



Kgetlengrivier Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2023  
Auditor General South Africa  
Chartered Accountants (S.A.)

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## General Information

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<b>Legal form of entity</b>	Local municipality in terms of the Municipal Structures Act (Act 117 of 1998) and Section 155(1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
<b>Nature of business and principal activities</b>	<p>The main business operations of the municipality is to engage in local government activities which includes the planning and promotion of integrated development planning, land use management, economic and environmental development and supplying of the following services to the community</p> <p>General Services - All types of services rendered by the municipality, excluding the supply of housing to the community</p> <p>Waste Management Services - the collection and disposal of waste.</p> <p>Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers of the municipality in licensed areas.</p> <p>Waste Water Management - Collection and purification of waste water.</p> <p>Water Services - Supply of purified water</p>
<b>Legislation governing the municipality</b>	<p>Constitution of the Republic of south Africa (Act 108 of 1998)</p> <p>Local Government: Municipal Finance Management Act (Act no.56 of 2003)</p> <p>Local Government: Municipal Structures Act (Act 117 of 1998)</p> <p>Municipal Property Rates Act (act of 6 2004)</p> <p>Division of Revenue Act (Act 1 of 2007)</p>
<b>Mayoral committee</b>	<p>Cllr AA Salaledi (Chief whip)</p> <p>Cllr M Molefe (Speaker)</p>
Executive Mayor	Cllr TC Jacobs
Councillors	Cllr AA Salaledi
	Cllr BC Mokone
	Cllr J Potgieter
	Cllr K Selaolane
	Cllr M Molefe
	Cllr M Maphanga
	Cllr O Mutombene
	Cllr P Breet
	Cllr S Matshela
	Cllr T Motaung
	Cllr V Molatole
	Cllr W Rocher
<b>Grading of local authority</b>	Grade 2
<b>Accounting Officer</b>	<p>Mr Joseph Mogale (1 July 2022 - 30 November 2022)</p> <p>Mr Moathodi J Dilotsotlhe (Acting) (1 December 2022 - 28 February 2023)</p> <p>Mr Gopolang Clement Letsoalo (1 March 2023 - current)</p>
<b>Chief Finance Officer (CFO)</b>	Mr Maranatha Khunou
<b>Registered office</b>	<p>Kgetlengrivier Local Municipality</p> <p>Corner Smuts and Deewet Street</p> <p>Koster</p> <p>0348</p>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## General Information

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<b>Business address</b>	Kgetlengrivier Local Municipality Corner Smuts and Deewet Street Koster 0348
<b>Postal address</b>	Kgetlengrivier Local Municipality Corner Smuts and Deewet Street Koster 0348
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor General South Africa Chartered Accountants (S.A.)
<b>Attorneys</b>	Mosire attorneys Nadeem Moola attorneys
<b>Municipal category</b>	B
<b>Municipal demarcation code</b>	NW374

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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

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### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
EPWP	Expanded Public Works Program

# **Kgetlengrivier Local Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Officer's Responsibilities and Approval**

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

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

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

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

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**Mr Gopolang Clement Letsoalo**  
**Accounting Officer**

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Report

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

### 1. Review of activities

#### Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements.

Net deficit of the municipality was R 29 239 952 (2022: deficit R 14 549 073).

### 2. Going concern

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

### 3. Subsequent events

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

### 4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 5. Accounting Officer

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

Name	Nationality
Mr Gopolang Clement Letsoalo	South African

### 6. 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 Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

### 7. Auditors

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

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

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**Mr Gopolang Clement Letsoalo**  
Accounting Officer

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
Current Assets			
Inventories	8	105 776	40 059
Receivables from exchange transactions	9	9 130 568	938 992
Statutory receivables	10	10 080 230	14 660 200
VAT receivable	11	51 328 838	41 397 635
Consumer debtors	12	26 157 514	19 324 262
Cash and cash equivalents	13	2 203 764	8 566 362
		<b>99 006 690</b>	<b>84 927 510</b>
Non-Current Assets			
Investment property	3	46 213 000	45 124 000
Property, plant and equipment	4	618 618 531	572 557 826
		<b>664 831 531</b>	<b>617 681 826</b>
<b>Total Assets</b>		<b>763 838 221</b>	<b>702 609 336</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	5	565 836 952	424 291 021
Consumer deposits	6	3 464 425	3 004 451
Unspent conditional grants and receipts	14	483 935	6 151 433
		<b>569 785 312</b>	<b>433 446 905</b>
Non-Current Liabilities			
Employee benefit obligation	7	21 533 328	19 757 000
Provisions	15	35 442 849	30 165 770
		<b>56 976 177</b>	<b>49 922 770</b>
<b>Total Liabilities</b>		<b>626 761 489</b>	<b>483 369 675</b>
<b>Net Assets</b>		<b>137 076 732</b>	<b>219 239 661</b>
Accumulated surplus		137 076 732	219 239 661
<b>Total Net Assets</b>		<b>137 076 732</b>	<b>219 239 661</b>

\* See Note 42 & 41

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	58 466 591	59 476 363
Rental of facilities and equipment	18	376 340	37 365
Interest on service charges		11 663 895	9 990 118
Licences and permits	20	7 645 258	2 380 889
Miscellaneous other revenue		379 966	289 488
Interest received - investment	22	154 577	117 599
Fair value adjustments	36	-	6 436 251
<b>Total revenue from exchange transactions</b>		<b>78 686 627</b>	<b>78 728 073</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	23	11 423 018	6 663 287
<b>Transfer revenue</b>			
Government grants & subsidies	24	204 056 228	179 437 164
Fines, Penalties and Forfeits	19	11 607 233	14 566 500
<b>Total revenue from non-exchange transactions</b>		<b>227 086 479</b>	<b>200 666 951</b>
<b>Total revenue</b>	16	<b>305 773 106</b>	<b>279 395 024</b>
<b>Expenditure</b>			
Employee related costs	25	(87 296 319)	(84 597 971)
Remuneration of councillors	26	(6 460 461)	(5 791 455)
Depreciation	27	(27 494 224)	(29 641 835)
Impairments		(2 094 000)	-
Finance costs	28	(27 391 843)	(14 581 857)
Lease rentals on operating lease	21	-	(816 628)
Debt Impairment	30	(29 457 649)	(10 904 682)
Bulk purchases	32	(44 695 176)	(54 313 344)
Contracted services	33	(69 428 073)	(63 023 232)
Loss on disposal of assets and liabilities		(124 880)	-
Fair value adjustments	36	(4 188 079)	-
Actuarial losses	7	(3 046 431)	(1 000 000)
General Expenses	31	(33 335 923)	(29 273 093)
<b>Total expenditure</b>		<b>(335 013 058)</b>	<b>(293 944 097)</b>
<b>Deficit for the year</b>		<b>(29 239 952)</b>	<b>(14 549 073)</b>

\* See Note 42 & 41



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
<b>Balance at 01 July 2021</b>	<b>233 788 734</b>	<b>233 788 734</b>
Changes in net assets		
Surplus for the year	(14 549 073)	(14 549 073)
Total changes	(14 549 073)	(14 549 073)
Opening balance as previously reported	219 239 661	219 239 661
Adjustments		
Prior year adjustments 42	(52 922 977)	(52 922 977)
<b>Restated* Balance at 01 July 2022 as restated*</b>	<b>166 316 684</b>	<b>166 316 684</b>
Changes in net assets		
Surplus for the year	(29 239 952)	(29 239 952)
Total changes	(29 239 952)	(29 239 952)
<b>Balance at 30 June 2023</b>	<b>137 076 732</b>	<b>137 076 732</b>
Note(s)		

\* See Note 42 & 41

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates, fines penalties and forfeits		25 160 745	16 336 233
Sale of goods and services		52 784 155	52 564 616
Grants		198 388 730	171 000 285
Interest received - bank		154 577	117 599
Interest received - service charges		1 508 648	2 209 115
		<u>277 996 855</u>	<u>242 227 848</u>
<b>Payments</b>			
Employee costs		(95 026 883)	(91 660 426)
Suppliers		(84 658 266)	(62 757 459)
Finance costs		(27 391 843)	(14 581 857)
		<u>(207 076 992)</u>	<u>(168 999 742)</u>
<b>Net cash flows from operating activities</b>	34	<b><u>70 919 863</u></b>	<b><u>73 228 106</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(75 784 361)	(66 546 238)
Proceeds from sale of property, plant and equipment	4	10 548	-
		<u>(77 282 461)</u>	<u>(66 546 238)</u>
<b>Net cash flows from investing activities</b>		<b><u>(77 282 461)</u></b>	<b><u>(66 546 238)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(6 362 598)</u></b>	<b><u>6 681 868</u></b>
Cash and cash equivalents at the beginning of the year		8 566 362	1 884 494
<b>Cash and cash equivalents at the end of the year</b>	13	<b><u>2 203 764</u></b>	<b><u>8 566 362</u></b>

The accounting policies on pages 13 to 42 and the notes on pages 43 to 89 form an integral part of the annual financial statements.

