



GA-SEGONYANA LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Mayoral committee

Mayor

Masegela N.G

Councillors

Meyers T.E. (Speaker)
Assegai G.C.
Modise E.B.
(Deceased- January 2021)
Dispi N.G
Eiman B.A.
Galeboe M.P.
Kanjiruba K.F.
Leserwane B.E
Madikiza Selepe K.B. (EXCO)
Makoke L.N.
Makwati K.R.
Mathibe O.D.
Mntuyedwa G.N.
Moagi L. (MPAC Chair)
Disang M.F
(Discharged - 30 November 2020)
Mpata D.T
Moseki L.C.
Van der Westhuizen A.W.P
Nelson L.R.
Ngesi N.G.
Nels K.A.
Reetsang M.G.
Thupaemang N.G.
Tshetshemeserogwe I.
Chweu K.H
Gaetsewe B.E
Lesley S.K
(Appointed -1 December 2020)
Ncayivutshwa T.R
(Appointed - 3 May 2021)

Chief Financial Officer (CFO)	K Noke
Accounting officer	M. Tsatsimpe
Registered office	Corner Voortrekker and School Street Kuruman
Business address	Corner Voortrekker and School Street Kuruman
Postal address	Private Bag X1522 Kuruman 8460

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Bankers	First National Bank
Auditors	Auditor General (South Africa)
Jurisdiction	The Ga-segonyana Local Municipality includes the following areas: Kuruman, Bankhara, Mothibistad, Magojaneng, Obama Hill, Ditshoswaneng, Mpoteng, Seoding, Mokalamosesane, Gamopedi, Ncweng, Galotolo, Pietbos, Sloja, Lokaleng, Geelboom, Sedibeng, Batlharos, Gasehubane, Garuele, Gasebolao, Maruping, Vergenoeg, Kagung, Lohatlha, Seven Miles, Thamonyanche, Wrenchville, Promise Land and Thuli Madonsela.
Relevant Legislation	Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 117 of 1998) Municipal Structures Act (Act No. 32 of 2000) Water Service 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 1996) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations
Attorneys	Mogaswa Attorneys Peyper Attorneys Sifumba Attorneys Modiboa Attorneys Koikanyang Attorneys Motshabi Attorneys

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting officer is primarily responsible for the financial affairs of the municipality, the annual financial statements are supported by the Municipality's external auditors.

The annual financial statements set out on pages 6 to 94, which have been prepared on the going concern basis were approved by the Accounting Officer on 31 August 2021 .

M. Tsatsimpe
Municipal Manager

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Audit Committee Report

We are pleased to present our report for the year ending 30 June 2021.

Audit committee members and attendance

The audit committee consists of the members listed here under and should meet at least 4 times per annum as per its approved terms of reference. During the current year 6 meetings were held.

Name of member	Number of meetings attended
R. Tshimomola (Chairperson)	6
F. Buys	5
M. Mashati	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The committee has performed the following key responsibilities:

- Adopted the audit and risk management charter and proposed approved to council;
- Reconfirm the appropriateness of the internal audit charter and methodology;
- Recommended the risk management strategy and policy to council, due to the slow implementation thereof alternative mechanisms were followed by the internal audit manager and a risk register was considered and recommended for approval to council;
- Approved the internal audit plan for the financial year and monitored to the implementation of the plan;
- Evaluated the findings raised by internal and external audit and made recommendations on addressing those matters;
- Performed a review of financial information submitted to the committee and commented specifically on concerns raised based on year-to-date information and accuracy of projections;
- Requested management to reporting on pending litigation, possible contingent liabilities and significant risks;
- Requested management to address the perceived lack of discipline and called specific officials to account for the progress on the audit action plan;
- Liaised with the Auditor-General on matters relating to communication with those charged with governance.

The effectiveness of internal control

The following issues are highlighted by the Audit and Performance Committee as points of concern:

- Insufficient preventative control measures and ineffective monitoring of controls.
- Non adherence to policies and procedures.
- Repeat internal audit findings (performance management and MFMA Compliance audit).
- Repeat external audit findings
- No consequence management and ineffective oversight structures

Internal audit

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

Auditor-General of South Africa

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

		2021	2020
	Note(s)	R	Restated* R
Assets			
Current Assets			
Inventories	3	66 779 464	82 514 924
Receivables from non-exchange transactions	4	22 042 599	19 609 479
VAT	5	6 270 980	4 151 647
Receivables from exchange transactions	6	57 531 406	52 906 301
Cash and cash equivalents	7	90 466 140	59 270 087
		243 090 589	218 452 438
Non-Current Assets			
Investment property	8	18 229 634	18 229 634
Property, plant and equipment	9	1 585 815 208	1 492 356 201
Intangible assets	10	722 012	284 613
Heritage assets	11	1 655 642	1 655 642
		1 606 422 496	1 512 526 090
Total Assets		1 849 513 085	1 730 978 528
Liabilities			
Current Liabilities			
Other financial liabilities	12	2 181 862	2 103 672
Finance lease obligation	13	739 380	2 202 988
Payables from exchange transactions	14	70 064 798	60 597 085
Consumer deposits	15	5 310 255	4 814 761
Employee benefit obligation	16	1 452 000	1 683 000
Unspent conditional grants and receipts	17	31 595 764	35 632 576
		111 344 059	107 034 082
Non-Current Liabilities			
Other financial liabilities	12	8 355 780	10 537 615
Finance lease obligation	13	664 938	1 404 317
Employee benefit obligation	16	34 131 000	28 111 000
Provisions	18	24 173 786	18 808 913
		67 325 504	58 861 845
Total Liabilities		178 669 563	165 895 927
Net Assets		1 670 843 522	1 565 082 601
Accumulated surplus		1 670 843 522	1 565 082 601

* See Note 49

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

		2021	2020
	Note(s)	R	Restated* R
REVENUE			
Revenue from exchange transactions			
Sale of stands		7 209 208	2 378 515
Service charges	20	158 153 269	157 669 317
Rental of facilities	21	2 012 071	2 351 079
Interest on outstanding receivables	23	3 848 481	4 837 950
Licences and permits		3 351 478	3 244 356
Other revenue	24	4 566 061	3 873 512
Interest on investments	25	3 864 834	3 707 754
Total revenue from exchange transactions		183 005 402	178 062 483
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	49 763 478	45 094 777
Interest on outstanding receivables	23	1 667 363	3 145 398
Transfer revenue			
Grants and subsidies realised	27	389 557 952	385 548 478
Fines, penalties and forfeits	22	3 417 910	4 845 325
Total revenue from non-exchange transactions		444 406 703	438 633 978
Total revenue	19	627 412 105	616 696 461
EXPENDITURE			
Employee related costs	28	(151 395 151)	(130 928 705)
Remuneration of councillors	29	(9 842 705)	(9 860 821)
Depreciation, amortisation and impairment loss	30	(65 944 055)	(63 263 625)
Finance costs	31	(10 462 752)	(9 438 769)
Debtors impairment	32	(13 822 992)	(7 664 726)
Bad debts written-off	33	(1 469 365)	(2 699 281)
Bulk purchases	34	(125 634 275)	(113 208 832)
Cost of land sold	3	(15 105 401)	(2 591 600)
General expenses	35	(106 961 609)	(88 427 110)
Total expenditure		(500 638 305)	(428 083 469)
Operating surplus		126 773 800	188 612 992
Gains/(Loss) on disposal of assets	9	(18 409 890)	(4 939 617)
Fair value adjustments	52	-	136 000
Actuarial gains/(losses)	16	(2 603 000)	6 552 491
Gain (loss) on impairment		-	129 187
		(21 012 890)	1 878 061
SURPLUS FOR THE YEAR		105 760 910	190 491 053

* See Note 49

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	1 324 851 322	1 324 851 322
Adjustments		
Correction of error 01/07/2019	49 740 226	49 740 226
Balance at 01 July 2019	1 374 591 548	1 374 591 548
Surplus for the year ended 30 June 2020	190 491 053	190 491 053
Total changes	190 491 053	190 491 053
Opening balance as previously reported	1 506 379 471	1 506 379 471
Prior year adjustments	58 703 141	58 703 141
Restated* Balance at 01 July 2020 as restated*	1 565 082 612	1 565 082 612
Changes in net assets		
Surplus for the year ended 30 June 2021	105 760 910	105 760 910
Total changes	105 760 910	105 760 910
Balance at 30 June 2021	1 670 843 522	1 670 843 522
Note(s)		

* See Note 49

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

		2021	2020
	Note(s)	R	Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		289 054 756	211 012 046
Grants		389 557 952	377 516 448
Interest on investments		3 864 834	3 707 754
		<u>682 477 542</u>	<u>592 236 248</u>
Payments			
Suppliers		(301 555 753)	(213 436 464)
Employee Costs		(161 053 060)	(130 928 705)
Finance costs		(5 006 381)	(6 542 857)
		<u>(467 615 194)</u>	<u>(350 908 026)</u>
Net cash flows from operating activities	36	<u>214 862 348</u>	<u>241 328 222</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(177 417 589)	(175 027 549)
Purchase of intangible assets	10	(832 760)	(244 717)
Net cash flows from investing activities		<u>(178 250 349)</u>	<u>(175 272 266)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in other financial liabilities		(2 103 645)	(3 404 996)
Finance lease payments		(3 312 301)	(3 931 930)
Net cash flows from financing activities		<u>(5 415 946)</u>	<u>(7 336 926)</u>
Net increase/(decrease) in cash and cash equivalents		31 196 053	58 719 030
Cash and cash equivalents at the beginning of the year		59 270 087	551 057
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	<u>90 466 140</u>	<u>59 270 087</u>

