



**KAI !GARIB LOCAL MUNICIPALITY**

(Demarcation code: NC082)

**UNAUDITED ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2025**

**Kai !Garib Local Municipality**

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

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

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**Abbreviations used:**

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

## **Kai !Garib Local Municipality**

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#### **Relevant Legislation:**

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

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

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

## Kai !Garib Local Municipality

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

### General Information

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<b>Legal form of entity</b>	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).
<b>Nature of business and principal activities</b>	<p>Kai !Garib Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996).</p> <p>The municipality's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations.</p>
<b>Vision statement</b>	Creating an economically viable and fully developed Municipality, which enhances the standard of living of all the inhabitants/community of Kai !Garib through good governance, excellent service delivery and sustainable development.
<b>Mission statement</b>	Provision of transparent, accountable and sustainable service delivery.
<b>Grading of municipal Council for the upper limits for Councillors</b>	Low capacity municipality
<b>Grading of remuneration of municipal manager and senior managers</b>	Low capacity municipality
<b>Accounting Officer</b>	Mr. O.J. Isaacs
<b>Chief Finance Officer (CFO)</b>	Mrs. A.F. Beukes
<b>Registered office</b>	164 11th Avenue Kakamas 8870
<b>Postal address</b>	Private Bag X 6 Kakamas 8870
<b>Primary bank</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Matthews and Partners Inc. Van Wyk Attorneys Inc. Wessels and Smith Ing. Du Pokoy Attorneys Inc.
<b>Level of assurance</b>	These unaudited annual financial statements will be audited in compliance with the applicable requirements of the Municipal Finance Management Act, No 56 of 2003.
<b>Email address</b>	admin@kaigarib.gov.za
<b>Website</b>	www.kaigarib.gov.za
<b>Telephone number</b>	(054) 431 6300
<b>Fax number</b>	(054) 431 6301

## Kai !Garib Local Municipality

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

### Members of the Municipal Council

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<b>Mayor</b>	Cllr. M.M.M. Matthys
<b>Speaker</b>	Cllr. N.E. Vas
<b>Ward Councillors</b>	Cllr. A.P. Prestley Cllr. R. Ipinge Cllr. J. White Cllr. R. Saal Cllr. E. Padmaker Cllr. Y.E. Scheffers Cllr. A. Johnson Cllr. M.J. Basson

<b>Proportional Representative Councillors</b>	Cllr. M. Basson Cllr. N. du Plessis Cllr. T. Renier Cllr. C.P.F. Maasdorp Cllr. A.C. Kotzee Cllr. A. Kampher Cllr. S.A Bruwer Cllr. C.A. April Cllr. R.W. Cloete
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#### Council Committees

##### Executive Committee

Chairperson:	Cllr. M.M.M. Matthys
Members:	Cllr. A.P. Prestley Cllr. T. Renier

##### Socio-Economic Development Committee

Chairperson:	Cllr. Y.E. Scheffers
Members:	Cllr. E. Padmaker Cllr. R. Ipinge Cllr. C. Maasdorp Cllr. N. Du Plessis

##### Institutional Development Committee

Chairperson:	Cllr. R.G. Saal
Members:	Cllr. N.E. Vas Cllr. E. Padmaker Cllr. C.A. April Cllr. A.C. Kotzee

##### Infrastructure Development Committee

Chairperson:	Cllr. R. Ipinge
Members:	Cllr. R.G. Saal Cllr. J. White Cllr. S.R. Bruwer Cllr. T. Renier

## **Kai !Garib Local Municipality**

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Unaudited Annual Financial Statements for the year ended 30 June 2025

### **Members of the Municipal Council**

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#### **Disciplinary Committee**

Chairperson:

Cllr. N.E. Vas

Members:

Cllr. R.G. Saal

Cllr. T. Renier

#### **Municipal Public Account Committee (MPAC)**

Chairperson:

Cllr. M.J. Basson

Members:

Cllr. A. Johnson

Cllr. A. Kampher

Cllr. M. Basson

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



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

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

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited 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 unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited 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 unaudited 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 unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality complies with all legislative requirements. The collection of outstanding consumer debtor accounts and effective service delivery is also a priority of the municipality.

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

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

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

The unaudited annual financial statements set out on page 13 - 117, which have been prepared on the going concern basis, were approved by the accounting officer and signed by him.



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**Mr. O.J. Isaacs**  
**Municipal Manager (Accounting Officer)**  
**Kai !Garib Local Municipality**  
**31 August 2025**

## **Kai !Garib Local Municipality**

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

### **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2025.

#### **1. Review of activities**

##### **Main business and operations**

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

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

The municipality is a South African category B.

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

Net deficit of the municipality was R 187 533 453 (2024: deficit R 63 903 151).

#### **2. Going concern**

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R (226 757 073) and that the municipality's total assets exceed its liabilities by R (226 757 073).

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

#### **3. Subsequent events**

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

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

The accounting officer does not have an interest in contracts awarded, either direct or indirect.

#### **5. Accounting policies**

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

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

#### **6. Accounting Officer**

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

Name

Mr. O.J. Isaacs

## **Kai !Garib Local Municipality**

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

### **Accounting Officer's Report**

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#### **7. Corporate governance**

##### **General**

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

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

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

##### **Audit committee**

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

##### **Internal audit**

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

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

#### **8. Bankers**

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

#### **9. Auditors**

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

#### **10. Public Private Partnership**

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

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

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

## Kai !Garib Local Municipality

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

### Accounting Officer's Report

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#### 12. Municipal jurisdiction

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

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



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**Mr. O.J. Isaacs**  
**Municipal Manager (Accounting Officer)**  
**Kai !Garib Local Municipality**  
**31 August 2025**

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Fax 054 461 6401  
Private Bag X 6  
KAKAMAS  
8870  
VAT No. 4170193371

## **Certification of Remuneration of Councillors**

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### **Declaration by the Accounting Officer**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 51419 dated 21/10/2024. This read with the Remuneration of Public Officer Bearers Act, Circular 14/2015 dated 27 March 2015 of SALGA, the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act and the approval letter received from the Minister of Corporative Governance, Human Settlements and Traditional Affairs on 3 April 2018.

A handwritten signature in black ink, appearing to be 'O.J. Isaacs', is written over a horizontal line.

**Mr. O.J. Isaacs**  
**Municipal Manager (Accounting Officer)**  
**Kai !Garib Local Municipality**  
**31 August 2025**

**Statement of Financial Position as at 30 June 2025**

Figures in Rand	Note(s)	2025	2024 <i>Restated*</i>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	1 210 879	2 122 407
Inventories	5	1 097 630	1 105 369
Other financial assets	6	3 247 627	2 424 577
Receivables from exchange transactions	7	19 861 068	10 765 627
Receivables from non-exchange transactions	8	96 350 930	76 537 915
<b>Total Current Assets</b>		<b>121 768 134</b>	<b>92 955 895</b>
<b>Non-Current Assets</b>			
Receivables from exchange transactions	7	588 072	136 309
Heritage assets	11	112 955	112 955
Investment property	12	164 814 178	162 729 244
Property, plant and equipment	13	767 313 561	801 168 745
<b>Total Non-Current Assets</b>		<b>932 828 766</b>	<b>964 147 253</b>
<b>Total Assets</b>		<b>1 054 596 900</b>	<b>1 057 103 148</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Consumer deposits	14	3 068 912	2 808 328
Employee benefit obligation	15	1 945 786	2 622 070
Finance lease obligation	16	-	1 740 487
Other financial liabilities	17	13 520 569	12 477 889
Payables from exchange transactions	18	599 319 760	422 288 207
Unspent conditional grants and receipts	20	21 785 234	17 991 810
Service concession liabilities	65	162 264 654	162 264 654
<b>Total Current Liabilities</b>		<b>801 904 915</b>	<b>622 193 445</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	15	28 247 325	24 119 146
Finance lease obligation	16	-	133 540
Provisions	19	75 662 082	74 340 975
Service concession liabilities	65	375 539 663	375 539 663
<b>Total Non-Current Liabilities</b>		<b>479 449 070</b>	<b>474 133 324</b>
<b>Total Liabilities</b>		<b>1 281 353 985</b>	<b>1 096 326 769</b>
<b>Net Assets</b>		<b>(226 757 085)</b>	<b>(39 223 621)</b>
Accumulated surplus		(226 757 073)	(39 223 621)
<b>Total Net Assets</b>		<b>(226 757 073)</b>	<b>(39 223 621)</b>

\* See Note 50

**Statement of Financial Performance for the year ended 30 June 2025**

Figures in Rand	Note(s)	2025	2024 <i>Restated*</i>
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Agency services	21	252 124	278 221
Interest income	22	23 035 472	15 534 025
Licences and permits	24	707 581	811 914
Operational revenue	25	3 945 567	2 924 244
Prescribed revenue		12 976	18 660
Rental of facilities and equipment	26	650 118	760 671
Service charges	27	159 283 135	128 647 851
<b>Total revenue from exchange transactions</b>		<b>187 886 973</b>	<b>148 975 586</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Interest income	23	11 529 165	8 884 616
Property rates	28	30 327 889	30 036 789
<b>Transfer revenue</b>			
Fines	29	714 302	20 901
Government grants and subsidies	30	146 211 252	144 523 095
Public contributions and donations	31	2 500	1 013 868
Service concession arrangements	65	-	143 711 982
<b>Total revenue from non-exchange transactions</b>		<b>188 785 108</b>	<b>328 191 251</b>
<b>Total revenue</b>		<b>376 672 081</b>	<b>477 166 837</b>
<b>Expenditure</b>			
Bad debts written off	32	(11 940)	(16 718 967)
Bulk purchases	33	(111 283 250)	(97 520 805)
Contracted services	34	(57 766 335)	(68 891 684)
Debt impairment	35	(70 574 194)	(65 483 637)
Depreciation and amortisation	36	(29 752 411)	(36 739 376)
Employee related costs	37	(165 589 195)	(153 045 919)
Finance costs	38	(47 989 492)	(48 564 334)
General expenses	39	(44 773 823)	(39 034 446)
Remuneration of councillors	42	(8 959 804)	(8 269 412)
Inventory consumed	40	(3 383 261)	(5 903 621)
<b>Total expenditure</b>		<b>(540 083 705)</b>	<b>(540 172 201)</b>
<b>Operating deficit</b>		<b>(163 411 624)</b>	<b>(63 005 364)</b>
Loss on disposal of assets and liabilities	13	(20 013 858)	(2 041 264)
Actuarial gains	15	(1 367 552)	24 489
Fair value adjustments	44	2 084 934	819 702
Reversal of impairments/(Impairment loss)	43	(5 193 709)	299 286
Landfill site expense	41	368 356	-
<b>Deficit for the year</b>		<b>(187 533 453)</b>	<b>(63 903 151)</b>

\* See Note 50

**Statement of Changes in Net Assets for the year ended 30 June 2025**

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	3 192 180	3 192 180
Adjustments		
Prior year adjustments 50	21 487 351	21 487 351
<b>Balance at 01 July 2023 as restated*</b>	<b>24 679 530</b>	<b>24 679 530</b>
Changes in net assets		
Deficit for the year	(63 903 151)	(63 903 151)
Total changes	(63 903 151)	(63 903 151)
Opening balance as previously reported	(71 447 806)	(71 447 806)
Adjustments		
Prior year adjustments 50	32 224 186	32 224 186
<b>Restated* Balance at 01 July 2024 as restated*</b>	<b>(39 223 620)</b>	<b>(39 223 620)</b>
Changes in net assets		
Deficit for the year	(187 533 453)	(187 533 453)
Total changes	(187 533 453)	(187 533 453)
<b>Balance at 30 June 2025</b>	<b>(226 757 073)</b>	<b>(226 757 073)</b>
Note(s)		

\* See Note 50

**Cash Flow Statement for the year ended 30 June 2025**

Figures in Rand	Note(s)	2025	2024 <i>Restated*</i>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		19 253 266	26 181 967
Sale of goods and services		121 385 700	100 715 427
Grants		150 004 676	159 809 332
Interest income		84 668	59 145
		<u>290 728 310</u>	<u>286 765 871</u>
<b>Payments</b>			
Employee costs		(174 062 759)	(158 091 122)
Suppliers		(85 047 886)	(88 959 757)
Finance costs		(1 042 680)	(1 040 272)
		<u>(260 153 325)</u>	<u>(248 091 151)</u>
<b>Net cash flows from operating activities</b>	46	<b><u>30 574 985</u></b>	<b><u>38 674 720</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(29 832 114)	(36 327 754)
Proceeds from sale of property, plant and equipment	13	1	-
Proceeds from sale of investment property	12	-	2 030 830
Proceeds from sale of financial assets		(823 050)	-
<b>Net cash flows from investing activities</b>		<b><u>(30 655 163)</u></b>	<b><u>(34 296 924)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		1 042 680	851 481
Net movement on service concession liabilities		-	537 804 317
Repayment of service concession liabilities		-	537 804 317
Finance lease payments		(1 874 027)	(3 808 603)
<b>Net cash flows from financing activities</b>		<b><u>(831 347)</u></b>	<b><u>(2 957 122)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(911 525)</b>	<b>1 420 674</b>
Cash and cash equivalents at the beginning of the year		2 122 407	701 733
<b>Cash and cash equivalents at the end of the year</b>	4	<b><u>1 210 882</u></b>	<b><u>2 122 407</u></b>

\* See Note 50

# Kai Igarib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Agency services	352 566	-	352 566	252 124	(100 442)	Note 62.3
Interest income	17 456 159	1 044 065	18 500 224	23 035 472	4 535 248	Note 62.5
Licences and permits	798 580	-	798 580	707 581	(90 999)	Note 62.4
Operational revenue	3 882 912	-	3 882 912	3 945 567	62 655	
Miscellaneous other revenue	13 368	-	13 368	12 976	(392)	
Rental of facilities and equipment	867 663	-	867 663	650 118	(217 545)	Note 62.2
Service charges	222 883 049	6 534 172	229 417 221	159 283 135	(70 134 086)	Note 62.1
<b>Total revenue from exchange transactions</b>	<b>246 254 297</b>	<b>7 578 237</b>	<b>253 832 534</b>	<b>187 886 973</b>	<b>(65 945 561)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Availability service charges	548 612	-	548 612	-	(548 612)	
Interest income	8 506 195	548 000	9 054 195	11 529 165	2 474 970	Note 62.7
Property rates	33 785 372	(2 046 500)	31 738 872	30 327 889	(1 410 983)	
<b>Transfer revenue</b>						
Fines	549 699	-	549 699	714 302	164 603	Note 62.9
Government grants and subsidies	166 468 480	(16 700 000)	149 768 480	146 211 252	(3 557 228)	
Public contributions and donations	88 649	-	88 649	2 500	(86 149)	Note 62.8
<b>Total revenue from non-exchange transactions</b>	<b>209 947 007</b>	<b>(18 198 500)</b>	<b>191 748 507</b>	<b>188 785 108</b>	<b>(2 963 399)</b>	
<b>Total revenue</b>	<b>456 201 304</b>	<b>(10 620 263)</b>	<b>445 581 041</b>	<b>376 672 081</b>	<b>(68 908 960)</b>	