\* See Note 42 & 41

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	70 198 000	-	<b>70 198 000</b>	58 466 591	<b>(11 731 409)</b>	53
Rental of facilities and equipment	391 000	-	<b>391 000</b>	376 340	<b>(14 660)</b>	
Interest received (trading)	21 547 000	-	<b>21 547 000</b>	11 663 895	<b>(9 883 105)</b>	53.
Licences and permits	11 027 000	45 000	<b>11 072 000</b>	7 645 258	<b>(3 426 742)</b>	
Miscellaneous other revenue	683 000	399 000	<b>1 082 000</b>	379 966	<b>(702 034)</b>	
Interest received - investment	60 000	-	<b>60 000</b>	154 577	<b>94 577</b>	
Gains	9 143 000	-	<b>9 143 000</b>	-	<b>(9 143 000)</b>	53
<b>Total revenue from exchange transactions</b>	<b>113 049 000</b>	<b>444 000</b>	<b>113 493 000</b>	<b>78 686 627</b>	<b>(34 806 373)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	9 886 000	-	<b>9 886 000</b>	11 423 018	<b>1 537 018</b>	53
<b>Transfer revenue</b>						
Government grants & subsidies	123 293 000	24 615 000	<b>147 908 000</b>	204 056 228	<b>56 148 228</b>	53
Fines, Penalties and Forfeits	10 000 000	-	<b>10 000 000</b>	11 607 233	<b>1 607 233</b>	53
<b>Total revenue from non-exchange transactions</b>	<b>143 179 000</b>	<b>24 615 000</b>	<b>167 794 000</b>	<b>227 086 479</b>	<b>59 292 479</b>	
<b>Total revenue</b>	<b>256 228 000</b>	<b>25 059 000</b>	<b>281 287 000</b>	<b>305 773 106</b>	<b>24 486 106</b>	
<b>Expenditure</b>						
Personnel	(70 370 000)	372 000	<b>(69 998 000)</b>	(87 296 319)	<b>(17 298 319)</b>	53
Remuneration of councillors	(11 542 000)	(550 000)	<b>(12 092 000)</b>	(6 460 461)	<b>5 631 539</b>	53
Depreciation and amortisation	(33 695 000)	(4 954 000)	<b>(38 649 000)</b>	(27 494 224)	<b>11 154 776</b>	53
Impairment loss/ Reversal of impairments	-	-	-	(2 094 000)	<b>(2 094 000)</b>	53
Finance costs	(1 048 000)	(3 069 000)	<b>(4 117 000)</b>	(27 391 843)	<b>(23 274 843)</b>	53
Debt Impairment	(30 890 000)	11 000 000	<b>(19 890 000)</b>	(29 457 649)	<b>(9 567 649)</b>	53
Bulk purchases	(34 478 000)	1 340 000	<b>(33 138 000)</b>	(44 695 176)	<b>(11 557 176)</b>	53
Contracted Services	(28 614 000)	(18 466 000)	<b>(47 080 000)</b>	(69 428 073)	<b>(22 348 073)</b>	53
Transfers and Subsidies	(1 422 000)	(47 000)	<b>(1 469 000)</b>	-	<b>1 469 000</b>	
Sale of goods/Inventory	(14 333 000)	8 013 000	<b>(6 320 000)</b>	-	<b>6 320 000</b>	53
General Expenses	(26 307 000)	(328 000)	<b>(26 635 000)</b>	(33 335 923)	<b>(6 700 923)</b>	53
<b>Total expenditure</b>	<b>(252 699 000)</b>	<b>(6 689 000)</b>	<b>(259 388 000)</b>	<b>(327 653 668)</b>	<b>(68 265 668)</b>	
<b>Operating deficit</b>	<b>3 529 000</b>	<b>18 370 000</b>	<b>21 899 000</b>	<b>(21 880 562)</b>	<b>(43 779 562)</b>	
Loss on disposal of assets and liabilities	-	-	-	(124 880)	<b>(124 880)</b>	
Fair value adjustments	-	-	-	(4 188 079)	<b>(4 188 079)</b>	
Actuarial gains/losses	-	-	-	(3 046 431)	<b>(3 046 431)</b>	
Transfers and subsidies (national provincial and district)	59 349 000	3 036 000	<b>62 385 000</b>	-	<b>(62 385 000)</b>	53
	<b>59 349 000</b>	<b>3 036 000</b>	<b>62 385 000</b>	<b>(7 359 390)</b>	<b>(69 744 390)</b>	
<b>Deficit before taxation</b>	<b>62 878 000</b>	<b>21 406 000</b>	<b>84 284 000</b>	<b>(29 239 952)</b>	<b>(113 523 952)</b>	

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>62 878 000</b>	<b>21 406 000</b>	<b>84 284 000</b>	<b>(29 239 952)</b>	<b>(113 523 952)</b>	

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	(1 010 000)	1 968 000	<b>958 000</b>	105 776	<b>(852 224)</b>	
Receivables from exchange transactions	-	-	-	9 130 568	<b>9 130 568</b>	53
Statutory receivables	-	-	-	10 080 230	<b>10 080 230</b>	53
Other debtors (VAT receivable)	83 910 000	(16 124 000)	<b>67 786 000</b>	89 836 166	<b>22 050 166</b>	53
Consumer debtors	(22 282 000)	55 436 000	<b>33 154 000</b>	26 157 514	<b>(6 996 486)</b>	53
Call investment deposits	1 453 000	6 732 000	<b>8 185 000</b>	-	<b>(8 185 000)</b>	53
Cash and cash equivalents	(836 000)	24 000 000	<b>23 164 000</b>	2 203 764	<b>(20 960 236)</b>	53
	<b>61 235 000</b>	<b>72 012 000</b>	<b>133 247 000</b>	<b>137 514 018</b>	<b>4 267 018</b>	
<b>Non-Current Assets</b>						
Investment property	41 160 000	3 964 000	<b>45 124 000</b>	46 213 000	<b>1 089 000</b>	
Property, plant and equipment	598 532 000	14 914 000	<b>613 446 000</b>	618 618 531	<b>5 172 531</b>	53
Intangible assets	36 123 000	-	<b>36 123 000</b>	-	<b>(36 123 000)</b>	53
	<b>675 815 000</b>	<b>18 878 000</b>	<b>694 693 000</b>	<b>664 831 531</b>	<b>(29 861 469)</b>	
<b>Total Assets</b>	<b>737 050 000</b>	<b>90 890 000</b>	<b>827 940 000</b>	<b>802 345 549</b>	<b>(25 594 451)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	213 177 000	100 064 000	<b>313 241 000</b>	565 836 952	<b>252 595 952</b>	53
VAT	-	-	-	38 507 328	<b>38 507 328</b>	53
Consumer deposits	23 761 000	3 349 000	<b>27 110 000</b>	3 464 425	<b>(23 645 575)</b>	53
Unspent conditional grants and receipts	-	-	-	483 935	<b>483 935</b>	53
Provisions	64 316 000	3 326 000	<b>67 642 000</b>	-	<b>(67 642 000)</b>	53
	<b>301 254 000</b>	<b>106 739 000</b>	<b>407 993 000</b>	<b>608 292 640</b>	<b>200 299 640</b>	
<b>Non-Current Liabilities</b>						
Borrowings	86 018 000	19 000	<b>86 037 000</b>	-	<b>(86 037 000)</b>	53
Employee benefit obligation	-	-	-	21 533 328	<b>21 533 328</b>	53
Provisions	19 303 000	(3 950 000)	<b>15 353 000</b>	35 442 849	<b>20 089 849</b>	53
	<b>105 321 000</b>	<b>(3 931 000)</b>	<b>101 390 000</b>	<b>56 976 177</b>	<b>(44 413 823)</b>	
<b>Total Liabilities</b>	<b>406 575 000</b>	<b>102 808 000</b>	<b>509 383 000</b>	<b>665 268 817</b>	<b>155 885 817</b>	
<b>Net Assets</b>	<b>330 475 000</b>	<b>(11 918 000)</b>	<b>318 557 000</b>	<b>137 076 732</b>	<b>(181 480 268)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	330 475 000	(11 918 000)	<b>318 557 000</b>	137 076 732	<b>(181 480 268)</b>	

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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.

#### 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 Significant judgements and sources of estimation uncertainty

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as 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:

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

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.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

#### 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 7.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the municipality.

Contingent liabilities also include obligations that are not recognised because their amount cannot be measured reliably or because settlement is not probable. Contingent liabilities do not include provisions for which it is certain that the entity has a present obligation that is more likely than not to lead to an outflow of cash or other economic resources, even though the amount or timing is uncertain.

A contingent liability is not recognised in the statement of financial position. However, unless the possibility of an outflow of economic resources is remote, a contingent liability is disclosed in the notes.

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the entity. Contingent assets are not recognised, but they are disclosed when it is more likely than not that an inflow of benefits will occur. However, when the inflow of benefits is virtually certain an asset is recognised in the statement of financial position, because that asset is no longer considered to be contingent.

Additional information regarding contingencies is disclosed in Note 39.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### 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 54.

#### Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the 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 municipality 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 are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

#### Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

#### Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

#### Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.5 Investment property

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

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

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

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

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

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

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

#### Fair value

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

### 1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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 is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

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

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

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

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Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Buildings	Straight-line	50 years
Furniture and fixtures	Straight-line	5-7 years
Motor vehicles	Straight-line	4-10 years
Office equipment	Straight-line	5-7 years
Infrastructure - roads	Straight-line	100 years
Community - building	Straight-line	50 years
Pavings	Straight-line	50 years
Water infrastructure	Straight-line	100 years
Electricity infrastructure	Straight-line	45 years
Recreational facilities	Straight-line	50 years
Security halls	Straight-line	5 years
Specialised plant and equipment	Straight-line	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.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

### 1.7 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

A financial asset is:

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

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

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

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

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

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

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

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

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

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

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;

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

#### Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	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
Bank overdraft	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Other long term liabilities	Financial liability measured at amortised cost

### 1.8 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

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.8 Statutory receivables (continued)

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### 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

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.8 Statutory receivables (continued)

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

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

### 1.9 Leases

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

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

#### Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

#### 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.

### 1.10 Inventories

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

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

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

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

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

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



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.10 Inventories (continued)

The cost of inventories is assigned using the first-in, first-out (FIFO) 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.

### 1.11 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.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

### 1.12 Impairment of cash-generating assets

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

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 (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used 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.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

#### Designation

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

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

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

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

#### Identification

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

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

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

#### Value in use

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

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

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

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

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

#### Discount rate

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

### 1.13 Impairment of 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.

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 (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.13 Impairment of non-cash-generating assets (continued)

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

#### Designation

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

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

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

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

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

#### Identification

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

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.13 Impairment of non-cash-generating assets (continued)

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

#### Redesignation

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

### 1.14 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.14 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits

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

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.14 Employee benefits (continued)

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises 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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

### 1.15 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.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.15 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.16 Commitments (continued)

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.17 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

#### 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 services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

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.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.17 Revenue from exchange transactions (continued)

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.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

### Recognition

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

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

### Measurement

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

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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

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

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

#### 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 income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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.

Taxation revenue are not grossed up for the amount of tax expenditures.

#### 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.

#### Fines

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.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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.

### 1.19 Investment income

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

### 1.20 Borrowing costs

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

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

### 1.21 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.

#### **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.



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### 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.

### 1.22 Comparative figures

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

### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.24 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.25 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 is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.26 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. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

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

### 1.27 Budget information

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

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

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

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

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

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

### 1.28 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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.28 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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 annual financial statements.

