditor General of South Africa:

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# Kai !Garib Local Municipality

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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	Intergrated 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
VAT	Value Added Taxation
WCA	Workers Compensation Administration

# Kai !Garib Local Municipality

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### Relevant Legislation:

Constitution of the Republic of South Africa (Act no 108 of 1996)

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## 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>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
<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 unaudited annual financial statements will be audited in compliance with the applicable requirements of the Municipal Finance Management Act, No 56 of 2003.
<b>Email address</b>	admin@kaigarib.gov.za
<b>Website</b>	www.kaigarib.gov.za
<b>Telephone number</b>	(054) 431 6300
<b>Fax number</b>	(054) 431 6301

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## 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. R. Ipinge

Cllr. J. White

Cllr. R. Saal

Cllr. E. Padmaker

Cllr. Y.E. Scheffers

Cllr. A. Johnson

Cllr. M.J. Basson

### 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. 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

#### Socio-Economic Development Committee

Chairperson:

Cllr. Y.E. Scheffers

Members:

Cllr. E. Padmaker

Cllr. R. Ipinge

Cllr. C. Maasdorp

Cllr. N. Du Plessis

#### Institutional Development Committee

Chairperson:

Cllr. R.G. Saal

Members:

Cllr. N.E. Vas

Cllr. E. Padmaker

Cllr. C.A. April

Cllr. A.C. Kotzee

#### Infrastructure Development Committee

Chairperson:

Cllr. R. Ipinge

Members:

Cllr. R.G. Saal

Cllr. J. White

Cllr. S.R. Bruwer

Cllr. T. Renier

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Members of the Municipal Council

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### 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. 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.



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 13 - 120, which have been prepared on the going concern basis, were approved by the accounting officer and signed by him.

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

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2024.

### 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 74 639 994 (2023: deficit R 196 300 494).

### 2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R (71 447 806) and that the municipality's total assets exceed its liabilities by R (71 447 806).

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 not aware of any matter or circumstance arising since the end of the financial year.

### 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 2024

## **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 quarterly basis.

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

#### **Audit committee**

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

#### **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 account is with ABSA Bank Limited and the municipality 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.

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Report

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### 12. Municipal jurisdiction

Kai !Garib Local 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



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

# 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

## 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**  
**31 August 2024**

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 <i>Restated*</i>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	2 122 407	701 733
Inventories	5	1 105 369	916 821
Other financial assets	6	2 424 577	2 424 577
Receivables from exchange transactions	7	10 765 627	8 620 218
Receivables from non-exchange transactions	8	7 190 637	8 746 067
VAT receivable	10	72 170 283	51 416 293
<b>Total Current Assets</b>		<b>95 778 900</b>	<b>72 825 709</b>
<b>Non-Current Assets</b>			
Receivables from exchange transactions	7	136 309	10 168 173
Heritage assets	11	112 955	112 955
Intangible assets	12	5 245	12 752
Investment property	13	162 729 244	163 940 372
Property, plant and equipment	14	785 357 512	788 849 899
<b>Total Non-Current Assets</b>		<b>948 341 265</b>	<b>963 084 151</b>
<b>Total Assets</b>		<b>1 044 120 165</b>	<b>1 035 909 860</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Consumer deposits	15	2 808 328	2 687 727
Employee benefit obligation	16	2 622 070	2 018 085
Finance lease obligation	17	1 740 487	3 327 784
Other financial liabilities	18	12 477 889	11 626 408
Payables from exchange transactions	19	441 529 409	918 459 057
Unspent conditional grants and receipts	21	17 991 810	2 705 573
Service concession liabilities	67	162 264 654	-
<b>Total Current Liabilities</b>		<b>641 434 647</b>	<b>940 824 634</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	16	24 119 146	21 762 853
Finance lease obligation	17	133 540	1 874 028
Provisions	20	74 340 975	68 256 166
Service concession liabilities	67	375 539 663	-
<b>Total Non-Current Liabilities</b>		<b>474 133 324</b>	<b>91 893 047</b>
<b>Total Liabilities</b>		<b>1 115 567 971</b>	<b>1 032 717 681</b>
<b>Net Assets</b>		<b>(71 447 806)</b>	<b>3 192 179</b>
Accumulated surplus		(71 447 806)	3 192 179
<b>Total Net Assets</b>		<b>(71 447 806)</b>	<b>3 192 179</b>

\* See Note 51

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance for the year ended 30 June 2024

Figures in Rand	Note(s)	2024	2023 <i>Restated*</i>
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Agency services	22	278 221	288 006
Interest income	23	15 534 025	15 585 854
Licences and permits	25	811 914	713 019
Operational revenue	26	2 924 244	3 596 198
Prescribed revenue	27	18 660	5 636 221
Rental of facilities and equipment	28	760 671	851 015
Service charges	29	128 647 851	110 308 706
<b>Total revenue from exchange transactions</b>		<b>148 975 586</b>	<b>136 979 019</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Interest income	24	8 884 616	7 594 818
Property rates	30	30 036 789	30 165 511
<b>Transfer revenue</b>			
Fines	31	20 901	56 379
Government grants and subsidies	32	144 523 095	131 583 101
Public contributions and donations	33	1 013 868	261 850
Service concession arrangements	67	143 711 982	-
<b>Total revenue from non-exchange transactions</b>		<b>328 191 251</b>	<b>169 661 659</b>
<b>Total revenue</b>		<b>477 166 837</b>	<b>306 640 678</b>
<b>Expenditure</b>			
Bad debts written off	34	(16 718 967)	(19 174 995)
Bulk purchases	35	(97 520 805)	(81 615 215)
Contracted services	36	(71 175 607)	(49 861 797)
Debt impairment	37	(65 483 637)	(59 800 139)
Depreciation and amortisation	38	(36 206 520)	(36 231 177)
Employee related costs	39	(153 053 970)	(143 518 867)
Finance costs	40	(48 565 236)	(59 337 401)
General expenses	41	(48 102 769)	(44 226 183)
Remuneration of councillors	43	(8 177 912)	(8 377 556)
Inventory consumed	42	(5 903 621)	(5 241 509)
<b>Total expenditure</b>		<b>(550 909 044)</b>	<b>(507 384 839)</b>
<b>Operating deficit</b>		<b>(73 742 207)</b>	<b>(200 744 161)</b>
Loss on disposal of assets and liabilities	14	(2 041 264)	(674 531)
Actuarial gains	16	24 489	4 692 528
Fair value adjustments	45	819 702	3 056 788
Reversal of impairments/(Impairment loss)	44	299 286	(2 631 118)
<b>Deficit for the year</b>		<b>(74 639 994)</b>	<b>(196 300 494)</b>

\* See Note 51

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets for the year ended 30 June 2024

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	(541 433 738)	(541 433 738)
Adjustments		
Prior year adjustments 51	740 926 411	740 926 411
<b>Balance at 01 July 2022 as restated*</b>	<b>199 492 673</b>	<b>199 492 673</b>
Changes in net assets		
Deficit for the year	(196 300 494)	(196 300 494)
Total changes	(196 300 494)	(196 300 494)
Opening balance as previously reported	(953 670 366)	(953 670 366)
Adjustments		
Prior year adjustments 51	956 862 554	956 862 554
<b>Restated* Balance at 01 July 2023 as restated*</b>	<b>3 192 188</b>	<b>3 192 188</b>
Changes in net assets		
Deficit for the year	(74 639 994)	(74 639 994)
Total changes	(74 639 994)	(74 639 994)
<b>Balance at 30 June 2024</b>	<b>(71 447 806)</b>	<b>(71 447 806)</b>
Note(s)		

\* See Note 51



# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement for the year ended 30 June 2024

Figures in Rand	Note(s)	2024	2023 <i>Restated*</i>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		26 181 967	21 417 377
Sale of goods and services		100 715 427	103 731 918
Grants		159 809 332	127 628 408
Interest income		59 145	49 306
		<u>286 765 871</u>	<u>252 827 009</u>
<b>Payments</b>			
Employee costs		(158 091 122)	(147 364 859)
Suppliers		(76 847 519)	(19 564 225)
Finance costs		(15 031 667)	(56 936 178)
		<u>(249 970 308)</u>	<u>(223 865 262)</u>
<b>Net cash flows from operating activities</b>	47	<b><u>36 795 563</u></b>	<b><u>28 961 747</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	14	(34 448 597)	(24 004 703)
Proceeds from sale of investment property	13	2 030 830	-
Proceeds from sale of financial assets		-	365 537
<b>Net cash flows from investing activities</b>		<b><u>(32 417 767)</u></b>	<b><u>(23 639 166)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		851 481	(2 278 058)
Net movement on service concession liabilities		537 804 317	-
Repayment of service concession liabilities		537 804 317	-
Finance lease payments		(3 808 603)	(3 311 829)
<b>Net cash flows from financing activities</b>		<b><u>(2 957 122)</u></b>	<b><u>(5 589 887)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>1 420 674</u></b>	<b><u>(267 306)</u></b>
Cash and cash equivalents at the beginning of the year		701 733	969 039
<b>Cash and cash equivalents at the end of the year</b>	4	<b><u>2 122 407</u></b>	<b><u>701 733</u></b>

\* See Note 51

# Kai Igarib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2024

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	435 850	(81 044)	<b>354 806</b>	278 221	<b>(76 585)</b>	Note 64.2
Interest income	7 536 256	9 997 272	<b>17 533 528</b>	15 534 025	<b>(1 999 503)</b>	Note 64.6
Licences and permits	909 480	(122 100)	<b>787 380</b>	811 914	<b>24 534</b>	Note 64.3
Operational revenue	3 797 844	209 544	<b>4 007 388</b>	2 924 244	<b>(1 083 144)</b>	Note 64.5
Miscellaneous other revenue	27 268	172	<b>27 440</b>	18 660	<b>(8 780)</b>	Note 64.4
Rental of facilities and equipment	432 108	351 832	<b>783 940</b>	760 671	<b>(23 269)</b>	Note 64.1
Service charges	196 517 122	(76 845 374)	<b>119 671 748</b>	128 647 851	<b>8 976 103</b>	
<b>Total revenue from exchange transactions</b>	<b>209 655 928</b>	<b>(66 489 698)</b>	<b>143 166 230</b>	<b>148 975 586</b>	<b>5 809 356</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Interest income	-	8 435 942	<b>8 435 942</b>	8 884 616	<b>448 674</b>	
Property rates	34 091 548	(175 964)	<b>33 915 584</b>	30 036 789	<b>(3 878 795)</b>	Note 64.8
<b>Transfer revenue</b>						
Fines	11 831	16 519	<b>28 350</b>	20 901	<b>(7 449)</b>	Note 64.11
Government grants and subsidies	162 617 150	-	<b>162 617 150</b>	144 523 095	<b>(18 094 055)</b>	Note 64.9
Public contributions and donations	-	-	-	1 013 868	<b>1 013 868</b>	Note 64.10
Revenue from service concession arrangements	-	-	-	143 711 982	<b>143 711 982</b>	Note 64.12
<b>Total revenue from non-exchange transactions</b>	<b>196 720 529</b>	<b>8 276 497</b>	<b>204 997 026</b>	<b>328 191 251</b>	<b>123 194 225</b>	
<b>Total revenue</b>	<b>406 376 457</b>	<b>(58 213 201)</b>	<b>348 163 256</b>	<b>477 166 837</b>	<b>129 003 581</b>	

# Kai Igarib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## 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
<b>Figures in Rand</b>						
<b>Expenditure</b>						
Bad debts written off	-	-	-	(16 718 967)	<b>(16 718 967)</b>	Note 64.17
Bulk purchases	(120 069 518)	41 578 999	<b>(78 490 519)</b>	(97 520 805)	<b>(19 030 286)</b>	Note 64.18
Contracted services	(24 874 286)	(5 606 036)	<b>(30 480 322)</b>	(71 175 607)	<b>(40 695 285)</b>	Note 64.19
Debt impairment	-	-	-	(65 483 637)	<b>(65 483 637)</b>	Note 64.16
Depreciation and amortisation	-	-	-	(36 206 520)	<b>(36 206 520)</b>	Note 64.13
Employee related costs	(153 422 816)	2 655 079	<b>(150 767 737)</b>	(153 053 970)	<b>(2 286 233)</b>	
Finance costs	(14 179 666)	5 703 400	<b>(8 476 266)</b>	(48 565 236)	<b>(40 088 970)</b>	Note 64.15
General expenses	(40 090 667)	6 158 507	<b>(33 932 160)</b>	(54 006 390)	<b>(20 074 230)</b>	Note 64.21
Lease rentals on operating lease	(2 004 111)	178 858	<b>(1 825 253)</b>	-	<b>1 825 253</b>	
Remuneration of councillors	(8 283 000)	-	<b>(8 283 000)</b>	(8 177 912)	<b>105 088</b>	
<b>Total expenditure</b>	<b>(362 924 064)</b>	<b>50 668 807</b>	<b>(312 255 257)</b>	<b>(550 909 044)</b>	<b>(238 653 787)</b>	
<b>Operating deficit</b>	<b>43 452 393</b>	<b>(7 544 394)</b>	<b>35 907 999</b>	<b>(73 742 207)</b>	<b>(109 650 206)</b>	
Actuarial gains	-	2 948 490	<b>2 948 490</b>	24 489	<b>(2 924 001)</b>	
Fair value adjustments	-	-	-	819 702	<b>819 702</b>	
Loss on disposal of assets and liabilities	-	-	-	(2 041 264)	<b>(2 041 264)</b>	
Impairment loss/ Reversal of impairments	-	-	-	299 286	<b>299 286</b>	Note 64.14
	-	<b>2 948 490</b>	<b>2 948 490</b>	<b>(897 787)</b>	<b>(3 846 277)</b>	
<b>Surplus/(deficit) for the year</b>	<b>43 452 393</b>	<b>(4 595 904)</b>	<b>38 856 489</b>	<b>(74 639 994)</b>	<b>(113 496 483)</b>	