# Kai Igarib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Expenditure</b>						
Bad debts written off	-	-	-	(11 940)	(11 940)	Note 62.15
Bulk purchases	(85 396 586)	-	(85 396 586)	(111 283 250)	(25 886 664)	Note 62.16
Contracted services	(50 739 880)	(3 249 000)	(53 988 880)	(57 766 335)	(3 777 455)	
Debt impairment	-	-	-	(70 574 194)	(70 574 194)	Note 62.14
Depreciation and amortisation	(34 403 459)	-	(34 403 459)	(29 752 411)	4 651 048	Note 62.11
Employee related costs	(157 005 149)	(2 521 283)	(159 526 432)	(165 589 195)	(6 062 763)	
Finance costs	(14 135 756)	(42 581)	(14 178 337)	(47 989 492)	(33 811 155)	Note 62.13
General expenses	(77 791 164)	(1 813 561)	(79 604 725)	(48 157 084)	31 447 641	Note 62.19
Remuneration of councillors	(8 940 585)	(1 024 928)	(9 965 513)	(8 959 804)	1 005 709	Note 62.10
<b>Total expenditure</b>	<b>(428 412 579)</b>	<b>(8 651 353)</b>	<b>(437 063 932)</b>	<b>(540 083 705)</b>	<b>(103 019 773)</b>	
<b>Operating deficit</b>	<b>27 788 725</b>	<b>(19 271 616)</b>	<b>8 517 109</b>	<b>(163 411 624)</b>	<b>(171 928 733)</b>	
Actuarial gains	(1 623 091)	(25 354)	(1 648 445)	(1 367 552)	280 893	
Fair value adjustments	8 141 508	-	8 141 508	2 084 934	(6 056 574)	
Loss on disposal of assets and liabilities	209 608	-	209 608	(20 013 858)	(20 223 466)	
Gain on foreign exchange	-	-	-	368 356	368 356	
Impairment loss/ Reversal of impairments	18 470 600	-	18 470 600	(5 193 709)	(23 664 309)	Note 62.12
	<b>25 198 625</b>	<b>(25 354)</b>	<b>25 173 271</b>	<b>(24 121 829)</b>	<b>(49 295 100)</b>	
<b>Surplus/(deficit) for the year</b>	<b>52 987 350</b>	<b>(19 296 970)</b>	<b>33 690 380</b>	<b>(187 533 453)</b>	<b>(221 223 833)</b>	

# Kai Igarib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	1 671 616	(38 702)	<b>1 632 914</b>	1 210 879	<b>(422 035)</b>	Note 62.25
Inventories	1 346 147	15 092	<b>1 361 239</b>	1 097 630	<b>(263 609)</b>	Note 62.22
Other financial assets	1 661 717	178 380	<b>1 840 097</b>	3 247 627	<b>1 407 530</b>	Note 62.23
Receivables from exchange transactions	11 550 820	1 239 902	<b>12 790 722</b>	19 861 068	<b>7 070 346</b>	Note 62.24
Receivables from non-exchange transactions	96 074 867	362 718	<b>96 437 585</b>	96 350 930	<b>(86 655)</b>	
<b>Total current assets</b>	<b>112 305 167</b>	<b>1 757 390</b>	<b>114 062 557</b>	<b>121 768 134</b>	<b>7 705 577</b>	
<b>Non-Current Assets</b>						
Heritage assets	112 954	-	<b>112 954</b>	112 955	<b>1</b>	
Intangible assets	32 078	(3 168)	<b>28 910</b>	-	<b>(28 910)</b>	
Investment property	164 388 686	1 659 442	<b>166 048 128</b>	164 814 178	<b>(1 233 950)</b>	
Property, plant and equipment	759 824 596	(14 786 351)	<b>745 038 245</b>	767 313 561	<b>22 275 316</b>	
Receivables from exchange transactions	258 209	125 799	<b>384 008</b>	21 599 459	<b>21 215 451</b>	Note 62.26
<b>Total non-current assets</b>	<b>924 616 523</b>	<b>(13 004 278)</b>	<b>911 612 245</b>	<b>953 840 153</b>	<b>42 227 908</b>	
<b>Total Assets</b>	<b>1 036 921 690</b>	<b>(11 246 888)</b>	<b>1 025 674 802</b>	<b>1 075 608 287</b>	<b>49 933 485</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Consumer deposits	3 029 002	61 920	<b>3 090 922</b>	3 068 912	<b>(22 010)</b>	
Employee benefit obligation	2 572 691	-	<b>2 572 691</b>	1 945 786	<b>(626 905)</b>	Note 62.27
Finance lease obligation	1 659 718	-	<b>1 659 718</b>	-	<b>(1 659 718)</b>	
Other financial liabilities	11 898 835	-	<b>11 898 835</b>	13 520 569	<b>1 621 734</b>	Note 62.29
Payables from exchange transactions	547 284 168	(6 205 858)	<b>541 078 310</b>	599 319 760	<b>58 241 450</b>	
Service concession liabilities	148 039 551	(1 680 209)	<b>146 359 342</b>	162 264 654	<b>15 905 312</b>	
Unspent conditional grants and receipts	-	-	<b>-</b>	21 785 234	<b>21 785 234</b>	Note 62.28
<b>Total current liabilities</b>	<b>714 483 965</b>	<b>(7 824 147)</b>	<b>706 659 818</b>	<b>801 904 915</b>	<b>95 245 097</b>	

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Non-Current Liabilities</b>						
Employee benefit obligation	24 613 867	-	<b>24 613 867</b>	28 247 325	<b>3 633 458</b>	Note 62.30
Finance lease obligation	133 541	(133 541)	-	-	-	
Provisions	77 642 149	-	<b>77 642 149</b>	75 662 082	<b>(1 980 067)</b>	
<b>Total non-current liabilities</b>	<b>102 389 557</b>	<b>(133 541)</b>	<b>102 256 016</b>	<b>103 909 407</b>	<b>1 653 391</b>	
<b>Total Liabilities</b>	<b>816 873 522</b>	<b>(7 957 688)</b>	<b>808 915 834</b>	<b>905 814 322</b>	<b>96 898 488</b>	
<b>Net Assets</b>	<b>220 048 168</b>	<b>(3 289 200)</b>	<b>216 758 968</b>	<b>169 793 965</b>	<b>(46 965 003)</b>	
<b>Net Assets</b>						
Accumulated surplus	220 048 168	(3 289 200)	<b>216 758 968</b>	(226 757 073)	<b>(443 516 041)</b>	Note 62.31

The accounting policies on pages 21 to 49 and the notes on pages 50 to 117 form an integral part of the unaudited annual financial statements.

**Accounting Policies for the year ended 30 June 2025**

<b>Figures in Rand</b>	<b>Note(s)</b>	<b>2025</b>	<b>2024</b>
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**1. Significant accounting policies**

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

**1.1 Basis of preparations**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

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

These accounting policies are consistent with the previous period.

**1.2 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The amounts disclosed in the annual financial statements are rounded-off to the nearest Rand.

**1.3 Going concern assumption**

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

**1.4 Materiality**

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

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

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

**1.5 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

## Accounting Policies

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

#### Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

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

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

#### Fair value estimation

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

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

#### Impairment testing

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

#### Provisions

Management's judgement is required when recognising and measuring provisions, contingent liabilities and contingent assets. Additional disclosure of these estimates of provisions are included in note 19.

#### Useful lives of infrastructure and other assets

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

#### Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 15.

## Accounting Policies

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

#### Effective interest rate

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

#### Allowance for impairment

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

#### Recognition and Derecognition of Land

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

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

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

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

#### Accounting by principals and agent

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

Additional information is disclosed in note 63.

#### Segment reporting

A segment is an activity of an entity:

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

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

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

#### Measurement

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

## Accounting Policies

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

#### Interest on exchange and non exchange assets

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

### 1.6 Investment property

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

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

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

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

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

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

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

#### Fair value

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

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

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

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

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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

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

## Accounting Policies

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### 1.6 Investment property (continued)

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

### 1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

## Accounting Policies

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

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

Item	Depreciation method	Average useful life
<b>Immovable assets</b>		
Buildings	Straight-line	7 - 50 years
Community	Straight-line	15 - 50 years
Infrastructure - Electricity network	Straight-line	15 - 40 years
Infrastructure - Roads network	Straight-line	15 - 80 years
Infrastructure - Solid waste network	Straight-line	15 - 50 years
Infrastructure - Water network	Straight-line	15 - 80 years
Land	Straight-line	Indefinite
Landfill Sites	Diminishing balance method	3 - 50 years
<b>Movable assets</b>		
Computer equipment	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 15 years
Motor vehicles	Straight-line	7 - 15 years
Plant and machinery	Straight-line	5 - 15 years

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

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

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

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 13). The expenditure to repair and maintain property, plant and equipment comprises of goods and services and contracted services. These cost excludes labour cost.

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

## Accounting Policies

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### 1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

### 1.9 Heritage assets

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 11). Cost incurred to repair and maintain heritage assets comprises of goods and services and contracted services. These costs excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11). Heritage Assets under construction are carried at cost. All assets under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

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

#### Impairment

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

#### Transfers

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

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

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## Accounting Policies

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### 1.9 Heritage assets (continued)

#### Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback). The gain or loss arising from the disposal or retirement of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying value and is recognised in the statement of financial performance

### 1.10 Financial instruments

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

**Accounting Policies**

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**1.10 Financial instruments (continued)****Classification**

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

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

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

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

**1.11 Statutory receivables****Identification**

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

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

**Recognition**

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

**Initial measurement**

The municipality initially measures statutory receivables at their transaction amount.

**Subsequent measurement**

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

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

## Accounting Policies

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### 1.11 Statutory receivables (continued)

#### Accrued interest

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

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

#### Other charges

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

#### Impairment losses

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

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

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

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

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

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

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

#### Derecognition

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

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

## **Accounting Policies**

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### **1.11 Statutory receivables (continued)**

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

### **1.12 Leases**

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

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

#### **Finance leases - lessee**

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

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

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### **Operating leases - lessee**

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

### **1.13 Inventories**

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

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

## Accounting Policies

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### 1.13 Inventories (continued)

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

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

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

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

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

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

### Water Inventory

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

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

### 1.14 Construction contracts and receivables

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

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

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

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

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

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

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

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

## Accounting Policies

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### 1.14 Construction contracts and receivables (continued)

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

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

### 1.15 Cash and cash equivalents

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

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

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

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

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

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

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

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

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

### Designation

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

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

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

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

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

## **Accounting Policies**

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

#### **Identification**

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

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

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

#### **Value in use**

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

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

#### **Depreciated replacement cost approach**

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

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

#### **Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

## **Accounting Policies**

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

#### **Reversal of an impairment loss**

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

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

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

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

#### **Redesignation**

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

### **1.17 Employee benefits**

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

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

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

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

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

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

#### Post-employment benefits

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

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

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past, or accrued and future in-service element. The liability is recognised at the fair value of the obligation, together with any adjustments required. The projected unit credit method has been used to value the obligation. Refer to note 15.

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

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

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

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

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

## Accounting Policies

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### 1.17 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

### 1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

## Accounting Policies

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### 1.18 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 .

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

### 1.19 Commitments

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

### 1.20 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Pre-paid Electricity

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

## Accounting Policies

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### 1.20 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

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

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

#### Interest

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

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

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

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

### 1.21 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.

## Accounting Policies

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

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

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

#### Taxes

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

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

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

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

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

## **Accounting Policies**

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### **1.21 Revenue from non-exchange transactions (continued)**

#### **Transfers**

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

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

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

#### **Unconditional Grants**

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

#### **Conditional Grants**

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

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

#### **Availability charges**

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

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

#### **Fines**

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

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

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

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

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

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

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

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

## **Accounting Policies**

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### **1.21 Revenue from non-exchange transactions (continued)**

#### **Services in-kind**

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

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

#### **Unallocated deposit**

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

### **1.22 Investment income**

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

### **1.23 Borrowing costs**

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

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

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

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

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

### **1.24 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.

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### Accounting Policies

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

##### Binding arrangement

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

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

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

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

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

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

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

##### Recognition

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

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

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

#### 1.25 Comparative figures

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

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

#### 1.26 Unauthorised expenditure

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

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

## Accounting Policies

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### 1.27 Fruitless and wasteful expenditure

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

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

Fruitless and wasteful expenditure is disclosed inclusive of VAT.

### 1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is disclosed inclusive of VAT.

### 1.29 Segment information

A segment is an activity of an entity:

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

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

#### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance.

Management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure.

### 1.30 Budget information

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

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

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

The annual financial statements and the budget are on the same accounting basis and for the same municipality and same period but not on the same classification basis therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements based on the prescribed budget schedules using tables B1, B4, B6 and B7.

### 1.31 Related parties

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

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

## Accounting Policies

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### 1.31 Related parties (continued)

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 unaudited annual financial statements.

### 1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.33 Service concession arrangements: Entity as grantor

#### Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator; or
- is provided by the grantor which:
  - is an existing asset of the grantor; or
  - is an upgrade to an existing asset of the grantor.

#### Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

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#### 1.33 Service concession arrangements: Entity as grantor (continued)

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

#### Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

#### Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

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### 1.34 Bad debts written off

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

### 1.35 Value Added Tax

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

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

### 1.36 Unspent Conditional Grants and Receipts

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

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

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

**Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2025**

Figures in Rand	2025	2024
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**2. New standards and interpretations**

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2025 or later periods:

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

**3. Financial instruments disclosure**

**Categories of financial instruments**

**2025**

**Financial assets**

	At amortised cost	Total
Cash and cash equivalents	1 210 879	1 210 879
Receivables from exchange transactions	20 449 142	20 449 142
Receivables from non-exchange transactions	164 526	164 526
Other financial assets	3 247 628	3 247 628
	<b>25 072 174</b>	<b>25 072 175</b>

**Financial liabilities**

	At amortised cost	Total
Consumer deposits	3 068 912	3 068 912
Payables from exchange transactions	488 884 166	488 884 166
Other financial liabilities	13 520 569	13 520 569
	<b>505 473 647</b>	<b>505 473 647</b>

**Notes to the Unaudited Annual Financial Statements****Figures in Rand****2025****2024****3. Financial instruments disclosure (continued)****2024****Financial assets**

	<b>At amortised cost</b>	<b>Total</b>
Cash and cash equivalents	2 122 407	2 122 407
Receivables from exchange transactions	10 901 936	10 901 936
Receivables from non-exchange transactions	164 526	164 526
Other financial assets	2 424 578	2 424 578
	<b>15 613 446</b>	<b>15 613 447</b>

**Financial liabilities**

	<b>At amortised cost</b>	<b>Total</b>
Consumer deposits	2 808 328	2 808 328
Payables from exchange transactions	326 763 381	326 763 381
Other financial liabilities	12 477 889	12 477 889
Finance lease obligation	1 874 028	1 874 028
	<b>343 923 626</b>	<b>343 923 626</b>

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
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**4. Cash and cash equivalents**

Cash and cash equivalents consist of:

Bank balances	823 326	1 803 212
Short-term deposits	387 553	319 195
	<b>1 210 879</b>	<b>2 122 407</b>

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

1 210 879      2 122 407

**1 210 879      2 122 407**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
<b>Current accounts</b>						
ABSA Bank Limited: 4051 445 435	633 329	171 566	115 640	565 871	1 346 127	143 954
Standard Bank Limited: 0417 902 19	59 695	326 214	103 385	257 454	457 086	215 056
<b>Short-term Investments</b>						
ABSA Bank Limited: 9117 271 903	1 357	2 207	3 780	68 392	1 194	3 780
First National Bank: 6200 698 309 4	1 655	1 659	1 657	1 812	1 735	1 657
Standard Bank Limited: 0486 432 700 02	23 808	22 711	21 732	21 732	21 732	21 732
Standard Bank Limited: 0489 042 950 04	59 930	59 930	59 930	61 917	37 930	59 930
Stanlib: 533 550 21	292 527	292 039	255 624	233 701	256 604	281 624
<b>Total</b>	<b>1 072 301</b>	<b>876 326</b>	<b>561 748</b>	<b>1 210 879</b>	<b>2 122 407</b>	<b>727 733</b>

**5. Inventories**

Consumable stores	639 203	564 282
Water for distribution	458 427	541 087
	<b>1 097 630</b>	<b>1 105 369</b>

**Water for distribution**

Opening balance	541 087	674 628
Water Purchased	3 390 870	6 108 277
Chemicals used in purification	1 634 391	1 541 878
Cost of water sold	(5 025 261)	(7 650 155)
Inventories adjustment / movement	(82 660)	(133 541)
<b>Closing balance</b>	<b>458 427</b>	<b>541 087</b>

**Notes to the Unaudited Annual Financial Statements**

<b>Figures in Rand</b>	<b>2025</b>	<b>2024</b>
<b>6. Other financial assets</b>		
<b>At amortised cost</b>		
Sale of land Properties sold not yet paid for.	301 806	301 806
Conventional water Cut-over estimation performed on year-end on conventional water sold not yet consumed.	706 026	589 372
Conventional electricity Cut-over estimation performed on year-end on conventional electricity sold not yet consumed.	2 239 795	1 533 399
	<b>3 247 627</b>	<b>2 424 577</b>
<b>Current assets</b>		
At amortised cost	3 247 627	2 424 577
	<b>3 247 627</b>	<b>2 424 577</b>

## Kai !Garib Local Municipality

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024
<b>7. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	56 393 940	45 258 166
Water	132 139 885	104 549 950
Sewerage	67 912 327	54 546 473
Refuse	62 306 075	51 731 946
Sundry debtors	5 839 223	5 031 492
Property rentals	3 985 632	3 276 397
Arrangements	21 599 459	17 908 911
	<b>350 176 541</b>	<b>282 303 335</b>
<b>Less: Allowance for impairment</b>		
Electricity	(46 299 781)	(38 129 813)
Water	(126 635 970)	(103 140 484)
Sewerage	(65 163 397)	(53 117 995)
Refuse	(60 988 010)	(51 086 359)
Sundry debtors	(5 664 809)	(4 894 795)
Property rentals	(3 964 047)	(3 259 351)
Arrangements	(21 011 387)	(17 772 602)
	<b>(329 727 401)</b>	<b>(271 401 399)</b>
<b>Net balance</b>		
Electricity	10 094 159	7 128 353
Water	5 503 915	1 409 466
Sewerage	2 748 930	1 428 478
Refuse	1 318 065	645 587
Sundry debtors	174 414	136 697
Property rentals	21 585	17 046
Arrangements	588 072	136 309
	<b>20 449 140</b>	<b>10 901 936</b>
<b>Electricity</b>		
Current (0 -30 days)	5 377 391	4 981 647
31 - 60 days	2 260 383	2 077 627
61 - 90 days	1 843 235	1 883 230
91 - 120 days	3 060 537	1 521 712
120+ Days	43 852 393	34 793 951
Impairment	(46 299 781)	(38 129 813)
	<b>10 094 158</b>	<b>7 128 353</b>
<b>Water</b>		
Current (0 -30 days)	2 708 046	2 644 979
31 - 60 days	2 041 680	2 215 829
61 - 90 days	1 948 814	1 755 915
91 - 120 days	1 978 647	1 760 639
120+ Days	123 462 698	96 172 589
Impairment	(126 635 970)	(103 140 484)
	<b>5 503 915</b>	<b>1 409 466</b>

## Kai !Garib Local Municipality

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024
<b>7. Receivables from exchange transactions (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	1 856 034	1 572 464
31 - 60 days	1 431 391	1 170 684
61 - 90 days	1 337 666	1 084 903
91 - 120 days	1 297 155	1 102 903
120+ Days	61 990 082	49 615 520
Impairment	(65 163 398)	(53 117 995)
	<b>2 748 931</b>	<b>1 428 478</b>
<b>Refuse</b>		
Current (0 -30 days)	1 334 305	1 169 879
31 - 60 days	1 071 692	900 522
61 - 90 days	1 016 515	849 780
91 - 120 days	996 026	873 068
120+ Days	57 887 537	47 938 697
Impairment	(60 988 010)	(51 086 360)
	<b>1 318 065</b>	<b>645 587</b>
<b>Sundry debtors</b>		
Current (0 -30 days)	57 081	68 134
31 - 60 days	38 218	42 469
61 - 90 days	35 449	58 862
91 - 120 days	33 964	30 806
120+ Days	5 674 510	4 831 221
Impairment	(5 664 808)	(4 894 795)
	<b>174 414</b>	<b>136 697</b>
<b>Property rentals</b>		
Current (0 -30 days)	61 225	59 305
31 - 60 days	61 473	103 832
61 - 90 days	61 125	57 523
91 - 120 days	60 579	56 924
120+ Days	3 741 230	2 998 813
Impairment	(3 964 047)	(3 259 351)
	<b>21 585</b>	<b>17 046</b>
<b>Arrangements</b>		
Current (0 -30 days)	337 812	232 955
31 - 60 days	406 443	282 819
61 - 90 days	292 076	283 060
91 - 120 days	290 916	281 727
120+ Days	20 272 213	16 828 350
Impairment	(21 011 387)	(17 772 602)
	<b>588 073</b>	<b>136 309</b>

**Kai !Garib Local Municipality**

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>7. Receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Residential / Consumers</b>		
Current (0 -30 days)	11 731 895	10 729 362
31 - 60 days	7 311 280	6 793 782
61 - 90 days	6 534 880	5 973 273
91 - 120 days	7 717 824	5 627 779
120+ Days	316 880 663	253 179 139
	<u>350 176 541</u>	<u>282 303 335</u>
Less: Allowance for impairment	(329 727 400)	(271 401 399)
	<b>20 449 141</b>	<b>10 901 936</b>
<b>Total</b>		
Current (0 -30 days)	11 731 895	10 729 362
31 - 60 days	7 311 280	6 793 782
61 - 90 days	6 534 880	5 973 273
91 - 120 days	7 717 824	5 627 779
120+ Days	316 880 662	253 179 139
	<u>350 176 540</u>	<u>282 303 335</u>
Less: Allowance for impairment	(329 727 400)	(271 401 399)
	<b>20 449 140</b>	<b>10 901 936</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(271 401 400)	(214 686 264)
Contributions to allowance	(58 326 000)	(56 715 136)
	<u>(329 727 400)</u>	<u>(271 401 400)</u>
<b>Receivables from exchange transactions pledged as security</b>		
No Trade and other receivables from exchange transactions were pledged as security.		
<b>Credit quality of trade and other receivables from exchange</b>		
The credit quality of trade and other receivables from exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		
<b>Fair value of receivables from exchange transactions</b>		
Trade and other receivables from exchange	20 449 142	10 901 936

## Kai !Garib Local Municipality

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024
<b>8. Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
VAT receivable	85 175 251	69 347 278
Property rates	137 952 569	114 634 481
Other	4 903 387	4 903 387
	<b>228 031 207</b>	<b>188 885 146</b>
<b>Less: Allowance for impairment</b>		
Property rates	(126 941 415)	(107 608 369)
Other	(4 738 862)	(4 738 862)
	<b>(131 680 277)</b>	<b>(112 347 231)</b>
<b>Net balance</b>		
VAT receivable	85 175 251	69 347 278
Property rates	11 011 154	7 026 112
Other	164 525	164 525
	<b>96 350 930</b>	<b>76 537 915</b>
<b>Statutory receivables included in receivables from non-exchange transactions above are as follows:</b>		
Other taxes	85 175 251	69 347 278
Property rates	11 011 154	7 026 112
Other	164 526	164 526
	<b>96 350 931</b>	<b>76 537 915</b>
<b>Total receivables from non-exchange transactions</b>	<b>96 350 930</b>	<b>76 537 915</b>
<b>Property rates</b>		
Current (0 -30 days)	2 131 551	2 089 456
31 - 60 days	1 801 997	1 515 506
61 - 90 days	1 773 499	1 750 081
91 - 120 days	1 738 712	1 506 708
120+ Days	130 506 811	107 772 730
Impairment	(126 941 415)	(107 608 369)
	<b>11 011 154</b>	<b>7 026 112</b>

## Kai !Garib Local Municipality

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024
<b>8. Receivables from non-exchange transactions (continued)</b>		
<b>Other</b>		
Current (0 -30 days)	135 814	135 814
31 - 60 days	55 550	55 550
61 - 90 days	54 454	54 454
91 - 120 days	53 148	53 148
120+ Days	4 604 421	4 604 421
Impairment	(4 738 862)	(4 738 862)
	<b>164 525</b>	<b>164 525</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	2 267 365	2 225 270
31 - 60 days	1 857 547	1 571 056
61 - 90 days	1 827 953	1 804 535
91 - 120 days	1 791 860	1 559 856
120+ Days	135 111 232	112 377 151
	142 855 956	119 537 868
Less: Allowance for impairment	(131 680 277)	(112 347 231)
	<b>11 175 679</b>	<b>7 190 637</b>
<b>Total</b>		
Current (0 -30 days)	2 267 365	2 225 270
31 - 60 days	1 857 547	1 571 056
61 - 90 days	1 827 953	1 804 535
91 - 120 days	1 791 860	1 559 856
120+ Days	135 111 232	112 377 151
	142 855 956	119 537 868
Less: Allowance for impairment	(131 680 277)	(112 347 231)
	<b>11 175 679</b>	<b>7 190 637</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(112 347 231)	(93 295 701)
Contributions to allowance	(19 333 046)	(19 051 530)
	<b>(131 680 277)</b>	<b>(112 347 231)</b>
<b>Receivables from non-exchange transactions pledged as security</b>		
No Trade and other receivables from non-exchange transactions were pledged as security.		
<b>Credit quality of trade and other receivables from non-exchange</b>		
The credit quality of trade and other receivables from non-exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		

**Notes to the Unaudited Annual Financial Statements**

<b>Figures in Rand</b>	<b>2025</b>	<b>2024</b>
<b>8. Receivables from non-exchange transactions (continued)</b>		
<b>Fair value of receivables from non-exchange transactions</b>		
Trade and other receivables from non-exchange	96 350 931	76 537 915

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024
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### 9. Statutory receivables

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

#### Statutory receivables included in the Statement of Financial Position under VAT Receivable

VAT (Payable) / Receivable	85 175 251	69 347 278
	<b>85 175 251</b>	<b>69 347 278</b>

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

Property rates	11 011 154	7 026 112
	<b>11 011 154</b>	<b>7 026 112</b>

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

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

Property rates	(126 941 415)	(107 608 369)
	<b>(126 941 415)</b>	<b>(107 608 369)</b>

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

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

#### Statutory receivables general information

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

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

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

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

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

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

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

**Notes to the Unaudited Annual Financial Statements****Figures in Rand****2025****2024****9. Statutory receivables (continued)**

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

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

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

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

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

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

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

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

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

**Kai !Garib Local Municipality**

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

**Notes to the Unaudited Annual Financial Statements**

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Figures in Rand	2025	2024
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**10. VAT receivable**

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

VAT meets the definition of a statutory receivable as per the accounting policy. For statutory receivable information regarding VAT refer to note 9.

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

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

# AG SUBMISSION

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

### 11. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Areas of land of historic specific significance	3	-	3	3	-	3
Conservation areas	1	-	1	1	-	1
Municipal jewellery	112 950	-	112 950	112 950	-	112 950
Works of art and collections	1	-	1	1	-	1
<b>Total</b>	<b>112 955</b>	<b>-</b>	<b>112 955</b>	<b>112 955</b>	<b>-</b>	<b>112 955</b>

#### Reconciliation of heritage assets 2025

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

#### Reconciliation of heritage assets 2024

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

**Notes to the Unaudited Annual Financial Statements**

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Figures in Rand

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**11. Heritage assets (continued)**

**Pledged as security**

Heritage assets has not been pledged as security.