### 1.29 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.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 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 2023 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	46 213 000	-	46 213 000	45 124 000	-	45 124 000

#### Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	45 124 000	1 089 000	46 213 000

#### Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	41 160 000	3 964 000	45 124 000

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.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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

#### Details of valuation

The effective date of the revaluations was Friday, 30 June 2023. Revaluations were performed by Mr Athur Ngole Lesole a registered Property Valuer of Manna Holdings Pty Limited, independent valuers that are not connected to the municipality and have recent experience in location and category of the investment property being valued

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

Rental revenue from investment property	376 340	37 365
Direct operating expenses from rental generating property	79 907	346 764

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	95 423 713	(53 882 953)	41 540 760	95 423 713	(52 063 215)	43 360 498
Infrastructure	1 065 365 512	(518 671 013)	546 694 499	990 134 132	(494 705 112)	495 429 020
Community	65 395 057	(43 212 048)	22 183 009	65 839 298	(41 857 224)	23 982 074
Other property, plant and equipment # 4	15 640 658	(7 440 395)	8 200 263	15 035 928	(5 249 694)	9 786 234
<b>Total</b>	<b>1 241 824 940</b>	<b>(623 206 409)</b>	<b>618 618 531</b>	<b>1 166 433 071</b>	<b>(593 875 245)</b>	<b>572 557 826</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	<b>Opening balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>Impairment loss</b>	<b>Total</b>
Land and buildings	43 360 498	-	-	(1 251 515)	(568 223)	41 540 760
Infrastructure	495 429 020	75 129 630	(62 081)	(23 288 879)	(513 191)	546 694 499
Community	23 982 074	-	(67 799)	(740 798)	(990 468)	22 183 009
Movable assets	9 786 234	654 731	(5 548)	(2 213 032)	(22 122)	8 200 263
	<b>572 557 826</b>	<b>75 784 361</b>	<b>(135 428)</b>	<b>(27 494 224)</b>	<b>(2 094 004)</b>	<b>618 618 531</b>



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Total
Land and buildings	44 755 636	-	-	-	(1 395 138)	43 360 498
Infrastructure	467 525 002	63 480 956	27 729 718	(37 911 318)	(25 395 338)	495 429 020
Community	14 671 950	-	10 181 600	-	(871 476)	23 982 074
Movable assets	8 700 835	3 065 282	-	-	(1 979 883)	9 786 234
	<b>535 653 423</b>	<b>66 546 238</b>	<b>37 911 318</b>	<b>(37 911 318)</b>	<b>(29 641 835)</b>	<b>572 557 826</b>

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

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

Infrastructure	75 129 627	28 813 177
Community	-	9 265 883
	<b>75 129 627</b>	<b>38 079 060</b>

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

	Included within Infrastructure	Total
Opening balance	37 968 931	37 968 931
Additions/capital expenditure	75 129 627	75 129 627
	<b>113 098 558</b>	<b>113 098 558</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

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

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

	Included within Infrastructure	Included within Community	Total
Opening balance	3 133 408	9 265 883	12 399 291
Additions/capital expenditure	62 565 241	915 717	63 480 958
Transferred to completed items	(27 729 718)	(10 181 600)	(37 911 318)
	<b>37 968 931</b>	<b>-</b>	<b>37 968 931</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	3 712 839	3 857 768
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During the year, movable assets (motor vehicles and plant and equipment) with a carrying amount of R5 576 085 were attached by the sheriff of high courts arising from a court action against the municipality by creditors. The municipality has lost control of these movable assets. These assets were not derecognised as at year end and are included in the values above although the municipality no longer has control.

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.

### 5. Payables from exchange transactions

Trade payables	515 868 843	381 624 765
Retentions	29 270 028	24 105 339
Accrued bonus	1 724 283	1 983 214
Leave accrual	11 357 607	12 353 128
Unallocated funds	1 590 760	758 121
Receivables with credit balances	2 518 214	3 431 888
Other payables	590 071	327 537
Salaries control	2 917 146	(292 971)
	<b>565 836 952</b>	<b>424 291 021</b>

Some of the creditors have since instituted litigation against the municipality to recover amounts owed.

### 6. Consumer deposits

Water and electricity	3 464 425	3 004 451
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# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 7. Employee benefit obligations

#### Long service award

The provision arises as a result of duration of service rendered by employees according to policy. The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long-service award is payable to employees after 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover. Additional cash/gifts are awarded to employees for levels of past service per policy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2023 by One Pangea Expertise and Solutions, Registered Actuaries. 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 actuarial gains/loss of long service award includes an interest cost of R441 000 (2022: R408 000) and current service costs of R408 000 (2022: R411 000).

#### Post retirement benefit plan

The obligation arises from the municipality's policy which allows for all in-service employees, retired employees and their dependants to participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2023 by One Pangea Expert Solutions, Registered Actuaries. 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 actuarial gains/loss of post employment medical aid benefit includes an interest cost of R1 840 000 (2022: R1 840 000) and current service costs of R609 000 (2022: R609 000).

Plan assets: As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

Plan Liabilities: The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

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

##### Carrying value

Long service awards benefit	(9 129 707)	(4 069 000)
Post retirement medical aid benefit	(12 403 621)	(15 688 000)
	<b>(21 533 328)</b>	<b>(19 757 000)</b>

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

Opening balance	(271 000)	-
Net expense recognised in the statement of financial performance	1 776 327	(271 000)
	<b>1 505 327</b>	<b>(271 000)</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>7. Employee benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	1 020 000	913 000
Interest cost	2 314 000	2 132 000
Actuarial (gains) losses	(287 569)	(2 045 000)
Settlement	(1 270 104)	(1 271 000)
	<b>1 776 327</b>	<b>(271 000)</b>

### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11,23 %	9,00 %
Medical cost trend rates	6,28 %	8,40 %
Expected increase in salaries	8,24 %	8,40 %

In estimating the liability for long service leave benefits and post retirement medical aid benefit, a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

The discount rate used in valuing the long service award, post retirement medical benefit was the yield curve. As at 30 June 2023, the prime rate by South Africa Reserve Bank was 11.25% (2022: 9%). The assumption used a consumer price index of the difference between nominal and real yield curves. A nominal salary increase equal of 8,24% was assumed. As at 30 June 2023 the CPI was 7,24% (2022: 7.4%)

**Plan assets:** As at the valuation date, the long service leave award liability of the Municipality was unfunded. i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

**Plan Liabilities:** Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the next section of this report.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

The valuation was performed by ZAQ Consultants and Actuaries

### 8. Inventories

Water	104 307	38 590
Land held for sale	1 469	1 469
	<b>105 776</b>	<b>40 059</b>

Inventories recognised as an expense during the year - 1 827 598

There was no inventory of the municipality which was held by third parties as security.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>9. Receivables from exchange transactions</b>		
Trade debtors	4 456 572	938 992
License and permits receivable	4 659 610	-
Other debtors	14 386	-
	<b>9 130 568</b>	<b>938 992</b>

### Trade and other receivables impaired

As of 30 June 2023, trade and other receivables of R 2 500 978 (2022: R 2 289 267) were impaired and provided for.

The amount of the provision was R 2 500 978 as of 30 June 2023 (2022: R 2 289 267).

### 10. Other statutory receivables

**The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:**

Traffic fines	10 080 230	14 660 200
Traffic fines receivable arise from the municipality's legislated mandate to levy fines for traffic offenses on the roads under its jurisdiction.		
Current assets	10 080 230	14 660 200

### Traffic fines disclosures

Gross traffic fines	29 618 220	18 044 490
Impairment of traffic fines	(19 537 990)	(3 384 290)
<b>Net balance</b>	<b>10 080 230</b>	<b>14 660 200</b>

### Statutory receivables general information

#### Determination of transaction amount

Transaction amounts for traffic fines are determined according to the National Road Traffic Act 93 of 1996 and the guidelines per the Administrative and Adjudication of Road Traffic Offenses Act 46 of 1998.

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

Traffic fines are impaired using the National Prosecuting Authority's directive of August 2022 in respect of traffic infringement matters.

#### Statutory receivables impaired

As of 30 June 2023, Statutory receivables of R19 537 990 (2022: R3 384 290) were impaired and provided for.

The amount of the provision was R19 537 990 as of 30 June 2023 (2022: R3 384 290).

The ageing of these statutory receivables is as follows:

Over 12 months	19 537 990	3 384 290
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### 11. VAT receivable

VAT	51 328 838	41 397 635
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Value added tax qualifies as a statutory receivable as it is governed by the Value added tax act 89 of 1991. Refer to accounting policy note 1.8 for the treatment of Value added tax.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	30 605 558	28 156 082
Electricity	22 270 905	21 965 552
Water	59 242 199	56 803 104
Sewerage	28 416 864	26 146 834
Refuse	18 181 815	16 607 606
Interest receivable on consumer debtors	130 162 311	119 852 487
VAT on consumer debtors	13 795 067	12 983 220
	<b>302 674 719</b>	<b>282 514 885</b>
<b>Less: Allowance for impairment</b>		
Rates	(22 520 472)	(23 482 839)
Electricity	(20 443 581)	(20 050 546)
Water	(56 419 130)	(54 557 324)
Sewerage	(26 346 530)	(24 516 940)
Refuse	(16 767 669)	(15 373 825)
Interest receivable on consumer debtors	(121 181 919)	(114 340 208)
VAT on consumer debtors	(12 837 904)	(10 868 941)
	<b>(276 517 205)</b>	<b>(263 190 623)</b>
<b>Net balance</b>		
Rates	8 085 086	4 673 243
Electricity	1 827 324	1 915 006
Water	2 823 069	2 245 780
Sewerage	2 070 334	1 629 894
Refuse	1 414 146	1 233 781
Interest on consumer debtors	8 980 392	5 512 279
VAT on consumer debtors	957 163	2 114 279
	<b>26 157 514</b>	<b>19 324 262</b>
<b>Statutory receivables included in consumer debtors above are as follows:</b>		
Property rates	7 336 984	4 673 243
<b>Financial asset receivables included in consumer debtors above</b>	<b>18 820 530</b>	<b>14 651 019</b>
<b>Total consumer debtors</b>	<b>26 157 514</b>	<b>19 324 262</b>
<b>Rates</b>		
Current (0 -30 days)	3 324 646	1 805 141
31 - 60 days	1 300 530	766 538
61 - 90 days	1 219 255	648 223
91 - 120 days	1 143 832	617 079
Over 120	1 096 823	836 262
	<b>8 085 086</b>	<b>4 673 243</b>
<b>Electricity</b>		
Current (0 -30 days)	932 244	610 300
31 - 60 days	267 577	306 746
61 - 90 days	223 492	303 603
91 - 120 days	206 652	227 158
Over 120 days	197 359	467 199
	<b>1 827 324</b>	<b>1 915 006</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Consumer debtors (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	899 267	456 161
31 - 60 days	481 321	364 730
61 - 90 days	418 867	361 398
91 - 120 days	581 879	277 675
Over 120 days	441 735	785 816
	<b>2 823 069</b>	<b>2 245 780</b>
<b>Sewerage</b>		
Current (0 -30 days)	756 081	303 062
31 - 60 days	337 963	284 525
61 - 90 days	330 423	270 502
91 - 120 days	325 763	264 280
Over 120 days	320 104	507 525
	<b>2 070 334</b>	<b>1 629 894</b>
<b>Refuse</b>		
Current (0 -30 days)	255 869	223 406
31 - 60 days	261 360	209 067
61 - 90 days	231 480	205 560
91 - 120 days	226 940	202 861
Over 120 days	438 497	392 887
	<b>1 414 146</b>	<b>1 233 781</b>
<b>Interest on consumer debtors</b>		
Current (0 -30 days)	3 201 720	937 154
31 - 60 days	1 430 816	927 384
61 - 90 days	1 419 786	919 546
91 - 120 days	1 431 019	909 568
Over 120 days	1 497 051	1 818 627
	<b>8 980 392</b>	<b>5 512 279</b>
<b>Vat on consumer debtors</b>		
Current (0 -30 days)	217 961	1 125 509
31 - 60 days	194 154	170 074
61 - 90 days	177 158	170 798
91 - 120 days	195 913	138 857
Over 120 days	171 977	509 041
	<b>957 163</b>	<b>2 114 279</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification (gross)</b>		
<b>Consumers</b>		
Current (0 -30 days)	6 217 836	5 827 595
31 - 60 days	2 919 132	2 306 832
61 - 90 days	2 763 345	2 059 181
91 - 120 days	2 920 061	2 143 830
Over 120	244 509 857	233 497 302
	<b>259 330 231</b>	<b>245 834 740</b>
<b>Business</b>		
Current (0 -30 days)	2 817 362	1 237 612
31 - 60 days	1 200 856	515 526
61 - 90 days	1 143 491	479 180
91 - 120 days	1 022 140	487 882
Over 120	26 206 823	25 290 284
	<b>32 390 672</b>	<b>28 010 484</b>
<b>National and provincial government</b>		
Current (0 -30 days)	1 222 993	809 531
31 - 60 days	215 823	257 317
61 - 90 days	183 911	202 427
91 - 120 days	163 088	149 471
Over 120 days	9 168 001	9 632 741
	<b>10 953 816</b>	<b>11 051 487</b>
<b>Total</b>		
Current (0 -30 days)	10 258 191	7 874 738
31 - 60 days	4 335 811	3 079 675
61 - 90 days	4 090 747	2 740 788
91 - 120 days	4 105 289	2 646 183
Over	279 884 681	266 173 501
	302 674 719	282 514 885
Less: Allowance for impairment	(276 517 205)	(263 190 623)
	<b>26 157 514</b>	<b>19 324 262</b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(159 935)	(151 479)
31 - 60 days	(91 891)	(81 139)
61 - 90 days	(74 764)	(72 167)
91 - 120 days	(79 908)	(78 653)
Over 120 days	(276 110 707)	(262 807 185)
	<b>(276 517 205)</b>	<b>(263 190 623)</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(263 190 623)	(232 602 799)
Contributions to allowance	(13 326 582)	(30 587 824)
	<b>(276 517 205)</b>	<b>(263 190 623)</b>