# Kai Igarib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## 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
<b>Figures in Rand</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	545 938	-	545 938	2 122 407	1 576 469	Note 64.28
Inventories	315 193	(1 718)	313 475	1 105 369	791 894	Note 64.23
Other financial assets	1 533 399	-	1 533 399	2 424 577	891 178	Note 64.24
Receivables from exchange transactions	24 979 668	-	24 979 668	10 765 627	(14 214 041)	Note 64.25
Receivables from non-exchange transactions	46 035 220	-	46 035 220	7 190 637	(38 844 583)	Note 64.26
VAT receivable	38 946 486	-	38 946 486	72 170 283	33 223 797	Note 64.27
<b>Total current assets</b>	<b>112 355 904</b>	<b>(1 718)</b>	<b>112 354 186</b>	<b>95 778 900</b>	<b>(16 575 286)</b>	
<b>Non-Current Assets</b>						
Heritage assets	112 955	-	112 955	112 955	-	
Intangible assets	26 091	-	26 091	5 245	(20 846)	Note 64.29
Investment property	162 544 416	-	162 544 416	162 729 244	184 828	
Property, plant and equipment	802 235 798	-	802 235 798	785 357 512	(16 878 286)	
Receivables from exchange transactions	1 690 860	-	1 690 860	17 908 911	16 218 051	Note 64.30
<b>Total non-current assets</b>	<b>966 610 120</b>	<b>-</b>	<b>966 610 120</b>	<b>966 113 867</b>	<b>(496 253)</b>	
<b>Total Assets</b>	<b>1 078 966 024</b>	<b>(1 718)</b>	<b>1 078 964 306</b>	<b>1 061 892 767</b>	<b>(17 071 539)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Consumer deposits	2 779 132	-	2 779 132	2 808 328	29 196	
Employee benefit obligation	2 159 290	-	2 159 290	2 622 070	462 780	Note 64.33
Finance lease obligation	1 983 649	-	1 983 649	1 740 487	(243 162)	Note 64.31
Other financial liabilities	12 169 692	-	12 169 692	12 477 889	308 197	
Payables from exchange transactions	924 594 802	6 777 155	931 371 957	441 529 401	(489 842 556)	Note 64.32
Service concession liabilities	-	-	-	162 264 654	162 264 654	
Unspent conditional grants and receipts	1 702 850	-	1 702 850	17 991 810	16 288 960	Note 64.34

# Kai !Garib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## 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
<b>Figures in Rand</b>						
<b>Total current liabilities</b>	<b>945 389 415</b>	<b>6 777 155</b>	<b>952 166 570</b>	<b>641 434 639</b>	<b>(310 731 931)</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	21 292 462	-	<b>21 292 462</b>	24 119 146	<b>2 826 684</b>	Note 64.35
Finance lease obligation	189 460	-	<b>189 460</b>	133 540	<b>(55 920)</b>	Note 64.36
Other financial liabilities	127 085	-	<b>127 085</b>	-	<b>(127 085)</b>	
Provisions	72 169 606	-	<b>72 169 606</b>	74 340 975	<b>2 171 369</b>	
<b>Total non-current liabilities</b>	<b>93 778 613</b>	<b>-</b>	<b>93 778 613</b>	<b>98 593 661</b>	<b>4 815 048</b>	
<b>Total Liabilities</b>	<b>1 039 168 028</b>	<b>6 777 155</b>	<b>1 045 945 183</b>	<b>740 028 300</b>	<b>(305 916 883)</b>	
<b>Net Assets</b>	<b>39 797 996</b>	<b>(6 778 873)</b>	<b>33 019 123</b>	<b>321 864 467</b>	<b>288 845 344</b>	
<b>Net Assets</b>						
Accumulated surplus	39 797 996	(6 778 873)	<b>33 019 123</b>	(71 447 806)	<b>(104 466 929)</b>	Note 64.37

The accounting policies on pages 21 to 49 and the notes on pages 50 to 120 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 2024

## Accounting Policies for the year ended 30 June 2024

Figures in Rand	Note(s)	2024	2023
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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.

#### 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

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.

The municipality does not disclose the geographical areas in which it operates as it is not relevant for decision-making purposes.

#### Measurement

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



## Accounting Policies

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

#### Interest on exchange and non exchange assets

In applying GRAP 104, GRAP 9 and GRAP 23 interest earned should be split based on the nature of the source of revenue, i.e., exchange and non-exchange. The financial system calculates interest on total debt outstanding monthly (Total balance due less interest charged not settled). Therefor interest is billed on total due (capital only amount). Management therefor to comply with the split on exchange and non-exchange calculates the total debt outstanding per source of revenue and then uses that to split interest earned between exchange and non-exchange transactions.

### 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.

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 13). Cost incurred to repair and maintain investment property comprises of goods and services and contracted services. These cost excludes labour cost.

## Accounting Policies

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### 1.6 Investment property (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the audited annual financial statements (see note 13). 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, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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.

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

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.

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 14). 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 14).

### 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.

## Accounting Policies

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### 1.8 Site restoration and dismantling cost (continued)

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.

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.

# Kai Igarib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.9 Intangible assets (continued)

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 12).

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 11). 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 11). 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.

#### 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.

## Accounting Policies

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### 1.10 Heritage assets (continued)

#### 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 municipality and a financial liability or a residual interest of another municipality.

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

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 municipality's statement of financial position.

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

A financial 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 municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

## Accounting Policies

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### 1.11 Financial instruments (continued)

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 municipality 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 municipality 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 municipality'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 municipality.

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

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.

## Accounting Policies

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### 1.11 Financial instruments (continued)

#### 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
- 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.



## Accounting Policies

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### 1.12 Statutory receivables (continued)

#### 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.

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.

## Accounting Policies

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### 1.12 Statutory receivables (continued)

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.

#### 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.

## Accounting Policies

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### 1.14 Inventories (continued)

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.

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.

## Accounting Policies

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### 1.15 Construction contracts and receivables (continued)

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

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

### 1.16 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.

### 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.

## Accounting Policies

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

#### Identification

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

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

Irrespective of whether there is any indication of impairment, the 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.

#### 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.

## Accounting Policies

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

#### Reversal of an impairment loss

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

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

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

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 inclusive 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.

#### Unconditional Grants

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

#### Conditional Grants

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

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

#### 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.

#### 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.

## Accounting Policies

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

#### Services in-kind

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

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

#### Unallocated deposit

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principles as enforced by the law.

### 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.

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 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

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

#### Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

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

# Kai Igarib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.25 Accounting by principals and agents (continued)

#### Binding arrangement

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

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

#### Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

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

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

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

#### Recognition

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

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

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

### 1.26 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.

### 1.27 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.

## Accounting Policies

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### 1.28 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.

### 1.29 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.

### 1.30 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.

### 1.31 Offsetting

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

### 1.32 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.

### 1.33 Budget information

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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.



## Accounting Policies

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### 1.33 Budget information (continued)

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.

### 1.34 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.

### 1.35 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.

### 1.36 Service concession arrangements: Entity as grantor

### 1.37 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.

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.38 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.

### 1.39 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.

### 1.40 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.
- 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

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements for the year ended 30 June 2024

Figures in Rand	2024	2023
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 Mergers	01 April 2025	Unlikely there will be a material impact
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	01 April 2025	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	01 April 2025	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2025	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

### 3. Financial instruments disclosure

#### Categories of financial instruments

##### 2024

#### Financial assets

	At amortised cost	Total
Cash and cash equivalents	2 122 407	2 122 407
Receivables from exchange transactions	10 765 627	10 765 627
Other financial assets	438 115	438 115
	<b>13 326 149</b>	<b>13 326 149</b>

#### Financial liabilities

	At amortised cost	Total
Consumer deposits	2 808 328	2 808 328
Payables from exchange transactions	356 855 056	356 855 056
Other financial liabilities	12 477 889	12 477 889
Finance lease obligation	1 874 028	1 874 028
	<b>374 015 301</b>	<b>374 015 301</b>

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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### 3. Financial instruments disclosure (continued)

2023

#### Financial assets

	At amortised cost	Total
Cash and cash equivalents	701 733	701 733
Receivables from exchange transactions	8 620 218	8 620 218
Other financial assets	301 806	301 806
	<b>9 623 757</b>	<b>9 623 757</b>

#### Financial liabilities

	At amortised cost	Total
Consumer deposits	2 687 727	2 687 727
Payables from exchange transactions	918 459 057	918 459 057
Other financial liabilities	11 626 408	11 626 408
Finance lease obligation	5 201 812	5 201 812
	<b>937 975 004</b>	<b>937 975 004</b>

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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### 4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 803 212	359 010
Short-term deposits	319 195	342 723
	<b>2 122 407</b>	<b>701 733</b>

The total amount of undrawn facilities available for future operating activities and commitments

2 122 407      701 733

**2 122 407      701 733**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
<b>Current accounts</b>						
ABSA Bank Limited: 4051 445 435	171 566	115 640	44 420	1 346 127	143 954	223 440
Standard Bank Limited: 0417 902 19	326 214	103 385	322 829	457 086	215 056	378 946
<b>Short-term Investments</b>						
ABSA Bank Limited: 9117 271 903	2 207	3 780	2 400	1 194	3 780	2 400
First National Bank: 6200 698 309 4	1 659	1 657	1 686	1 735	1 657	1 686
Standard Bank Limited: 0486 432 700 02	22 711	21 732	21 014	21 732	21 732	21 732
Standard Bank Limited: 0489 042 950 04	59 930	59 930	59 293	37 930	59 930	59 930
Stanlib: 533 550 21	292 039	255 624	281 624	256 604	281 624	281 624
<b>Total</b>	<b>876 326</b>	<b>561 748</b>	<b>733 266</b>	<b>2 122 407</b>	<b>727 733</b>	<b>969 758</b>

### 5. Inventories

Consumable stores	564 282	242 193
Water for distribution	541 087	674 628

**1 105 369      916 821**

#### Water for distribution

Opening balance	674 628	70 705
Water Purchased	6 108 277	5 842 914
Chemicals used in purification	1 541 878	906 838
Cost of water sold	(7 650 155)	(6 749 752)
Inventories adjustment / movement	(133 541)	603 924
<b>Closing balance</b>	<b>541 087</b>	<b>674 628</b>

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<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	589 372
Cut-over estimation performed on year-end on conventional water sold not yet consumed.		
Conventional electricity	1 533 399	1 533 399
Cut-over estimation performed on year-end on conventional electricity sold not yet consumed.		
	<b>2 424 577</b>	<b>2 424 577</b>
<b>Current assets</b>		
At amortised cost	2 424 577	2 424 577
	<b>2 424 577</b>	<b>2 424 577</b>