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

# AG SUBMISSION

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

### 12. Investment property

	2025	2024
	Fair Value	Fair Value
Investment property	164 814 178	162 729 244
<b>Total</b>	<b>164 814 178</b>	<b>162 729 244</b>

### Reconciliation of investment property - 2025

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	162 729 244	-	4 230 960	164 814 178
	<b>162 729 244</b>	<b>-</b>	<b>4 230 960</b>	<b>164 814 178</b>

### Reconciliation of investment property - 2024

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

### Pledged as security

No investment properties has been pledged as security for liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

**Notes to the Unaudited Annual Financial Statements****Figures in Rand****2025****2024****12. Investment property (continued)****Details of valuation**

The effective date of the revaluations was 30 June 2025. Revaluations were performed by Municipex (Pty) Ltd. Mr PH Venter was the valuer at Municipex (Pty) Ltd to perform the valuations. Mr Venter is a registered Professional Associated Valuer with the SA Council for Valuers Profession, registration number 7428, a member of the SA Institute of Valuers and has the appropriate experience in performing valuation of investment properties.

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

These assumptions are based on current market conditions.

**Legal ownership**

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

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

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

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

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

**Derecognise**

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

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

# AG SUBMISSION

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
<b>Immovable assets</b>						
Buildings	77 295 192	(36 530 019)	40 765 173	77 365 738	(30 200 313)	47 165 425
Community	63 665 996	(38 755 969)	24 910 027	64 387 698	(35 535 828)	28 851 870
Infrastructure - Electricity network	176 743 124	(74 759 826)	101 983 298	177 809 910	(72 027 863)	105 782 047
Infrastructure - Roads network	234 677 518	(109 977 141)	124 700 377	222 422 541	(105 574 676)	116 847 865
Infrastructure - Wastewater network	73 983 096	(21 515 365)	52 467 731	84 866 999	(24 807 203)	60 059 796
Infrastructure - Water network	376 272 227	(127 616 194)	248 656 033	388 088 704	(125 805 552)	262 283 152
Land	100 719 634	-	100 719 634	100 726 870	-	100 726 870
Landfill site asset	110 105 530	(83 283 135)	26 822 395	114 408 505	(77 464 199)	36 944 306
Work-in-Progress	35 986 392	-	35 986 392	35 947 440	-	35 947 440
<b>Movable assets</b>						
Computer equipment	6 894 522	(4 894 147)	2 000 375	9 387 366	(8 266 912)	1 120 454
Furniture and fixtures	5 105 357	(3 873 580)	1 231 777	6 244 089	(5 709 092)	534 997
Motor vehicles	21 720 940	(14 916 849)	6 804 091	21 464 875	(16 642 455)	4 822 420
Plant and machinery	1 286 637	(1 020 379)	266 258	2 048 729	(1 966 626)	82 103
<b>Total</b>	<b>1 284 456 165</b>	<b>(517 142 604)</b>	<b>767 313 561</b>	<b>1 305 169 464</b>	<b>(504 000 719)</b>	<b>801 168 745</b>

# Kai Igarib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

# AG SUBMISSION

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Work in Progress - Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
<b>Immovable assets</b>										
Buildings	47 165 425	-	(9 325)	-	-	-	(2 073 588)	(5 808 585)	1 491 246	40 765 173
Community	28 851 870	-	(371 567)	-	-	-	(1 658 521)	(2 954 920)	1 043 165	24 910 027
Infrastructure - Electrical network	105 782 047	302 032	(2 370 151)	-	2 137 567	-	(4 254 572)	(11 325)	397 700	101 983 298
Infrastructure - Roads network	116 847 865	-	(331 635)	-	13 397 430	-	(6 262 827)	(38 736)	1 088 280	124 700 377
Infrastructure - Wastewater network	60 059 796	-	(9 249 389)	-	4 736 404	-	(1 756 048)	(1 584 975)	261 943	52 467 731
Infrastructure - Water network	262 283 152	1 913 769	(6 508 987)	-	-	-	(8 739 377)	(1 407 325)	1 114 801	248 656 033
Land	100 726 870	-	(7 236)	-	-	-	-	-	-	100 719 634
Landfill site asset	36 944 306	-	-	-	-	(4 302 976)	(5 818 935)	-	-	26 822 395
Work-in-Progress	35 947 440	-	-	22 872 939	(22 833 987)	-	-	-	-	35 986 392
<b>Movable assets</b>										
Computer equipment	1 120 454	818 583	(408 445)	-	-	-	(62 082)	-	531 865	2 000 375
Furniture and fixtures	534 997	158 097	(210 906)	-	-	-	390 727	-	358 862	1 231 777
Motor vehicles	4 822 420	1 828 408	(459 536)	-	-	-	430 704	-	182 095	6 804 091
Plant and machinery	82 103	76 532	(86 682)	-	-	-	52 108	-	142 197	266 258
	<b>801 168 745</b>	<b>5 097 421</b>	<b>(20 013 859)</b>	<b>22 872 939</b>	<b>(2 562 586)</b>	<b>(4 302 976)</b>	<b>(29 752 411)</b>	<b>(11 805 866)</b>	<b>6 612 154</b>	<b>767 313 561</b>

# Kai Igarib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

# AG SUBMISSION

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Work in Progress - Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
<b>Immovable assets</b>										
Buildings	47 771 208	260 939	-	-	1 490 202	-	(2 445 041)	(70 106)	158 223	47 165 425
Community	30 301 588	653 125	-	-	-	-	(2 148 122)	(191 376)	236 655	28 851 870
Infrastructure - Electricity network	103 925 390	43 350	-	-	7 290 893	-	(5 485 370)	(10 680)	18 464	105 782 047
Infrastructure - Roads network	123 098 382	212 554	-	-	-	-	(7 092 132)	(169 593)	798 654	116 847 865
Infrastructure - Wastewater network	61 790 419	-	-	-	-	-	(1 916 177)	-	185 554	60 059 796
Infrastructure - Water network	266 591 610	264 506	(3 826)	-	6 232 137	-	(9 893 905)	(1 413 046)	505 676	262 283 152
Land	100 733 478	-	(6 608)	-	-	-	-	-	-	100 726 870
Landfill site asset	41 915 718	-	-	-	-	925 546	(5 896 958)	-	-	36 944 306
Work-in-Progress	20 847 291	-	-	31 854 796	(16 754 647)	-	-	-	-	35 947 440
<b>Movable assets</b>										
Computer equipment	1 199 662	446 051	-	-	-	-	(576 781)	(2 638)	54 160	1 120 454
Furniture and fixtures	784 162	79 867	-	-	-	-	(337 348)	(2 366)	10 682	534 997
Motor vehicles	5 045 925	449 450	-	-	-	-	(866 519)	(3 839)	197 403	4 822 420
Plant and machinery	165 663	-	-	-	-	-	(81 023)	(4 176)	1 639	82 103
	<b>804 170 496</b>	<b>2 409 842</b>	<b>(10 434)</b>	<b>31 854 796</b>	<b>(1 741 415)</b>	<b>925 546</b>	<b>(36 739 376)</b>	<b>(1 867 820)</b>	<b>2 167 110</b>	<b>801 168 745</b>

#### Pledged as security

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

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
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**13. Property, plant and equipment (continued)**

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

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

Infrastructure - Road network	-	12 311 923
Community	445 023	-
Infrastructure - Electricity network	9 148 525	3 465 249
Infrastructure - Water network	26 392 848	13 155 674
	<b>35 986 397</b>	<b>28 932 846</b>

**Reconciliation of Work-in-Progress 2025**

	Included within Infrastructure	Included within Community	Total
Opening balance	35 502 419	445 023	35 947 442
Additions/capital expenditure	22 872 940	-	22 872 940
Transferred to completed items	(22 833 986)	-	(22 833 986)
	<b>35 541 374</b>	<b>445 023</b>	<b>35 986 396</b>

**Reconciliation of Work-in-Progress 2024**

	Included within Infrastructure	Included within Community	Total
Opening balance	20 847 292	-	20 847 292
Additions/capital expenditure	31 409 775	445 023	31 854 798
Transferred to completed items	(16 754 647)	-	(16 754 647)
	<b>35 502 419</b>	<b>445 023</b>	<b>35 947 443</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	52 005	1 884 527
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>14. Consumer deposits</b>		
Electricity	1 828 136	1 665 362
Water	1 240 776	1 142 966
	<b>3 068 912</b>	<b>2 808 328</b>

No guarantees held in lieu of electricity and water deposits.

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.

No interest accrues on consumer deposits.

**15. Employee benefit obligations**

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

<b>Non-current employee benefits</b>		
Post-Retirement Medical Aid benefits	19 688 485	16 199 414
Long-service awards benefits	8 558 840	7 919 732
	<b>28 247 325</b>	<b>24 119 146</b>
<b>Current employee benefits</b>		
Post-Retirement Medical Aid benefits	1 206 771	944 229
Long-service awards benefits	739 015	1 677 841
	<b>1 945 786</b>	<b>2 622 070</b>
<b>Total employee benefits</b>		
Post-Retirement Medical Aid benefits	20 895 256	17 143 643
Long-service awards benefits	9 297 855	9 597 573
	<b>30 193 111</b>	<b>26 741 216</b>
Non-current liabilities	28 247 325	24 119 146
Current liabilities	1 945 786	2 622 070
	<b>30 193 111</b>	<b>26 741 216</b>

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
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**15. Employee benefit obligations (continued)**

**Post employment health care benefits**

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by D T Mureriwa of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

In-service members (Employees)	123	102
Continuation members (Retirees)	21	20
<b>Total members</b>	<b>144</b>	<b>122</b>

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

Bonitas

LA Health

Key Health

Samwumed

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

In-service members (Employees)	-	-
In-service non-members (Employees)	7 669 919	7 669 919
Continuation members (Retirees)	9 473 725	9 473 725
<b>Total liability</b>	<b>17 143 644</b>	<b>17 143 644</b>
Non-current	19 688 485	16 199 414
Current	1 206 771	944 229
	<b>20 895 256</b>	<b>17 143 643</b>

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

**Rates of interest**

Discount rate	12.14 %	12.42 %
Health care cost inflation rate	7.58 %	7.92 %
Net effective discount rate	4.24 %	4.17 %

**Normal retirement age**

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

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
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**15. Employee benefit obligations (continued)**

Amounts recognised in the statement of financial position

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

<b>Present value of unfunded obligations</b>	<b>20 895 256</b>	<b>17 143 643</b>
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Net expense recognised in the statement of financial performance

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

Current service cost	855 840	836 394
Interest cost	2 070 965	1 885 828
Actuarial (gain) recognised in the year	1 769 035	427 800
	<b>4 695 840</b>	<b>3 150 022</b>

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

Opening balance	17 143 644	15 139 109
Current service cost	855 840	836 394
Interest cost	2 070 965	1 885 828
Actual employer benefit payments	(944 229)	(1 145 487)
Actuarial (gain) recognised in the year	1 769 035	427 800

<b>Present value of fund obligation at the end of the year</b>	<b>20 895 255</b>	<b>17 143 644</b>
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Amounts for the current and previous four periods are as follows:

**Present value of unfunded defined benefit**

2025	20 895 255
2024	17 143 644
2023	15 139 109
2022	16 774 124
2021	16 869 000

**Sensitivity analysis on Medical inflation rate**

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

**Sensitivity analysis on Discount rate**

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

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
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**15. Employee benefit obligations (continued)**

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation. The methodology of setting the financial assumptions has been updated to be more duration-specific. At the previous valuation report, 30 June 2024, the duration of liabilities was 13.32 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 12.14% per annum, and the yield on inflation-linked bonds of a similar term was about 5.24% per annum. This implies an underlying expectation of inflation of 6.08% per annum  $([1 + 12.14\% - 0.5\%] / [1 + 5.24\%] - 1)$ . The 0.5% deduction is there to account for biases and market frictions that distort the clean nominal–real yield differential due to seasonal CPI lags in index-linked bonds, liquidity premiums, market segmentation and mismatching compounding projections that might be present in the market. We have assumed that healthcare cost inflation would exceed general inflation by 1.50% per annum, i.e. 7.58% per annum. However, it is the relative levels of the discount rate and healthcare cost inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.24% per annum  $([1 + 12.14\%] / [1 + 7.58\%] - 1)$ .

**Mortality Rates**

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

Continuation of Membership

With the appointment of 1 Pangaea Expertise and Solutions Pty (Ltd) for the year ending 30 June 2025.

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

Liability History	2025/06/30	2024/06/30	2023/06/30	2022/06/30	2021/06/30
Accrued Liability	(20 895 255)	17 143 644	(15 139 109)	(16 774 124)	(16 869 000)
<b>Surplus / (Deficit)</b>	<b>20 895 255</b>	<b>(17 143 644)</b>	<b>15 139 109</b>	<b>16 774 124</b>	<b>16 869 000</b>

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

Experience adjustment	2025/06/30	2024/06/30	2023/06/30	2022/06/30	2021/06/30
Liabilities: (Gain) / Loss	1 769 035	427 800	(2 132 438)	(1 852 431)	(2 476 875)
	<b>1 769 035</b>	<b>427 800</b>	<b>(2 132 438)</b>	<b>(1 852 431)</b>	<b>(2 476 875)</b>

**Long-service awards benefits**

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by 1 Pangaea Expertise and Solutions Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 412 (2024: 418) employees were eligible for Long Services Awards.