* See Note 49

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Actual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
Revenue from exchange transactions						
Sale of stands	6 000 000	-	6 000 000	7 209 208	1 209 208	1
Service charges	170 870 536	-	170 870 536	158 153 269	(12 717 267)	
Rental of facilities	2 090 844	(40 000)	2 050 844	2 012 071	(38 773)	
Interest on outstanding receivables	7 343 004	(440 000)	6 903 004	3 848 481	(3 054 523)	2
Licences and permits	3 317 436	15 000	3 332 436	3 351 478	19 042	
Other revenue	2 404 127	125 010	2 529 137	4 566 061	2 036 924	4
Interest on investments	3 356 796	-	3 356 796	3 864 834	508 038	5
Total revenue from exchange transactions	195 382 743	(339 990)	195 042 753	183 005 402	(12 037 351)	
Revenue from non-exchange transactions						
Property rates	49 853 477	(1 491 353)	48 362 124	49 763 478	1 401 354	6
Interest on outstanding receivables	-	-	-	1 667 363	1 667 363	3
Grants and subsidies realised	312 940 032	99 871 145	412 811 177	389 557 952	(23 253 225)	7
Fines, Penalties and Forfeits	3 154 668	(85 000)	3 069 668	3 417 910	348 242	
Total revenue from non-exchange transactions	365 948 177	98 294 792	464 242 969	444 406 703	(19 836 266)	
Total revenue	561 330 920	97 954 802	659 285 722	627 412 105	(31 873 617)	
EXPENDITURE						
Employee related costs	(156 254 196)	9 515 042	(146 739 154)	(151 395 151)	(4 655 997)	8
Remuneration of councillors	(10 456 416)	(86 856)	(10 543 272)	(9 842 705)	700 567	9
Depreciation and amortisation	(42 959 400)	-	(42 959 400)	(65 944 055)	(22 984 655)	10
Finance costs	(6 065 184)	4 214 000	(1 851 184)	(10 462 752)	(8 611 568)	11
Debt Impairment	(24 548 712)	9 548 712	(15 000 000)	(13 822 992)	1 177 008	12
Bad debts written-off	-	-	-	(1 469 365)	(1 469 365)	
Bulk purchases	(117 876 084)	929 318	(116 946 766)	(125 634 275)	(8 687 509)	13
Contracted services	-	-	-	(15 105 401)	(15 105 401)	13
General expenses	(120 412 764)	(43 416 735)	(163 829 499)	(73 695 608)	90 133 891	14
Total expenditure	(478 572 756)	(19 296 519)	(497 869 275)	(467 372 304)	30 496 971	
Operating surplus	82 758 164	78 658 283	161 416 447	160 039 801	933 367 962	
Gain/(Loss) on disposal of assets	-	-	-	(18 409 890)	(18 409 890)	15
Actuarial gains/losses	-	-	-	(2 603 000)	(2 603 000)	17
	-	-	-	(21 012 890)	(21 012 890)	
SURPLUS FOR THE YEAR	82 758 164	78 658 283	161 416 447	139 026 911	(22 389 536)	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	43 839 487	26 795 576	70 635 063	66 779 464	(3 855 599)	16
Receivables from non-exchange transactions	17 091 713	(14 591 713)	2 500 000	22 042 599	19 542 599	17
Receivables from exchange transactions	74 900 442	28 478 292	103 378 734	57 531 406	(45 847 328)	18
VAT	-	-	-	6 270 980	6 270 980	19
Cash and cash equivalents	34 107 000	48 497 940	82 604 940	90 466 140	7 861 200	21
	169 938 642	89 180 095	259 118 737	243 090 589	(16 028 148)	
Non-Current Assets						
Investment property	33 491 300	(12 942 459)	20 548 841	18 229 634	(2 319 207)	22
Property, plant and equipment	1 456 227 773	44 449 981	1 500 677 754	1 585 815 208	85 137 454	23
Intangible assets	245 925	38 688	284 613	722 012	437 399	24
Heritage assets	1 655 642	-	1 655 642	1 655 642	-	
Long term receivables	-	22 400 850	22 400 850	-	(22 400 850)	25
	1 491 620 640	53 947 060	1 545 567 700	1 606 422 496	60 854 796	
Total Assets	1 661 559 282	143 127 155	1 804 686 437	1 849 513 085	44 826 648	
Liabilities						
Current Liabilities						
Other financial liabilities	2 861 000	639 000	3 500 000	2 181 862	(1 318 138)	26
Finance lease obligation	-	-	-	739 380	739 380	27
Payables from exchange transactions	78 026 158	(33 220 568)	44 805 590	70 064 793	25 259 203	28
Consumer deposits	4 713 557	722 326	5 435 883	5 310 255	(125 628)	29
Employee benefit obligation	-	-	-	1 452 000	1 452 000	
Unspent conditional grants and receipts	-	-	-	31 595 764	31 595 764	30
Provisions	1 541 243	209 077	1 750 320	-	(1 750 320)	31
	87 141 958	(31 650 165)	55 491 793	111 344 054	55 852 261	
Non-Current Liabilities						
Other financial liabilities	3 543 367	4 898 565	8 441 932	8 355 780	(86 152)	26
Finance lease obligation	-	-	-	664 938	664 938	27
Employee benefit obligation	-	-	-	34 131 000	34 131 000	
Provisions	66 131 400	(21 088 284)	45 043 116	24 173 786	(20 869 330)	31
	69 674 767	(16 189 719)	53 485 048	67 325 504	13 840 456	
Total Liabilities	156 816 725	(47 839 884)	108 976 841	178 669 558	69 692 717	
Net Assets	1 504 742 557	190 967 039	1 695 709 596	1 670 843 527	(24 866 069)	
Net Assets						
Reserves						
Accumulated surplus	1 501 242 259	194 467 386	1 695 709 645	1 670 843 531	(24 866 114)	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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
	R	R	R	R	R	

Sale of stands

1) The variance is due to stands that was bought in 2019/20 and the transfers were only done in the 2020/21 financial year.

Interest on outstanding receivables

2) A lower interest of R5 086 639 was recognised due to debtors write - off that took place during the financial period and decreased the overall debtors balance

Other Revenue

3) Variance is as a results of expected benefit investing for Employees obligation that was not budgeted for

Interest on Investments

4) Actual revenue was higher than the budget due to high bank balance as the spending was affected by the lockdown. This has resulted in higher interest being accrued.

Grants and Subsidies

5) Actual Grants were higher than budgeted grants due to additional funding that was granted to the Municipality .

Fines and Penalties

6) Variance is due to more fines issued in the 2020/21 financial year

Depreciation and amortisation

7) Variance is due to increase in assets during the year which was not provided for in the budget.

Finance costs

8) Variance is due to interest on landfill site and Interest on Employee Obligation that was not budgeted for

General Expenditure

9) General Expenditure variance is due to cost containment measures put in place as well as lockdown implemented by government to curb covid-19. This resulted in lesser spending.

Gains/(loss) on disposal of assets

10) Gains/(loss) on disposal of assets was not budgeted for.

Actuarial gains/(losses)

11) Actuarial gains or losses were not budgeted for.

Receivables from exchange transactions

12) The trade receivable are less than budgeted amounts due to the increase in the actual write- offs made during the financial year.

Cash and cash equivalents

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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
	R	R	R	R	R	

13) The cash and cash equivalents of the municipality increased due to under spending as a result of lockdown to curb covid-19

14) Property, plant and equipment increased due to additional assets bought or constructed in the current year as projects are completed as well as public contributions on capital projects which was not budgeted for.

Intangible assets

15) Intangible assets are lower than the budget due amortisation not taken into account on the budget.

Other Financial liabilities

16) This balance is composed of loans from DBSA and the municipality managed to repay part of the loan in the 2019/20 financial year..

30) The actual value for investment properties was lesser than budgeted due to properties which were transferred from investment property to inventory at year end.

31) The municipality did recognise more license and permits than anticipated due to improved collections by the traffic department.

32) Gains/(loss) on impairment determined at year end as such the Municipality did not budget it.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality. All figures are rounded off to the nearest Rand.

1.2 Going concern assumption

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

1.3 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 judgment 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:

1.3.1 Trade receivables and allowance for doubtful debts

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 portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that the debtors are impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3.2 Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down 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 operation surplus note.

1.3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.4 Impairment testing

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

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

1.3.5 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the notes to the Annual Financial Statements.

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

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

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

1.3.6 Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. This estimate is based on public sector industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The estimation of residual values of assets is based on management's judgment as to whether the assets will be sold or used at the end of their useful lives, and in what condition they will be at that time.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.7 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 the Notes to the Annual Financial Statements.

The municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.8 Effective interest rate

Where interest rates are not specified in the transactions handled by the municipality, particularly with respect to finance leases the municipality used the prime interest rate to discount future cash flows.

1.3.9 Allowance for doubtful debts

Timing of Assessment

The municipality will assess at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

Evidence of Impairment

The following accounts are specifically excluded from impairment testing:

- Receivable accounts with a combined credit balance at reporting date;
- Receivable accounts where the combined balance at reporting date is zero;
- Receivable accounts where the Municipality is the owner; and
- Receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due.

Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.

- A receivables that have been placed under or applied for liquidation or sequestration;
- Where the last payment date by the customer was before 15th May of each year;
- Accounts handed over to debt collectors and/or power of attorney;
- All accounts indicated as in-active accounts on the system;
- When a formal arrangement is made on arrears debt;
- When accounts have been formally presented to Council for write off; and
- All accounts with balances outstanding 31 days and longer as these accounts are considered to be past due

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Calculation and Recognition of Impairment Loss

The impairment loss is calculated as the difference between the carrying value at reporting date less the present value of expected future cash flows.

Individually Significant Receivables

Consumer receivables with a total balance outstanding at reporting date over R150 000 is considered material and will be assessed individually for evidence of impairment.

For sundry receivables management will assess on an annual basis which accounts are considered to be individually material. These accounts will be assessed individually for evidence of impairment.

Risk Categories

All receivables are categorised into one of three risk categories. These categories are:

- High risk category;
- Medium risk category; and
- Low risk category.

The allocation of receivables into the different risk categories are reviewed annually.

Consumer receivables

The following receivables are specifically identified as being high risk due to their nature:

- Approved indigents;
- Tenant accounts; and
- Non-active accounts

The following receivables are specifically identified as being low risk receivables due to their nature and past payment history:

- Government receivables, excluding government schools

The following receivables are specifically identified as being medium risk receivables due to their nature and past payment history:

- All accounts with prepaid electricity meters; and
- Government school receivables

The remainder of the consumer receivables are classified as medium risk receivables.

All other receivables are divided into the three risk categories based on management's knowledge of these receivables.

Summary of risk groups for consumer receivables

Ga Segonyana Local Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

High Risk	Medium Risk	Low Risk
Approved indigents	Remainder of consumer receivable accounts	Government receivables, excluding gov schools
Tenant accounts	Remainder of consumer receivable accounts	Government receivables, excluding gov schools
Non-active accounts	Remainder of consumer receivable accounts	Government receivables, excluding gov schools

The risk factors and premium adjustment to the risk free rate are reviewed annually by management

Sundry receivables

The following receivables are specifically identified as being high risk due to their nature and past payment history:

- Motor vehicle accidents;
- Library books;
- Bursary costs/Study assistance;
- Closed accounts;
- Marked to be written off; and
- Handed over accounts

The following receivables are specifically identified as being low risk receivables due to their nature and past payment history:

- Main service contributions; and
- Relocation costs;

The following receivables are individually assessed

- Medical aid

The remainder of the sundry receivables are classified as medium risk receivables.

All other receivables are divided into the three risk categories based on management's knowledge of these receivables.

Summary of risk groups for consumer receivables

High Risk	Medium Risk	Low Risk
Motor vehicle accidents	Remainder of consumer receivable accounts	Main service contributions
Library books	Remainder of consumer receivable accounts	Main service contributions
Bursary costs	Remainder of consumer receivable accounts	Reallocation costs
Closed accounts	Remainder of consumer receivable accounts	Reallocation costs
Marked to be written off	Remainder of consumer receivable accounts	Reallocation costs
Non-active accounts	Remainder of consumer receivable accounts	Reallocation costs

The risk factors and premium adjustment to the risk free rate are reviewed annually by management

Discount Rate

The discount rate is set as the yield of the R157 South African government bond as at the reporting date. The actual yield on the R157 bond is sourced from the RMB Global Markets website at reporting date

Ga Segonyana Local Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

The risk free rate is adjusted with a premium per risk category. The following is taken into account in determining the premium:

- The economic conditions of the population in the municipal district;
- History of bad debts written off;
- Effectiveness of the debt collection processes;
- The vast rural area that the municipality covers and the rural population have high social problems;
- High unemployment rate in the municipal district.

Based on the above risk factors identified the risk free rate is adjusted with the following premium

Risk category	Premium adjustment
High risk	1.25%
Medium risk	0.75%
Low risk	0.25%

The risk factors and premium adjustment to the risk free rate are reviewed annually by management

Expected Repayment Term

The total income from consumers for the reporting period include:

- Property tax;
- Refuse;
- Sewerage;
- Water;
- Electricity;
- Interest; and
- Less income foregone

Expected Future Cash Flows

The expected future cash flows are based on management's past experiences with the different receivable groups.

The expected future cash flows can be summarised as follows:

Ga Segonyana Local Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Group	Expected future cash flow
Accounts with no payment received in the last six months	No payment expected
Indigent receivables	Accounts marked as indigent do not expect any re-payment and is therefore included at 100% in the allowance calculation
Inactive accounts	No payment expected
Accounts marked as bad debts	No payment expected
Accounts with balances only in current, 30 days and/or 60 days	Fully recoverable
High risk consumer receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
Medium risk consumer receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
Low risk consumer receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
High risk sundry receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
Medium risk sundry receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
Low risk sundry receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)

All payments received in July after the reporting date are added to the above calculated expected further cash flows before impairment is calculated

Present Value of Expected Future Cash Flows

The future expected cash flows will be discounted using the present value (PV) formula.

1.4 Investment property

1.4.1 Initial Recognition

Investment property is property (land or buildings) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services, or
- 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.

Accounting Policies

1.4 Investment property (continued)

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

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

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

1.4.2 Subsequent Measurement

Subsequent to initial measurement investment property is measured at fair value in line with the asset management policy of the municipality on the municipal property rates Act cycle.

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.

The nature or type of properties classified as held for strategic purposes are as follows:

1.4.3 Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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.

1.5 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.

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Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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.

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

Item	Depreciation method	Average useful life
Land		Infinity
Furniture and fixtures	Straight line	3-15 years
Infrastructure		
- Sewer pump station	Straight line	15-60 years
- Solid waste disposal	Straight line	3-9 years
- Electricity network	Straight line	3-20 years
- LV network	Straight line	10-50 years
- Distribution network	Straight line	2- 30 years
- Bridges	Straight line	30-80 years
- Bulk supply	Straight line	50-100 years
- MV network	Straight line	15-60 years
- Road structures	Straight line	5-55 years
- Airport structures	Straight line	20-60 years
- Collection and reticulation network	Straight line	50 years
- Borehole	Straight line	3-100 years
- Distribution reticulation network	Straight line	5-60 years
- Storage	Straight line	10-15 years
- Stormwater	Straight line	10-60 years
- Road traffic management	Straight line	10-40 years
- Waste water treatment	Straight line	15-60 years
- Water network	Straight line	20 years
- Water pipes	Straight line	20 years
- Water pump	Straight line	5-100 years
- Water storage	Straight line	3-20 years
Community Assets		
- Buildings	Straight line	100 years
Other property, plant and equipment		
- Furniture and equipment	Straight line	5-10 years
- Motor vehicles	Straight line	5-15 years
- Office equipment	Straight line	3-10 years
- Plant equipment	Straight line	4-15 years
- Computer equipment	Straight line	1-5 years
Landfill site	Straight line	17 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life, residual value and depreciation method of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

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 charge for each period is recognised in surplus or deficit.

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

1.6 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.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

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

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Accounting Policies

1.7 Intangible assets (continued)

Item	Amortisation method	Average useful life
Computer software	Straight line	3 to 5 years

Intangible assets are derecognised:

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

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

1.8 Heritage assets

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

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the Annual Financial Statements.

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

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

1.8.1 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.

1.8.2 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.

1.8.3 Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost.

1.8.4 Impairment

The municipality assess its heritage assets at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.9 Financial instruments

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

Initial recognition

Financial instruments are recognised when the municipality becomes a party to contractual provision of the instruments.

Financial instruments are initially recognised at armortised cost.

Ga Segonyana Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Financial Instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on the nature and terms of the financial instrument for which the financial instruments were obtained / incurred and takes place at initial recognition.

1.9.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at cost.

1.10 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 purposes of this Standard) 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 entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

Ga Segonyana Local Municipality

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Accounting Policies

1.10 Statutory receivables (continued)

Where the entity 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 entity 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 entity 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 entity 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 are recognised in surplus or deficit.

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

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

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Accounting Policies

1.11 Tax

VAT

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

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 municipality assesses the classification of each element separately.

1.11.1 Finance leases - lessee

Initial recognition

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

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

Subsequent measurement

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 on the remaining balance of the liability.

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

1.13 Inventories

1.12.1 Initial recognition

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

1.12.2 Subsequent measurement

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

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

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

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

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

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

The cost of inventories 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.

1.12.3 Derecognition

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.