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>7. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	45 258 166	30 194 352
Water	104 549 950	90 375 232
Sewerage	54 546 473	46 160 099
Refuse	51 731 946	44 628 050
Sundry debtors	5 031 492	5 666 676
Property rentals	3 276 397	348 557
Arrangements	17 908 911	16 101 690
	<b>282 303 335</b>	<b>233 474 656</b>
<b>Less: Allowance for impairment</b>		
Electricity	(38 129 813)	(23 502 706)
Water	(103 140 484)	(84 142 899)
Sewerage	(53 117 995)	(43 410 988)
Refuse	(51 086 359)	(43 129 182)
Sundry debtors	(4 894 795)	(5 595 939)
Property rentals	(3 259 351)	(330 670)
Arrangements	(17 772 602)	(14 573 881)
	<b>(271 401 399)</b>	<b>(214 686 265)</b>
<b>Net balance</b>		
Electricity	7 128 353	6 691 646
Water	1 409 466	6 232 333
Sewerage	1 428 478	2 749 111
Refuse	645 587	1 498 868
Sundry debtors	136 697	70 737
Property rentals	17 046	17 887
Arrangements	136 309	1 527 809
	<b>10 901 936</b>	<b>18 788 391</b>
<b>Electricity</b>		
Current (0 -30 days)	4 981 647	7 924 057
31 - 60 days	2 077 627	1 912 796
61 - 90 days	1 883 230	1 000 206
91 - 120 days	1 521 712	683 871
120+ Days	34 793 951	18 673 422
Impairment	(38 129 813)	(23 502 706)
	<b>7 128 353</b>	<b>6 691 646</b>
<b>Water</b>		
Current (0 -30 days)	2 644 979	53 358 629
31 - 60 days	2 215 829	1 557 498
61 - 90 days	1 755 915	1 292 866
91 - 120 days	1 760 639	1 462 120
120+ Days	96 172 589	32 704 120
Impairment	(103 140 484)	(84 142 899)
	<b>1 409 466</b>	<b>6 232 333</b>

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>7. Receivables from exchange transactions (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	1 572 464	2 670 075
31 - 60 days	1 170 684	866 749
61 - 90 days	1 084 903	755 961
91 - 120 days	1 102 903	729 014
120+ Days	49 615 520	41 138 300
Impairment	(53 117 995)	(43 410 988)
	<b>1 428 478</b>	<b>2 749 111</b>
<b>Refuse</b>		
Current (0 -30 days)	1 169 879	2 097 975
31 - 60 days	900 522	807 333
61 - 90 days	849 780	685 784
91 - 120 days	873 068	679 471
120+ Days	47 938 697	40 357 487
Impairment	(51 086 360)	(43 129 182)
	<b>645 587</b>	<b>1 498 868</b>
<b>Sundry debtors</b>		
Current (0 -30 days)	68 134	140 548
31 - 60 days	42 469	32 193
61 - 90 days	58 862	52 156
91 - 120 days	30 806	52 466
120+ Days	4 831 221	5 389 312
Impairment	(4 894 795)	(5 595 939)
	<b>136 697</b>	<b>70 737</b>
<b>Property rentals</b>		
Current (0 -30 days)	59 305	214 936
31 - 60 days	103 832	91 644
61 - 90 days	57 523	91 055
91 - 120 days	56 924	90 461
120+ Days	2 998 813	(139 540)
Impairment	(3 259 351)	(330 670)
	<b>17 046</b>	<b>17 887</b>
<b>Arrangements</b>		
Current (0 -30 days)	232 955	605 133
31 - 60 days	282 819	304 712
61 - 90 days	283 060	294 186
91 - 120 days	281 727	309 545
120+ Days	16 828 350	14 588 114
Impairment	(17 772 602)	(14 573 880)
	<b>136 309</b>	<b>1 527 809</b>



# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>7. Receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Residential / Consumers</b>		
Current (0 -30 days)	10 729 362	67 011 353
31 - 60 days	6 793 782	5 572 925
61 - 90 days	5 973 273	4 172 214
91 - 120 days	5 627 779	4 006 947
120+ Days	253 179 140	152 711 215
	<hr/>	<hr/>
	282 303 336	233 474 655
Less: Allowance for impairment	(271 401 400)	(214 686 263)
	<hr/>	<hr/>
	<b>10 901 936</b>	<b>18 788 391</b>
<b>Total</b>		
Current (0 -30 days)	10 729 362	67 011 353
31 - 60 days	6 793 782	5 572 925
61 - 90 days	5 973 273	4 172 214
91 - 120 days	5 627 779	4 006 947
120+ Days	253 179 140	152 711 215
	<hr/>	<hr/>
	282 303 336	233 474 655
Less: Allowance for impairment	(271 401 400)	(214 686 263)
	<hr/>	<hr/>
	<b>10 901 936</b>	<b>18 788 391</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(214 686 264)	(178 137 087)
Contributions to allowance	(56 715 136)	(36 549 178)
	<hr/>	<hr/>
	<b>(271 401 400)</b>	<b>(214 686 264)</b>
<b>Receivables from exchange transactions pledged as security</b>		
No Trade and other receivables from exchange transactions were pledged as security.		
<b>Credit quality of trade and other receivables from exchange</b>		
The credit quality of trade and other receivables from exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		
<b>Fair value of receivables from exchange transactions</b>		
Trade and other receivables from exchange	10 901 936	18 788 393

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>8. Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Property rates	114 634 481	101 895 042
Other	4 903 387	4 903 387
	<b>119 537 868</b>	<b>106 798 429</b>
<b>Less: Allowance for impairment</b>		
Property rates	(107 608 369)	(93 295 701)
Other	(4 738 862)	(4 756 661)
	<b>(112 347 231)</b>	<b>(98 052 362)</b>
<b>Net balance</b>		
Property rates	7 026 112	8 599 341
Other	164 525	146 726
	<b>7 190 637</b>	<b>8 746 067</b>
<b>Statutory receivables included in receivables from non-exchange transactions above are as follows:</b>		
Property rates	7 026 112	8 599 341
Other	164 526	146 727
	<b>7 190 637</b>	<b>8 746 068</b>
<b>Total receivables from non-exchange transactions</b>	<b>7 190 637</b>	<b>8 746 067</b>
<b>Property rates</b>		
Current (0 -30 days)	2 089 456	42 981 786
31 - 60 days	1 515 506	387 650
61 - 90 days	1 750 081	2 568 480
91 - 120 days	1 506 708	2 889 651
120+ Days	107 772 730	53 067 477
Impairment	(107 608 369)	(93 295 701)
	<b>7 026 112</b>	<b>8 599 341</b>
<b>Other</b>		
Current (0 -30 days)	135 814	135 814
31 - 60 days	55 550	55 550
61 - 90 days	54 454	54 454
91 - 120 days	53 148	53 148
120+ Days	4 604 421	4 604 421
Impairment	(4 738 862)	(4 756 661)
	<b>164 525</b>	<b>146 726</b>

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>8. Receivables from non-exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Residential / Consumers</b>		
Current (0 -30 days)	2 225 270	43 117 600
31 - 60 days	1 571 056	443 200
61 - 90 days	1 804 535	2 622 934
91 - 120 days	1 559 856	2 942 799
120+ Days	112 377 151	57 671 898
	<hr/>	<hr/>
	119 537 868	106 798 429
Less: Allowance for impairment	(112 347 231)	(98 052 362)
	<hr/>	<hr/>
	<b>7 190 637</b>	<b>8 746 067</b>
<b>Total</b>		
Current (0 -30 days)	2 225 270	43 117 600
31 - 60 days	1 571 056	443 200
61 - 90 days	1 804 535	2 622 934
91 - 120 days	1 559 856	2 942 799
120+ Days	112 377 151	57 671 898
	<hr/>	<hr/>
	119 537 868	106 798 429
Less: Allowance for impairment	(112 347 231)	(98 052 362)
	<hr/>	<hr/>
	<b>7 190 637</b>	<b>8 746 067</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(98 052 362)	(70 197 166)
Contributions to allowance	(14 294 869)	(27 855 196)
	<hr/>	<hr/>
	<b>(112 347 231)</b>	<b>(98 052 362)</b>

### Receivables from non-exchange transactions pledged as security

No Trade and other receivables from non-exchange transactions were pledged as security.

### Credit quality of trade and other receivables from non-exchange

The credit quality of trade and other receivables from non-exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

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

Trade and other receivables from non-exchange	7 190 637	8 746 068
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# Kai !Garib Local Municipality

(Demarcation code: NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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### 9. Statutory receivables

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 receivables included in the Statement of Financial Position under VAT Receivable

VAT (Payable) / Receivable	72 170 284	51 416 293
	<b>72 170 284</b>	<b>51 416 293</b>

#### Statutory receivables included in the Statement of Financial Position under Receivables from non-exchange transactions

Property rates	7 026 112	8 599 341
	<b>7 026 112</b>	<b>8 599 341</b>

#### Reconciliation of provision for impairment for statutory receivables

##### Provision for impairment included under VAT Receivable transactions:

VAT (Payable) / Receivable	-	-
	-	-

##### Provision for impairment included under receivables from non-exchange transactions:

Property rates	(107 608 369)	(93 295 701)
	<b>(107 608 369)</b>	<b>(93 295 701)</b>

#### Factors the entity considered in assessing statutory receivables impaired

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

#### 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.

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

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

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand

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### 9. Statutory receivables (continued)

#### 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.

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.

VAT transactions amounts are determined in line with the Value Added Tax Act 89 of 1991.

#### 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 arear 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.

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

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

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

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

Each individual Grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

No impairment on VAT Receivable, balance expected to be fully recoverable.

#### Discount rate applied to the estimated future cash flows

The discount rate applied for all types of Statutory receivables mentioned above is based on the average rate of investments. This rate is seen as risk free as the amount to be paid in interest and capital amount is guaranteed by the Investment institution.

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>10. VAT receivable</b>		
South African Revenue Service	72 170 283	51 416 293
	<b>72 170 283</b>	<b>51 416 293</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 9.

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 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 11. Heritage assets

	2024			2023		
	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 2024

	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 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>

**Kai !Garib Local Municipality**

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Audited Annual Financial Statements for the year ended 30 June 2024

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2024	2023
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**11. 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 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 12. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	647 767	(642 522)	5 245	647 767	(635 015)	12 752
<b>Total</b>	<b>647 767</b>	<b>(642 522)</b>	<b>5 245</b>	<b>647 767</b>	<b>(635 015)</b>	<b>12 752</b>

#### Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	12 752	(7 507)	5 245
	<b>12 752</b>	<b>(7 507)</b>	<b>5 245</b>

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	30 929	(18 177)	12 752
	<b>30 929</b>	<b>(18 177)</b>	<b>12 752</b>

#### Pledged as security

Intangible assets has not been pledged as security.

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 13. Investment property

	2024	2023
	Fair Value	Fair Value
Investment property	162 729 244	163 940 372
<b>Total</b>	<b>162 729 244</b>	<b>163 940 372</b>

#### Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	163 940 372	(2 030 830)	819 702	162 729 244
	<b>163 940 372</b>	<b>(2 030 830)</b>	<b>819 702</b>	<b>162 729 244</b>

#### Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	160 883 584	3 056 788	163 940 372
	<b>160 883 584</b>	<b>3 056 788</b>	<b>163 940 372</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

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## Notes to the Audited Annual Financial Statements

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### 13. Investment property (continued)

#### Details of valuation

The effective date of the revaluations was 30 June 2024. Revaluations were performed by Municipex (Pty) Ltd. Mr PH Venter was the valuer at Municipex (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

.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.

.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.

.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).

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## Notes to the Audited Annual Financial Statements

Figures in Rand

### 14. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
<b>Immovable assets</b>						
Buildings	62 407 887	(29 379 545)	33 028 342	60 656 746	(27 524 964)	33 131 782
Community	64 387 698	(35 535 828)	28 851 870	63 734 573	(33 432 985)	30 301 588
Infrastructure - Electricity network	177 809 910	(72 027 863)	105 782 047	170 475 666	(66 550 276)	103 925 390
Infrastructure - Roads network	221 493 426	(105 001 789)	116 491 637	221 280 872	(98 573 722)	122 707 150
Infrastructure - Wastewater network	84 845 185	(24 789 750)	60 055 435	84 845 185	(23 060 221)	61 784 964
Infrastructure - Water network	386 271 806	(124 402 016)	261 869 790	379 861 121	(113 701 262)	266 159 859
Land	100 726 870	-	100 726 870	100 733 478	-	100 733 478
Landfill site asset	114 408 505	(77 464 199)	36 944 306	113 482 959	(71 567 241)	41 915 718
Work-in-Progress	34 985 243	-	34 985 243	20 847 291	-	20 847 291
<b>Movable assets</b>						
Computer equipment	9 783 309	(8 592 982)	1 190 327	9 337 259	(7 972 216)	1 365 043
Furniture and fixtures	5 613 801	(5 085 756)	528 045	5 533 934	(4 765 763)	768 171
Motor vehicles	21 464 875	(16 642 455)	4 822 420	21 015 426	(15 969 501)	5 045 925
Plant and machinery	1 911 310	(1 830 130)	81 180	1 911 310	(1 747 770)	163 540
<b>Total</b>	<b>1 286 109 825</b>	<b>(500 752 313)</b>	<b>785 357 512</b>	<b>1 253 715 820</b>	<b>(464 865 921)</b>	<b>788 849 899</b>

# Kai Igarib Local Municipality

(Registration number NC082)

Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Work in Progress - Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
<b>Immovable assets</b>										
Buildings	33 131 782	260 939	-	-	1 490 202	-	(1 942 698)	(70 106)	158 223	33 028 342
Community	30 301 588	653 125	-	-	-	-	(2 148 122)	(191 376)	236 655	28 851 870
Infrastructure - Electrical network	103 925 390	43 350	-	-	7 290 893	-	(5 485 370)	(10 680)	18 464	105 782 047
Infrastructure - Roads network	122 707 150	212 554	-	-	-	-	(7 057 127)	(169 593)	798 653	116 491 637
Infrastructure - Wastewater network	61 784 964	-	-	-	-	-	(1 915 084)	-	185 555	60 055 435
Infrastructure - Water network	266 159 859	195 706	(3 826)	-	6 232 137	-	(9 806 716)	(1 413 046)	505 676	261 869 790
Land	100 733 478	-	(6 608)	-	-	-	-	-	-	100 726 870
Landfill site asset	41 915 718	-	-	-	-	925 546	(5 896 958)	-	-	36 944 306
Work-in-Progress	20 847 291	-	-	30 892 599	(16 754 647)	-	-	-	-	34 985 243
<b>Movable assets</b>										
Computer equipment	1 365 043	446 051	-	-	-	-	(672 287)	(2 638)	54 158	1 190 327
Furniture and fixtures	768 171	79 867	-	-	-	-	(328 310)	(2 366)	10 683	528 045
Motor vehicles	5 045 925	449 450	-	-	-	-	(866 519)	(3 839)	197 403	4 822 420
Plant and machinery	163 540	-	-	-	-	-	(79 823)	(4 176)	1 639	81 180
	<b>788 849 899</b>	<b>2 341 042</b>	<b>(10 434)</b>	<b>30 892 599</b>	<b>(1 741 415)</b>	<b>925 546</b>	<b>(36 199 014)</b>	<b>(1 867 820)</b>	<b>2 167 109</b>	<b>785 357 512</b>

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## Notes to the Audited Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Work in Progress - Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
<b>Immovable assets</b>										
Buildings	37 197 139	-	-	-	-	-	(1 973 864)	(2 171 421)	79 928	33 131 782
Community	33 098 967	-	(572 075)	-	-	-	(2 177 451)	(377 877)	330 024	30 301 588
Infrastructure - Electricity network	99 342 003	-	-	-	10 142 218	-	(5 292 198)	(275 130)	8 497	103 925 390
Infrastructure - Roads network	129 407 813	-	-	-	-	-	(7 074 743)	(421 502)	795 582	122 707 150
Infrastructure - Wastewater network	63 957 648	-	-	-	-	-	(1 941 913)	(654 027)	423 256	61 784 964
Infrastructure - Water network	265 558 645	71 228	(102 456)	-	10 277 003	-	(9 642 756)	(620 771)	618 966	266 159 859
Land	100 733 478	-	-	-	-	-	-	-	-	100 733 478
Landfill site asset	47 322 430	-	-	-	-	510 609	(5 917 321)	-	-	41 915 718
Work-in-Progress	18 493 421	-	-	24 138 639	(21 784 769)	-	-	-	-	20 847 291
<b>Movable assets</b>										
Computer equipment	1 826 076	273 998	-	-	-	-	(753 215)	(46 046)	64 230	1 365 043
Furniture and fixtures	1 268 369	6 690	-	-	-	-	(494 701)	(23 452)	11 265	768 171
Motor vehicles	5 905 347	358 150	-	-	-	-	(846 521)	(371 051)	-	5 045 925
Plant and machinery	252 492	10 956	-	-	-	-	(98 316)	(4 095)	2 503	163 540
	<b>804 363 828</b>	<b>721 022</b>	<b>(674 531)</b>	<b>24 138 639</b>	<b>(1 365 548)</b>	<b>510 609</b>	<b>(36 212 999)</b>	<b>(4 965 372)</b>	<b>2 334 251</b>	<b>788 849 899</b>

#### Pledged as security

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

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## Notes to the Audited Annual Financial Statements

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### 14. 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	11 405 362	9 437 705
Community	445 023	-
Infrastructure - Electricity network	3 465 249	5 737 508
Infrastructure - Wastewater network	6 569 573	-
Infrastructure - Water network	13 100 037	5 672 078
	<b>34 985 245</b>	<b>20 847 292</b>

#### Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	20 847 292	-	20 847 292
Additions/capital expenditure	30 447 577	445 023	30 892 600
Transferred to completed items	(16 754 647)	-	(16 754 647)
	<b>34 540 221</b>	<b>445 023</b>	<b>34 985 245</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	24 138 640	-	24 138 640
Transferred to completed items	(21 784 769)	-	(21 784 769)
	<b>20 847 292</b>	<b>-</b>	<b>20 847 291</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	1 645 430	1 598 540
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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## Notes to the Audited Annual Financial Statements

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<b>15. Consumer deposits</b>		
Electricity	1 665 362	1 625 482
Water	1 142 966	1 062 245
	<b>2 808 328</b>	<b>2 687 727</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>16. 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	16 199 414	14 380 987
Long-service awards benefits	7 919 732	7 381 866
	<b>24 119 146</b>	<b>21 762 853</b>
<b>Current employee benefits</b>		
Post-Retirement Medical Aid benefits	944 229	758 121
Long-service awards benefits	1 677 841	1 259 964
	<b>2 622 070</b>	<b>2 018 085</b>
<b>Total employee benefits</b>		
Post-Retirement Medical Aid benefits	17 143 643	15 139 108
Long-service awards benefits	9 597 573	8 641 830
	<b>26 741 216</b>	<b>23 780 938</b>
Non-current liabilities	24 119 146	21 762 853
Current liabilities	2 622 070	2 018 085
	<b>26 741 216</b>	<b>23 780 938</b>



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### 16. 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)	102	108
Continuation members (Retirees)	20	18
<b>Total members</b>	<b>122</b>	<b>126</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)	7 669 919	7 010 684
Continuation members (Retirees)	9 473 725	8 128 425
<b>Total liability</b>	<b>17 143 644</b>	<b>15 139 109</b>
Non-current	16 199 414	14 380 987
Current	944 229	758 121
	<b>17 143 643</b>	<b>15 139 108</b>

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

#### Rates of interest

Discount rate	12.42 %	12.78 %
Health care cost inflation rate	7.92 %	8.34 %
Net effective discount rate	4.17 %	4.11 %

#### Normal retirement age

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

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## Notes to the Audited Annual Financial Statements

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### 16. 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>17 143 643</b>	<b>15 139 108</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	836 394	812 264
Interest cost	1 885 828	1 973 194
Actuarial (gain) recognised in the year	427 800	(2 960 386)
	<b>3 150 022</b>	<b>(174 928)</b>

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

Opening balance	15 139 109	16 408 036
Current service cost	836 394	812 264
Interest cost	1 885 828	1 973 194
Actual employer benefit payments	(1 145 488)	(1 093 999)
Actuarial (gain) recognised in the year	427 800	(2 960 386)

<b>Present value of fund obligation at the end of the year</b>	<b>17 143 643</b>	<b>15 139 109</b>
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Amounts for the current and previous four periods are as follows:

### Present value of unfunded defined benefit

2024	17 143 643
2023	15 139 109
2022	16 408 036
2021	16 774 124
2020	16 869 000

### Sensitivity analysis on Medical inflation rate

Assumption	Change	Total	% change
Service cost	1 %	1 047 126	22.35 %
Service cost	-1 %	705 776	-17.53 %
Interest cost	1 %	2 275 080	9.86 %
Interest cost	-1 %	1 823 147	-11.97 %

### Sensitivity analysis on Discount rate

Assumption	Change	Total	% change
Service cost	1 %	718 825	-16.01 %
Service cost	-1 %	1 030 742	20.44 %
Interest cost	1 %	1 987 374	-4.05 %
Interest cost	-1 %	2 212 844	6.85 %

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## Notes to the Audited Annual Financial Statements

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### 16. Employee benefit obligations (continued)

GRAP 25 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 2023 the duration of liabilities was 11.94 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 12.42% per annum, and the yield on the inflation-linked bonds of a similar term was about 5.17% per annum, implying an underlying expectation of inflation of 6.42% per annum  $([1 + 12.42\% - 0.5\%] / [1 + 5.17\%] - 1)$ . A healthcare cost inflation rate of 7.92% 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 4.17% per annum  $([1 + 12.42\%] / [1 + 7.92\%] - 1)$ . 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 2024.

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

Liability History	2024/06/30	2023/06/30	2022/06/30	2021/06/30	2020/06/30
Accrued Liability	(17 143 643)	15 139 109	(16 408 036)	(16 774 124)	(16 869 000)
<b>Surplus / (Deficit)</b>	<b>17 143 643</b>	<b>(15 139 109)</b>	<b>16 408 036</b>	<b>16 774 124</b>	<b>16 869 000</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	2024/06/30	2023/06/30	2022/06/30	2021/06/30	2020/06/30
Liabilities: (Gain) / Loss	427 800	(2 960 386)	(2 132 438)	(1 852 431)	(2 476 875)
	<b>427 800</b>	<b>(2 960 386)</b>	<b>(2 132 438)</b>	<b>(1 852 431)</b>	<b>(2 476 875)</b>

#### 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 2024 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.

At year end 412 (2023: 418) employees were eligible for Long Services Awards.

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

Discount rate	10.28 %	10.73 %
General Salary inflation	5.77 %	6.39 %
Net effective discount rate	4.26 %	4.08 %

# Kai !Garib Local Municipality

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## Notes to the Audited Annual Financial Statements

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### 16. Employee benefit obligations (continued)

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

Present value of unfunded obligations	9 597 573	8 641 830
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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	876 860	899 438
Interest cost	923 768	890 363
Actuarial losses / (gains) recognised	(452 289)	(1 732 142)

Total expense included in employee related costs	<b>1 348 339</b>	<b>57 659</b>
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Opening balance	8 641 830	9 060 365
Current service cost	876 860	899 438
Interest cost	923 768	890 363
Actual employer benefit payments	(392 596)	(476 194)
Actuarial loss/ (gain) recognised in the year	(452 289)	(1 732 142)
	<b>9 597 573</b>	<b>8 641 830</b>

Liability History	2024/06/30	2023/06/30	2022/06/30	2021/06/30	2020/06/30
Accrued Liability	(9 597 573)	(8 641 830)	(9 060 365)	(7 364 548)	(5 723 026)
<b>Surplus / (Deficit)</b>	<b>9 597 573</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	2024/06/30	2023/06/30	2022/06/30	2021/06/30	2020/06/30
Liabilities: (Gain) / Loss	(452 289)	(1 732 142)	863 838	865 100	(409 808)
	<b>452 289</b>	<b>1 732 142</b>	<b>(863 838)</b>	<b>(865 100)</b>	<b>409 808</b>

# Kai !Garib Local Municipality

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## Notes to the Audited Annual Financial Statements

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<b>17. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1 839 549	3 808 603
- in second to fifth year inclusive	136 396	1 975 945
	1 975 945	5 784 548
less: future finance charges	(101 918)	(582 736)
<b>Present value of minimum lease payments</b>	<b>1 874 027</b>	<b>5 201 812</b>
 Non-current liabilities	 133 540	 1 874 028
Current liabilities	1 740 487	3 327 784
	<b>1 874 027</b>	<b>5 201 812</b>
 <b>Market risk</b>		
The carrying amounts of finance lease liabilities are denominated in the following currencies:		
Rand	1 874 027	5 201 812
<b>18. Other financial liabilities</b>		
<b>At amortised cost</b>		
Development Bank of Southern Africa Ltd	-	187 567
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	12 477 889	11 438 841
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.		
 <b>Total other financial liabilities</b>	 <b>12 477 889</b>	 <b>11 626 408</b>
 <b>Current liabilities</b>		
At amortised cost	12 477 889	11 626 408
	<b>12 477 889</b>	<b>11 626 408</b>

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<b>18. Other financial liabilities (continued)</b>		
<b>Financial liabilities at amortised cost</b>		
<b>Nominal value of financial liabilities at amortised cost</b>		
Development Bank of Southern Africa Ltd	12 477 889	11 626 408
	<b>12 477 889</b>	<b>11 626 408</b>
<b>19. Payables from exchange transactions</b>		
Accrued bonus	5 044 138	4 462 773
Accrued leave pay	12 673 593	13 098 962
Agency fees	53 358 447	51 188 486
Payments received in advance	1 092 172	519 247
Payments received in advanced - contract in process	19 848 714	15 844 240
Retention fees	5 959 044	4 020 865
Salary accrual	66 956 615	43 323 713
Trade payables	276 596 686	786 000 771
	<b>441 529 409</b>	<b>918 459 057</b>
<b>Fair value of trade and other payables</b>		
Trade payables	441 529 409	918 459 057
	<b>441 529 409</b>	<b>918 459 057</b>

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

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

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### 20. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Change in provision	Finance cost	Total
Rehabilitation of landfill site	68 256 166	925 546	5 159 263	74 340 975
	<b>68 256 166</b>	<b>925 546</b>	<b>5 159 263</b>	<b>74 340 975</b>

#### Reconciliation of provisions - 2023

	Opening Balance	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>510 609</b>	<b>4 477 604</b>	<b>68 256 166</b>

Non-current liabilities	74 340 975	68 256 166
	<b>74 340 975</b>	<b>68 256 166</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.