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

Discount rate	8.97 %	10.28 %
General Salary inflation	4.42 %	5.77 %
Net effective discount rate	4.35 %	4.26 %

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>15. Employee benefit obligations (continued)</b>		
The amounts recognised in the statement of financial position are as follow:		
Present value of unfunded obligations	9 297 856	9 597 574
Amounts recognised in the statement of financial performance		
The amounts recognised in the statement of financial performance are as follow:		
Current service cost	879 411	876 860
Interest cost	900 195	923 768
Actuarial losses / (gains) recognised	(401 483)	(452 289)
<b>Total expense included in employee related costs</b>	<b>1 378 123</b>	<b>1 348 339</b>
Opening balance	9 597 574	8 641 830
Current service cost	879 411	876 860
Interest cost	900 195	923 768
Actual employer benefit payments	(1 677 841)	(392 595)
Actuarial loss/ (gain) recognised in the year	(401 483)	(452 289)
	<b>9 297 856</b>	<b>9 597 574</b>

<b>Liability History</b>	<b>2025/06/30</b>	<b>2024/06/30</b>	<b>2023/06/30</b>	<b>2022/06/30</b>	<b>2021/06/30</b>
Accrued Liability	(9 297 856)	(9 597 574)	(8 641 830)	(7 364 548)	(5 723 026)
<b>Surplus / (Deficit)</b>	<b>9 297 856</b>	<b>9 597 574</b>	<b>8 641 830</b>	<b>7 364 548</b>	<b>5 723 026</b>

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

<b>Experience adjustment</b>	<b>2025/06/30</b>	<b>2024/06/30</b>	<b>2023/06/30</b>	<b>2022/06/30</b>	<b>2021/06/30</b>
Liabilities: (Gain) / Loss	(401 483)	(452 289)	863 838	865 100	(409 808)
	<b>401 483</b>	<b>452 289</b>	<b>(863 838)</b>	<b>(865 100)</b>	<b>409 808</b>

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	-	1 839 549
- in second to fifth year inclusive	-	136 396
	-	1 975 945
less: future finance charges	-	(101 908)
<b>Present value of minimum lease payments</b>	<b>-</b>	<b>1 874 037</b>
Non-current liabilities	-	133 540
Current liabilities	-	1 740 487
	<b>-</b>	<b>1 874 027</b>

The municipality have ended the lease agreement with Nashua. The outstanding balance of R 1 874 027.97 was reclassified to Trade payables.

**Market risk**

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

Rand	-	1 874 027
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**17. Other financial liabilities**

**At amortised cost**

Development Bank of Southern Africa Ltd	13 520 569	12 477 889
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Loan number: 103723/2

Product number: 61001016

The loan is secured and is being repaid monthly over a period of 7 years in equal installments of R110,140.87 with a fixed interest rate of 6.750% per annum.

Redemption date: 28/02/2019.

**Current liabilities**

At amortised cost	13 520 569	12 477 889
	<b>13 520 569</b>	<b>12 477 889</b>

**Financial liabilities at amortised cost**

**Nominal value of financial liabilities at amortised cost**

Development Bank of Southern Africa Ltd	13 520 569	12 477 889
	<b>13 520 569</b>	<b>12 477 889</b>

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>18. Payables from exchange transactions</b>		
Accrued bonus	4 896 929	5 044 138
Accrued leave pay	14 273 580	12 673 593
Agency fees	55 350 493	53 358 447
Payments received in advance	1 680 057	1 092 172
Payments received in advanced - contract in process	20 516 721	19 849 738
Retention fees	4 224 497	4 914 123
Salary accrual	91 265 087	77 807 092
Trade payables	407 112 396	247 548 904
	<b>599 319 760</b>	<b>422 288 207</b>
<b>Fair value of trade and other payables</b>		
Trade payables	599 319 760	422 288 207
	<b>599 319 760</b>	<b>422 288 207</b>

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

Refer to note 50 for prior period corrections made to Payables from exchange transactions.

**Notes to the Unaudited Annual Financial Statements**

<b>Figures in Rand</b>	<b>2025</b>	<b>2024</b>
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**19. Provisions**

**Reconciliation of provisions - 2025**

	<b>Opening Balance</b>	<b>Change in provision</b>	<b>Finance cost</b>	<b>Total</b>
Rehabilitation of landfill site	74 340 975	(4 671 330)	5 992 437	75 662 082
	<b>74 340 975</b>	<b>(4 671 330)</b>	<b>5 992 437</b>	<b>75 662 082</b>

**Reconciliation of provisions - 2024**

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

Non-current liabilities	75 662 082	74 340 975
	<b>75 662 082</b>	<b>74 340 975</b>

**Environmental rehabilitation provision**

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

Kai !Garib Local Municipality consists of eight (8) towns (Alheit, Curries camp, Keimoes, Kakamas, Kenhardt, Lennertsville, Riemvasmaak & Vredevallei). Keimoes is the central business district of Kai !Garib Local Municipality. Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
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**19. Provisions (continued)**

**Key cost parametres:**

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2025 was 11.16% p.a. The consumer price inflation of 3.00% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

Consumer price inflation (C) 3.00% (2024: 5.10%)

Discount rate (D) 12.40% (2024: 12.40%)

Net discount rate 7.92% (2024: 6.94%)

	Opening balance	Change in provision	Utilised during the year	Finance cost	Total
Curries Camp	6 247 888	(333 747)	-	508 688	6 422 829
Keimoes	8 282 769	(464 296)	-	672 484	8 490 957
Lennertsville	8 598 830	(589 567)	-	688 894	8 698 157
Kakamas	16 157 439	(1 048 245)	-	1 299 574	16 408 768
Alheit/Marchand	6 895 764	(368 356)	-	561 437	7 088 845
Kenhardt	16 383 719	(1 247 458)	-	1 301 903	16 438 164
Riemvasmaak	6 301 833	(336 629)	-	513 080	6 478 284
Vredesvallei	5 472 733	(283 033)	-	446 377	5 636 078
	74 340 975	(4 671 330)	-	5 992 437	75 662 082

**20. Unspent conditional grants and receipts**

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

**Unspent conditional grants and receipts**

Integrated National Electrification Programme	3 691 457	3 987 258
Library Subsidy	1 262 976	72 976
Local Government Financial Management Grant	-	45 307
Municipal Infrastructure Grant	16 830 801	13 886 269
	<b>21 785 234</b>	<b>17 991 810</b>

**Movement during the year**

Balance at the beginning of the year	17 991 810	2 705 575
Additions during the year	30 836 676	49 900 332
Income recognition during the year	(27 043 253)	(34 614 096)
	<b>21 785 233</b>	<b>17 991 811</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

See reconciliation of grants from National/Provincial Government note 30 and for public contributions note 31

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

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>21. Agency services</b>		
Driver's licenses and permits	252 124	278 221
	<b>252 124</b>	<b>278 221</b>
<p>The municipality collects licence fees on behalf of the Department of Transport and receives a 12% agency fee. The amount received as commission was R 288 006 (2023) and R 411 125 (2022). Own revenue is also collected by the traffic office and disclosed under note 23 Licences and permits.</p>		
<b>22. Interest income (Exchange transactions)</b>		
<b>Interest income</b>		
Bank accounts	84 668	59 146
Receivables from exchange transactions	22 950 804	15 474 879
	<b>23 035 472</b>	<b>15 534 025</b>
<p>Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 14 120 781 (2023: R15 536 548).</p>		
<b>23. Interest income (Non-exchange transactions)</b>		
Receivables from non-exchange transactions	11 529 165	8 884 616
	<b>11 529 165</b>	<b>8 884 616</b>
<b>24. Licences and permits</b>		
Road and transport	707 581	811 914
	<b>707 581</b>	<b>811 914</b>
<b>25. Operational revenue</b>		
Administrative connection fees	403 225	386 039
Advertisements	1 555	2 811
Building plans	177 247	109 840
Camping fees	28 747	33 668
Clearance certificates	3 282	30 392
Escort fees	797	643
Materials and equipment	53 471	73 812
Occupation certificates	304	5 000
Photocopies and faxes	943 623	157 280
Tender documents	98 966	38 686
Town planning and servitudes	108 283	-
Valuation services	2 126 067	2 086 073
	<b>3 945 567</b>	<b>2 924 244</b>

The amounts disclosed above for Operational revenue are in respect of services rendered, other than described in notes: 24, 26 and 27 which are billed to or paid for by the users of the services as required according to approved tariffs.

**Notes to the Unaudited Annual Financial Statements**

<b>Figures in Rand</b>	<b>2025</b>	<b>2024</b>
<b>26. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Facilities and equipment owned by the municipality	650 118	760 671
	<b>650 118</b>	<b>760 671</b>
<b>27. Service charges</b>		
Sale of electricity - Conventional	61 490 780	54 050 212
Sale of electricity - Prepaid	49 265 801	36 726 740
Sale of water - Conventional	25 846 248	17 427 763
Sale of water - Prepaid	187 686	245 922
Sewerage and sanitation charges	13 308 980	11 907 014
Refuse removal	9 183 640	8 290 200
	<b>159 283 135</b>	<b>128 647 851</b>

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

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>28. Property rates</b>		
<b>Rates received</b>		
Property rates	30 327 889	30 036 789
	<b>30 327 889</b>	<b>30 036 789</b>
<b>Valuations</b>		
Residential	1 240 635 000	1 240 635 000
Business properties	298 645 000	298 645 000
Commercial properties	337 450 000	337 450 000
Municipal	118 045 500	118 045 500
Small holdings and farms	11 586 466 500	11 586 466 500
Government buildings	296 765 000	296 765 000
Vacant land	801 553 000	801 553 000
	<b>14 679 560 000</b>	<b>14 679 560 000</b>

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

**Municipal valuation threshold value**

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

**Other rebates**

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

**29. Fines, Penalties and Forfeits**

Municipal traffic fines	714 302	20 901
	<b>714 302</b>	<b>20 901</b>

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
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**30. Government grants and subsidies**

**Operating grants**

Equitable share	119 168 000	109 909 000
Local Government Financial Management Grant	3 845 307	3 100 000
Expanded Public Works Programme Integrated Grant	1 248 000	1 021 000
Library Subsidy	-	1 074 024
	<b>124 261 307</b>	<b>115 104 024</b>

**Capital grants**

Municipal Infrastructure Grant	12 454 468	19 431 695
Water Services Infrastructure Grant	1 626 676	5 928 332
Integrated National Electrification Programme	7 868 801	4 059 044
	<b>21 949 945</b>	<b>29 419 071</b>
	<b>146 211 252</b>	<b>144 523 095</b>

**Conditional and Unconditional**

Included in above are the following grants and subsidies received:

Conditional grants received	27 043 253	34 614 096
Unconditional grants received	119 168 000	109 909 000
	<b>146 211 253</b>	<b>144 523 096</b>

**Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and the day to day running of the municipality.

**Municipal Infrastructure Grant**

Balance unspent at beginning of year	13 886 269	1 538 964
Current-year receipts	15 399 000	31 779 000
Conditions met - transferred to revenue	(12 454 468)	(19 431 695)
	<b>16 830 801</b>	<b>13 886 269</b>

Conditions still to be met - remain liabilities see note 20

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>30. Government grants and subsidies (continued)</b>		
<b>Water Services Infrastructure Grant</b>		
Current-year receipts	1 626 676	5 928 332
Conditions met - transferred to revenue	(1 626 676)	(5 928 332)
	-	-
Conditions still to be met - remain liabilities see note 20		
<b>Integrated National Electrification Programme</b>		
Balance unspent at beginning of year	3 987 258	1 121 302
Current-year receipts	7 573 000	6 925 000
Conditions met - transferred to revenue	(7 868 801)	(4 059 044)
	<b>3 691 457</b>	<b>3 987 258</b>
Conditions still to be met - remain liabilities see note 20		
<b>Local Government Financial Management Grant</b>		
Balance unspent at beginning of year	45 307	45 307
Current-year receipts	3 800 000	3 100 000
Conditions met - transferred to revenue	(3 845 307)	(3 100 000)
	-	<b>45 307</b>
Conditions still to be met - remain liabilities see note 20		
<b>Expanded Public Works Programme Integrated Grant</b>		
Current-year receipts	1 248 000	1 021 000
Conditions met - transferred to revenue	(1 248 000)	(1 021 000)
	-	-
<b>Library Subsidy</b>		
Balance unspent at beginning of year	72 976	-
Current-year receipts	1 190 000	1 147 000
Conditions met - transferred to revenue	-	(1 074 024)
	<b>1 262 976</b>	<b>72 976</b>
Conditions still to be met - remain liabilities see note 20		
<b>31. Public contributions and donations</b>		
Property, plant and equipment	2 500	1 013 868
	<b>2 500</b>	<b>1 013 868</b>

**Kai !Garib Local Municipality**

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>32. Bad debts written off</b>		
Bad debts written off	11 940	16 718 967
	<b>11 940</b>	<b>16 718 967</b>
<b>33. Bulk purchases</b>		
Electricity	111 283 250	97 520 805
	<b>111 283 250</b>	<b>97 520 805</b>
<b>34. Contracted services</b>		
<b>Presented previously</b>		
Information Technology Services	992 433	-
<b>Outsourced Services</b>		
Business and advisory	3 557	13 200
Cleaning services	85 827	46 331
Litter Picking and Street Cleaning	3 807 060	-
Refuse removal	98 000	3 840 590
Security services	486 511	838 131
Sewerage services	11 068 574	11 492 077
Transport Services	-	10 693 327
Water tankers	15 668 052	20 397 027
<b>Consultants and Professional Services</b>		
Business and advisory	23 181 075	15 143 461
Infrastructure and planning	676 888	1 352 771
Legal cost	1 041 458	2 673 067
<b>Contractors</b>		
Maintenance of Buildings and facilities	52 005	1 851 792
Maintenance of Unspecified assets	-	32 735
Safeguard and security	604 895	517 175
	<b>57 766 335</b>	<b>68 891 684</b>
<b>35. Debt impairment</b>		
Consumer debtors	70 574 194	65 483 637
	<b>70 574 194</b>	<b>65 483 637</b>
The increase in impairment of debtors is based on current outstanding debtor book and the latest payment percentages.		
<b>36. Depreciation and amortisation</b>		
Property, plant and equipment	29 752 411	36 739 376

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>37. Employee related cost</b>		
Senior Management Costs		
Annual Remuneration	5 092 791	5 159 806
Car Allowance	812 698	803 278
Contributions to UIF, Medical and Pension Funds	75 997	73 737
Performance Bonuses	111 689	-
	<b>6 093 175</b>	<b>6 036 821</b>
Municipal staff costs		
Acting allowances	561 670	406 591
Bargaining council contributions	53 200	52 543
Basic salaries and wages	105 981 352	101 104 968
Bonus	8 280 647	8 888 259
Group life insurance	2 990	-
Housing allowances	260 111	188 591
Leave pay-outs	2 570 695	460 467
Long-service awards	694 764	453 615
Medical aid - company contributions	4 670 472	4 270 888
Nightshift allowance	824 844	1 263 208
Non-pensionable allowances	486 000	16 950
Overtime payments	7 744 780	3 825 494
Pension fund contributions	17 404 237	16 559 897
Post employment service costs	(886 817)	141 508
Shift allowance	566 367	640 042
Skills development levy	1 364 113	1 248 000
Standby allowance	3 153 224	2 226 834
Telephone allowance	294 061	279 822
Travel allowances	4 662 769	4 165 366
UIF contributions	806 541	816 055
<b>Total for municipal staff</b>	<b>159 496 020</b>	<b>147 009 098</b>
<b>Total Employee related cost</b>	<b>165 589 196</b>	<b>153 045 921</b>
<b>Senior management costs breakdown</b>		
<b>Remuneration of Municipal Manager</b>		
Basic Salary	1 072 071	893 393
Contribution to pension fund, UIF, SDL	2 125	1 771
	<b>1 074 196</b>	<b>895 164</b>
<b>Remuneration of Chief Finance Officer</b>		
Basic Salary	895 277	931 038
Non-pensionable allowances	-	40 680
Travel allowance	298 426	296 322
Contribution to pension fund, UIF, SDL	2 125	2 125
	<b>1 195 829</b>	<b>1 270 166</b>