Accounting Policies

1.14 Impairment of cash-generating assets

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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

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

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

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

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

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

Useful life is either:

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

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

1.13.1 Identification

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

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

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

1.13.2 Value in use

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

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

1.13.3 Basis for estimates of future cash flows

In measuring value in use the municipality:

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

1.13.4 Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

1.15 Impairment of non-cash-generating assets

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

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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

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

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

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

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

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

Useful life is either:

Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

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

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

1.14.1 Identification

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

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

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

1.14.2 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:

1.14.3 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.

1.14.4 Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

1.14.5 Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

1.14.6 Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.16 Employee benefits

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

1.15.1 Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

1.15.2 Post-employment benefits: Defined contribution 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.

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

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

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Accounting Policies

1.17 Provisions and contingencies

1.16.1 Initial Recognition

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 reflects current market assessments of the time value of money and the risks specific to the liability.

1.16.2 Subsequent measurement

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 deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed by way of a note.

1.18 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.

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.

The municipality's main sources of revenue from exchange transactions income include service charges, rental of facilities, sale of stands, licences and permits and interest income.

1.17.1 Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.17.2 Sale of goods (stands and licences and permits)

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.

Ga Segonyana Local Municipality

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

1.17.3 Rendering of services

Rendering of services includes the following service charges: refuse removal, electricity, water and sewerage. 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;

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.

The municipality recognises prepaid electricity revenue on a prepaid basis as it is difficult for the municipality to determine the amount consumed as at year end for prepaid meters.

1.17.4 Interest

Revenue arising from the use by others of the municipality's assets yielding interest 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 revenue is recognised on a time proportion basis.

1.17.5 Rental of facilities

Rental of facilities and equipment revenue arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

1.17.6 Other Income

Other income shall be accounted for when the cash, asset or service is received by the municipality.

1.19 Revenue from non-exchange transactions

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

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

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

The municipality's main source of revenue from non-exchange transactions income include property rates, government grants and subsidies, public contributions, donations, fines and penalties.

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

1.18.1 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.

1.18.2 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.

1.18.3 Property Rates

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.

1.18.4 Government grants, Public contributions and donations

Transfer revenue include government grants, subsidies, public contributions, donations, fines, penalties and forfeits. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. 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.

1.18.5 Fines

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

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

1.18.6 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.

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Accounting Policies

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 Fruitless and wasteful expenditure

Fruitless and wasteful 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.

1.24 Irregular expenditure

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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 municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

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

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

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

1.25 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

Ga Segonyana Local Municipality

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Accounting Policies

1.25 Segment information (continued)

- for which separate financial information is available.

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

Measurement

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

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

1.26 Budget information

Municipality is subject to budgetary limits in the form of an approved and an adjustment budget which is given effect through council.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the approved budget.

The approved budget is prepared on an accrual basis and presented by nature linked to performance outcome objectives.

The approved budget covers the fiscal period from 2020/07/01 to 2020/03/31.

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

Comparative information is not required.

Material differences between the original budget and final budget as well as between the final budget and the actual are explained in the Annual Financial Statements. Deviations are regarded as material when they are greater than or equal to 10%. Deviations between approved budget and final budgets well as deviations between final budget and actual, are regarded as material differences

1.27 Related parties

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

1.28 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 Annual 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)
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date). There were no significant post balance sheet events that affected the Annual Financial Statements as at 30 June 2020.

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Accounting Policies

1.29 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and
- All expenditure has been dealt with in terms of the above definition and recognition criteria.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. 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.

Major expenses include:

- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.
- Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.
- Repairs and maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk electricity;
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- Transfers and grants which relate to expenditure pertaining to free basic services; and
- General expenses which constitute several expense items which are not individually significant.
- Employee cost - relating to cost associated with employee contracts.
- Depreciation - Cost associated with the amortisation of property, plant and equipment..

1.30 Fines provision methodology

1) Obtain issued fines (Unadjusted issued fines) for the past 3 to 5 years.

a) Adjust the fines by the below adjustments:

b) Reduce the fines by the amount of fines withdrawn/cancelled.

c) Also reduce the fines by amounts reduced.

2) Increase the fines by amounts increased for unpaid fines.

3) Obtain the final total of amounts of a) to c) above.

4) Adjust the issued fines by a) to c) above to get final collectible issued fines.

5) Calculate the percentage discount rate of collectible issued fines as a percentage of unadjusted issued fines in 1) above

6) Calculate average discount rate for the number of years the data was obtained e.g. if 3 years, calculate average over 3 years and if 5 years calculate average over 5 years.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.30 Fines provision methodology (continued)

7) The provision is calculated as follows:

Gross fines debtors x average discount rate in 5) above.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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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 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> Guideline: Guideline on the Application of Materiality to Financial Statements Guideline: Guideline on Accounting for Landfill Sites 	<ul style="list-style-type: none"> 01 April 2020 01 April 2020 	<ul style="list-style-type: none"> Unlikely there will be a material impact Unlikely there will be a material impact

3. Inventories

Other inventories held for sale (land)	63 371 783	78 477 183
Consumable stores	3 342 879	4 010 170
Water	64 802	48 562
	66 779 464	82 535 915
Inventories (write-downs)	-	(20 991)
	66 779 464	82 514 924

3.1 Other Inventory held for sale (land)

Opening balance	78 477 183	81 068 783
Disposals	(15 105 400)	(2 591 600)
Closing Balance	63 371 783	78 477 183

Inventory pledged as security

No inventory was pledged as security.

4. Receivables from non-exchange transactions

Fines	9 490 109	6 549 505
Consumer debtors - Rates	12 552 490	13 059 974
	22 042 599	19 609 479

Included in receivables from non-exchange transactions are balances owing from property rates as follows:

Current (0 - 30 days)	142 148	215 169
31 - 60 days	1 846 436	892 861
61 - 90 days	1 574 834	730 463
91 - 120 days	1 423 849	645 159
121 - 365 days	10 020 117	3 626 136
> 365 days	13 353 026	21 194 397
	28 360 410	27 304 185
Less: Allowance for impairment	(15 807 920)	(14 244 211)

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
4. Receivables from non-exchange transactions (continued)		
Net balance	12 552 490	13 059 974
Fines		
Gross fines	10 362 634	7 174 071
Impairment	(872 525)	(624 566)
	9 490 109	6 549 505

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are past due but not impaired have been assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Based on the assessment conducted by the municipality, the quality of these debtors is considered to be satisfactory.

5. Value Added Tax

VAT	6 270 980	4 151 647
Amounts outstanding from SARS at year end	4 871 809	6 919 762
VAT on accrual basis	1 399 171	(2 768 115)
	6 270 980	4 151 647

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R			
6. Receivables from exchange transactions					
Gross balances					
Electricity	36 714 422	18 937 556			
Water	9 938 243	9 789 676			
Sewerage	17 782 617	16 685 889			
Refuse	8 640 887	9 980 775			
Sundry debtors	29 850 331	30 896 175			
	102 926 500	86 290 071			
Less: Allowance for impairment					
Less: Allowance for impairment	(45 395 094)	(33 383 770)			
Net balance					
	57 531 406	52 906 301			
Included in above is Sundry receivables from exchange transactions					
Rental	7 404 561	7 008 862			
Accrued Income	17 718 025	23 613 328			
Staff Recovery	281 744	273 985			
Land sales	4 446 000	-			
	29 850 330	30 896 175			
Net balance					
	29 850 330	30 896 175			
Sundry Receivable Ageing 2021	Rental	Accrued Income	Staff Recovery	Land Sale	Total
Current (0 -30 days)	246 976	20 130	13 688	-	280 794
31 - 60 days	103 589	1 596	3 632	-	108 817
61 - 90 days	101 888	26 926	3 189	-	132 003
91 - 120 days	94 654	87 380	3 177	-	185 211
121 - 365 days	1 544 053	52 297	21 048	-	1 617 398
> 365 days	5 313 401	17 529 696	237 010	4 446 000	27 526 107
	7 404 561	17 718 025	281 744	4 446 000	29 850 330
Sundry Receivable Ageing 2020	Rental	Accrued Income	Staff Recovery	Land Sale	Total
Current (0 -30 days)	1 240 461	1 839	95 954	-	1 338 254
31 - 60 days	106 187	1 202	8 695	-	116 084
61 - 90 days	102 714	1 195	3 662	-	107 571
91 - 120 days	102 794	1 208	3 320	-	107 322
121 - 365 days	525 391	3 122 303	5 654	-	3 653 348
> 365 days	4 931 315	20 485 581	156 700	-	25 573 596
	7 008 862	23 613 328	273 985	-	30 896 175