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 12. Consumer debtors (continued)

#### Statutory receivables general information

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

Property rates arise from the municipality's legislated mandate to levy property rates according to the Municipal rates act.

##### Determination of transaction amount

The transaction amounts for property rates are determined by council for each year using recommended tariffs according to the guidelines in the Municipality Property Rates Act 06 of 2004. These tariffs are then applied to the properties on the valuation roll of the municipality

##### Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

##### Consumer debtors impaired

As of 30 June 2023, consumer debtors of R 277 613 806 (2022: R 263 190 623) were impaired and provided for.

The amount of the provision was R 277 613 806 as of 30 June 2023 (2022: R 263 190 623).

### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	(120)	56
Bank balances	759 601	184 776
Short-term deposits	222	6 926 616
Other cash and cash equivalents	1 444 061	1 454 914
	<b>2 203 764</b>	<b>8 566 362</b>

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

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

##### Credit rating

BB-	2 203 764	8 566 362
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# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA Bank - Main cheque account - 17 0000 0032	613 955	184 776	234 184	759 601	184 776	234 184
ABSA Bank - Call Account - 4772-3221	20 518	19 439	18 640	20 517	19 439	18 640
ABSA Bank - Fixed deposit - 20-5937-3814	22 511	21 593	20 839	22 511	21 593	20 839
ABSA Bank - Call Account - 40-7406-9151	98	13 427	3 775	98	13 427	3 775
ABSA Bank - Call Account - 40-6946-5550	32	25 635	6 606	143	25 635	6 606
ABSA Bank - Cheque Account - 40-7406-9020	3	6 705 094	4 963	3	6 705 094	4 963
ABSA Bank - Housing account - 40-6045-1122	(125)	180 134	181 109	(125)	180 134	181 109
ABSA Bank - Call account - 90-9898-9605	13	1 998	1 998	13	1 998	1 998
ABSA Bank - Staff advances - 41 0428 9259	90	-	-	90	-	-
ABSA Bank - Petty cash - 41 0428 9398	(190)	-	-	(190)	-	-
FNB Bank - Fixed deposit - 71039175594	35 484	35 484	33 927	37 020	35 484	33 927
FNB - 32 day notice - 74037426985	2 480	2 481	2 480	2 480	2 481	2 480
Sanlam - Investment account - 49912548	1 118 380	1 118 380	1 118 380	1 118 380	1 118 380	1 118 380
Old Mutual account-5540771	243 151	243 151	243 151	243 151	245 151	245 151
<b>Total</b>	<b>2 056 400</b>	<b>8 551 592</b>	<b>1 870 052</b>	<b>2 203 692</b>	<b>8 553 592</b>	<b>1 872 052</b>

#### Restricted cash balances

Old Mutual account-5540771	245 151	245 151
The investment held with Old Mutual cannot be accessed by the municipality as it was opened a long time ago under a name Swurtreggans Municipalitet. A letter has been written to Old Mutual that these funds belong to the municipality and the matter is currently with Old Mutual.		

### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal infrastructure grants	35 449	6 073 724
Water services infrastructure grant	31	31
Library grant	448 455	77 678
	<b>483 935</b>	<b>6 151 433</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 14. Unspent conditional grants and receipts (continued)

#### Movement during the year

Balance at the beginning of the year	6 151 433	14 588 312
Additions during the year	84 634 729	65 670 912
Income recognition during the year	(90 302 227)	(74 107 791)
	<b>483 935</b>	<b>6 151 433</b>

See note 24 for reconciliation of grants from National/Provincial Government.

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

### 15. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Change due to remeasureme nt	Total
Environmental rehabilitation	30 165 770	5 277 079	35 442 849

#### Reconciliation of provisions - 2022

	Opening Balance	Change due to remeasureme nt	Total
Environmental rehabilitation	32 638 021	(2 472 251)	30 165 770

The municipality has three dumping sites, each in Derby, Koster and Swartreggung. The provision arises from the legal obligation of the municipality to restore the sites after use according to the National Environmental Management: Waste Act, 2008 (Act no. 59 of 2008). The provision is classified as a current liability as the municipality has not obtained licenses to operate all the sites as yet.

In terms of the licensing of the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R35 442 849 (2022: R30 165 770) to restore the site at the end of its useful life, estimated to be between 2017 and 2024 for Koster Townlands landfill sites.

The provision has been for the net present value of this cost, using the average cost of borrowing interest rate.

Assumptions: The life of a dumpsite can be acceptable up to a period of 30 years and seldom is it necessary to extend that. Periods longer than 30 years have only a marginal effect on the final value.

The valuation was performed by by One Pangea Expertise and Solutions, registered environmental management experts.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>16. Revenue</b>		
Service charges	58 466 591	59 476 363
Rental of facilities and equipment	376 340	37 365
Interest received (trading)	11 663 895	9 990 118
Licences and permits	7 645 258	2 380 889
Miscellaneous other revenue	379 966	289 488
Interest received - investment	154 577	117 599
Property rates	11 423 018	6 663 287
Government grants & subsidies	204 056 228	179 437 164
Fines, Penalties and Forfeits	11 607 233	14 566 500
	<b>305 773 106</b>	<b>272 958 773</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	58 466 591	59 476 363
Rental of facilities and equipment	376 340	37 365
Interest received (trading)	11 663 895	9 990 118
Licences and permits	7 645 258	2 380 889
Miscellaneous other revenue	379 966	289 488
Interest received - investment	154 577	117 599
	<b>78 686 627</b>	<b>72 291 822</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	11 423 018	6 663 287
<b>Transfer revenue</b>		
Government grants & subsidies	204 056 228	179 437 164
Fines, Penalties and Forfeits	11 607 233	14 566 500
	<b>227 086 479</b>	<b>200 666 951</b>
<b>17. Service charges</b>		
Sale of electricity	44 970 930	48 640 164
Sale of water	5 924 245	4 813 898
Sewerage and sanitation charges	4 514 836	3 418 197
Refuse removal	3 056 580	2 604 104
	<b>58 466 591</b>	<b>59 476 363</b>
<b>18. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	348 049	34 001
Venue hire	28 291	3 364
	<b>376 340</b>	<b>37 365</b>
<b>19. Fines, Penalties and Forfeits</b>		
Traffic fines	11 607 233	14 566 500
<b>20. Licences and permits</b>		
Licences and permits	7 645 258	2 380 889

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>21. Lease rentals on operating lease</b>		
<b>Equipment</b>		
Contractual amounts	-	816 628
<b>22. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	154 577	117 599
<b>23. Property rates</b>		
<b>Rates received</b>		
Residential	11 423 018	6 663 287

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>24. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	113 754 000	105 336 000
Financial management grant	3 100 000	3 100 000
EPWP	1 000 000	980 000
Library grant	888 223	935 694
	<b>118 742 223</b>	<b>110 351 694</b>
<b>Capital grants</b>		
Municipal infrastructure grant	29 020 275	18 052 277
Water services infrastructure grant	34 743 669	51 033 193
Provincial infrastructure grant	21 550 061	-
	<b>85 314 005</b>	<b>69 085 470</b>
	<b>204 056 228</b>	<b>179 437 164</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	90 302 228	74 101 164
Unconditional grants received	113 754 000	105 336 000
	<b>204 056 228</b>	<b>179 437 164</b>
<b>Municipal infrastructure grant</b>		
Balance unspent at beginning of year	6 073 724	14 391 523
Current-year receipts	29 056 000	24 126 000
Conditions met - transferred to revenue	(29 020 275)	(18 052 277)
Forfeited to treasury	(6 074 000)	(14 391 522)
	<b>35 449</b>	<b>6 073 724</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>Water services infrastructure grant</b>		
Balance unspent at beginning of year	31	31
Current-year receipts	33 986 191	51 033 224
Conditions met - transferred to revenue	(34 743 669)	(51 033 224)
Retention withheld by treasury	757 478	-
	<b>31</b>	<b>31</b>
Conditions still to be met - remain liabilities (see note 14).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Library grant</b>		
Balance unspent at beginning of year	77 678	28 589
Current-year receipts	1 336 678	1 020 000
Conditions met - transferred to revenue	(888 223)	(935 694)
Forfeited to treasury	(77 678)	(35 217)
	<b>448 455</b>	<b>77 678</b>
Conditions still to be met - remain liabilities (see note 14).		

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 24. Government grants & subsidies (continued)

Provide explanations of conditions still to be met and other relevant information.