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>37. Employee related cost (continued)</b>		
<b>Remuneration of Director Corporate Services</b>		
Basic Salary	1 022 688	1 063 390
Cellphone allowance	19 800	19 800
Non-pensionable allowances	-	40 680
Performance bonus	39 036	-
Travel allowance	340 848	338 446
Contribution to pension fund, UIF, SDL	2 125	2 125
	<b>1 424 498</b>	<b>1 464 441</b>
<b>Remuneration of the Director Properties, Planning and Development</b>		
Basic Salary	876 195	834 288
Cellphone allowance	13 200	13 200
Performance bonus	72 653	55 297
Travel allowance	173 424	168 510
Contribution to pension fund, UIF, SDL & Medical aid	67 354	65 591
	<b>1 202 826</b>	<b>1 136 885</b>
<b>Remuneration of the Director Technical and Engineering Services</b>		
Basic Salary	1 193 703	1 227 360
Non-pensionable allowances	-	40 680
Contribution to pension fund, UIF, SDL	2 125	2 125
	<b>1 195 829</b>	<b>1 270 166</b>
<b>38. Finance costs</b>		
Development Bank of South Africa	1 042 680	1 040 272
Employee benefit obligation	2 971 160	2 809 596
Finance leases	-	480 818
Landfill site rehabilitation	5 992 437	5 159 263
Trade and other payables	37 983 215	39 074 385
	<b>47 989 492</b>	<b>48 564 334</b>

**Notes to the Unaudited Annual Financial Statements**

<b>Figures in Rand</b>	<b>2025</b>	<b>2024</b>
<b>39. General expenses</b>		
Advertising	23 167	12 860
Auditors remuneration	6 692 505	6 948 415
Bank charges	829 699	654 654
Chemicals	12 932	-
Commission paid	293 871	148 646
Computer expenses	133 132	19 221
Conferences and seminars	51 629	124 863
Consumables	14 048 801	7 994 214
Delivery expenses	4 883	16 948
Entertainment	154 922	280 995
Fuel and oil	2 968 587	2 803 633
Hire	3 671 369	5 979 741
Insurance	1 073 363	667 921
Motor vehicle expenses	260 759	371 356
Municipal Services - Electricity & Water	4 035 505	3 598 574
Protective clothing	-	228 826
Software expenses	121 932	5 530
Subscriptions and membership fees	22 530	35 207
Telephone and fax	1 230 301	1 077 970
Travel, subsistence and accommodation	7 584 788	6 528 305
Voluntary workers	1 559 148	1 536 567
	<b>44 773 823</b>	<b>39 034 446</b>
<b>40. Inventory consumed</b>		
Water	3 383 261	5 903 621
	<b>3 383 261</b>	<b>5 903 621</b>
<b>41. Landfill site expense</b>		
Landfill site Provision expense	368 356	-

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>42. Remuneration of councillors</b>		
Mayor	836 462	927 480
Executive committee	932 243	819 108
Speaker	850 562	750 144
Councillors	5 807 037	5 043 680
Ward committees	533 500	729 000
	<b>8 959 804</b>	<b>8 269 412</b>
<b>Mayor</b>		
Councillor remuneration	791 862	886 680
Telephone allowance	44 600	40 800
	<b>836 462</b>	<b>927 480</b>
<b>Executive committee</b>		
Councillor remuneration	843 043	737 508
Telephone allowance	89 200	81 600
	<b>932 243</b>	<b>819 108</b>
<b>Speaker</b>		
Councillor remuneration	805 962	709 344
Telephone allowance	44 600	40 800
	<b>850 562</b>	<b>750 144</b>
<b>Councillors</b>		
Councillor remuneration	5 138 637	4 441 037
Telephone allowance	668 400	602 643
	<b>5 807 037</b>	<b>5 043 680</b>
<b>Ward committees</b>		
Ward Councillor remuneration	533 500	729 000
	<b>533 500</b>	<b>729 000</b>
<b>In-kind benefits</b>		

The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
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**42. Remuneration of councillors (continued)**

**Additional information**

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

Refer to note 49 for details breakdown of remuneration of councillors under the related parties note.

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

**Impairments**

Property, plant and equipment	(11 805 865)	(1 867 820)
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An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Infrastructure assets - GRAP 26.(23) states: In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

(g) - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. Due to significant budget constraints, the municipality could not maintain the maintenance plan as required for the infrastructure assets. This led to the value in use being lower than the economic value of the assets. Assets were therefore impaired to a condition grade lower based on physical assessment of these assets.

Land - IGRAP 18 indicates that land is recognised based on control. Control of land is evidenced by the following criteria:

(a) legal ownership; and/or

(b) the right to direct access to land, and to restrict or deny the access of others to land. During the prior year it was identified that control over land has been lost. The most significant part of this was rural development for housing. As the land was not yet transferred to the legal new owners name, the land was impaired.

	(11 805 865)	(1 867 820)
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**Reversal of impairments**

Property, plant and equipment	6 612 156	2 167 106
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Repairs and additions to the network assets resulted in previous conditions of assets to improve, thus a reversal of impairments.

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

	(5 193 709)	299 286
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The main classes of assets affected by impairment losses are:

Buildings

Community

Infrastructure - Electrical network

Infrastructure - Roads network

Infrastructure - Wastewater network

Infrastructure - Road network

Infrastructure - Water network

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>43. Reversal of impairments/(Impairment loss) (continued)</b>		
Infrastructure - Electricity network		
Computer equipment		
Furniture and fixtures		
Plant and machinery		
The main classes of assets affected by reversals of impairment losses are:		
Motor vehicles		
The main events and circumstances that led to the recognition of these impairment losses are as follows:		
Physical verification of movable and immovable assets was performed during the financial year, each assets condition was assessed and was graded accordingly. Should the asset be found to be in a very poor condition and not able to fulfill its service potential the asset was then impaired accordingly. Details of the verification condition assessments are recorded in the fixed asset register.		
<b>44. Fair value adjustments</b>		
Investment property	2 084 934	819 702
	<b>2 084 934</b>	<b>819 702</b>
<b>45. Auditors' remuneration</b>		
Fees	6 692 505	6 948 415
	<b>6 692 505</b>	<b>6 948 415</b>
<b>46. Net cash flow generated from operating activities</b>		
Surplus/(deficit)	(187 533 453)	(63 903 151)
<b>Adjustments for:</b>		
Depreciation and amortisation	29 752 411	36 739 376
Gain on sale of assets and liabilities	20 013 858	2 041 264
Landfill site expense adjustment	(368 356)	-
Fair value adjustments	(2 084 934)	(819 702)
Finance costs - Finance leases	-	480 818
Impairment loss (reversal)	5 193 709	(299 286)
Debt impairment	70 574 194	65 483 637
Bad debts written off	11 940	16 718 967
Movements in retirement benefit assets and liabilities	3 451 895	2 960 278
Movements in provisions	1 321 107	6 084 809
Landfill site movement	4 671 330	-
Other non-cash item - Work in progress movement	3 737 207	1 741 415
Other non-cash items - Retentions	689 626	(893 258)
Other non-cash items - Donations of PPE	(2 500)	-
<b>Changes in working capital:</b>		
Inventories	7 739	(188 548)
Receivables from exchange transactions	(9 547 204)	7 886 455
Consumer debtors	(70 586 134)	(82 202 604)
Other receivables from non-exchange transactions	(19 813 015)	(18 888 807)
Payables from exchange transactions	177 031 557	50 326 219
Unspent conditional grants and receipts	3 793 424	15 286 237
Consumer deposits	260 584	120 601
	<b>30 574 985</b>	<b>38 674 720</b>

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>47. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	5 251 858	5 515 932
	<b>5 251 858</b>	<b>5 515 932</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	5 251 858	5 515 932
	<b>5 251 858</b>	<b>5 515 932</b>
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	5 251 858	5 515 932

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

Refer to note for prior period corrections made to commitments.

**Notes to the Unaudited Annual Financial Statements****Figures in Rand****2025****2024****48. Contingencies****Contingent liabilities**

Below is a list of possible liability claims where the outcome was unknown at 30 June 2025 with the maximum unforeseen liability for the Municipality:

Jacob Syster/Kai Garib	<u>280 000</u>	<u>280 000</u>
	<b><u>280 000</u></b>	<b><u>280 000</u></b>

**Jacob Syster/Kai Garib (Pending)**

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

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

**Trade payables with legal status**

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

- Kai !Garib Municipality / Eskom and 4 Others
- Solution Pro (Pty) Ltd-t/a Nashua Upington VS Kai !Garib Municipality
- Consolidated Retirement Fund
- Auditor General/Kai Garib
- Municipal Workers Retirement Fund

**Notes to the Unaudited Annual Financial Statements****Figures in Rand****2025****2024****49. Related parties**

Nature of related party relationships

**Related party transactions**

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

**Loans granted to related parties**

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

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand

2025

2024

**49. Related parties (continued)**

**Remuneration of Councillors and Management**

**Management class: Councillors**

2025

Name	Councillor allowance	Allowances	Contributions to UIF, Medical and Pension Funds	Total
Mayor	-	-	-	-
Cllr. M.M.M. Matthys	791 862	44 600	-	836 462
<b>Speaker</b>	-	-	-	-
Cllr. N.E. Vas	805 962	44 600	-	850 562
<b>Executive committee members</b>	-	-	-	-
Cllr. A.P. Presley	421 522	44 600	-	466 122
Cllr. T. Renier	421 522	44 600	-	466 122
<b>Councillors</b>	-	-	-	-
Cllr. S.A. Bruwer	318 806	44 600	-	363 406
Cllr. N. du Plessis	318 806	44 600	-	363 406
Cllr. Y.E. Scheffers	409 154	44 600	-	453 754
Cllr. C.F.P. Maasdorp	318 806	44 600	-	363 406
Cllr. A.C. Kotzee	318 806	44 600	-	363 406
Cllr. R.W. Cloete	318 806	44 600	-	363 406
Cllr. A. Johnson	318 806	44 600	-	363 406
Cllr. A. Kampher	318 806	44 600	-	363 406
Cllr. R.G. Saal	409 154	44 600	-	453 754
Cllr. M. Basson	318 806	44 600	-	363 406
Cllr. E. Padmaker	318 806	44 600	-	363 406
Cllr. M.J. Basson	409 154	44 600	-	453 754
Cllr. C.A. April	318 806	44 600	-	363 406
Cllr. R. Ipinge	409 154	44 600	-	453 754
Cllr. J.S.White	313 960	44 000	-	357 960
Ward Committees	533 500	-	-	533 500
	<b>8 113 005</b>	<b>802 200</b>	<b>-</b>	<b>8 959 805</b>

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024	
<b>49. Related parties (continued)</b>			
<b>2024</b>			
<b>Name</b>	<b>Councillor allowance</b>	<b>Allowances</b>	<b>Total</b>
<b>Mayor</b>	-	-	-
Cllr. M.M.M. Matthys	886 680	40 800	927 480
<b>Speaker</b>	-	-	-
Cllr. N.E. Vas	709 344	40 800	750 144
<b>Executive committee members</b>	-	-	-
Cllr. A.P. Presley	371 004	40 800	411 804
Cllr. T. Renier	371 004	40 800	411 804
<b>Councillors</b>	-	-	-
Cllr. S.A. Bruwer	280 608	40 800	321 408
Cllr. N. du Plessis	280 608	40 800	321 408
Cllr. Y.E. Scheffers	360 108	40 800	400 908
Cllr. C.F.P. Maasdorp	280 608	40 800	321 408
Cllr. A.C. Kotzee	280 608	40 800	321 408
Cllr. R.W. Cloete	280 608	40 800	321 408
Cllr. A. Johnson	280 608	40 800	321 408
Cllr. L.A. Tieties (Deceased)	141 642	16 048	157 690
Cllr. A. Kampher	280 608	40 800	321 408
Cllr. R.G. Saal	360 108	40 800	400 908
Cllr. M. Basson	280 608	40 800	321 408
Cllr. E. Padmaker	280 608	40 800	321 408
Cllr. M.J. Basson	360 108	40 800	400 908
Cllr. C.A. April	280 608	40 800	321 408
Cllr. R. Ipinge	307 108	40 800	347 908
Cllr. J.S.White (Newly Appointed)	105 883	15 395	121 278
Ward Committees	633 000	-	633 000
	<b>7 412 069</b>	<b>765 843</b>	<b>8 177 912</b>

Refer to note 42 for remuneration of councillors.

**Notes to the Unaudited Annual Financial Statements****Figures in Rand****2025****2024****49. Related parties (continued)****Management class: Senior Managers****2025**

<b>Name</b>	<b>Basic salary</b>	<b>Allowances</b>	<b>Contributions to UIF, Medical and Pension Funds</b>	<b>Total</b>
Municipal Manager	1 088 739	-	2 125	1 090 864
Chief Financial Officer	895 277	298 426	2 125	1 195 829
Corporate Services	1 061 581	360 648	2 125	1 424 355
Technical and Engineering Services	1 193 703	-	2 125	1 195 829
Planning and Development	948 848	186 624	2 125	1 137 598
	<b>5 188 149</b>	<b>845 699</b>	<b>10 627</b>	<b>6 044 474</b>

**2024**

<b>Name</b>	<b>Basic salary</b>	<b>Allowances</b>	<b>Contributions to UIF, Medical and Pension Funds</b>	<b>Total</b>
Municipal Manager	893 393	-	1 771	895 164
Chief Financial Officer	971 718	296 322	2 125	1 270 165
Corporate Services	1 104 070	358 246	2 125	1 464 441
Technical and Engineering Services	1 268 040	-	2 125	1 270 165
Planning and Development	889 585	181 710	65 591	1 136 886
	<b>5 126 806</b>	<b>836 278</b>	<b>73 737</b>	<b>6 036 821</b>

Refer to note 37 for employee related costs.