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
6. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	5 336 488	5 254 771
31 - 60 days	1 851 801	1 225 752
61 - 90 days	1 470 246	1 287 763
91 - 120 days	1 277 885	1 160 233
121 - 365 days	10 755 993	7 741 639
> 365 days	16 022 009	2 267 389
	36 714 422	18 937 547
Water		
Current (0 -30 days)	1 890 499	2 229 073
31 - 60 days	845 849	881 732
61 - 90 days	682 849	720 577
91 - 120 days	650 282	537 429
121 - 365 days	2 874 622	2 903 774
> 365 days	2 994 142	2 517 091
	9 938 243	9 789 676
Sewerage		
Current (0 -30 days)	1 213 111	1 410 146
31 - 60 days	751 601	883 960
61 - 90 days	685 247	826 057
91 - 120 days	670 715	773 056
121 - 365 days	3 688 502	4 846 606
> 365 days	10 773 441	7 946 064
	17 782 617	16 685 889
Refuse		
Current (0 -30 days)	699 750	967 250
31 - 60 days	438 872	537 647
61 - 90 days	390 366	474 494
91 - 120 days	408 307	440 112
121 - 365 days	2 083 044	2 648 941
> 365 days	4 620 548	4 912 331
	8 640 887	9 980 775
Sundry debtors		
Current (0 -30 days)	1 312 685	1 338 636
31 - 60 days	62 899	116 461
61 - 90 days	8 770	107 940
91 - 120 days	185 211	107 690
121 - 365 days	1 210 351	3 656 154
> 365 days	26 903 792	25 569 294
	29 683 708	30 896 175
Reconciliation of allowance for impairment		
Balance at beginning of the year	(33 383 770)	(27 525 619)
Contributions to allowance	(12 011 324)	(5 858 151)
	(45 395 094)	(33 383 770)

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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6. Receivables from exchange transactions (continued)

Credit quality of consumer debtors

The credit quality of receivables from exchange transactions that are past due but not impaired have been assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Based on the assessment conducted by the municipality, the quality of these debtors is considered to be satisfactory.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 400	33 030
Other cash and cash equivalents	90 462 740	59 237 057
	90 466 140	59 270 087

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
FNB CHEQUE ACC - 62649722883	18 567 378	1 068 873	259 466	18 557 833	1 068 273	259 466
FNB CHEQUE ACC - 62652542632	170 602	(11 911)	161	234 947	84 744	161
FNB 7 DAY CALL ACC - 74690806392	60 225 856	40 035 293	156 699	60 225 857	40 035 293	156 699
FNB CALL ACCOUNT- 62671219048	11 444 103	18 048 747	128 681	11 444 103	18 048 747	128 681
Total	90 407 939	59 141 002	545 007	90 462 740	59 237 057	545 007

8. Investment property

	2021		2020	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	18 229 634	-	18 229 634	-

Reconciliation of investment property - 2021

	Opening balance	Total
Investment property	18 229 634	18 229 634

Reconciliation of investment property - 2020

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	28 100 000	9 289 634	(19 296 000)	136 000	18 229 634

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.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

8. Investment property (continued)

Details of valuation

Investment property is reviewed by a professional valuer once every 4 years in line with the statutory requirements of the Municipal Property Rates Act (Chapter 6 of 2004). The last external valuation was done by an independent professional valuer on 1 July 2018. The valuation which conforms to international valuation standards is arrived at by reference to market evidence of transaction prices for similar properties.

The revaluation of investment property was performed by TT Property Consultants (BENJAMIN NARE MAKGAKGA PROFESSIONAL ASSOCIATED VALUER -Pr.No.6996/0).

9. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	12 918 100	-	12 918 100	12 918 100	-	12 918 100
Buildings	218 382 404	(87 377 753)	131 004 651	217 025 937	(86 273 981)	130 751 956
Plant and machinery	4 049 685	(2 761 453)	1 288 232	4 054 959	(2 610 150)	1 444 809
Furniture and fixtures	9 233 730	(6 886 222)	2 347 508	10 033 548	(7 461 011)	2 572 537
Motor vehicles	17 237 745	(9 479 235)	7 758 510	24 624 963	(18 731 894)	5 893 069
Office equipment	7 596 177	(5 261 504)	2 334 673	8 615 595	(4 940 787)	3 674 808
Infrastructure	2 211 389 390	(783 225 856)	1 428 163 534	2 067 424 371	(732 323 449)	1 335 100 922
Total	2 480 807 231	(894 992 023)	1 585 815 208	2 344 697 473	(852 341 272)	1 492 356 201

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	12 918 100	-	-	-	-	-	12 918 100
Buildings	130 751 956	17 296 161	(11 968 461)	-	(4 950 696)	(124 309)	131 004 651
Plant and machinery	1 444 809	169 286	(39 441)	-	(281 758)	(4 664)	1 288 232
Furniture and fixtures	2 572 537	688 709	(119 330)	-	(789 755)	(4 653)	2 347 508
Motor vehicles	5 893 069	3 475 819	-	-	(1 610 378)	-	7 758 510
Office equipment	3 674 808	136 867	(76 860)	-	(1 394 724)	(5 418)	2 334 673
Infrastructure	1 335 100 922	155 650 747	(6 205 796)	-	(47 673 597)	(8 708 742)	1 428 163 534
	1 492 356 201	177 417 589	(18 409 888)	-	(56 700 908)	(8 847 786)	1 585 815 208

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	19 962 100	-	(7 044 000)	-	-	12 918 100
Buildings	129 384 037	7 881 287	(1 594 233)	(4 919 135)	-	130 751 956
Plant and machinery	1 340 228	378 109	(3 614)	(265 382)	(4 532)	1 444 809
Furniture and fixtures	2 291 429	943 584	(24 624)	(701 808)	63 956	2 572 537
Motor vehicles	6 770 545	3 621 395	(339)	(4 502 811)	4 279	5 893 069
Office equipment	2 336 324	2 840 845	(91 263)	(1 411 722)	624	3 674 808
Infrastructure	1 221 010 754	170 081 699	(4 644 185)	(51 347 346)	-	1 335 100 922
	1 383 095 417	185 746 919	(13 402 258)	(63 148 204)	64 327	1 492 356 201

Assets subject to finance lease (Net carrying amount)

Furniture and fixtures	2 228 639	2 981 968
Office Equipment	2 701 836	1 484 098
Motor vehicles	-	4 063 810
	4 930 475	8 529 876

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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9. Property, plant and equipment (continued)

Additions Reconciliation

Property, plant and equipment additions on is split into the following;

Property plant and equipment procured through cash received by the Municipality	139 445 022	134 689 194
Property plant and equipment procured through mining donations	37 972 567	49 583 813
	177 417 589	184 273 007

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	124 574 967	244 264 570
Community	12 759 973	8 360 317
	137 334 940	252 624 887

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

RBIG	-	114 509 355
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Delay due to delivery of material which were damaged and signing of the happy letters due to unavailability of some of the beneficiaries, Miscalculation by Consultant in including their fees on the Construction cost, as a result number of units increased from 380- 496

	-	114 509 355
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Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

	-	-
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Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	244 264 570	8 360 317	252 624 887
Additions/capital expenditure	161 437 778	11 509 130	172 946 908
Transferred to completed items	(104 056 848)	-	(104 056 848)
	301 645 500	19 869 447	321 514 947

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	96 131 576	9 954 550	106 086 126
Additions/capital expenditure	175 453 698	915 055	176 368 753
Transferred to completed items	(21 948 705)	(7 881 287)	(29 829 992)
	249 636 569	2 988 318	252 624 887

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
9. Property, plant and equipment (continued)		
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		
Buildings	165 702	171 075
Plant and Equipment	4 990 998	87 256
Motor Vehicles	-	958 745
Office Equipment	-	452 325
Infrastructure	-	1 325 458
	5 156 700	2 994 859

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.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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10. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 634 574	(912 562)	722 012	1 156 244	(871 631)	284 613

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	284 613	832 760	-	(395 361)	722 012

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	245 925	244 717	(26 281)	(179 748)	284 613

11. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	5 462	-	5 462	5 462	-	5 462
The Eye	1 650 180	-	1 650 180	1 650 180	-	1 650 180
Total	1 655 642	-	1 655 642	1 655 642	-	1 655 642

Reconciliation of heritage assets 2021

	Opening balance	Total
Mayoral chain	5 462	5 462
The Eye	1 650 180	1 650 180
	1 655 642	1 655 642

Reconciliation of heritage assets 2020

	Opening balance	Total
Mayoral chain	5 462	5 462
The Eye	1 650 180	1 650 180
	1 655 642	1 655 642

Ga Segonyana Local Municipality

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12. Other financial liabilities

At amortised cost

DBSA Bank loan	10 537 642	12 641 287
The Borrower shall cede to the DBSA, security in the form of a cession over its income stream, covering the installments outstanding, plus interest and collection charges outstanding, at any time during the term of the loan		
The borrower hereby agrees to create and deposit at a recognised commercial bank, an amount equal to two installments over a period of one year of the respective loan period. This amount is to be ceded to the DBSA as security for the loan		

Non-current liabilities

At amortised cost	8 355 780	10 537 615
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Current liabilities

At amortised cost	2 181 862	2 103 672
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As at 30 June 2021, the Municipality had the following concessionary loans from DBSA:

Contract number	Loan number	Start date	Planned end date	Loan term (Years)	Loan Amount	Nominal Value June 2021	Interest rate per annum
61000632	102568/2	2007/11/19	2027/12/31	20	3 512 071	1 574 386	5,00 %
61000505	102274/2	2006/03/01	2026/02/28	20	12 109 500	5 076 336	8,46 %
61000357	101738/2	2005/03/24	2025/06/30	20	7 183 596	2 605 133	9,34 %
61003307	13891/201	2001/12/20	2023/06/30	20	3 849 273	96 232	10,75 %
61000038	100234/1	2003/08/07	2024/12/31	20	4 341 243	1 185 553	11,50 %

Contract number: 102568/2

- Grace period: 3.25 year

Contract number: 102274/2

- Grace period: 4 years

Contract number: 101738/2

- Grace period: 5 years

Contract number: 13891/201

Grace period: 8.5 years

Contact number: 100234/1

- Grace period: 6.5 years

Maturity analysis

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
DBSA Bank loan	2 181 862	8 091 444	264 335	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
DBSA Bank loan	2 103 672	2 181 861	8 355 752	-

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.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

12. Other financial liabilities (continued)

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

13. Finance lease obligation

Minimum lease payments due

- within one year	1 078 380	2 925 896
- in second to fifth year inclusive	770 650	1 849 030
	1 849 030	4 774 926
less: future finance charges	(444 712)	(1 167 621)
Present value of minimum lease payments	1 404 318	3 607 305

Present value of minimum lease payments due

- within one year	739 380	2 202 988
- in second to fifth year inclusive	664 938	1 404 317
	1 404 318	3 607 305

Non-current liabilities	664 938	1 404 317
Current liabilities	739 380	2 202 988
	1 404 318	3 607 305

It is entity policy to lease certain equipment under finance leases.

Leases relating to motor vehicles expired in August 2020. Finance leases existing as at 30 June relates to photocopiers.

The average lease term was 2-5 years and the average effective borrowing rate was 7% (2020: 7%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9.

14. Payables from exchange transactions

Trade payables	17 328 160	19 005 827
Accruals	1 506 583	455 393
Unallocated deposits	1 892 301	752 769
Retention monies	15 405 571	14 293 544
Sale of stands - (pending transfer)	6 945 617	7 309 587
Sundry payables	222 835	134 178
Debtors with credit balances	7 554 124	4 185 284
Employee costs accrual	532 298	180 800
Group life Insurance	4 902 164	4 058 498
Leave pay	9 870 134	7 207 485
Bonus	3 905 011	3 013 720
	70 064 798	60 597 085

15. Consumer deposits

Service accounts	4 790 877	4 073 242
Housing rental	519 378	741 519
	5 310 255	4 814 761

Consumer deposits represent amounts received in advance and held as surety for service accounts and other services.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
16. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(28 407 000)	(27 232 972)
Present value of the defined benefit obligation wholly unfunded	(7 176 000)	(2 561 028)
	(35 583 000)	(29 794 000)
Non-current liabilities	(34 131 000)	(28 111 000)
Current liabilities	(1 452 000)	(1 683 000)
	(35 583 000)	(29 794 000)

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 fund, with which the municipality is associated, a member is entitled to continued as a 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. No other post-employment benefits are provided to these employees.

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out at 30 June 2021 by Mr. C Weiss. Fellow 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.

Long service award

The members of the long service award are made up as follows:

Eligible employees at the beginning of the financial year	316	307
New Entries	35	32
Exits	(6)	(23)
	345	316

Movements in the present value of the defined benefit obligations were as follows:

Opening balance	6 031 000	5 550 717
Total annual expenditure	610 000	719 463
Actuarial loss/(gains)	535 000	(239 180)
	7 176 000	6 031 000

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	717 000	691 632
Interest cost	431 000	439 162
Actuarial (gains) losses	535 000	(239 180)
Expected vesting of benefits	(538 000)	(411 331)
	1 145 000	480 283

Movements in the present value of the defined benefit obligation were as follows:

Assumptions used at the reporting date:

Discount rate	9,35%	7,48 %
General earnings inflation rate	5,81 %	4,07 %
Net Discount	3,35 %	3,28 %
Average retirement age	62	62
Pre-retirement mortality	SA85-90	SA85-90

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
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16. Employee benefit obligations (continued)

The basis used to determine the overall expected rate of return on assets is as follows:

A discount rate of 9.35% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield index-linked yield is 3.85%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2021. The duration of the total liability was estimated to be 9.75 years curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 3.85%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2021. The duration of the total liability was estimated to be 9.75 years.

Sensitivity analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Assumption	Change	Liability	% Change
Central assumptions		7 176 000	
General earnings	+1%	7 629 000	6%
inflation rate	-1%	6 765 000	-6%
Discount rate	+1%	6 754 000	-6%
	-1%	7 648 000	7%
Average retirement age	+2%	7 667 000	-7%
	-2%	6 516 000	-9%
Withdrawal rates	x2	5 621 000	22%
	x0.5	8 247 000	15%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2022

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% Change
Central assumptions		894,000	654,000	1,548,000	
General earnings	+1%	963,000	696,000	1,659,000	7%
inflation rate	-1%	833,000	615,000	1,448,000	-6%
Discount rate	+1%	840,000	680,000	1,520,000	-2%
	-1%	956,000	623,000	1,579,000	2%
Average retirement age	+2 yrs	945,000	699,000	1,644,000	6%
	-2 yrs	821,000	593,000	1,414,000	-9%
Withdrawal rates	x2	653,000	508,000	1,161,000	-25%
	x0.5	1,069,000	754,000	1,823,000	18%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2021

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% Change
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Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

					2021 R	2020 R
16. Employee benefit obligations (continued)						
Central assumptions		717,000	431,000	1,148,000		
General earnings	+1%	774,000	462,000	1,236,000	8%	
inflation rate	-1%	667,000	404,000	1,071,000	-7%	
Discount rate	+1%	671,000	457,000	1,128,000	-2%	
	-1%	769,000	401,000	1,170,000	2%	
Average retirement age	+2 yrs	760,000	463,000	1,223,000	7%	
	-2 yrs	659,000	391,000	1,050,000	-9%	
Withdrawal rates	x2	516,000	329,000	845,000	-26%	
	x0.5	862,000	503,000	1,365,000	19%	

The history of experienced adjustments is as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	7 176 000	6 031 000	5 550 717	4 862 913	4 353 215
Surplus (deficit)	(7 176 000)	(6 031 000)	(5 550 717)	(4 862 913)	(4 353 215)
Experience adjustments on plan liabilities	621 000	55 820	300 806	193 943	76 211

Impact of COVID 19

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities in Table 7.1 (and 7.3) above may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected general earnings inflation rate, or an increase in the discount rate, or an increase in the withdrawal rates.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

Post employment medical aid subsidy

The members of the post-employment health care benefit plan are made up as follows:

In-Service (employee) members	225	190
In-service (employee) non-members	120	126
Continuation (retiree and widow) members	24	26
	369	342

Movements in the present value of the defined benefit obligations were as follows:

Opening balance	23 763 000	23 746 202
Contributions by plan participants	4 644 000	16 798
	28 407 000	23 763 000

The amounts recognised in the Statement of Financial Performance are as follows:

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
16. Employee benefit obligations (continued)		
Current service cost	1 324 000	1 478 611
Interest cost	2 397 000	2 494 640
Actuarial (gains) losses	2 068 000	(6 313 311)
Settlement	(1 145 000)	(1 129 912)
	4 644 000	(3 469 972)

Movements in the present value of the defined benefit obligation were as follows:

Assumptions used at the reporting date:

Discount rates used	10,09 %	10,33 %
Health care cost inflation rate	6,81 %	6,40 %
Net-of-health-care-cost-inflation discount rate	3,07 %	3,69 %
Maximum subsidy inflation rate	4,73 %	4,43 %
Net-of-maximum-subsidy-inflation discount rate	5,12 %	5,65 %
Average retirement age	62	62
Mortality during employment	SA 85-90	SA 85-90
Proportion with a spouse dependant at retirement	60,00 %	60,00 %
Continuation of membership at retirement	75,00 %	75,00 %
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement	15,00 %	15,00 %
	-	-

The basis used to determine the overall expected rate of return on assets is as follows:

A discount rate of 10.33% per annum has been used. The corresponding index-linked yield at this term is 4.70%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2021.

These rates were calculated by using a liability-weighted average of the yields for the three components of the liability. Each component's fixed-interest and index-linked yields were taken from the respective bond yield curves at that component's duration, using an iterative process (because the yields depend on the liability, which in turn depends on the yields).

Health Care Cost Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilization patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 6.81% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.31%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.07% which derives from $((1+10.09\%)/(1+6.81\%))-1$.

The expected inflation assumption of 5.31% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.06%) and those of fixed interest bonds (10.09%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+10.09\%-0.50\%)/(1+4.06\%))-1$.

The next contribution increase was assumed to occur with effect from 1 January 2022.