#### Provincial infrastructure grant

Current-year receipts	20 838 463	-
Conditions met - transferred to revenue	(20 838 463)	-
	<hr/>	<hr/>
	-	-

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>25. Employee related costs</b>		
Basic	54 025 613	50 515 446
Bonus	4 374 144	4 473 817
Medical aid - company contributions	4 777 472	5 066 567
UIF	514 554	493 097
WCA	34 398	33 219
SDL	687 179	631 161
Leave pay provision charge	(946 986)	1 922 057
Leave pay	2 854 651	865 837
Travel, motor car, accommodation, subsistence and other allowances	4 244 630	4 227 034
Overtime payments	1 377 525	1 717 728
Housing benefits and allowances	242 825	210 263
Contribution to pension fund	8 610 792	7 992 378
Standby and shift allowance	1 084 592	1 020 943
Telephone allowance	150 920	108 993
	<b>82 032 309</b>	<b>79 278 540</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	653 658	870 635
Travel Allowance	231 609	290 212
SDL	11 146	11 148
UIF	1 771	2 125
Bargaining Council	86	124
Cellphone allowance	8 769	12 000
Backpay	41 168	-
Leave payout	225 547	-
	<b>1 173 754</b>	<b>1 186 244</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	729 486	364 743
Travel Allowance	243 162	283 689
Leave Payout	208 764	189 355
SDL	11 448	12 814
UIF	2 124	1 240
Bargaining Council	130	62
Cellphone Allowance	12 000	14 000
	<b>1 207 114</b>	<b>865 903</b>
<b>Remuneration of technical services director</b>		
Annual Remuneration	668 696	60 791
Travel Allowance	222 899	20 264
Leave Payout	-	189 360
SDL	8 580	2 674
UIF	1 948	354
Bargaining Council	118	9
Cellphone Allowance	11 000	1 000
	<b>913 241</b>	<b>274 452</b>
<b>Remuneration of community services director</b>		
Annual Remuneration	243 162	729 486
Travel Allowance	81 053	243 158
SDL	5 014	9 360



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>25. Employee related costs (continued)</b>		
UIF	885	2 125
Bargaining Council	43	125
Cellphone Allowance	4 000	12 000
Leave Payout	189 355	-
	<b>523 512</b>	<b>996 254</b>
<b>Remuneration of LED director</b>		
Annual Remuneration	425 534	729 486
Travel Allowance	141 844	243 162
SDL	6 863	9 360
UIF	1 594	2 125
Bargaining Council	76	124
Cellphone Allowance	7 000	12 000
Leave Payout	140 285	-
	<b>723 196</b>	<b>996 257</b>
<b>Remuneration of corporate services director</b>		
Annual Remuneration	425 534	729 486
Travel Allowance	141 844	247 077
SDL	6 863	9 509
UIF	1 594	2 125
Bargaining Council	76	124
Cellphone Allowance	7 000	12 000
Leave Payout	140 282	-
	<b>723 193</b>	<b>1 000 321</b>
<b>26. Remuneration of councillors</b>		
Executive Major	966 653	649 340
Chief Whip	849 145	567 552
Chairperson MPAC	420 028	236 654
Speaker	893 103	612 956
Councillors	2 023 174	3 224 308
Chairperson Infrastructure Development and Technical Services	420 037	263 991
Chairperson Finance and Human Resources	475 469	236 654
Chairperson Community Safety and Transport	412 852	-
	<b>6 460 461</b>	<b>5 791 455</b>
<b>27. Depreciation</b>		
Property, plant and equipment	27 494 224	29 641 835
<b>28. Finance costs</b>		
Trade and other payables	27 391 843	14 581 857
<b>29. Auditors' remuneration</b>		
Fees	5 117 932	2 703 709

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>30. Debt impairment</b>		
Debt impairment	-	1 192 568
Contributions to debt impairment provision	29 457 649	9 712 114
	<b>29 457 649</b>	<b>10 904 682</b>
<b>31. General expenses</b>		
Advertising, printing and stationery	2 165 539	1 553 925
Auditors remuneration	5 117 932	2 703 709
Bank charges	369 584	249 249
Consulting and professional fees	8 469 370	4 038 113
Consumables	1 008 778	1 471 339
Entertainment	696 757	621 886
Gifts	332 128	1 226 609
Hire	335 020	-
Insurance	65 000	90 000
Mayoral games	103 930	-
Pest control	81 820	10 300
Fuel and oil	1 352 475	578 221
Postage and courier	171 579	586 616
Promotions	63 000	62 576
Protective clothing	61 305	954 978
Repairs and maintenance	2 448 182	2 855 167
Software expenses	3 309 970	5 145 213
Staff welfare	206 350	254 142
Subscriptions and membership fees	859 304	938 000
Telephone and fax	-	2 400
Training	4 760	550 986
Travel - local	2 091 692	610 251
Title deed search fees	24 032	15 760
Electricity	1 425 853	1 775 260
Expanded public works program expenses	1 143 173	979 137
Indigent subsidy free basic services	465 069	1 392 990
Ward committee stipend	817 521	480 500
Other expenses	145 800	125 766
	<b>33 335 923</b>	<b>29 273 093</b>
<b>32. Bulk purchases</b>		
Electricity	43 568 781	53 009 121
Water	1 126 395	1 304 223
	<b>44 695 176</b>	<b>54 313 344</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand			2023	2022
<b>32. Bulk purchases (continued)</b>				
<b>Electricity losses</b>				
	<b>Number</b>	<b>Number</b>		
	<b>2023</b>	<b>2022</b>		
Units purchased	25 441 071	37 436 725	43 568 781	53 009 121
Units sold	(18 517 861)	(30 318 477)	(31 712 526)	(42 929 926)
<b>Total loss</b>	<b>6 923 210</b>	<b>7 118 248</b>	<b>11 856 255</b>	<b>10 079 195</b>
<b>Comprising of:</b>				
Technical losses	-	-	11 856 255	10 079 195
<b>Percentage Loss:</b>				
Technical losses	100 %	100 %	100 %	100 %
<b>Water losses</b>				
	<b>Number</b>	<b>Number</b>		
	<b>2023</b>	<b>2022</b>		
Units purchased	2 982 022	2 905 364	1 126 395	1 304 223
Units sold	(372 045)	(388 034)	(181 600)	(174 615)
<b>Total</b>	<b>2 609 977</b>	<b>2 517 330</b>	<b>944 795</b>	<b>1 129 608</b>
<b>Comprising of:</b>				
Technical losses	-	-	2 609 977	2 517 330
<b>Percentage Loss:</b>				
Technical losses	- %	- %	100 %	100 %
<b>33. Contracted services</b>				
<b>Outsourced Services</b>				
Business and Advisory			14 012 417	14 280 462
Hygiene Services			1 500 005	89 725
Refuse Removal			5 548 957	7 890 111
Security Services			11 201 656	9 695 553
Sewerage Services			19 051 231	18 433 916
Traffic Fines Management			1 708 863	274 154
Water Tankering			8 203 286	-
<b>Consultants and Professional Services</b>				
Infrastructure and Planning			2 887 193	451 371
Legal Cost			1 601 626	8 050 172
<b>Contractors</b>				
Electrical Infrastructure			2 564 129	3 062 465
Maintenance of Roads and Stormwater Infrastructure			1 148 710	795 303
			<b>69 428 073</b>	<b>63 023 232</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>34. Cash generated from operations</b>		
Deficit	(29 239 952)	(14 549 073)
<b>Adjustments for:</b>		
Depreciation and amortisation	27 494 224	29 641 835
Gain on sale of assets and liabilities	124 880	-
Fair value adjustments	4 188 079	(6 436 251)
Impairment deficit	2 094 000	-
Debt impairment	29 457 649	10 904 682
Movements in retirement benefit assets and liabilities	(1 270 102)	(1 271 000)
Movements in provisions	5 277 079	(2 472 251)
Actuarial gains or loss	3 046 431	1 000 000
Other non-cash items	12 393 246	(13 512 535)
<b>Changes in working capital:</b>		
Inventories	(65 717)	111 952
Receivables from exchange transactions	(37 649 225)	(11 843 674)
Consumer debtors	(6 833 252)	(7 716 476)
Other receivables from non-exchange transactions	-	6 459 298
Statutory receivables	4 579 970	(10 107 758)
Payables from exchange transactions	72 461 280	98 480 934
VAT	(9 931 203)	2 725 345
Unspent conditional grants and receipts	(5 667 498)	(8 436 879)
Consumer deposits	459 974	249 957
	<b>70 919 863</b>	<b>73 228 106</b>
<b>35. Operating surplus (deficit)</b>		
Operating surplus (deficit) for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Equipment		
• Contractual amounts	-	816 628
Loss on sale of property, plant and equipment	(124 880)	-
Impairment on property, plant and equipment	2 094 000	-
Depreciation on property, plant and equipment	27 494 224	29 641 835
Employee costs	93 756 780	90 389 426
<b>36. Fair value adjustments</b>		
Investment property (Fair value model)	1 089 000	3 964 000
Movement in provision for landfill site rehabilitation	(5 277 079)	2 472 251
	<b>(4 188 079)</b>	<b>6 436 251</b>
<b>37. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2023</b>		
<b>Financial assets</b>		
	<b>At amortised cost</b>	<b>Total</b>
Statutory receivables	22 086 797	22 086 797
Trade and other receivables from exchange transactions	10 056 576	10 056 576
Consumer debtors	12 719 901	12 719 901
Cash and cash equivalents	7 932 223	7 932 223

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>37. Financial instruments disclosure (continued)</b>	<b>52 795 497</b>	<b>52 795 497</b>
<b>Financial liabilities</b>		
	<b>At amortised cost</b>	<b>Total</b>
Trade and other payables from exchange transactions	498 981 423	498 981 423
<b>2022</b>		
<b>Financial assets</b>		
	<b>At amortised cost</b>	<b>Total</b>
Statutory receivables	14 660 200	14 660 200
Consumer debtors	19 324 262	19 324 262
Cash and cash equivalents	8 566 362	8 566 362
Trade and other receivables from exchange transactions	938 992	938 992
	<b>43 489 816</b>	<b>43 489 816</b>
<b>Financial liabilities</b>		
	<b>At amortised cost</b>	<b>Total</b>
Trade and other payables from exchange transactions	418 921 410	418 921 410
<b>38. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	106 412 610	117 369 405
<b>Total capital commitments</b>		
Already contracted for but not provided for	106 412 610	117 369 405
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	106 412 610	117 369 405

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, bank facilities, existing cash resources, funds internally generated.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 39. Contingencies

Various litigations are in the process against the municipality relating to various disputes. The municipality's lawyers and management have not assessed the likelihood of the actions against the municipality being successful and the timeline which the various cases should be resolved. The contingencies arising from these cases are:

Bagaphala Project Trading CC V Kgetlengrivier Local Municipality: The case relates to Civil Claim against the municipality for service rendered in terms of contract. The amount of the claim is R548 462 (2022: R548 462).

Various Property Rate payers Vs Kgetlengrivier: The Municipality is engaged Civil Claims against the municipality for property rates and taxes levied by Kgetlengrivier Local Municipality. A register of all the 75 ratepayers is available for inspection at the municipality. The total amount of these 75 property rates claims is R728 390 (2022: R728 390)

Minister of Water and Sanitation V Kgetlengrivier Local Municipality: The case relates to a Civil Claim for water supplied/Levies. The amount of the claim is R7 740 058 (2022: R7 740 058)

Kgetlengrivier Concerned Citizens V Kgetlengrivier Local Municipality: Civil claim against municipality for non-payment, the amount of the claim is R 1 779 157.

Kgetlengrivier Local Municipality Vs Sarel De Klerk and others: The matter relates to eviction of illegal occupiers of land. The amount of the claim is not applicable.