**Notes to the Unaudited Annual Financial Statements**
**Figures in Rand**
**2025**
**2024**
**50. 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**
**2023**

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
<b>Assets</b>						
<b>Current Assets</b>						
Inventories		916 822	-	-	-	916 822
Other financial assets		2 424 578	-	-	-	2 424 578
Receivables from exchange transactions		8 620 219	-	-	-	8 620 219
Receivables from non-exchange transactions		8 746 067	(2 513 252)	-	51 416 293	57 649 108
VAT receivable		51 416 293	-	-	(51 416 293)	-
Cash and cash equivalents		701 733	0	-	-	701 733
<b>Non-current Assets</b>						
Receivables from non-exchange transactions - NC		10 168 174	-	-	-	10 168 174
Investment property		163 940 372	-	-	-	163 940 372
Property, plant and equipment		788 849 899	15 320 600	-	-	804 170 499
Heritage assets		112 955	-	-	-	112 955
Intangible assets		12 752	(12 752)	-	-	-
<b>Total Assets</b>		<b>1 035 909 863</b>	<b>12 794 597</b>	<b>-</b>	<b>-</b>	<b>1 048 704 460</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities - CL		11 626 408	-	-	-	11 626 408
Finance lease obligation - CL		3 327 784	-	-	-	3 327 784
Payables from exchange transactions		918 459 057	(8 692 753)	-	-	909 766 304
Consumer deposits		2 687 728	-	-	-	2 687 728
Employee benefit obligation - CL		2 018 085	-	-	-	2 018 085
Unspent conditional grants and receipts		2 705 574	-	-	-	2 705 574
<b>Non-current Liabilities</b>						
Finance lease obligation - NCL		1 874 028	-	-	-	1 874 028
Employee benefit obligation - NCL		21 762 853	-	-	-	21 762 853
Provisions - NCL		68 256 166	-	-	-	68 256 166
<b>Total Liabilities</b>		<b>1 032 717 683</b>	<b>(8 692 753)</b>	<b>-</b>	<b>-</b>	<b>1 024 024 930</b>
<b>Total Net Assets</b>		<b>3 192 180</b>	<b>21 487 350</b>	<b>-</b>	<b>-</b>	<b>24 679 530</b>
<b>Accumulated surplus</b>		<b>3 192 179</b>	<b>21 487 351</b>	<b>-</b>	<b>-</b>	<b>24 679 530</b>

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024				
<b>50. Prior-year adjustments (continued)</b>						
<b>2024</b>						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
<b>Assets</b>						
<b>Current Assets</b>						
Inventories		1 105 369	-	-	-	1 105 369
Other financial assets		2 424 578	-	-	-	2 424 578
Receivables from exchange transactions		10 765 627	-	-	-	10 765 627
Receivables from non-exchange transactions		7 190 637	(2 823 005)	-	72 170 283	76 537 915
VAT receivable		72 170 283	-	-	(72 170 283)	-
Cash and cash equivalents		2 122 407	-	-	-	2 122 407
<b>Non-current Assets</b>						
Receivables from non-exchange transactions - NC		136 309	-	-	-	136 309
Investment property		162 729 244	-	-	-	162 729 244
Property, plant and equipment		785 357 512	15 811 234	-	-	801 168 746
Heritage assets		112 955	-	-	-	112 955
Intangible assets		5 245	(5 245)	-	-	-
<b>Total Assets</b>		<b>1 044 120 165</b>	<b>12 982 984</b>	<b>-</b>	<b>-</b>	<b>1 057 103 149</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities - CL		12 477 889	-	-	-	12 477 889
Finance lease obligation - CL		1 740 487	-	-	-	1 740 487
Payables from exchange transactions		441 529 409	(19 241 205)	-	-	422 288 204
Consumer deposits		2 808 329	-	-	-	2 808 329
Employee benefit obligation - CL		2 622 070	-	-	-	2 622 070
Unspent conditional grants and receipts		17 991 810	-	-	-	17 991 810
Service concession liabilities - CL		162 264 654	-	-	-	162 264 654
<b>Non-current Liabilities</b>						
Finance lease obligation - NCL		133 541	-	-	-	133 541
Employee benefit obligation - NCL		24 119 146	-	-	-	24 119 146
Provisions - NCL		74 340 975	-	-	-	74 340 975
Service concession liabilities - NCL		375 539 663	-	-	-	375 539 663
<b>Total Liabilities</b>		<b>1 115 567 974</b>	<b>(19 241 205)</b>	<b>-</b>	<b>-</b>	<b>1 096 326 769</b>
<b>Total Net Assets</b>		<b>(71 447 810)</b>	<b>32 224 190</b>	<b>-</b>	<b>-</b>	<b>(39 223 620)</b>
Accumulated surplus		(71 447 806)	32 224 186	-	-	(39 223 620)

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024				
<b>50. Prior-year adjustments (continued)</b>						
<b>Statement of financial performance</b>						
<b>2024</b>						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Service charges		128 647 851	-	-	-	128 647 851
Rental of facilities and equipment		760 670	-	-	-	760 670
Operational revenue		2 924 246	-	-	-	2 924 246
Interest income		15 534 025	-	-	-	15 534 025
Agency Services		278 22	-	-	-	278 22
Licences & Permits		811 914	-	-	-	811 914
Prescribed revenue		18 660	-	-	-	18 660
		<b>148 975 587</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148 975 587</b>
Property rates		30 036 790	-	-	-	30 036 790
Taxation revenue - Interest income		8 884 616	-	-	-	8 884 616
Government grants & subsidies		144 523 096	-	-	-	144 523 096
Public contributions and donations		1 013 868	-	-	-	1 013 868
Fines, Penalties and Forfeits		20 901	-	-	-	20 901
Service concession arrangements		143 711 982	-	-	-	143 711 982
		<b>328 191 25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>328 191 25</b>
Total Revenue		477 166 839	-	-	-	477 166 839
Employee related costs		(153 053 970)	8 049	-	-	(153 045 921)
Remuneration of councillors		(8 177 912)	(91 500)	-	-	(8 269 412)
Depreciation and amortisation		(36 206 520)	(532 856)	-	-	(36 739 376)
Finance costs		(48 565 236)	902	-	-	(48 564 334)
Debt Impairment		(65 483 637)	0	-	-	(65 483 637)
Bulk purchases		(97 520 805)	(0)	-	-	(97 520 805)
Bad debts written off		(16 718 967)	0	-	-	(16 718 967)
Contracted services		(71 175 607)	2 283 924	-	-	(68 891 683)
General Expenses		(48 102 769)	9 068 324	-	-	(39 034 445)
Inventory consumed		(5 903 621)	0	-	-	(5 903 621)
		<b>(550 909 044)</b>	<b>10 736 843</b>	<b>-</b>	<b>-</b>	<b>(540 172 201)</b>
Operating Surplus/ (Deficit)		<b>(73 742 205)</b>	<b>10 736 843</b>	<b>-</b>	<b>-</b>	<b>(63 005 362)</b>
Fair value adjustments		819 702	(0)	-	-	819 702
Reversal of impairments (Impairment loss)		299 286	(0)	-	-	299 286
Actuarial gains/losses		24 489	-	-	-	24 489
Loss on disposal of assets		(2 041 264)	0	-	-	(2 041 264)
		<b>(897 787)</b>	<b>(0)</b>	<b>-</b>	<b>-</b>	<b>(897 787)</b>
<b>Surplus / (Deficit) For The Year</b>		<b>(74 639 992)</b>	<b>10 736 842</b>	<b>-</b>	<b>-</b>	<b>(63 903 150)</b>

**Notes to the Unaudited Annual Financial Statements**
**Figures in Rand**
**2025**
**2024**
**50. Prior-year adjustments (continued)**
**Cash flow statement**
**2024**

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
<b>Cash flow from operating activities</b>						
Taxation Revenue		26 181 967	-	-	-	26 181 967
Sale of goods and services		100 715 427	-	-	-	100 715 427
Grants		159 809 332	-	-	-	159 809 332
Interest income		59 145	-	-	-	59 145
Employee costs		(158 091 122)	-	-	-	(158 091 122)
Suppliers		(76 847 519)	(12 112 238)	-	-	(88 959 757)
Finance costs		(15 031 667)	13 991 395	-	-	(1 040 272)
Other 10		-	-	-	-	-
<b>Net cash from operating activities</b>		<b>36 795 563</b>	<b>1 879 157</b>	<b>-</b>	<b>-</b>	<b>38 674 720</b>
<b>Cash flow from investing activities</b>						
Purchase of property, plant and equipment		(34 448 597)	(1 879 157)	-	-	(36 327 754)
Proceeds from sale of financial assets		2 030 830	-	-	-	2 030 830
<b>Net cash from investing activities</b>		<b>(32 417 767)</b>	<b>(1 879 157)</b>	<b>-</b>	<b>-</b>	<b>(34 296 924)</b>
<b>Cash flow from financing activities</b>						
Repayment of other financial liabilities		851 481	-	-	-	851 481
Finance lease payments		(3 808 603)	-	-	-	(3 808 603)
<b>Net cash from financing activities</b>		<b>(2 957 122)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2 957 122)</b>
<b>Total cash movement for the year</b>		<b>1 420 674</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 420 674</b>
Cash and cash equivalents at the beginning of the year		701 733	-	-	-	701 733

**Errors**

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

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
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**50. Prior-year adjustments (continued)**

**Property, plant and equipment:**

Property, plant and equipment: All assets were physically verified during the year and all conditions were updated for the current year. Previously unverified assets were found and were accounted for accordingly based on verification assessment that was done.

**Affected line items**

Payables from exchange transactions	1 044 920
Property, plant and equipment	13 940 411
General Expenses	(68 800)
Accumulated surplus (deficit)	(15 320 600)
Receivables from non-exchange transactions	(136 294)
Depreciation and amortisation	540 362
	(0)

**Intangible assets:**

Management have revised the categories of Intangible assets that were previously recognized and identified that the assets were not in line with the definition of Intangibles assets, these items were then removed from the Intangible asset register.

**Affected line items**

Intangible assets	(5 246)
Depreciation and amortisation	(7 506)
Accumulated surplus (deficit)	12 751
	(0)

**Payables from exchange transactions:**

Correction of prior year accruals was done as it impacted the current year opening balances of Payables from exchange transactions, all calculation and statements were obtained and creditors were accurately accounted for. Where differences were identified an adjustment was processed in the prior year.

**Affected line items**

Payables from exchange transactions	10 102 108
Property, plant and equipment	1 870 824
General Expenses	(1 994 300)
Finance costs	(902)
Contracted Services	(2 283 922)
Accumulated surplus (deficit)	(5 007 097)
Receivables from non-exchange transactions	(2 686 712)
	(0)

**Salary Control:**

Correction of prior year accruals was done as it impacted the current year opening balances of Salary control, all calculations and statements were obtained and service providers / outstanding employee payments were accurately accounted for. Where differences were identified an adjustment was processed in the prior year.

**Affected line items**

Payables from exchange transactions	8 094 171
General Expenses	(7 005 223)
Accumulated surplus (deficit)	(1 172 396)
Remuneration of councillors	91 500
Employee related costs	(8 052)
	(0)

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
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**51. Risk management**

**Financial risk management**

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

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

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

**Liquidity risk**

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

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

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

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
At 30 June 2025				
Trade and other payables	599 319 762	-	-	-
At 30 June 2024				
Trade and other payables	422 288 204	-	-	-

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
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**51. Risk management (continued)**

**Credit risk**

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

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

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

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

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

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

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

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

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

Financial instrument	2025	2024
Receivables from exchange transactions	20 449 142	10 901 936
Receivables from non-exchange transactions	164 526	164 526
Bank balances	1 210 879	2 122 407

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

Consumer deposits and guarantees held in lieu of service accounts are disclosed in note 14.

**Market risk**

**Interest rate risk**

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

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

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

This risk is managed on an ongoing basis.

**Notes to the Unaudited Annual Financial Statements****Figures in Rand****2025****2024****51. Risk management (continued)****Price risk**

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

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

**52. Going concern**

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus/(deficit) of R -226 757 077 and that the municipality's current liabilities exceed its current assets by R -680 136 779

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

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

1. Suppliers are not paid within the legislative 30 days.
2. Employee benefit obligations are unfunded; refer note 15
3. High levels of distribution losses; refer note 60
4. Slow collection and low recoverability of outstanding consumer accounts; refer to notes 7 and 8.
5. Unfavourable financial ratios.

In addition, the municipality owed key suppliers: Eskom Holdings SOC R 762,696,143 (2023: R662,022,625) and; Department water and sanitation R 48,400,268 (2023: R 37,974,093) as at 30 June 2025.

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

1. Circular 124 – Eskom write-off agreement application.
2. Circular 123 – Budgeting process and improved tariff adjustments to improve service delivery collections.
3. Valuation roll implementation from 2020/21, this will improve property rates billing for next 5 years supplementary roll implemented every quarter.
4. Additional supplementary valuation rolls will be implemented during the following financial year to improve property rates billing and enhance cashflow.

**53. Events after the reporting date**

The municipality have filed for an extension for the implementation of the new general valuation roll for the next two years.

# Kai !Garib Local Municipality

(Demarcation code: NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2025

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024
<b>54. Unauthorised, Irregular and Fruitless and Wasteful Expenditure</b>		
Unauthorised expenditure	72 366 146	504 196 108
Irregular expenditure	172 359 025	164 424 084
Fruitless and wasteful expenditure	37 981 239	119 283 892
<b>Closing balance</b>	<b>282 706 409</b>	<b>787 904 083</b>

### Additional Narratives

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

### 55. Unauthorised expenditure

Opening balance as previously reported	504 196 108	297 758 146
Add: Unauthorised expenditure - current	72 366 146	206 437 962
Less: Amount authorised - prior period	(504 196 108)	-
<b>Closing balance</b>	<b>72 366 146</b>	<b>504 196 108</b>

Unauthorised expenditure is disclosed exclusive of VAT.