Sensitivity analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Sensitivity Analysis on the Accrued Liability (R Millions)

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

				2021 R	2020 R
16. Employee benefit obligations (continued)					
Assumption	Change	Eligible Employees	Continuation Members	Total	% Change
Central assumptions		16.562	11.845	28.407	
Health care inflation rate	+1%	18.148	12.315	30.463	7%
	-1%	14.476	11.258	25.734	-9%
Discount rate	+1%	13.840	10.931	24.771	-13%
	-1%	20.071	12.909	32.980	16%
Post-employment mortality	+1 yr	16.161	11.464	27.625	-3%
	-1 yr	16.954	12.225	29.179	3%
Average retirement age	-1 yr	18.313	11.845	30.158	6%
Membership continuation	-10%	14.489	11.845	26.334	-7%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2021

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% Change
Central assumptions		1,324,000	2,397,000	3,721,000	
Health care inflation rate	+1%	1,477,000	2,591,000	4,068,000	9%
	-1%	1,133,000	2,160,000	3,293,000	-12%
Discount rate	+1%	1,109,000	2,306,000	3,415,000	-8%
	-1%	1,604,000	2,496,000	4,100,000	10%
Post-employment mort.	-1 yr	1,355,000	2,462,000	3,817,000	3%
Average retirement age	-1 yr	1,429,000	2,536,000	3,965,000	7%

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

					2021 R	2020 R
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16. Employee benefit obligations (continued)

Membership continuation	-10%	1,077,000	2,135,000	3,212,000	-14%
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Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2022

Assumption	Change	Current- Svc. Cost	Interest Cost	Total	% Change
Central assumptions		1,705,000	2,814,000	4,519,000	
Health care inflation rate	+1%	1,875,000	3,021,000	4,896,000	8%
	-1%	1,473,000	2,544,000	4,017,000	-11%
Discount rate	+1%	1,412,000	2,689,000	4,101,000	-9%
	-1%	2,085,000	2,950,000	5,035,000	11%
Post-employment	+1 yr	1,665,000	2,735,000	4,400,000	-3%
mortality	-1 yr	1,745,000	2,891,000	4,636,000	3%
Average retirement age	-1 yr	1,917,000	2,990,000	4,907,000	9%
Membership continuation	-10%	1,494,000	2,604,000	4,098,000	-9%

The history of experienced adjustments is as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	28 407 000	23 763 000	27 233 000	22 108 000	20 471 000
Surplus (deficit)	(28 407 000)	(23 763 000)	(27 233 000)	(22 108 000)	(20 471 000)
Experience adjustments on plan liabilities	28 400	1 188 000	679 000	604 000	418 000

Impact of COVID-19

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities in Table 7.1 (and 7.3) above may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected health care cost inflation rate, or an increase in the discount rate, or a reduction in expected longevity (" +1 yr" in the tables).

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	10 397 696	3 841 664
Finance Management Grant	703 812	-
EPWP Grant	287 618	168 058
INEP Grant	190 769	726 181
Covid-19 Additional Equitable Share	20 015 869	-
Water Services Infrastructure Grant	-	30 896 673
	31 595 764	35 632 576

18. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Provision for rehabilitation of landfill sites	18 808 913	5 364 873	24 173 786

Reconciliation of provisions - 2020

	Opening Balance	Reversed during the year	Total
Provision for rehabilitation of landfill sites	18 846 803	(37 890)	18 808 913

The municipality has an obligation to rehabilitate the landfill sites of Ga Segonyana.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

The valuation of the landfill site provision was done by EMS Advisory (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities and the professional valuator on the project was Aiden Bowers PrEng, with extensive experience and expertise relevant for this type of work.

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used is 8.30%.

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

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is material to settle the obligation.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2021	2020
	R	R

18. Provisions (continued)

The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
18. Provisions (continued)		
Key assumptions		
Total Site Area	61 826 m ²	
Area of waste body to be rehabilitated in future (waste footprint) (m2)	46 055 m ²	
Estimated site closure date	2028	
Assumed site start date	1994	
Assumed total site life	36 years	
Remaining site life (as at 01 July 2018) (years)	approximately 8 years	
Estimated annual airspace consumption (m3)	6861	
Estimated total airspace (m3)	186 420	
The applicable discount rate (which is the rate specifically associated with the risk of the cash flow being discounted) relevant cash flows in 2018	9,36% (based on Government Bond yield rate of 9.26% and an Adjustment for risk of 1.25%)	
Estimated airspace remaining (m3)	59 055	
Airspace consumed to date		68 %

19. Revenue

Sale of stands	7 209 208	2 378 515
Service charges	158 153 269	157 669 317
Rental of facilities	2 012 071	2 351 079
Interest received on outstanding receivables	3 848 481	4 837 950
Licences and permits	3 351 478	3 244 356
Other revenue	4 566 061	3 873 512
Interest investment	3 864 834	3 707 754
Property rates	49 763 478	45 094 777
Interest on outstanding receivable	1 667 363	3 145 398
Government grants & subsidies	389 557 952	385 548 478
Fines, penalties and forfeits	3 417 910	4 845 325
	627 412 105	616 696 461

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of stands	7 209 208	2 378 515
Service charges	158 153 269	157 669 317
Rental of facilities	2 012 071	2 351 079
Interest on outstanding receivables	3 848 481	4 837 950
Licences and permits	3 351 478	3 244 356
Other revenue	4 566 061	3 873 512
Interest on investments	3 864 834	3 707 754
	183 005 402	178 062 483

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	49 763 478	45 094 777
Interest on outstanding receivables	1 667 363	3 145 398

Transfer revenue

Government grants & subsidies	389 557 952	385 548 478
Fines, Penalties and Forfeits	3 417 910	4 845 325
	444 406 703	438 633 978

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
20. Service charges		
Sewer levied	13 433 717	13 825 960
Sale of electricity	113 097 210	112 020 193
Sale of water	22 279 146	22 880 479
Refuse removal	9 343 196	8 942 685
	158 153 269	157 669 317
21. Rental of facilities		
Premises		
Premises	632 912	1 861 344
Facilities and equipment		
Rental of facilities	1 379 159	489 735
	2 012 071	2 351 079
22. Fines, Penalties and Forfeits		
Disconnection fees	7 494	103 457
Illegal Connections Fines	54 892	4 000
Pound Fees Fines	22 270	15 858
Traffic fines	3 333 254	4 722 010
	3 417 910	4 845 325
23. Interest on outstanding receivables		
Interest revenue from non exchange transactions	1 667 363	3 145 398
Interest revenue from exchange transactions	3 848 481	4 837 950
	5 515 844	7 983 348

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
24. Other revenue		
Administration and handling fees	44 079	12 490
Arbor City Awards Competition	-	50 000
Breakages and Losses Recovered	1 066	1 040
Collection Charges	1 944	999
Incidental Cash Surpluses	952	2 210
Skills Development Levy Refund	95 026	220 037
Staff Recoveries	422 310	384 968
Insurance Claims	123 691	397 297
Application Fees for Land Usage	140 189	115 420
Building Plan Approval	770 739	636 995
Cemetery and Burial	113 257	36 303
Clearance Certificates	103 008	170 595
Encroachment Fees	8 050	9 419
Entrance Fees	54 865	73 640
Fire Services	-	8 775
Advertisements	67 848	69 867
Connection/Reconnection	257 853	152 600
Movement in Employee Benefit obligation	1 683 000	1 541 243
Facilities	991	17 172
Payroll refunds	-	63 668
Photocopies and Faxes	16	5 620
Publications:Tender Documents	36 522	5 957
Sanitation Charges	-	36 089
Interest received SARS	-	37 797
Trading	21 935	8 812
Valuation Services	20 195	14 000
Reversal of impairment	879 909	-
	4 847 445	4 073 013
25. Investment revenue		
Interest revenue		
Bank	3 864 834	3 707 754
26. Property rates		
Rates levied		
Property rates levied	51 239 557	46 470 415
Less: Income foregone	(1 476 079)	(1 375 638)
	49 763 478	45 094 777
27. Government grants and subsidies realised		
Operating grants		
Equitable share	174 760 000	159 726 000
Library Grant	1 015 969	1 621 000
Municipal Disaster Relief Grant	-	179 000
Finance Management Grant (FMG)	2 296 188	2 680 000
Expanded Public Works Program Grant (EPWP)	1 460 440	1 105 942
Private Mining Companies Grant	-	25 000
	179 532 597	165 336 942
Capital grants		
Municipal Infrastructure Grant (MIG)	45 747 968	49 460 336

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
27. Government grants and subsidies realised (continued)		
Covid-19 Additional Equitable Share	10 814 131	-
Integrated National Electrification Programme (INEP)	44 520 412	48 022 042
Water Services Infrastructure Grant (WSIG)	70 970 278	79 064 552
Public Contributions	37 972 566	43 664 606
	210 025 355	220 211 536
	389 557 952	385 548 478

Conditional and Unconditional

Included in above are the following grants and subsidies received and or spent:

Conditional grants received	165 161 073	198 822 478
Unconditional grants received	209 257 320	159 726 000
	374 418 393	358 548 478

Equitable Share

In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.

Municipal Infrastructure Grant

Balance unspent at beginning of year	3 841 664	-
Current-year receipts	52 304 000	53 302 000
Conditions met - transferred to revenue	(45 747 968)	(49 460 336)
	10 397 696	3 841 664

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The grant is mainly used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

Library Grant

Current-year receipts	-	1 621 000
Conditions met - transferred to revenue	-	(1 621 000)
	-	-

The purpose is to fund capital projects and maintenance of library facilities the community.