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## Notes to the Audited Annual Financial Statements

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### 20. 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 2024 was 12.40% p.a. The consumer price inflation of 5.10% 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) 5.10% (2023: 5.40%)

Discount rate (D) 12.40% (2023: 12.31%)

Net discount rate 6.94% (2023: 6.56%)

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	5 850 083	(35 797)	-	433 603	6 247 888
Keimoes	7 756 718	(48 773)	-	574 824	8 282 769
Lennertsville	8 088 333	(86 261)	-	596 759	8 598 830
Kakamas	15 256 477	(220 363)	-	1 121 326	16 157 439
Alheit/Marchand	6 456 707	(39 510)	-	478 566	6 895 764
Kenhardt	13 864 198	1 382 490	-	1 137 030	16 383 719
Riemvasmaak	5 872 912	(8 427)	-	437 347	6 301 833
Vredesvallei	5 110 738	(17 813)	-	379 808	5 472 733
	<b>68 256 166</b>	<b>925 546</b>	<b>-</b>	<b>5 159 263</b>	<b>74 340 975</b>

### 21. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

Integrated National Electrification Programme	3 987 258	1 121 302
Library Subsidy	72 976	-
Local Government Financial Management Grant	45 307	45 307
Municipal Infrastructure Grant	13 886 269	1 538 964
	<b>17 991 810</b>	<b>2 705 573</b>

#### Movement during the year

Balance at the beginning of the year	2 705 574	6 660 267
Additions during the year	49 900 332	23 296 408
Income recognition during the year	(34 614 096)	(27 251 101)
	<b>17 991 810</b>	<b>2 705 574</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 32 and for public contributions note 33



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## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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### 21. Unspent conditional grants and receipts (continued)

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

### 22. Agency services

Driver's licenses and permits	278 221	288 006
	<b>278 221</b>	<b>288 006</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.

### 23. Interest income (Exchange transactions)

<b>Interest income</b>		
Bank accounts	59 146	49 307
Receivables from exchange transactions	15 474 879	15 536 547
	<b>15 534 025</b>	<b>15 585 854</b>

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 14 120 781 (2023: R15 536 548).

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

Receivables from non-exchange transactions	8 884 616	7 594 818
	<b>8 884 616</b>	<b>7 594 818</b>

### 25. Licences and permits

Road and transport	811 914	713 019
	<b>811 914</b>	<b>713 019</b>

### 26. Operational revenue

Administrative connection fees	386 039	332 078
Advertisements	2 811	6 493
Building plans	109 840	31 921
Camping fees	33 668	58 880
Clearance certificates	30 392	5 559
Escort fees	643	965
Materials and equipment	73 812	50 019
Occupation certificates	5 000	1 260
Photocopies and faxes	157 280	844 179
Tender documents	38 686	57 791
Town planning and servitudes	-	48 047
Valuation services	2 086 073	2 159 006
	<b>2 924 244</b>	<b>3 596 198</b>

The amounts disclosed above for Operational revenue are in respect of services rendered, other than described in notes: 25, 28 and 29 which are billed to or paid for by the users of the services as required according to approved tariffs.

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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### 27. Prescribed revenue

Prescribed revenue	18 660	5 636 221
	<b>18 660</b>	<b>5 636 221</b>

Prescribed revenue is revenue written off that has exceeded the period of 3 years, for example unallocated deposits (Debit and credits) which the debtor has not claimed the deposit or payment within the allocated timeframe.

Debtors with credit balances where no movement occurred for a long period of time have been written off to prescribed revenue.

### 28. Rental of facilities and equipment

#### Facilities and equipment

Facilities and equipment owned by the municipality	760 671	851 015
	<b>760 671</b>	<b>851 015</b>

### 29. Service charges

Sale of electricity - Conventional	54 050 212	46 817 634
Sale of electricity - Prepaid	36 726 740	31 595 038
Sale of water - Conventional	17 427 763	14 192 771
Sale of water - Prepaid	245 922	206 344
Sewerage and sanitation charges	11 907 014	10 037 192
Refuse removal	8 290 200	7 459 727
	<b>128 647 851</b>	<b>110 308 706</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	2024	2023
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### 30. Property rates

#### Rates received

Property rates	30 036 789	30 165 511
	<b>30 036 789</b>	<b>30 165 511</b>

#### Valuations

Residential	1 240 635 000	1 240 635 000
Business properties	298 645 000	298 645 000
Commercial properties	337 450 000	337 450 000
Municipal	118 045 500	118 045 500
Small holdings and farms	11 586 466 500	11 586 466 500
Government buildings	296 765 000	296 765 000
Vacant land	801 553 000	801 553 000
	<b>14 679 560 000</b>	<b>14 679 560 000</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. Fines, Penalties and Forfeits

Municipal traffic fines	20 901	39 800
Motor vehicle licence penalties	-	16 579
	<b>20 901</b>	<b>56 379</b>

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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### 32. Government grants and subsidies

#### Operating grants

Equitable share	109 909 000	108 332 000
LGSETA Grant	-	6 408
Local Government Financial Management Grant	3 100 000	2 954 693
Expanded Public Works Programme Integrated Grant	1 021 000	1 120 000
Library Subsidy	1 074 024	1 550 000
	<b>115 104 024</b>	<b>113 963 101</b>

#### Capital grants

Municipal Infrastructure Grant	19 431 695	5 000 000
Water Services Infrastructure Grant	5 928 332	7 200 000
Integrated National Electrification Programme	4 059 044	5 420 000
	<b>29 419 071</b>	<b>17 620 000</b>
	<b>144 523 095</b>	<b>131 583 101</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	34 614 096	23 251 101
Unconditional grants received	109 909 000	108 332 000
	<b>144 523 096</b>	<b>131 583 101</b>

#### Equitable Share

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.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	1 538 964	3 538 964
Current-year receipts	31 779 000	5 000 000
Conditions met - transferred to revenue	(19 431 695)	(5 000 000)
Municipal Infrastructure Grant Rollover of 2021/22 denied withheld from Equitable share in 2022/23	-	(2 000 000)
	<b>13 886 269</b>	<b>1 538 964</b>

Conditions still to be met - remain liabilities see note 21

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>32. Government grants and subsidies (continued)</b>		
<b>Water Services Infrastructure Grant</b>		
Current-year receipts	5 928 332	7 200 000
Conditions met - transferred to revenue	(5 928 332)	(7 200 000)
	-	-
Conditions still to be met - remain liabilities see note 21		
<b>Integrated National Electrification Programme</b>		
Balance unspent at beginning of year	1 121 302	3 121 302
Current-year receipts	6 925 000	5 420 000
Conditions met - transferred to revenue	(4 059 044)	(5 420 000)
Integrated National Electrification Programme Rollover of 2021/22 denied withheld from Equitable share in 2022/23	-	(2 000 000)
	<b>3 987 258</b>	<b>1 121 302</b>
Conditions still to be met - remain liabilities see note 21		
<b>Local Government Financial Management Grant</b>		
Balance unspent at beginning of year	45 307	-
Current-year receipts	3 100 000	3 000 000
Conditions met - transferred to revenue	(3 100 000)	(2 954 693)
	<b>45 307</b>	<b>45 307</b>
Conditions still to be met - remain liabilities see note 21		
<b>Expanded Public Works Programme Integrated Grant</b>		
Current-year receipts	1 021 000	1 120 000
Conditions met - transferred to revenue	(1 021 000)	(1 120 000)
	-	-
<b>Library Subsidy</b>		
Current-year receipts	1 147 000	1 550 000
Conditions met - transferred to revenue	(1 074 024)	(1 550 000)
	<b>72 976</b>	-
Conditions still to be met - remain liabilities see note 21		
<b>LGSETA Grant</b>		
Current-year receipts	-	6 408
Conditions met - transferred to revenue	-	(6 408)
	-	-

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>33. Public contributions and donations</b>		
Property, plant and equipment	1 013 868	261 850
	<b>1 013 868</b>	<b>261 850</b>
<b>34. Bad debts written off</b>		
Bad debts written off	16 718 967	19 174 995
	<b>16 718 967</b>	<b>19 174 995</b>
<b>35. Bulk purchases</b>		
Electricity	97 520 805	81 615 215
	<b>97 520 805</b>	<b>81 615 215</b>

# Kai !Garib Local Municipality

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>36. Contracted services</b>		
<b>Outsourced Services</b>		
Business and advisory	13 200	326 807
Cleaning services	83 124	187 192
Lease rentals on operating leases	-	1 826 087
Refuse removal	4 462 373	2 744 017
Security services	866 150	696 819
Sewerage services	10 925 385	9 803 634
Transport Services	10 693 327	(753 054)
Water tankers	19 966 289	14 216 107
<b>Consultants and Professional Services</b>		
Business and advisory	17 398 412	16 325 109
Infrastructure and planning	1 352 771	296 470
Legal cost	3 019 489	1 827 330
<b>Contractors</b>		
Maintenance of Buildings and facilities	1 744 059	1 537 493
Maintenance of Unspecified assets	32 735	61 047
Safeguard and security	618 293	766 739
	<b>71 175 607</b>	<b>49 861 797</b>
<b>37. Debt impairment</b>		
Consumer debtors	65 483 637	59 800 139
	<b>65 483 637</b>	<b>59 800 139</b>
<b>38. Depreciation and amortisation</b>		
Property, plant and equipment	36 199 014	36 212 999
Intangible assets	7 506	18 178
	<b>36 206 520</b>	<b>36 231 177</b>

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>39. Employee related cost</b>		
<b>Senior Management Costs</b>		
Annual Remuneration	5 159 806	3 731 654
Car Allowance	803 278	597 127
Contributions to UIF, Medical and Pension Funds	73 737	9 208
Performance Bonuses	-	378 847
	<b>6 036 821</b>	<b>4 716 836</b>
<b>Municipal staff costs</b>		
Acting allowances	406 591	310 898
Bargaining council contributions	52 543	51 994
Basic salaries and wages	101 104 968	92 536 222
Bonus	8 888 259	7 916 272
Group life insurance	-	2 721
Housing allowances	188 591	249 904
Leave pay-outs	460 467	1 521 004
Long-service awards	453 615	476 194
Medical aid - company contributions	4 270 888	3 437 246
Nightshift allowance	1 263 208	1 029 059
Non-pensionable allowances	16 950	-
Overtime payments	3 825 494	4 761 376
Pension fund contributions	16 559 897	16 185 412
Post employment service costs	141 508	141 508
Shift allowance	640 042	648 031
Skills development levy	1 256 051	1 127 013
Standby allowance	2 226 834	3 138 918
Telephone allowance	279 822	292 072
Travel allowances	4 165 366	4 149 386
UIF contributions	816 055	826 801
<b>Total for municipal staff</b>	<b>147 017 149</b>	<b>138 802 031</b>
<b>Total Employee related cost</b>	<b>153 053 973</b>	<b>143 518 865</b>
<b>Senior management costs breakdown</b>		
<b>Remuneration of Municipal Manager</b>		
Basic Salary	893 393	392 270
Contribution to pension fund, UIF, SDL	1 771	708
	<b>895 164</b>	<b>392 978</b>
<b>Remuneration of Chief Finance Officer</b>		
Basic Salary	931 038	859 740
Non-pensionable allowances	40 680	20 340
Performance bonus	-	88 427
Travel allowance	296 322	278 752
Contribution to pension fund, UIF, SDL	2 125	2 125
	<b>1 270 166</b>	<b>1 249 384</b>
<b>Remuneration of Director Corporate Services</b>		



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Figures in Rand	2024	2023
<b>39. Employee related cost (continued)</b>		
Basic Salary	1 063 390	981 958
Cellphone allowance	19 800	16 500
Non-pensionable allowances	40 680	20 340
Performance bonus	-	100 997
Travel allowance	338 446	318 375
Contribution to pension fund, UIF, SDL	2 125	2 125
	<b>1 464 441</b>	<b>1 440 296</b>
<b>Remuneration of the Director Properties, Planning and Development</b>		
Basic Salary	834 288	18 937
Cellphone allowance	13 200	-
Non-pensionable allowances	-	20 340
Performance bonus	55 297	100 997
Travel allowance	168 510	-
Contribution to pension fund, UIF, SDL & Medical aid	65 591	2 125
Leave pay-outs	-	242 392
	<b>1 136 885</b>	<b>384 791</b>
<b>Remuneration of the Director Technical and Engineering Services</b>		
Basic Salary	1 227 360	1 138 497
Non-pensionable allowances	40 680	20 340
Performance bonus	-	88 427
Contribution to pension fund, UIF, SDL	2 125	2 125
	<b>1 270 166</b>	<b>1 249 389</b>
<b>40. Finance costs</b>		
Development Bank of South Africa	1 040 272	1 103 833
Employee benefit obligation	2 809 596	2 863 557
Finance leases	480 818	1 297 390
Landfill site rehabilitation	5 159 263	4 477 604
Trade and other payables	39 075 287	49 595 017
	<b>48 565 236</b>	<b>59 337 401</b>