Non-cash	34 389 067	98 101 242
Cash	37 977 080	108 336 720
	<b>72 366 146</b>	<b>206 437 962</b>

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

Vote 1 - Office of the mayor and speaker	181 248	287 465
Vote 2 - Office of the municipal manager	762 465	3 331 365
Vote 3 - Budget and treasury office	4 086 827	136 275 964
Vote 4 - Corporate services	2 965 380	1 168 606
Vote 5 - Technical and engineering services	63 399 040	63 494 336
Vote 6 - Properties, planning and development	971 186	1 880 225
	<b>72 366 146</b>	<b>206 437 962</b>

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>56. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	119 283 892	89 569 687
Add: Fruitless and wasteful expenditure identified - current	37 981 239	29 714 205
Less: Amount written off - prior period	(119 283 892)	-
<b>Closing balance</b>	<b>37 981 239</b>	<b>119 283 892</b>

Fruitless and wasteful expenditure is presented inclusive of VAT

**Details of fruitless and wasteful expenditure**

A3 Engineering	-	73
Atm Auto Elektries (Motolek)	-	-
Auditor General Of South Africa	-	2 554 996
Buildzone	-	6 095
Eskom	29 449 335	14 112 372
Jam office stationers	-	2 869
South African Revenue Service	-	3 294 809
Water verbruikers vereniging	4 579 619	3 334 139
Water and Sanitation - National	3 909 644	6 336 757
West Rand Consulting (Pty) Ltd	-	68 823
URB-ICT	-	479
Kai Garib ABSA Fleet	-	2 792
Kakamas Fitment Centre	753	-
Luibinsuralateral Insurance	41 887	-
	<b>37 981 239</b>	<b>29 714 205</b>

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

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

**Amount recovered**

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

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>57. Irregular expenditure</b>		
Opening balance as previously reported	164 424 084	155 309 290
Add: Irregular Expenditure - current	7 934 940	9 114 794
<b>Closing balance</b>	<b>172 359 025</b>	<b>164 424 084</b>

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

Three written quotations not invited	1 622 012	8 306 925
Tax clearances not obtained	6 312 929	807 869
	<b>7 934 940</b>	<b>9 114 794</b>

**Disciplinary steps taken/criminal proceedings**

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

**58. Material Losses**

**Electricity distributed losses**

Units purchased (kWh)	49 522 659	46 859 830
Units lost during distribution (kWh)	15 560 086	16 744 926
Percentage lost during distribution	31%	36%
Loss Amount	33 185 135	33 045 292

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

**Water distributed losses**

Mega litres purchased	2 951 805	3 627 187
Mega litres lost during distribution	1 698 991	2 464 136
Percentage lost during distribution	58%	68%
Loss Amount	448 692	2 481 378

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

**59. Additional disclosure in terms of Municipal Finance Management Act**

**Contributions to organised local government**

Opening balance	12 039 672	10 324 348
Current year subscription / fee	1 777 221	1 715 324
	<b>13 816 893</b>	<b>12 039 672</b>

**Audit fees**

Opening balance	23 863 353	20 801 300
Current year subscription / fee	5 981 473	5 062 053
Amount paid - current year	(4 099 899)	(2 000 000)
	<b>25 744 927</b>	<b>23 863 353</b>

**Notes to the Unaudited Annual Financial Statements****Figures in Rand****2025****2024****59. Additional disclosure in terms of Municipal Finance Management Act (continued)****PAYE and UIF**

Opening balance	60 633 282	46 202 045
Current year subscription	28 591 448	21 900 959
Amount paid - current year	(11 616 005)	(7 469 722)
	<b>77 608 726</b>	<b>60 633 282</b>

**Pension and Medical Aid Deductions**

Opening balance	51 527 319	26 981 219
Current year subscription / fee	28 472 219	32 891 512
Amount paid - current year	(7 961 682)	(8 345 411)
Amount paid - previous years	(21 603 514)	-
	<b>50 434 342</b>	<b>51 527 319</b>

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand 2025 2024

**59. 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 2025:

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. M.M.M. Matthys	1 685	-	1 685
Cllr. E.N. Vas	2 250	60 940	63 190
Cllr. A.P. Presley	138	388	525
Cllr. R Ipinge	3 676	7 057	10 733
Cllr. C.F.P Maasdorp	340	4 680	5 020
Cllr. T. Renier	3 790	30 799	34 589
Cllr. M. Basson	136	3 184	3 321
Cllr. A.C. Kotzee	3 016	21 669	24 685
Cllr. S.A. Bruwer	610	-	610
Cllr. R.G. Saal	2 379	70	2 449
Cllr. Y.E. Scheffers	2 201	32 672	34 874
Cllr. J White	4 233	64 580	68 813
	<b>24 454</b>	<b>226 039</b>	<b>250 494</b>

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

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

30 June 2025	Highest outstanding amount	Aging (in days)
Cllr. R. Ipinge	3 956	180
Cllr. E.N. Vas	59 133	180
Cllr. T. Renier	27 020	180
Cllr. M. Basson	2 939	180
Cllr. C.F.P Maasdorp	4 388	180
Cllr. A.P. Presley	257	180
Cllr. Y.E. Scheffers	30 753	180
Cllr. J White	60 898	180
	<b>189 344</b>	<b>1 440</b>

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
<b>59. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
30 June 2024		
	<b>Highest outstanding amount</b>	<b>Aging (in days)</b>
Cllr. E.N. Vas	50 308	180
Cllr. T. Renier	25 889	180
Cllr. M. Basson	2 627	180
Cllr. C.F.P Maasdorp	3 247	180
Cllr. R.G. Saal	5 946	180
Cllr. Y.E. Scheffers	22 633	180
	<b>110 650</b>	<b>1 080</b>

**Non-compliance with the Municipal Finance Management Act**

In terms of section 65 (2)(e) of the Municipal Finance Management Act (Act 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

In terms of section 126 (1)(a) of the Municipal Finance Management Act (Act 56 of 2003), the accounting officer of a municipality must prepare the annual financial statements within 2 months after the end of the financial year.

**60. Deviation from supply chain management regulations**

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

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

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

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

SCM paragraph reference			
36 (1)(a) i	Dispense with the official procurement processes in an emergency	2 197 121	3 024 618
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	401 662	35 610
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	7 366 321	303 608
		<b>9 965 104</b>	<b>3 363 836</b>

# Kai !Garib Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2025

## Notes to the Unaudited Annual Financial Statements

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### 61. Segment information

#### Additional Narratives

Definition of Segment reporting is as follows:

A segment is an activity of an entity:

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

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

No further reporting per segment is required.

**Notes to the Unaudited Annual Financial Statements**

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**62. Budget differences**

**Material differences between budget and actual amounts**

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

Explanation of variances between approved and final budget amounts

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

The variances identified in the Budget Statement is as follows:

Reference No.	Description	Actual amount over/(under) budget	Variance percentage	Explanation
Note 62.1	Rendering of services	(70 134 085)	-31 %	The municipality is in the process of implementing cost-reflective tariffs, however actual revenue did not realise as anticipated due to increased installation of self-generating resources by consumers.
Note 62.2	Rental of facilities and equipment	(217 546)	-25 %	Facilities were not rented out to the public as initially anticipated during the budget process.
Note 62.3	Agency services	(100 442)	-28 %	Revenue increased as the municipality provided services to customers from Upington, which was not foreseen when the budget was prepared.
Note 62.4	Licences and permits	(91 000)	-11 %	Interest revenue exceeded budget due to higher levels of outstanding consumer debtors.
Note 62.5	Interest received - investment	4 535 248	25 %	Loss of assets not budgeted for.
Note 62.6	Gains on disposal of assets	(20 013 858)	- %	More interest was charged on outstanding consumer debtors than originally budgeted.
Note 62.7	Interest - Taxation revenue	2 474 970	27 %	Revenue exceeded the budget as more traffic fines were issued than anticipated.
Note 62.8	Public contributions and donations	(86 149)	-97 %	Expenditure exceeded budget as the municipality did not budget in line with the latest upper limits issued for councillors.
Note 62.9	Fines, Penalties and Forfeits	164 602	30 %	Depreciation was higher as municipal assets deteriorated faster than anticipated in the budget process.
Note 62.10	Remuneration of councillors	1 005 708	-10 %	Asset impairment losses increased due to faster deterioration of assets, compounded by poor cash flow and lack of adequate maintenance.
Note 62.11	Depreciation and amortisation	28 584 524	-83 %	Finance costs exceeded budget as the municipality’s cash flow constraints limited its ability to settle monthly obligations timeously.

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand		2025	2024	
<b>62. Budget differences (continued)</b>				
Note 62.12	Impairment loss/ Reversal of impairments	18 470 599	-100 %	The provision for debt impairment was underestimated as consumer debtors increased and payment rates remained poor.
Note 62.13	Finance costs	(33 811 155)	238 %	Bad debts were written off during the year, although none had been anticipated in the budget.
Note 62.14	Debt Impairment	(70 574 194)	- %	Expenditure was higher than budgeted due to tariff increases implemented by NERSA that were not factored into the budget.
Note 62.15	Bad debts written off	(11 940)	- %	More consultants were utilised for water tinkering than originally budgeted for.
Note 62.16	Bulk purchases	(25 886 664)	30 %	Cash flow constraints limited the municipality's ability to procure inventories as originally planned in the budget.
Note 62.17	Inventory consumed	713 123	-17 %	Please provide reason for variance
Note 62.18	Loss on disposal of assets	(209 609)	-100 %	Due to severe cash flow pressures, the municipality reprioritised spending and could not meet all planned commitments.
Note 62.19	General Expenses	27 787 603	-44 %	Increase in growth of properties.
Note 62.20	Fair value adjustments	(6 056 574)	-74 %	Non cash budget item from Defined benefit movement
Note 62.21	Actuarial gains	280 893	-17 %	Cash flow constraints limited the municipality's ability to procure inventories as originally planned in the budget.
Note 62.22	Inventories	263 609	-19 %	Anticipated un-used electricity and water was higher than expected based on year-end cut-off calculations.
Note 62.23	Other financial assets	(1 407 531)	76 %	Low consumer payment levels resulted in higher than anticipated outstanding balances.
Note 62.24	Receivables from exchange transactions	(7 070 348)	55 %	Surplus cash available at year-end was higher than anticipated.
Note 62.25	Cash and cash equivalents	422 035	-26 %	No intangible assets was capitalised for the year.
Note 62.26	Receivables from exchange transactions	(204 064)	53 %	Low consumer payment levels resulted in higher than anticipated outstanding balances.
Note 62.27	Employee benefit obligation	(626 905)	-24 %	Non cash budget item from Defined benefit movement
Note 62.28	Unspent conditional grants and receipts	21 785 234	- %	Grants remained unspent at year-end, which had not been anticipated in the budget.
Note 62.29	Other financial liabilities	1 621 734	14 %	DBSA payments could not be confirmed, interest was charged on outstanding amount.
Note 62.30	Employee benefit obligation	3 633 458	15 %	Non cash budget item from Defined benefit movement
Note 62.31	Accumulated surplus	(284 386 189)	-222 %	Nett effect of all changes

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Unaudited Annual Financial Statements for the year ended 30 June 2025

## Notes to the Unaudited Annual Financial Statements

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### 63. Accounting by principals and agents

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

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

Municipality as Agent / Principle	Other Party in agreement	Purpose of Arrangement	Description of Arrangement	Significant Terms and Conditions of Arrangement
Agent	Provincial Department of Transport	Collection of motor vehicle license fees	The Municipality undertakes to collect Motor vehicle license fees on behalf of the Department of Transport and collects a commission of 12% plus VAT.	The municipality collect motor registration fees on behalf of Provincial Administration. Payment is made weekly based on the e-Natis reports Agency fees to the value of 12% plus VAT is withhold from the payment to the Province
Agent	Provincial Department of Transport	Roadworthiness testing of vehicels	The Municipality undertake to perform roadworthiness tests on vehicles on behalf of the Department of Transport.	The testing of motor vehicles for the purpose of checking roadworthiness of vehicles inline with national guidelines
Agent	Provincial Department of Transport	Issuing leaner permits and driver licenses.	The Municipality undertake s to handle Driver's licence applications on behalf of the Department of Transport.	The value of application fees is determined by the Provincial administration. The Municipality recognise all fees collected as agency fees.
Agent	Department of Justice	Administration of Court fees	The Municipality undertakes to collect Court Fines on behalf of the Department of Justice and get no commission for this service.	The municipality collect content of court fees on behalf of the Dept of Justice, which is paid over on a monthly basis. The Municipality has no rights to an administration fee on the content of court fees.

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2025	2024
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**63. Accounting by principals and agents (continued)**

**Municipality as agent**

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

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

**Revenue recognised**

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R(707 581) (2023: R(811 914))

Motor Vehicle registration - 21 Dept of Transport	(707 581)	(811 914)
	(707 581)	(811 914)

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

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

**Additional information**

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

**Reconciliation of the carrying amount of payables**

**Provincial Department of Transport**

Opening balance	53 358 447	51 188 486
Revenue that principal is entitled to	2 244 170	2 448 182
Commission	(252 124)	(278 221)
	<b>55 350 493</b>	<b>53 358 447</b>

**All categories**

Opening balance	53 358 447	51 188 486
Revenue that principal is entitled to	2 244 170	2 448 182
Commission	(252 124)	(278 221)
	<b>55 350 493</b>	<b>53 358 447</b>

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

**Commission paid**

Municipality	(252 124)	(278 221)
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**64. BBBEE Performance**

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

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## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024
<b>65. Service concession</b>		
<b>Revenue from service concession</b>		
Eskom debt relief	-	143 711 982
The Municipality was approved to partake in the national Eskom Debt relief program, as instigated by National Treasury as mentioned in MFMA circular 124. Terms of the agreement has been set and the Municipality will have to comply with these terms in order to receive the benefit of the agreement.		
<b>Oligations in service concession</b>		
Eskom debt relief	537 804 317	537 804 317
The Municipality was approved to partake in the national Eskom Debt relief program, as instigated by National Treasury as mentioned in MFMA circular 124. Terms of the agreement has been set and the Municipality will have to comply with these terms in order to receive the benefit of the agreement.		
<b>Reconciliation of obligations in service concession</b>		
Balance at the beginning of the [period]	537 804 317	-
Other changes/movements	-	537 804 317
	<b>537 804 317</b>	<b>537 804 317</b>
<b>Total service concession</b>		
<b>Current portion</b>		
Oligations in service concession	162 264 654	162 264 654
<b>Non-current portion</b>		
Oligations in service concession	375 539 663	375 539 663
	<b>537 804 317</b>	<b>537 804 317</b>