Kgantha Developers Projects Vs Kgetlengrivier Local Municipality. The matter relates to a civil claim against the municipality for non-payment. The amount of the claim is R500 000.

Sakaliga Npc v Kgetlengrivier Local Municipality. The matter relates to a promotion of justice application against the municipality. The amount of the claim is not applicable.

Magnavolt Trading Vs Kgetlengrivier Local Municipality. The matter relates to a Civil claim against municipality for non-payment for services rendered. The amount of the claim is R1 300 000.

Kujenju Construction and Projects Vs Kgetlengrivier Local Municipality. The matter relates to a Civil claim against municipality for non-payment for services rendered. The amount of the claim is R3 897 834

Marole Naming Enterprise Vs Kgetlengrivier Local Municipality. The matter relates to a Civil claim against municipality for non-payment for services rendered. The amount of the claim is R900 000.

Radikhudu Construction Projects Vs Kgetlengrivier Local Municipality. The matter relates to a Civil claim against municipality for non-payment for services rendered. The amount of the claim is R77 625

Sakallga Npc Vs Kgetlengrivier Local Municipality. The matter relates to a promotion of justice application against the municipality. The amount of the claim is not applicable.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 40. Related parties

#### Relationships

Accounting Officer

Refer to accounting officers' report

Members of key management

Refer to note 25

All members of key management and councilors formally signed declaration of interests. CIPC search of associated companies was formally performed. There were no transactions and balances with related parties in the current year and prior year.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 40. Related parties (continued)

#### Remuneration of councillors

##### Councillors

##### 2023

Name	Basic salary	Travel allowance	Pension	Other benefits received	Total
Jacobs TC	583 098	228 666	102 899	51 989	966 652
Maphanga M	289 457	-	-	47 739	337 196
Matshela S	289 457	-	-	47 739	337 196
Mokone B	325 558	24 121	14 955	48 218	412 852
Molatole V	371 469	-	-	48 558	420 027
Molefe M	731 731	-	109 760	51 612	893 103
Motaung T	371 469	-	55 720	48 280	475 469
Mutombene O	289 457	-	-	47 739	337 196
Potgieter J	289 457	-	-	47 739	337 196
Rocher W	289 457	-	-	47 739	337 196
Selaledi A	500 500	201 583	96 029	51 032	849 144
Selaolane K	371 469	-	-	48 569	420 038
Breet P	289 457	-	-	47 739	337 196
	<b>4 992 036</b>	<b>454 370</b>	<b>379 363</b>	<b>634 692</b>	<b>6 460 461</b>

##### 2022

Name	Basic salary	Travel allowance	Pension	Other benefits received	Total
Jacobs TC	430 111	171 215	73 955	53 694	728 975
Rocher	187 405	-	-	30 908	218 313
Molatole	207 908	-	-	31 113	239 021
Motaung T	207 908	-	9 287	31 066	248 261
Matshela S	214 742	-	-	31 187	245 929
Breet P	187 405	-	-	30 908	218 313



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 40. Related parties (continued)

Mutombene O	187 405	-	-	30 908	218 313
Maphanga M	187 405	-	-	30 908	218 313
Molefe M	473 749	-	9 147	33 725	516 621
Selaolane K	235 245	-	-	31 386	266 631
Potgieter J	187 405	-	-	30 907	218 312
Potgieter T	77 582	25 861	-	20 746	124 189
Chirwa I	90 152	-	-	33 786	123 938
Mokone B	212 469	72 712	37 026	50 951	373 158
Mogale B	66 728	25 861	10 855	20 235	123 679
Modisane L	88 996	34 360	12 732	20 508	156 596
Molefe A	75 716	-	12 151	35 738	123 605
Ramoenyane D	66 728	25 861	10 855	20 234	123 678
Snyman J	66 728	25 861	10 855	20 234	123 678
Molusi O	114 179	-	18 573	20 332	153 084
Naledi T	66 728	25 861	10 855	20 235	123 679
Bhoola M	114 179	-	18 573	20 423	153 175
Doyi M	88 971	-	14 473	20 217	123 661
Salaledi A	361 344	143 663	55 824	67 502	628 333
	<b>4 197 188</b>	<b>551 255</b>	<b>305 161</b>	<b>737 851</b>	<b>5 791 455</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 41. Prior period errors

The annual financial statements were retrospectively adjusted for certain errors in the 2022 financial period. The following errors that were discovered in 2023 relating to 2022 financial period were adjusted for.

#### Statement of Financial Position

**Receivables from exchange transactions:** Other receivables of R938 992 that does not relate to service charges were reclassified from consumer debtors to receivables from non exchange transactions.

**Statutory receivables and consumer debtors:** In the prior year Property rates of R4 673 243 were classified as statutory receivables. These rates were reclassified to consumer debtors in and the statutory receivables disclosures relating to property rates were disclosed under consumer debtors.

**VAT receivable:** In the prior year VAT was understated with R5 160 921 and was retrospectively adjusted for to correct the error. The error relates to incorrect capturing of VAT on some supplier invoices.

**Payables from exchange transactions and Unidentified deposits:** In the prior year, undeposited funds of R774 423 were disclosed separately on the face of the Statement of Financial Position. This amount was reclassified to payables from exchange transactions. An amount of R 5 358 209 was corrected relating to VAT

**Property plant and equipment:** The municipality engaged a service provider to construct the municipality's asset register, the new registers required a correction of property plant and equipment, the amount of the correction was R4 577 154

**Accumulated surplus:** The adjustments processed for corrections of errors affect the Accumulated surplus. The amount of the adjustment was R4 543 921.

#### Statement of Financial Performance

**Depreciation:** The municipality engaged a service provider to construct the municipality's asset register, the new registers required a correction of depreciation, the amount of the correction was R468 366

**Contracted services, General expenditure and Repairs and Maintenance:** There were reclassifications among Contracted services, General expenditure and Repairs and maintenance based on the discovery that most of the repairs and maintenance related to water and sewer infrastructure maintenance that was contracted for, The reclassification led to an increase in Contracted services of R10 028 480, Increase in General expenditure of R3 017 518 and a reduction in Repairs and Maintenance expenditure in the prior year of R13 045 998.

#### Disclosures

**Fruitless and wasteful expenditure:** In the prior year fruitless and wasteful expenditure of R5 959 462 relating to the period from 1 July 2021 to 30 April 2022 was included in the fruitless and wasteful expenditure disclosed amount in error. Municipalities were exempted from reporting fruitless and wasteful expenditure during this period. The disclosure has been restated with this amount. Opening balance of Fruitless and wasteful expenditure was also omitted in the prior year. This amount has been included in the comparative.

**Irregular expenditure:** Prior year disclosure of irregular expenditure was restated affecting the opening balance of irregular expenditure disclosed, the amount of the adjustment was R5 959 462

**Unauthorised expenditure:** Unauthorised expenditure disclosure was restated to align to MFMA provisions. The amount of the correction was R238 230 051

The amounts affecting individual financial statement line items are disclosed in note 42

### 42. Prior-year adjustments

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

#### **Statement of financial position**

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022			
<b>42. Prior-year adjustments (continued)</b>					
<b>2022</b>					
	<b>Note</b>	<b>As previously reported</b>	<b>Correction of error</b>	<b>Re-classification</b>	<b>Restated</b>
Receivables from exchange transactions		-	-	938 992	938 992
Statutory receivables		19 333 443	-	(4 673 243)	14 660 200
Consumer debtors		15 425 957	205 840	3 692 465	19 324 262
VAT receivable		36 236 714	5 160 921	-	41 397 635
Property plant and equipment		567 980 672	4 577 154	-	572 557 826
Payables from exchange transactions		(418 158 389)	(5 358 209)	(774 423)	(424 291 021)
Unidentified deposits		(774 423)	-	774 423	-
Accumulated surplus		(214 695 741)	(4 543 921)	-	(219 239 662)
		<b>5 348 233</b>	<b>41 785</b>	<b>(41 786)</b>	<b>5 348 232</b>

### Statement of financial performance

#### 2022

	<b>Note</b>	<b>As previously reported</b>	<b>Correction of error</b>	<b>Re-classification</b>	<b>Restated</b>
Miscellaneous other revenue		289 921	(433)	-	289 488
Depreciation and amortisation		(30 110 201)	468 366	-	(29 641 835)
Contracted services		(52 994 752)	-	(10 028 480)	(63 023 232)
Finance costs		(14 549 057)	(32 800)	-	(14 581 857)
General expenditure		(26 255 575)	-	(3 017 518)	(29 273 093)
Repairs and maintenance		(14 603 047)	1 557 049	13 045 998	-
<b>Surplus for the year</b>		<b>(138 222 711)</b>	<b>1 992 182</b>	<b>-</b>	<b>(136 230 529)</b>

### 43. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification and corrections are disclosed in note 41.

### 44. Risk management

#### Liquidity risk

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

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

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

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 44. Risk management (continued)

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2023	2022
ABSA Bank	839 872	7 152 517
FNB Bank	39 501	37 965
Old Mutual	243 151	243 151
Sanlam	1 118 380	1 118 380

### 45. Going concern

While current liabilities exceed current assets, we draw attention to the fact that overall at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 137 076 732 and that the municipality's total assets exceed its liabilities by R 137 076 732.

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 Accounting officer considers that the going concern basis of accounting is applicable due to the following:

The municipality will continue to receive Equitable Share and it makes up the bulk of revenue (over 90%)

The municipality is undergoing financial rescue and therefore there is support from National and Provincial Treasury to enhance the municipality's revenue and cost containment measures will be put in place

A disposal committee will be put in place and the municipality plans to dispose of some investment properties in order to enhance revenue

The municipality is in the process of developing three (3) townships and that will enhance revenue when the stands are sold to the public

The municipality is in the process of identifying strategic investment properties in order to enter into market related rental agreements to enhance revenue.

The municipality has drafted revenue enhancement strategy and cost containment policy for implementation in the coming year.