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>41. General expenses</b>		
Advertising	12 860	427 609
Auditors remuneration	6 948 415	5 083 299
Bank charges	654 654	708 762
Chemicals	-	14 947
Commission paid	151 376	141 792
Computer expenses	19 221	12 165
Conferences and seminars	124 863	173 029
Consumables	8 620 179	14 601 384
Delivery expenses	16 948	32 600
Entertainment	248 595	341 958
Fuel and oil	3 390 202	4 094 596
Hire	6 859 099	163 125
Insurance	606 306	712 544
Motor vehicle expenses	384 519	359 309
Municipal Services - Electricity & Water	3 598 574	3 263 918
Protective clothing	228 826	56 953
Repayment of forfeited deposits	-	4 798
Software expenses	5 530	69 900
Subscriptions and membership fees	56 539	-
Telephone and fax	1 076 297	2 971 721
Travel, subsistence and accommodation	13 563 199	7 985 286
Voluntary workers	1 536 567	3 006 488
	<b>48 102 769</b>	<b>44 226 183</b>
<b>42. Inventory consumed</b>		
Water	5 903 621	5 241 509
	<b>5 903 621</b>	<b>5 241 509</b>

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<b>43. Remuneration of councillors</b>		
Mayor	927 480	953 416
Executive committee	823 608	853 124
Speaker	750 144	778 292
Councillors	5 043 680	5 303 224
Ward committees	633 000	489 500
	<b>8 177 912</b>	<b>8 377 556</b>
<b>Mayor</b>		
Councillor remuneration	886 680	912 616
Telephone allowance	40 800	40 800
	<b>927 480</b>	<b>953 416</b>
<b>Executive committee</b>		
Councillor remuneration	742 008	771 524
Telephone allowance	81 600	81 600
	<b>823 608</b>	<b>853 124</b>
<b>Speaker</b>		
Councillor remuneration	709 344	737 492
Telephone allowance	40 800	40 800
	<b>750 144</b>	<b>778 292</b>
<b>Councillors</b>		
Councillor remuneration	4 441 037	4 691 225
Telephone allowance	602 643	611 999
	<b>5 043 680</b>	<b>5 303 224</b>
<b>Ward committees</b>		
Ward Councillor remuneration	633 000	489 500
	<b>633 000</b>	<b>489 500</b>
<b>In-kind benefits</b>		
The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.		

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### 43. 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.

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

#### Impairments

Property, plant and equipment

(1 867 820) (4 965 370)

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.

(1 867 820) (4 965 370)

#### Reversal of impairments

Property, plant and equipment

2 167 106 2 334 252

Repairs and additions to the network assets resulted in previous conditions of assets to improve, thus a reversal of impairments.

#### Total impairment losses reversed / (recognised)

299 286 (2 631 118)

The main classes of assets affected by impairment losses are:

Buildings

Community

Infrastructure - Electrical network

Infrastructure - Roads network

Infrastructure - Wastewater network

Infrastructure - Road network

Infrastructure - Water network

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>44. Reversal of impairments/(Impairment loss) (continued)</b>		
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>45. Fair value adjustments</b>		
Investment property	819 702	3 056 788
	<b>819 702</b>	<b>3 056 788</b>
<b>46. Auditors' remuneration</b>		
Fees	6 948 415	5 083 299
	<b>6 948 415</b>	<b>5 083 299</b>
<b>47. Net cash flow generated from operating activities</b>		
Surplus/(deficit)	(74 639 994)	(196 300 494)
<b>Adjustments for:</b>		
Depreciation and amortisation	36 206 520	36 231 177
Gain on sale of assets and liabilities	2 041 264	674 531
Fair value adjustments	(819 702)	(3 056 788)
Finance costs - Finance leases	480 818	1 297 390
Impairment	(299 286)	2 631 118
Debt impairment	65 483 637	59 800 139
Bad debts written off	16 718 967	19 174 995
Movements in retirement benefit assets and liabilities	2 960 278	(1 687 463)
Movements in provisions	6 084 809	4 988 212
<b>Changes in working capital:</b>		
Inventories	(188 548)	(538 599)
Receivables from exchange transactions	7 886 455	5 182 620
Consumer debtors	(82 202 604)	(78 975 134)
Other receivables from non-exchange transactions	1 555 430	6 873 584
Payables from exchange transactions	60 874 671	186 483 226
VAT	(20 753 990)	(10 265 871)
Unspent conditional grants and receipts	15 286 237	(3 954 693)
Consumer deposits	120 601	403 797
	<b>36 795 563</b>	<b>28 961 747</b>

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>48. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	5 515 932	27 129 303
	<b>5 515 932</b>	<b>27 129 303</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	5 515 932	27 129 303
	<b>5 515 932</b>	<b>27 129 303</b>
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	5 515 932	27 129 303

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 52 for prior period corrections made to commitments.

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>49. Contingencies</b>		
<b>Contingent liabilities</b>		
Below is a list of possible liability claims where the outcome was unknown at 30 June 2024 with the maximum unforeseen liability for the Municipality:		
HC Turner, CJG Turner & DJ Turner / Kai !Garib Municipality	-	664 100
JG van Niekerk & Van Niekerk Nieuwoudt / Kai !Garib Municipality	-	250 041
Me. E. Basson / Kai !Garib Municipality	-	52 728
Andre Bezuidenhout t/a Snoekie Wegneemetes & Andre Bezuidenhout t/a Water Empire / Kai !Garib Municipality	-	325 000
Transnet / Poonasaib & Kai !Garib Municipality	-	50 000
Kai !Garib Municipality / Mpepule Trading	-	2 491 500
Triple D Farms / W Bosman & 9 Others	-	500 000
NHBRC / Markus & 9 Others	-	4 285
SS Straus / Kai !Garib Municipality	-	120 000
Mr I De Waal / Kai !Garib Municipality	-	91 737
TT Property Consultants / Kai !Garib Municipality	-	22 183
Municipal By Laws on Tuck Shops	-	350 000
Jacob Syster/Kai Garib	280 000	-
	<b>280 000</b>	<b>4 921 574</b>

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

*Claim: Orange River Flood Damage, Keimoes*

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

*Claim: Orange River Flood Damage, Keimoes*

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

*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 (Case closed)

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

### Transnet / Poonasaib & Kai !Garib Municipality (Case closed)

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

### Kai !Garib Municipality / Mpepule Trading (Case closed)

*Damages*

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

*Eviction*

### NHBRC / Markus & 9 Others (Case closed)

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

### SS Straus / Kai !Garib Municipality (Case closed)

*Personal injury claim against municipality.*

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

*Unlawful appointment of I De Waal*

### TT Property Consultants / Kai !Garib Municipality (Case closed)

*Attorney disbursements to date - Further instruction to follow*

### Municipal By Laws on Tuck Shops (Case closed)

*Review and implementation of municipal By-laws*

### Jacob Syster/Kai Garib (Pending)

*Promises of extra payment was made to the complainant by previous MM for work done. No payment was done, whereas the complainant started a CCMA case that result in a court case.*

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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### 49. Contingencies (continued)

As at reporting date the municipality is uncertain of the amount and timing of the outflow of any resources regarding the above mentioned cases.

#### Trade payables with legal status

The following trade creditors included in the trade payables listing has taken legal action against the municipality for long outstanding accounts.

- Kai !Garib Municipality / ESKOM and 4 Others
- Solution Pro (Pty) Ltd-t/a Nashua Upington VS Kai !Garib Municipality
- Geezfix Pty Ltd /Kai Garib
- Lateral Unision Insurance Brokers/Kai Garib Municipality
- Auditor General/Kai Garib
- Consolidated Retirement Fund



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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand

2024

2023

### 50. Related parties

Nature of related party relationships

#### Related party transactions

None of the members of the municipality's management have significant influence over the financial or operating policies of the municipality. No business transactions took place between the municipality and key management personnel and their close family members, unless specifically disclosed. All members of the municipality's management and their close family members receive and pay for services on the same terms and conditions as other ratepayers and residents. All transactions are at arm's length and no bad debt expenses have been recognised in respect of amounts owed by related parties.

#### 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.

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023	
50. Related parties (continued)			
Remuneration of Councillors and Management			
Management class: Councillors			
2024			
Name	Councillor allowance	Allowances	Total
Mayor	-	-	-
Cllr. M.M.M. Matthys	886 680	40 800	927 480
Speaker	-	-	-
Cllr. N.E. Vas	709 344	40 800	750 144
Executive committee members	-	-	-
Cllr. A.P. Presley	371 004	40 800	411 804
Cllr. T. Renier	371 004	40 800	411 804
Councillors	-	-	-
Cllr. S.A. Bruwer	280 608	40 800	321 408
Cllr. N. du Plessis	280 608	40 800	321 408
Cllr. Y.E. Scheffers	360 108	40 800	400 908
Cllr. C.F.P. Maasdorp	280 608	40 800	321 408
Cllr. A.C. Kotzee	280 608	40 800	321 408
Cllr. R.W. Cloete	280 608	40 800	321 408
Cllr. A. Johnson	280 608	40 800	321 408
Cllr. L.A. Tieties (Deceased)	141 642	16 048	157 690
Cllr. A. Kampher	280 608	40 800	321 408
Cllr. R.G. Saal	360 108	40 800	400 908
Cllr. M. Basson	280 608	40 800	321 408
Cllr. E. Padmaker	280 608	40 800	321 408
Cllr. M.J. Basson	360 108	40 800	400 908
Cllr. C.A. April	280 608	40 800	321 408
Cllr. R. Ipinge	307 108	40 800	347 908
Cllr. J.S.White (Newly Appointed)	105 883	15 395	121 278
Ward Committees	633 000	-	633 000
	7 412 069	725 043	8 177 912

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023	
50. Related parties (continued)			
2023			
Name	Councillor allowance	Allowances	Total
Mayor	-	-	-
Cllr. M.M.M. Matthys	912 616	40 800	953 416
Speaker	-	-	-
Cllr. N.E. Vas	730 133	40 800	770 933
Cllr. W.D. Klim	7 359	-	7 359
Executive committee members	-	-	-
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
Councillors	-	-	-
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
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
	7 602 356	775 200	8 377 556

Refer to note 43 for remuneration of councillors.

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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### 50. Related parties (continued)

Management class: Senior Managers

#### 2024

Name	Basic salary	Allowances	Contributions to UIF, Medical and Pension Funds	Total
Municipal Manager	893 393	-	1 771	895 164
Chief Financial Officer	971 718	296 322	2 125	1 270 165
Corporate Services	1 104 070	358 246	2 125	1 464 441
Technical and Engineering Services	1 268 040	-	2 125	1 270 165
Planning and Development	889 585	168 510	65 591	1 123 686
	<b>5 126 806</b>	<b>823 078</b>	<b>73 737</b>	<b>6 023 621</b>