### 46. Events after the reporting date

There were no adjusting events that occurred after year end.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 47. Unauthorised expenditure

Opening balance as previously reported	-	126 213 876
Correction of prior period error	<u>224 653 456</u>	<u>-</u>
<b>Opening balance as restated</b>	<b>224 653 456</b>	<b>126 213 876</b>
Add: Unauthorised expenditure - current year	<u>92 852 006</u>	<u>98 439 580</u>
<b>Closing balance</b>	<b>317 505 462</b>	<b>224 653 456</b>

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

Non-cash	11 672 672	-
Cash	<u>81 179 334</u>	<u>98 439 580</u>
	<b>92 852 006</b>	<b>98 439 580</b>

#### Analysed as follows: cash

Employee related cost	17 298 319	17 478 971
Remuneration of councillors	-	390 455
Finance costs	23 274 843	12 800 857
Lease rental on operating lease	-	816 628
Bulk purchases	11 557 176	22 232 344
Contracted services	22 348 073	38 829 232
General expenditure	<u>6 700 923</u>	<u>5 891 093</u>
	<b>81 179 334</b>	<b>98 439 580</b>

#### Analysed as follows: non-cash

Debt impairment	9 567 649	-
Loss on disposal of assets and liabilities	<u>2 105 023</u>	<u>-</u>
	<b>11 672 672</b>	<b>-</b>

### 48. Fruitless and wasteful expenditure

Opening balance as previously reported	72 019 438	57 473 019
Correction of prior period error	<u>(5 959 462)</u>	<u>-</u>
Current year Fruitless and wasteful expenditure	<u>27 391 843</u>	<u>14 546 419</u>
<b>Closing balance</b>	<b>93 451 819</b>	<b>72 019 438</b>

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### 48. Fruitless and wasteful expenditure (continued)

#### Details of fruitless and wasteful expenditure in the current year

	Disciplinary steps taken/criminal proceedings		
Interest on overdue account - AGSA	none	1 089 748	611 003
Interest on overdue account - Eskom	none	17 036 157	11 578 465
Interest on overdue account - Telkom	none	-	24 826
Interest on overdue account - SARS	none	1 330 601	1 091 944
Interest on overdue account - Other	none	7 935 337	1 240 181
		<b>27 391 843</b>	<b>14 546 419</b>

### 49. Irregular expenditure

Opening balance as previously reported	345 620 408	256 836 066
Add: Irregular expenditure - current	117 536 796	88 784 342
<b>Closing balance</b>	<b>463 157 204</b>	<b>345 620 408</b>

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

#### Contributions to organised local government

Opening balance	6 065 862	5 199 353
Current year subscription / fee	883 355	866 509
Amount paid - current year	(100 000)	-
	<b>6 849 217</b>	<b>6 065 862</b>

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<b>50. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Audit fees</b>		
Opening balance	6 613 835	2 799 320
Current year subscription / fee	5 885 622	3 814 515
	<b>12 499 457</b>	<b>6 613 835</b>
<b>PAYE SDL and UIF</b>		
Opening balance	24 303 341	17 009 788
Current year subscription / fee	13 079 301	11 306 670
Amount paid - current year	(12 657 489)	(4 013 117)
	<b>24 725 153</b>	<b>24 303 341</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	3 148 779	2 645 356
Current year subscription / fee	20 033 449	12 373 231
Amount paid - current year	(20 305 917)	(11 869 808)
	<b>2 876 311</b>	<b>3 148 779</b>
<b>VAT</b>		
VAT receivable	51 328 838	36 236 714

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

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

<b>30 June 2023</b>	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
Matshela S	9 044	146 735	155 779
Mokone B	595	46 194	46 789
Molatole V	(173)	23 599	23 426
Molefe M	(412)	21 224	20 812
Selaledi A	554	12 616	13 170
Selaolane K	19	12 402	12 421
Breet P	844	-	844
Maphanga M	433	-	433
Jacobs C	158	-	158
Mataung T	125	-	125
Mutombene O	120	-	120
	<b>11 307</b>	<b>262 770</b>	<b>274 077</b>

<b>30 June 2022</b>	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
Councillor Breet	3 531	1 677	5 208
Councillor Matshela	3 884	231 648	235 532
Councillor Molefe	1 501	37 682	39 183
Councillor Rocher	(710)	14 438	13 728
Councillor Selaolane	444	-	444
	<b>8 650</b>	<b>285 445</b>	<b>294 095</b>

Water and electricity distribution losses are disclosed under note 32.



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### 51. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

#### Description

Deviations as per section 36(1)(v) of SCM regulations. Exceptional case	322 061	-
Deviations as per section 36(1)(i) of SCM regulations. Emergency procurement	8 127 076	-
	<b>8 449 137</b>	<b>-</b>

#### Exceptional cases supplier

	<b>Reason</b>	
Environmental & Sustainability solutions CC (ESS)	Landfill closure provision for three landfills for the Kgetlengrivier Local Municipality	41 711
Elementary horizons	Grass cutting in Municipal Koster and Swartruggens as per 100 days program and Human rights day	280 350
		<b>322 061</b>

#### Emergency procurement supplier

	<b>Heading</b>	
Mosiele Construction	Waste collection and water tankering for a period of 30 days	2 163 000
Kgofoa	10mm tipper trucks for removal of dumps at wet rate	200 000
Fouch Trading & projects	Hiring of TLB to dig plumbing trenches and graveyard	56 925
Zagen Actuaries (Pty) Ltd	GRAP 25-Actuarial valuations	25 300
PHD Powerhouse Distribution (Pty) Ltd	Repair of faulty RMN Supply in cedrela and aluminum cables and mechanical ferrules	584 755
Chams Holdings	Repair and supply of electricity infrastructure	879 268
Kabelo Monon	Rubbles removals and cleaning of illegal dumping site	90 000
Vudo Printers	Calibration of speed cameras	215 000
Mfalapitsa	Hiring of three tipper truck	245 000
Tipucab	Supply and delivery of Cold Mix asphalt	235 795
Leago projects and investment	Hire of TLB ,Excavator and roller	227 137
NEFAMASA	Advertisement-Herald and city press	190 233
Sharpridge Investment and projects	Replacement of faulty Mini substation	868 435
Kabo ya Boago	Hiring of pressure jet machine	483 200
Omphi-Vik	Hiring of 200KW Generator for Koster WTW	1 183 000
Power House	Emergency repair of 110 DC Charger	65 125

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<b>51. Deviation from supply chain management regulations (continued)</b>		
Magnavolt Trading CC	Supply and installation of motor pump	157 401
Silver Platter Commodity	Replacement of faulty transformer in Swartruggens	257 502
		<b>8 127 076</b>

## 52. Segment information

### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of nine major functional areas: Executive and Council, Finance and Administration, Community and Social Services, Sports and Recreation, Road Transport, Waste Water Management, Energy Sources, Water Management and Waste Management. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

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

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

<b>Reportable segment</b>	<b>Goods and/or services</b>
Executive and Council	Overall oversight function of municipal functions and all other segments
Finance and Administration	Budgeting and financial administration of the municipality
Community and Social Services	Provision of community amenities such as libraries and sports fields
Sport and Recreation	Provision of sports and recreation services
Road Transport	Maintenance of roads infrastructure and levying of traffic fines
Waste Water Management	Provision and maintenance of sewerage infrastructure and earning of sewerage service revenue
Energy Sources	Provision and maintenance of bulk electricity infrastructure and sale of electricity
Water Management	Provision and maintenance of bulk water infrastructure and sale of water
Waste Management	Collection of refuse and levying of refuse tariffs

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### 52. Segment reporting (continued)

#### Segment surplus or deficit, assets and liabilities 2023

	Executive and Council	Finance and Administra tion	Community and Social Services	Sport and Recreation	Road Transport	Waste Water Management	Energy Sources	Water Management	Waste Management	Total
<b>Revenue</b>										
Service charges	-	-	-	-	-	4 514 836	44 970 930	5 924 245	3 056 580	58 466 591
Rental of facilities and equipment	-	-	376 340	-	-	-	-	-	-	376 340
Interest on service charges	-	11 663 895	-	-	-	-	-	-	-	11 663 895
Licences and permits	-	-	-	-	7 645 258	-	-	-	-	7 645 258
Miscellaneous other revenue	-	223 337	147 628	-	9 000	-	-	-	-	379 965
Interest received investments	-	154 577	-	-	-	-	-	-	-	154 577
Property rates and taxes	-	11 423 018	-	-	-	-	-	-	-	11 423 018
Government grants and subsidies	113 754 000	3 100 000	30 908 499	-	-	-	-	56 293 730	-	204 056 229
Fines and penalties	-	-	-	-	11 607 233	-	-	-	-	11 607 233
<b>Total segment revenue</b>	<b>113 754 000</b>	<b>26 564 827</b>	<b>31 432 467</b>	<b>-</b>	<b>19 261 491</b>	<b>4 514 836</b>	<b>44 970 930</b>	<b>62 217 975</b>	<b>3 056 580</b>	<b>305 773 106</b>
<b>Entity's revenue</b>										<b>305 773 106</b>

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	Executive and Council	Finance and Administration	Community and Social Services	Sport and Recreation	Road Transport	Waste Water Management	Energy Sources	Water Management	Waste Management	Total
<b>52. Segment reporting (continued)</b>										
<b>Expenditure</b>										
Employee related costs	12 487 527	35 618 608	5 159 719	2 483 694	12 969 446	3 762 379	2 454 156	6 175 453	6 185 336	87 296 318
Remuneration of councillors	6 460 461	-	-	-	-	-	-	-	-	6 460 461
Contracted services	5 195 801	18 543 632	-	-	2 857 573	135 700	14 076 546	27 118 817	1 500 005	69 428 074
Bulk purchases	-	-	-	-	-	-	43 568 781	1 126 395	-	44 695 176
Debt impairment	29 457 649	-	-	-	-	-	-	-	-	29 457 649
Depreciation and amortisation	2 094 004	740 798	1 251 515	-	-	-	-	25 501 908	-	29 588 225
Finance costs	-	27 391 843	-	-	-	-	-	-	-	27 391 843
Fair value adjustment	-	4 188 079	-	-	-	-	-	-	-	4 188 079
Actuarial losses	-	3 046 431	-	-	-	-	-	-	-	3 046 431
General expenditure	9 234 154	18 740 241	416 877	-	1 199 960	277 477	2 180 522	1 160 753	125 939	33 335 923
Loss on disposal	-	124 880	-	-	-	-	-	-	-	124 880
<b>Total segment expenditure</b>	<b>64 929 596</b>	<b>108 394 512</b>	<b>6 828 111</b>	<b>2 483 694</b>	<b>17 026 979</b>	<b>4 175 556</b>	<b>62 280 005</b>	<b>61 083 326</b>	<b>7 811 280</b>	<b>335 013 059</b>
<b>Total segmental surplus/(deficit)</b>	<b>48 824 404</b>	<b>(81 829 685)</b>	<b>24 604 356</b>	<b>(2 483 694)</b>	<b>2 234 512</b>	<b>339 280</b>	<b>(17 309 075)</b>	<b>1 134 649</b>	<b>(4 754 700)</b>	<b>(29 239 953)</b>