#### 2023

Name	Basic salary	Allowances	Contributions to UIF, Medical and Pension Funds	Total
Municipal Manager	372 518	19 752	708	392 978
Chief Financial Officer	880 080	367 179	2 125	1 249 384
Corporate Services	1 002 298	435 872	2 125	1 440 295
Technical and Engineering Services	1 158 837	88 427	2 125	1 249 389
Planning and Development	39 277	343 389	-	382 666
	<b>3 453 010</b>	<b>1 254 619</b>	<b>7 083</b>	<b>4 714 712</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 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023				
51. Prior-year adjustments						
2023						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
<b>Assets</b>						
<b>Current Assets</b>						
Inventories		312 898	603 924	-	-	916 822
Other financial assets		2 424 577	-	-	-	2 424 577
Receivables from exchange transactions		21 618 326	(4 779 283)	-	(8 218 825)	8 620 218
Receivables from non-exchange transactions		40 144 203	(31 398 135)	-	-	8 746 068
VAT receivable		47 451 745	3 964 548	-	-	51 416 293
Cash and cash equivalents		537 733	164 000	-	-	701 733
<b>Non-current Assets</b>						
Receivables from non-exchange transactions - NC		1 949 348	-	-	8 218 825	10 168 173
Investment property		158 240 476	(236 440)	-	-	158 004 036
Property, plant and equipment		777 144 614	9 918 661	-	-	787 063 275
Intangible assets		16 091	(3 340)	-	-	12 751
Heritage assets		112 955	-	-	-	112 955
<b>Total Assets</b>		<b>1 049 952 966</b>	<b>(21 766 066)</b>	<b>-</b>	<b>(0)</b>	<b>1 028 186 900</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities - CL		10 284 262	-	-	1 342 146	11 626 408
Finance lease obligation - CL		1 659 001	1 662 545	-	6 239	3 327 784
Payables from exchange transactions		944 684 148	(26 225 100)	-	8	918 459 056
Consumer deposits		2 687 727	-	-	-	2 687 727
Employee benefit obligation - CL		2 018 085	-	-	-	2 018 085
Unspent conditional grants and receipts		2 705 573	-	-	-	2 705 573
<b>Non-current Liabilities</b>						
Finance lease obligation - NCL		211 484	1 668 783	-	1 874 028	3 754 295
Employee benefit obligation - NCL		21 762 853	-	-	-	21 762 853
Provisions - NCL		68 256 166	-	-	-	68 256 166
<b>Total Liabilities</b>		<b>1 055 611 475</b>	<b>(22 893 773)</b>	<b>-</b>	<b>(22)</b>	<b>1 032 717 680</b>
<b>Total Net Assets</b>		<b>(5 658 509)</b>	<b>1 127 707</b>	<b>-</b>	<b>22</b>	<b>(4 530 780)</b>
<b>Accumulated surplus</b>		<b>(5 658 509)</b>	<b>40 772 715</b>	<b>-</b>	<b>-</b>	<b>35 114 206</b>

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand		2024	2023			
51. Prior-year adjustments (continued)						
Statement of financial performance						
2023						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Service charges		107 076 612	561 808	-	2 670 286	110 308 706
Rental of facilities and equipment		851 015	-	-	-	851 015
Operational revenue		3 625 699	(30)	-	(29 471)	3 596 198
Interest income		15 585 854	-	-	-	15 585 854
Agency Services		288 00				288 00
Licences & Permits		713 019	-	-	-	713 019
Prescribed revenue		5 606 689	-	-	29 532	5 636 221
		133 746 894	561 778	-	2 670 347	136 979 019
Property rates		30 165 512	-	-	-	30 165 512
Taxation revenue - Interest income		7 594 818	-	-	-	7 594 818
Government grants & subsidies		131 583 101	-	-	-	131 583 101
Public contributions and donations		261 850	-	-	-	261 850
Fines, Penalties and Forfeits		56 379	-	-	-	56 379
		170 191 64			(529 983)	169 661 66
Total Revenue		303 938 537	561 778	-	2 140 364	306 640 679
Expenditure						
Employee related costs		(143 553 201)	-	-	34 334	(143 518 867)
Remuneration of councillors		(8 377 556)	-	-	-	(8 377 556)
Depreciation and amortisation		(36 673 259)	442 082	-	-	(36 231 177)
Finance costs		(68 373 864)	7 018 242	-	2 018 221	(59 337 401)
Debt Impairment		(24 611 240)	(35 188 899)	-	-	(59 800 139)
Bulk purchases		(87 449 528)	5 834 313	-	-	(81 615 215)
Bad debts written off		(19 174 995)	-	-	-	(19 174 995)
Contracted services		(53 714 935)	5 377 823	-	(1 524 685)	(49 861 797)
General Expenses		(42 290 899)	(4 056 062)	-	1 494 089	(44 852 872)
Inventory consumed		-	(5 241 509)	-	-	(5 241 509)
		(484 219 477)	(25 814 010)	-	2 021 959	(508 011 528)
Operating Surplus/ (Deficit)		(180 280 940)	(25 252 231)	-	4 162 323	(201 370 849)
Fair value adjustments		3 183 419	(126 631)	-	-	3 056 788
Reversal of impairments (Impairment loss)		(703 258)	(1 927 861)	-	-	(2 631 119)
Actuarial gains/losses		4 692 528	-	-	-	4 692 528
Loss on disposal of assets		(187 150)	-	-	(487 381)	(674 531)
		6 985 539	(2 054 492)	-	(487 381)	4 443 666
Surplus / (Deficit) For The Year		(173 295 401)	(27 306 723)	-	3 674 942	(196 927 183)

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023				
51. Prior-year adjustments (continued)						
Cash flow statement						
2023						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Cash flow from operating activities						
Taxation Revenue		21 570 494	(153 117)	(153 117)	-	21 264 260
Sale of goods and services		72 288 017	31 443 901	-	-	103 731 918
Grants		127 628 408	-	-	-	127 628 408
Interest income		49 306	-	-	-	49 306
Employee costs		(150 310 352)	2 945 493	-	-	(147 364 859)
Suppliers		(43 231 910)	23 040 996	-	-	(20 190 914)
Finance costs		(4 419 444)	(52 516 734)	-	-	(56 936 178)
Other 10		-	-	-	-	-
Net cash from operating activities		23 574 519	4 760 539	-	-	28 335 058
Cash flow from investing activities						
Purchase of property, plant and equipment		(21 933 137)	(1 444 877)	-	-	(23 378 014)
Proceeds from sale of financial assets		365 537	-	-	-	365 537
Net cash from investing activities		(21 567 602)	(1 444 875)	-	-	(23 012 477)
Cash flow from financing activities						
Repayment of other financial liabilities		(2 278 028)	(30)	-	-	(2 278 058)
Finance lease payments		3 783	(3 315 612)	-	-	(3 311 829)
Net cash from financing activities		(2 274 245)	(3 315 642)	-	-	(5 589 887)
Total cash movement for the year		(267 328)	22	-	-	(267 306)
Cash and cash equivalents at the beginning of the year		805 039	164 000	-	-	969 039

### Errors

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

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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### 51. Prior-year adjustments (continued)

#### Property, plant and equipment:

Assets was reclassified to the correct catagories, Correction of Work in process to transferred to completed assets.  
Landfill site assets deprecation corrected to be in line with IGRAP 2 and GRAP 17.

#### Affected line items

Property, plant and equipment	15 419 457
Accumulated surplus (deficit)	(16 901 895)
Intangible assets	(3 340)
Depreciation and amortisation	(442 082)
Reversal of impairments (Impairment loss)	1 927 861
	<u>0</u>

#### Inventory consumed:

Correction of classification of Bulk purchases to Inventory consumed

#### Affected line items

Bulk purchases	5 241 509
Inventory consumed	(5 241 509)

#### 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 accuratly accounted for. Where differences was identied an adjustment was processed in the prior year.

#### Affected line items

Payables from exchange transactions	26 225 100
Property, plant and equipment	(1 874 706)
General Expenses	(1 195 481)
Finance costs	(7 018 242)
Bulk purchases	11 120
Contracted services	(3 367 715)
Accumulated surplus (deficit)	(16 283 586)
Employee costs	(34 330)
VAT receivable	3 537 838
	<u>0</u>

#### Employee related costs:

Correct allocation of employee related costed within general expenses.

#### Affected line items

General Expenses	10 033
Employee costs	(10 033)
	<u>(0)</u>



# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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### 51. Prior-year adjustments (continued)

### 52. Comparative figures

Certain comparative figures have been reclassified.

The effects of the restatement are as follows:

Contingent liabilities	6 151 574	1 230 000	4 921 574
<i>Trade creditors previously included in the disclosed amount incorrectly and subsequently removed</i>			
Fruitless and wasteful expenditure have been restated from	84 194 536	5 375 150	89 569 687
<i>Previously unidentified interest for SARS not accounted for in prior year.</i>			

# Kai Igarib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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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 2024	<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	441 529 403	-	-	-
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	918 459 049	-	-	-

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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	2024	2023
Receivables from exchange transactions	10 901 936	18 788 393
Receivables from non-exchange transactions	7 190 637	8 746 068
Bank balances	2 122 407	701 733

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 15.

#### 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 2024, the municipality had an accumulated surplus/(deficit) of R -71447803 and that the municipality's current liabilities exceed its current assets by R -545655742.34

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

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

1. Suppliers are not paid within the legislative 30 days.
2. Employee benefit obligations are unfunded; refer note 16
3. High levels of distribution losses; refer note 60
4. Slow collection and low recoverability of outstanding consumer accounts; refer to notes 6 and 7.
5. Unfavourable financial ratios.

In addition, the municipality owed key suppliers: Eskom Holdings SOC R 762,696,143 (2023: R662,022,625) and; Department water and sanitation R 48,400,268 (2023: R 37,974,093) as at 30 June 2024.

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 will be implemented during the following financial year to improve property rates billing and enhance cashflow.

### 55. Events after the reporting date

Additional supplementary valuation rolls will be implemented during the following financial year to improve property rates billing and enhance cashflow.

The municipality, after assessments, has concluded that a non-adjusting event exists which relates to the non-compliance with electricity tariff increment application procedures. The municipality is non-compliant with the provision which entail that tariff applications and the Nersa (regulatory authority) approvals must be in line with the cost of supply in determining electricity tariffs. The Afriforum has lodged a legal case against Nersa for approving the electricity tariffs for the financial year 2024/2025 without cost of supply. Although Nersa has appealed to the Supreme Court, the High Court judgement found that municipalities are prohibited from charging electricity tariffs where Nersa did not approve the municipality's tariff application based on a cost of supply study. The implications of the legal proceedings is that this might affect the revenue of the municipality. At this point it not feasible to determine the financial impact of the non-compliance

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<b>56. Unauthorised, Irregular and Fruitless and Wasteful Expenditure</b>		
Unauthorised expenditure	504 196 108	297 758 146
Irregular expenditure	164 424 084	155 309 290
Fruitless and wasteful expenditure	119 283 892	89 569 687
<b>Closing balance</b>	<b>787 904 084</b>	<b>542 637 124</b>

### Additional Narratives

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

### 57. Unauthorised expenditure

Opening balance as previously reported	297 758 146	1 070 570 269
Add: Unauthorised expenditure - current	206 437 962	121 069 621
Less: Amount authorised - prior period	-	(893 881 744)
<b>Closing balance</b>	<b>504 196 108</b>	<b>297 758 146</b>

Unauthorised expenditure is disclosed exclusive of VAT.

Non-cash	98 101 242	57 533 411
Cash	108 336 720	63 536 210
	<b>206 437 962</b>	<b>121 069 621</b>

### Unauthorised expenditure: Budget overspending – per municipal department:

Vote 1 - Office of the mayor and speaker	287 465	168 589
Vote 2 - Office of the municipal manager	3 331 365	1 953 745
Vote 3 - Budget and treasury office	136 275 964	79 921 732
Vote 4 - Corporate services	1 168 606	685 352
Vote 5 - Technical and engineering services	63 494 336	37 237 508
Vote 6 - Properties, planning and development	1 880 225	1 102 695
	<b>206 437 962</b>	<b>121 069 621</b>

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<b>58. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	89 569 687	162 215 390
Add: Fruitless and wasteful expenditure identified - current	29 714 205	54 827 167
Add: Fruitless and wasteful expenditure identified - prior period	-	5 375 150
Less: Amount written off - prior period	-	(132 848 021)
<b>Closing balance</b>	<b>119 283 892</b>	<b>89 569 687</b>

Fruitless and wasteful expenditure is presented inclusive of VAT

### Details of fruitless and wasteful expenditure

A3 Engineering	73	-
Atm Auto Elektries (Motolek)	-	-
Auditor General Of South Africa	2 554 996	-
Buildzone	6 095	-
Eskom	14 112 372	44 095 508
Jam office stationers	2 869	-
South African Revenue Service	3 294 809	12 391 214
N & S ELEKTRIES	-	100
Telkom SA	-	196
Water verbruikers vereniging	3 334 139	2 439 494
Water and Sanitation - National	6 336 757	1 275 804
West Rand Consulting (Pty) Ltd	68 823	-
URB-ICT	479	-
Kai Garib ABSA Fleet	2 792	-
	<b>29 714 205</b>	<b>60 202 318</b>

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

Eskom interest was reduced due to the national debt relief program the municipality are participating in. Please refer to note 67 for further information pertaining to the debt relief program.

### Amount recovered

Investigations will be conducted in the following financial reporting period to determine whether any amounts are recoverable or not.

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<b>59. Irregular expenditure</b>		
Opening balance as previously reported	155 309 290	433 239 914
Add: Irregular Expenditure - current	9 114 794	69 616 603
Less: Amount written off - prior period	-	(347 547 227)
<b>Closing balance</b>	<b>164 424 084</b>	<b>155 309 290</b>

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

Competitive bidding not invited	-	8 667 412
Three written quotations not invited	8 306 925	30 799 815
Declaration of interest not submitted	-	11 349 407
Tax clearances not obtained	807 869	18 799 969
	<b>9 114 794</b>	<b>69 616 603</b>

### Amount written-off

Irregular expenditure is presented inclusive of VAT

The full extent of irregular expenditure is yet to be determined by management.