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	Executive and Council	Finance and Administration	Community and Social Services	Sport and Recreation	Road Transport	Waste Water Management	Energy Sources	Water Management	Waste Management	Total
<b>52. Segment reporting (continued)</b>										
<b>Assets</b>										
Inventories	-	-	1 469	-	-	-	-	104 307	-	105 776
Statutory receivables	-	8 085 087	-	-	10 080 230	-	-	-	-	18 165 317
VAT receivable	-	52 431 664	-	-	-	-	-	-	-	52 431 664
Receivables from exchange transactions	-	2 650 930	658 869	-	4 659 610	-	36 737	1 124 423	-	9 130 569
Consumer debtors	-	7 340 973	-	-	-	2 070 334	1 863 919	2 823 069	2 879 416	16 977 711
Cash and cash equivalents	-	2 203 890	-	-	(125)	-	-	-	-	2 203 765
Investment property	-	-	46 213 000	-	-	-	-	-	-	46 213 000
Property plant and equipment	-	(53 880 382)	94 449 924	893 986	215 398 934	(56 723 925)	52 720 883	365 759 110	(8 112)	618 610 418
<b>Total segment assets</b>	<b>-</b>	<b>18 832 162</b>	<b>141 323 262</b>	<b>893 986</b>	<b>230 138 649</b>	<b>(54 653 591)</b>	<b>54 621 539</b>	<b>369 810 909</b>	<b>2 871 304</b>	<b>763 838 220</b>
<b>Total assets as per Statement of financial Position</b>										<b>763 838 220</b>
<b>Liabilities</b>										
Payables from exchange transactions	-	565 836 953	-	-	-	-	-	-	-	565 836 953
Consumer deposits	-	865 996	-	-	-	-	2 598 428	-	-	3 464 424
Unspent conditional grants	-	2	483 903	-	-	-	-	30	-	483 935
Employee benefit obligation	-	21 533 328	-	-	-	-	-	-	-	21 533 328
Provisions	-	-	-	-	-	-	-	-	35 442 849	35 442 849
<b>Total segment liabilities</b>	<b>-</b>	<b>588 236 279</b>	<b>483 903</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 598 428</b>	<b>30</b>	<b>35 442 849</b>	<b>626 761 489</b>
<b>Total liabilities as per Statement of financial Position</b>										<b>626 761 489</b>

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### 52. Segment reporting (continued)

	Executive and Council	Finance and Administra tion	Community and Social Services	Sport and Recreation	Road Transport	Waste Water Management	Energy Sources	Water Management	Waste Management	Total
<b>Revenue</b>										
Service charges	-	-	-	-	-	3 418 197	48 640 163	4 813 897	2 604 104	59 476 361
Rental of facilities and equipment	-	-	37 365	-	-	-	-	-	-	37 365
Interest on service charges	-	9 990 118	-	-	-	-	-	-	-	9 990 118
Licences and permits	-	-	-	-	2 380 889	-	-	-	-	2 380 889
Miscellaneous other revenue	-	109 108	172 562	-	4 478	-	3 772	-	-	289 920
Interest received investments	-	117 599	-	-	-	-	-	-	-	117 599
Fair value adjustments	-	6 436 251	-	-	-	-	-	-	-	6 436 251
Property rates and taxes	-	6 663 287	-	-	-	-	-	-	-	6 663 287
Government grants and subsidies	105 336 000	3 100 000	19 967 970	-	-	-	-	51 033 193	-	179 437 163
Fines and penalties	-	-	-	-	14 566 500	-	-	-	-	14 566 500
<b>Total segment revenue</b>	<b>105 336 000</b>	<b>26 416 363</b>	<b>20 177 897</b>	<b>-</b>	<b>16 951 867</b>	<b>3 418 197</b>	<b>48 643 935</b>	<b>55 847 090</b>	<b>2 604 104</b>	<b>279 395 453</b>
<b>Entity's revenue</b>										<b>279 395 453</b>

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	Executive and Council	Finance and Administration	Community and Social Services	Sport and Recreation	Road Transport	Waste Water Management	Energy Sources	Water Management	Waste Management	Total
<b>52. Segment reporting (continued)</b>										
<b>Expenditure</b>										
Employee related costs	11 464 369	37 609 456	4 433 940	2 829 896	11 643 083	3 289 539	2 149 008	5 310 698	5 867 979	84 597 968
Remuneration of councillors	5 791 455	-	-	-	-	-	-	-	-	5 791 455
Contracted services	15 940 283	10 146 924	-	-	1 069 457	5 246 842	17 342 926	13 187 074	89 725	63 023 231
Bulk purchases	-	-	-	-	-	-	53 009 121	1 304 222	-	54 313 343
Debt impairment	9 712 114	1 192 568	-	-	-	-	-	-	-	10 904 682
Depreciation and amortisation	-	-	-	-	-	-	29 641 835	-	-	29 641 835
Finance costs	-	14 581 857	-	-	-	-	-	-	-	14 581 857
Lease rentals on operating lease	-	816 628	-	-	-	-	-	-	-	816 628
Actuarial losses	-	1 000 000	-	-	-	-	-	-	-	1 000 000
General expenditure	6 260 097	16 093 496	1 289 564	-	1 172 895	166 497	2 644 948	1 058 812	586 785	29 273 094
<b>Total segment expenditure</b>	<b>49 168 318</b>	<b>81 440 929</b>	<b>5 723 504</b>	<b>2 829 896</b>	<b>13 885 435</b>	<b>8 702 878</b>	<b>104 787 838</b>	<b>20 860 806</b>	<b>6 544 489</b>	<b>293 944 093</b>
<b>Total segmental surplus/(deficit)</b>	<b>56 167 682</b>	<b>(55 024 566)</b>	<b>14 454 393</b>	<b>(2 829 896)</b>	<b>3 066 432</b>	<b>(5 284 681)</b>	<b>(56 143 903)</b>	<b>34 986 284</b>	<b>(3 940 385)</b>	<b>(14 548 640)</b>

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	Executive and Council	Finance and Administration	Community and Social Services	Sport and Recreation	Road Transport	Waste Water Management	Energy Sources	Water Management	Waste Management	Total
<b>52. Segment reporting (continued)</b>										
<b>Assets</b>										
Inventories	-	-	1 469	-	-	-	-	38 590	-	40 059
Statutory receivables	-	4 673 243	-	14 660 200	-	-	-	-	-	19 333 443
VAT receivable	-	41 397 635	-	-	-	-	-	-	-	41 397 635
Cash and cash equivalents	-	8 386 321	180 040	-	-	-	-	-	-	8 566 361
Receivables from exchange transactions	-	(564 941)	373 181	-	-	-	-	1 130 752	-	938 992
Consumer debtors	-	7 589 962	-	-	-	1 629 894	1 951 601	2 245 780	1 233 782	14 651 019
Investment property	-	-	45 124 000	-	-	-	-	-	-	45 124 000
Property plant and equipment	2 685 347	(49 614 189)	95 664 626	(1 780 199)	227 678 164	(62 016 826)	52 720 883	307 220 020	-	572 557 826
<b>Total segment assets</b>	<b>2 685 347</b>	<b>11 868 031</b>	<b>141 343 316</b>	<b>12 880 001</b>	<b>227 678 164</b>	<b>(60 386 932)</b>	<b>54 672 484</b>	<b>310 635 142</b>	<b>1 233 782</b>	<b>702 609 335</b>
<b>Total assets as per Statement of financial Position</b>										<b>702 609 335</b>
<b>Liabilities</b>										
Payables from exchange transactions	-	424 274 719	16 302	-	-	-	-	-	-	424 291 021
Consumer deposits	-	485 456	-	-	-	-	2 518 995	-	-	3 004 451
Unspent conditional grants	-	2	6 151 402	-	-	-	-	30	-	6 151 434
Employee benefit obligation	-	19 757 000	-	-	-	-	-	-	-	19 757 000
Provisions	-	-	-	-	-	-	-	-	30 165 770	30 165 770
<b>Total segment liabilities</b>	<b>-</b>	<b>444 517 177</b>	<b>6 167 704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 518 995</b>	<b>30</b>	<b>30 165 770</b>	<b>483 369 676</b>
<b>Total liabilities as per Statement of financial Position</b>										<b>483 369 676</b>

Measurement of segment surplus or deficit, assets and liabilities



# Kgetlengrivier Local Municipality

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### 52. Segment reporting (continued)

#### Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

### 53. Budget differences

#### Material differences between budget and actual amounts

##### Statement of financial performance differences

**Service charges:** The budget for sale of electricity was initially set at R57,4 million based on anticipated demand. Actual electricity sales fell short of the budget

**Interest received trading:** Due to collection rate being more improved than anticipated therefore less consumers were charged interest. The debt relief programme that the municipality implemented resulted in consumer accounts interest being reduced or written off to encourage payment of services by the communities

**Gains:** Overbudget on fair value gains of investment property, actual gains were computed by outsourced valuers. The municipality did not dispose of any assets for the year as intended.

**Property rates:** The tariffs used for budgeting were lower than actual tariffs approved by council and used during the year

**Government grants and subsidies:** The initial budget was made based on DORA. The municipality then obtained additional government funding that was not in the initial gazette.

**Fines penalties and forfeits:** The budget on traffic fines was done based on past history of tickets, there were less tickets issued during the year as a result of the service provider's contract ending who was responsible for this service

**Remuneration of Personnel:** There are 30 learners that the municipality undertook to offer them traffic learners for a period of 12 months and also, after the municipality was changed from a plenary to executive collective and the changes had to be done to cater for the salary increases. E.g. A new office for the Speaker of Council and the Chief whip had to be incorporated into the budget. Therefore, the vote was used to budget for such.

**Remuneration of councilors:** There was an overbudget on this vote.

**Depreciation and amortisation:** Service providers were appointed to construct a GRAP compliant asset register. Results of the exercise were significantly different from budget.

**Finance costs:** The difference in finance costs is as the result of interest rate that is charged to the municipality due to nonpayment of services that was provided to be municipality. E.g. Eskom debt etc..

**Debt impairment:** The municipality budgeted for R19,890 million for the provision of bad debts. The debt relief programme of the municipality was extended by council and it is still ongoing.

**Bulk purchases:** The budget did not anticipate the significant increases in tariffs as approved by NERSA for Eskom

**Contracted services:** The municipality found itself in a situation where a lot of service providers took the municipality to court for nonpayment and some of them were awarded court orders (writ) and they either had to be paid or attached the municipal account

##### Statement of financial position differences

**Receivables and consumer debtors:** The difference in all receivables should be looked at in total since the budget lumped as receivables as consumer debtors. The aggregate where actual is greater than budget arise mainly from VAT receivable which is determined by consultants and would not have been accurately budgeted for and traffic fines.

**Cash and Cash equivalents:** due to the additional funding from different departments which came after the budget had been approved, the additional funding had to be included into the budget and affected the cash balances.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 53. Budget differences (continued)

**Investment property:** Professional Consultants were engaged and their values were higher than the budgeted values

**Property plant and equipment:** Professional Consultants were engaged and their values were higher than the budgeted values

**Intangible assets:** There was an overbudget on this line item, the municipality does not have intangible assets

**Payables from exchange transactions:** The municipality did not pay a larger portion of its suppliers as initially anticipated on initial budgeting leading to the difference.

**Provisions:** The municipality overbudgeted on provisions, the actual amounts were determined by actuaries

**Borrowings:** The municipality does not have any borrowings. A possible system error.

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

The changes between the approved and final budget are a consequence of changes in the overall budget parameters.

### 54. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

In terms of GRAP 109 Accounting for principal and agent relationships, the municipality is an agent of the Department of Transport and Community Services where the municipality issues license and permits on behalf of the department. The entity receives 20% of licensing and permits that it withholds and pays over the remaining 80% to the department. License and permits recognised as revenue amounted to R7 645 258 (2022: R2 380 889)