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. Material Losses

### Electricity distributed losses

Units purchased (kWh)	46 859 830	44 055 805
Units lost during distribution (kWh)	16 744 926	14 272 471
Percentage lost during distribution	36%	32%
Loss Amount	33 045 292	24 649 489

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 purchased	3 627 187	3 171 677
Mega litres lost during distribution	2 464 136	2 369 908
Percentage lost during distribution	68%	76%
Loss Amount	2 481 378	3 031 003

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.

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Figures in Rand	2024	2023
<b>61. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	10 324 348	8 764 771
Current year subscription / fee	1 715 324	1 564 577
Amount paid - current year	-	(5 000)
	<b>12 039 672</b>	<b>10 324 348</b>
<b>Audit fees</b>		
Opening balance	20 801 300	16 796 481
Current year subscription / fee	5 062 053	7 595 279
Amount paid - current year	(2 000 000)	(3 590 461)
	<b>23 863 353</b>	<b>20 801 300</b>
<b>PAYE and UIF</b>		
Opening balance	46 202 045	27 666 638
Current year subscription	21 900 959	25 961 890
Amount paid - current year	(7 469 722)	(7 426 483)
	<b>60 633 282</b>	<b>46 202 045</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	26 981 219	9 394 167
Current year subscription / fee	32 891 512	22 170 847
Amount paid - current year	(8 345 411)	(4 583 795)
	<b>51 527 319</b>	<b>26 981 219</b>
<b>VAT</b>		
South African Revenue Service	72 170 283	51 416 293
	<b>72 170 283</b>	<b>51 416 293</b>

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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### 61. 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 2024:

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. M.M.M. Matthys	1 192	-	1 192
Cllr. E.N. Vas	1 295	53 334	54 629
Cllr. A.P. Presley	40	-	40
Cllr. R Ipinge	2 437	-	2 437
Cllr. C.F.P Maasdorp	278	3 525	3 804
Cllr. T. Renier	2 642	28 328	30 970
Cllr. M. Basson	99	2 724	2 823
Cllr. A.C. Kotzee	3 340	-	3 340
Cllr. S.A. Bruwer	2 891	-	2 891
Cllr. R.G. Saal	2 024	7 849	9 874
Cllr. Y.E. Scheffers	1 949	24 541	26 490
	<b>18 188</b>	<b>120 302</b>	<b>138 490</b>

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>

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

30 June 2024	Highest outstanding amount	Aging (in days)
Cllr. E.N. Vas	50 308	180
Cllr. T. Renier	25 889	180
Cllr. M. Basson	2 627	180
Cllr. C.F.P Maasdorp	3 247	180
Cllr. R.G. Saal	5 946	180
Cllr. Y.E. Scheffers	22 633	180
	<b>110 650</b>	<b>1 080</b>

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

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<b>61. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
Cllr. M. Basson	1 538	180
Cllr. C.F.P Maasdorp	592	180
	<b>163 490</b>	<b>1 080</b>

### 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.

### 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	3 024 618	4 805 755
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.	35 610	56 291
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.	303 608	831 098
		<b>3 363 836</b>	<b>5 693 145</b>

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63. Segment information

Additional Narratives

Definition of Segment reporting is as follows:

A segment is an activity of an entity:

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

Based on the assessment performed by management, the criteria of Part B, was not met in the current financial period as management does not regularly review performance at vote level to make decisions about resources to allocated to them and in assessing performance.

No further reporting per segment is required.

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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:

Reference No.	Description	Actual amount over/(under) budget	Variance percentage	Explanation
Note 64.1	Rental of facilities and equipment	(239 330)	-24%	Rent received from the renting of Other assets lower than anticipated during the budgeting process.
Note 64.2	Agency services	(76 585)	-22%	The service was moved to the Post Office. The anticipated revenue was lower than anticipated during the budgeting process.
Note 64.3	Licences and permits	(688 086)	-46%	The actual revenue collected was lower than anticipated as this service is rendered on behalf of the Department of Traffic, Safety and Liaison.
Note 64.4	Miscellaneous other revenue	(8 780)	-32%	Other revenue received lower than anticipated for during the adjustment budget process.
Note 64.5	Other income - (rollup)	(1 083 142)	-27%	Transaction handling fees lower than was anticipated during the budgeting process.
Note 64.6	Interest received - investment	(1 999 503)	-11%	Interest charge to Consumer Debtors, lower than anticipated during the budgeting process.
Note 64.7	Gains on disposal of assets	(2 041 264)	-%	During the budget process management did not anticipate to sell or dispose any assets of the municipality.
Note 64.8	Property rates	(3 878 794)	-11%	Adjustments to Property values not accounted for during the budgeting process
Note 64.9	Government grants & subsidies	(18 094 054)	-11%	Interest charge to Consumer Debtors, lower than anticipated during the budgeting process
Note 64.10	Public contributions and donations	1 013 868	-%	Unspent conditonal grants not spent during the financial year. Management assumed that all grants will be spent during the financial year
Note 64.11	Fines, Penalties and Forfeits	(7 449)	-26%	Municipal fines lower than anticipated during the financial year
Note 64.12	Revenue from service concession arrangements	143 711 982	-%	Management did not budget for non-cash items during the budgeting process

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<b>64. Budget differences (continued)</b>					
Note 64.13	Depreciation and amortisation	27 214 618	-%	Management did not budget for non-cash items during the budgeting process Due to cash flow constrains, interest charged by Creditors, higher than anticipated during the budgeting process	
Note 64.14	Impairment loss/ Reversal of impairments	6 127 482	-%		
Note 64.15	Finance costs	(40 088 970)	473%	Management did not budget for non-cash items during the budgeting process	
Note 64.16	Debt Impairment	(65 483 637)	-%	Actual Eskom invoices not accounted for Additional Contracted Service expenditure not budgeted for during the adjustment budget process	
Note 64.17	Bad debts written off	(16 718 967)	-%		
Note 64.18	Bulk purchases	(19 030 286)	24%	During the budget process management did not anticipate to sell or dispose any assets of the municipality.	
Note 64.19	Contracted Services	(40 695 283)	134%	Additional General expenditure not budgeted for during the adjustment budget process	
Note 64.20	Loss on disposal of assets	(2 041 264)	-%	Investment Property valuations is done after the budgeting process.	
Note 64.21	General Expenses	(5 628 692)	17%	Management did not anticipate any movement during the budgeting process. Inventory counts is being done on yearend, and management did not anticipate the movement of inventory during the budgeting process.	
Note 64.22	Fair value adjustments	819 702	-%	Cutt-over of conventional electricity and water lower than anticipated during the adjustment budget process	
Note 64.23	Inventories	(791 894)	253%	Debt impairment (Non-cash item) not budgeted or accounted for during the budgeting process	
Note 64.24	Other financial assets	(891 179)	58%	Debt impairment (Non-cash item) not budgeted or accounted for during the budgeting process	
Note 64.25	Receivables from exchange transactions	14 214 041	-57%	VAT Receivable not received from SARS as anticipated during the adjustment budget process	
Note 64.26	Receivables from non-exchange transactions	38 844 583	-84%	Cash available higher than anticipated during the adjustment budget process	
Note 64.27	VAT receivable	(33 223 798)	85%	Depreciation (Non-cash item) not budgeted or accounted for during the budgeting process	
Note 64.28	Cash and cash equivalents	(1 576 469)	289%	Debt impairment (Non-cash item) not budgeted or accounted for during the budgeting process	
Note 64.29	Intangible assets	20 845	-80%	Lease contracted terminated after the budgeting process was concluded	
Note 64.30	Receivables from exchange transactions	1 554 551	-92%	Actuarial valuations is being done after yearend, and management did not anticipate the movement of the employee benefit obligations during the budgeting process.	
Note 64.31	Finance lease obligation	(243 162)	-12%	Unspent condital grants not spent during the financial year. Management assumed that all grants will be spent during the financial year	
Note 64.32	Payables from exchange transactions	(489 842 554)	-53%	Actuarial valuations is being done after yearend, and management did not anticipate the movement of the employee benefit obligations during the budgeting process.	
Note 64.33	Employee benefit obligation	462 780	21%	Lease contracted terminated after the budgeting process was concluded	

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<b>64. Budget differences (continued)</b>					
Note 64.34	Unspent conditional grants and receipts	16 288 960	957%	Deficit of previous financial years not accounted for	
Note 64.35	Employee benefit obligation	2 826 684	13%	Please provide reason for variance	
Note 64.36	Finance lease obligation	(55 919)	-30%	Please provide reason for variance	
Note 64.37	Reserves	(104 466 926)	-%	Please provide reason for variance	

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### 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:

Municipality as Agent / Principle	Other Party in agreement	Purpose of Arrangement	Description of Arrangement	Significant Terms and Conditions of Arrangement
Agent	Provincial Department of Transport	Collection of motor vehicle license fees	The Municipality undertakes to collect Motor vehicle license fees on behalf of the Department of Transport and collects a commission of 12% plus VAT.	The municipality collect motor registration fees on behalf of Provincial Administration. Payment is made weekly based on the e-Natis reports Agency fees to the value of 12% plus VAT is withhold from the payment to the Province
Agent	Provincial Department of Transport	Roadworthiness testing of vehicels	The Municipality undertakesto perform roadworthiness tests on vehicles on behalf of the Department of Transport.	The testing of motor vehicles for the purpose of checking roadworthiness of vehicles inline with national guidelines
Agent	Provincial Department of Transport	Issuing leaner permits and driver licenses.	The Municipalityundertake s to handleDriver's licenceapplications on behalf ofthe Department ofTransport.	The value of applicationfees is determined by theProvincial administration.The Municipality recogniseall fees collected asagency fees.
Agent	Department of Justice	Administration of Court fees	The Municipality undertakes to collect Court Fines on behalf of the Department of Justice and get no commission for this service.	The municipality collect content of court fees on behalf of the Dept of Justice, which is paid over on a monthly basis. The Municipality has no rights to an administration fee on the content of court fees.
Principal	Pay@	Prepaid electricity vendor	The Municipality makeuse of the Pay@ accountpayment system availablein retail and other networksand Pay@ shall providethe required systems tointerface with Networks toenable the Data to bepresented and payments tobe made by theMunicipality's customers.	Data of municipal accountsshall be updated regularly.Systems shall bemaintained andcommission, supply andinstall systems necessaryfor provisioning of thePayment solution. NoChanges during thereporting period.

# Kai !Garib Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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### 65. Accounting by principals and agents (continued)

#### Municipality as agent

#### Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The resources regarding the Licensing Department, Dept of Justice and Department of Human Settlements remain their own and do not form part of the Municipality's financial statements.

#### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R(811 914) (2023: R(713 019))

Motor Vehicle registration - 22	(811 914)	(713 019)
Dept of Transport		
	<u>(811 914)</u>	<u>(713 019)</u>

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

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity have a net effect of R 53 358 447 that is still owed by the Municipality and will be paid over to the Department of Transport / Department of Justice in the new financial year.

#### Additional information

#### Receivables and payables recognised based on the rights and obligations established in the binding arrangements

#### Reconciliation of the carrying amount of payables

##### Provincial Department of Transport

Opening balance	51 188 486	48 939 573
Revenue that principal is entitled to	2 448 182	2 536 919
Commission	(278 221)	(288 006)
	<u>53 358 447</u>	<u>51 188 486</u>

##### All categories

Opening balance	51 188 486	48 939 573
Revenue that principal is entitled to	2 448 182	2 536 919
Commission	(278 221)	(288 006)
	<u>53 358 447</u>	<u>51 188 486</u>

#### Fee(s) paid as compensation to the agent

##### Commission paid

Agent 1	2 448 182	2 536 919
Agent 3	(278 221)	(288 006)

### 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.



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## Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
<b>67. Service concession</b>		
<b>Revenue from service concession</b>		
Eskom debt relief	143 711 982	-
The Municipality was approved to partake in the national Eskom Debt relief program, as instigated by National Treasury as mentioned in MFMA circular 124. Terms of the agreement has been set and the Municipality will have to comply with these terms in order to receive the benefit of the agreement.		
<b>Oligations in service concession</b>		
Eskom debt relief	537 804 317	-
The Municipality was approved to partake in the national Eskom Debt relief program, as instigated by National Treasury as mentioned in MFMA circular 124. Terms of the agreement has been set and the Municipality will have to comply with these terms in order to receive the benefit of the agreement.		
<b>Reconciliation of obligations in service concession</b>		
Other changes/movements	537 804 317	-
<b>Total service concession</b>		
<b>Current portion</b>		
Oligations in service concession	162 264 654	-
<b>Non-current portion</b>		
Oligations in service concession	375 539 663	-
	<b>537 804 317</b>	<b>-</b>