Finance Management Grant (FMG)

Current-year receipts	3 000 000	2 680 000
Conditions met - transferred to revenue	(2 296 188)	(2 680 000)
	703 812	-

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
27. Government grants and subsidies realised (continued)		
Expanded Public Works Program (EPWP)		
Balance unspent at beginning of year	168 058	-
Current-year receipts	1 580 000	1 274 000
Conditions met - transferred to revenue	(1 460 440)	(1 105 942)
	287 618	168 058

The purpose of the grant is to incentives municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

Integrated National Electrification Programme

Balance unspent at beginning of year	726 181	-
Opening balance for the overspent - prior year	-	(8 811 777)
Current-year receipts	43 985 000	57 560 000
Conditions met - transferred to revenue	(44 520 412)	(48 022 042)
	190 769	726 181

The purpose of this grant is to provide capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.

Covid-19 Additional Equitable Share

Current-year receipts	30 830 000	-
Conditions met - transferred to revenue	(10 814 131)	-
	20 015 869	-

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	30 896 673	-
Overspent	73 605	(38 775)
Current-year receipts	40 000 000	110 000 000
Conditions met - transferred to revenue	(70 970 278)	(79 064 552)
	-	30 896 673

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
28. Employee related costs		
Basic	98 006 752	84 058 767
Bonus - 13th Cheque	6 325 941	4 543 570
Medical aid - company contributions	9 962 632	6 875 178
UIF	675 523	649 807
Leave pay	2 947 065	2 577 826
Employee benefit obligations	1 766 922	4 034 607
Defined contribution plans	13 373 112	11 473 653
Travel, motor car, accommodation, subsistence and other allowances	3 340 575	3 619 730
Overtime payments	4 869 530	5 174 580
Long-service awards	281 475	156 950
Acting Allowance	491 387	573 595
Transport allowance	447 379	233 558
Housing benefits and allowances	3 931 087	3 507 075
Bonus Provision	1 212 191	103 553
Industrial Council Contributions	40 709	36 536
Standby Allowance	1 041 411	876 541
Telephone Allowance	568 457	482 044
Group Insurance	2 113 003	1 951 135
	151 395 151	130 928 705
Remuneration of Municipal Manager: M Tsatsimpe		
Annual remuneration	1 345 498	1 246 974
Travel allowance	181 146	177 445
Contributions to UIF	1 813	1 785
Performance bonus	166 688	99 249
Cellphone allowance	43 176	42 294
Other contributions	97 065	108 292
	1 835 386	1 676 039

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
28. Employee related costs (continued)		
Remuneration of the Director: Corporate Support Services - R Pule		
Annual Remuneration	954 457	946 290
Travel Allowance	154 200	88 550
Performance Bonus	60 501	18 877
Contributions UIF	1 813	1 785
Cellphone allowance	30 840	30 210
Other Contributions	70 527	80 551
	1 272 338	1 166 263
Remuneration of Chief Financial Officer : Kagiso Noke		
Annual remuneration	1 048 379	972 068
Travel allowance	195 032	191 048
Contributions to UIF	1 813	1 785
Performance bonus	136 130	84 676
Cellphone allowance	30 840	30 210
Other contributions	88 973	91 009
	1 501 167	1 370 796
Remuneration of Acting Chief Financial Officer : Desiree Pelele		
Acting allowance	-	26 463
Remuneration of the Director: Technical Services/Infrastructure - Mr BM Kgosieng		
Acting allowance	94 836	-
Remuneration of the Director: Community Services - F.K Baloyi		
Annual Remuneration	876 681	611 910
Cellphone Allowance	30 840	20 210
Contributions to UIF	1 813	1 190
Other contributions	22 730	36 852
Travel allowance	194 827	-
Performance bonus	44 710	-
	1 171 601	670 162
Ms F K Baloyi was appointed on 1 November 2019.		
Remuneration of Acting Director: Community Services - M Moetsi		
Acting allowance	-	185 456
Ms G M Moetsi acted from July 2019 to September 2019.		
Remuneration of Acting Director: Community Services - M Keetile		
Acting Allowance	-	61 819

Mr M Keetile acted from 1 October 2019 to 31 October 2019.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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28. Employee related costs (continued)

Remuneration of Acting Director: Corporate Support Services - MM Gaselebelwa

Acting allowance	37 938	-
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Mr MM Gaselebelwa acted from 1 April 2021 to 30 April 2021.

Remuneration of the Director: Technical Services - H Smit

Annual Remuneration	1 099 197	1 018 108
Travel Allowance	98 352	145 008
Performance Bonus	124 269	84 676
Contributions to UIF	1 813	1 785
Cellphone allowance	30 490	30 210
Other contributions	79 342	87 536
Leave payout on termination	223 844	-
	1 657 307	1 367 323

Remuneration of Acting Chief Financial Officer - T Jarvis

Acting Allowance	37 100	-
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Remuneration of Acting Director: Infrastructure Services: Mrs G Monchwe

Acting Allowance	44 766	-
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29. Remuneration of councillors

Mayor	905 259	860 859
Councillors	8 204 358	8 266 874
Speaker	733 088	733 088
	9 842 705	9 860 821

In-kind benefits

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

The Mayor and Speaker each have the use of separate Council owned vehicles and are provided with a driver for official duties.

30. Depreciation, amortisation and impairment loss

Buildings	5 075 005	4 919 135
Plant and machinery	286 422	269 914
Furniture and fixtures	794 408	765 764
Motor vehicles	1 610 379	4 507 090
Office equipment	1 400 142	1 412 346
Infrastructure	56 382 338	51 347 346
Intangible assets	395 361	179 748
	65 944 055	63 401 343

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

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
31. Finance costs		
Employee benefit obligations	2 828 000	2 933 802
Interest on provision for rehabilitation of land	5 364 873	(37 890)
Non-current borrowings	1 032 842	1 228 026
Trade and other payables	127 723	2 220 684
Finance leases	1 109 314	3 094 147
	10 462 752	9 438 769

32. Debt impairment - Gain/(loss)

Contributions to debt impairment	13 822 992	7 664 726
----------------------------------	------------	-----------

Contribution to debt impairment relates to receivables where financial difficulties of the debtor and default or delinquency in payments or all long debt outstanding are considered indicators to determine that debtors are provided for impairment. When an under recovery occurs during the financial year an additional contribution for impairment is made at year end.

33. Debtors write-off

Other debtors written-off	1 469 365	2 699 281
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34. Bulk purchases

Electricity	99 409 275	88 208 832
Water	26 225 000	25 000 000
	125 634 275	113 208 832

The municipality appointed Sedibeng to administer the production of water. Water bulk purchases are included in general expenses due to the nature of the municipality's contract with Sedibeng.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
35. General expenses		
Advertising	152 694	77 826
Auditors remuneration	8 715 705	6 432 241
Bank charges	922 074	803 837
Cleaning	1 099 083	25 393
Computer expenses	427 372	2 721 580
Consulting and professional fees	30 848 884	27 377 534
Consumables	15 351 580	8 769 500
Water levies	-	13 444
Entertainment	464 861	232 517
Operating leases	5 011 191	2 356 340
Hire	135 523	235 795
Insurance	8 392 428	6 933 149
Remuneration to Ward Committees	1 449 000	1 451 000
Indigent Relief	3 412 244	971 524
Skills development	1 239 022	737 764
Fuel and oil	2 913 765	1 689 551
Postage and courier	469 034	38 576
Printing and stationery	536 532	424 114
Protective clothing	2 628	957 300
Repairs and maintenance	5 961 514	171 075
Security (Guarding of municipal property)	7 977 342	7 330 448
Subscriptions, Licencing and membership fees	4 496 660	1 614 275
Telephone and fax	118 692	87 500
Staff Training	592 141	404 654
Travelling & Subsistence	953 019	1 875 431
Vip Toilets (Sanitation)	-	7 754 846
Electricity	1 551 875	3 292 797
Landfill site maintenance costs	2 847 826	2 608 696
Traffic Services	372 327	329 114
Sundry expenses	546 593	709 289
	106 961 609	88 427 110

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
36. Cash generated from operations		
Surplus	105 760 910	190 491 053
Adjustments for:		
Depreciation and amortisation	65 944 055	63 263 625
Loss/(Gain) on disposal of assets	18 409 890	4 939 617
Fair value adjustments	-	(136 000)
Finance costs - Employee benefit	1 109 314	2 933 802
Impairment reversals	-	(129 187)
Debt impairment	13 822 992	7 664 726
Bad debts written off	-	634 575
Movements in provisions	5 364 873	(37 890)
Other non cash adjustments	(3 308 912)	3 674 129
Actuarial gains	2 603 000	(6 552 491)
Opening balance adjustment	(14 003 969)	(2 154 429)
Changes in working capital:		
Inventories	15 735 460	(18 508 137)
Receivables from exchange transactions	-	(2 099 206)
Other receivables from non-exchange transactions	1 064 242	(11 579 571)
VAT	(2 119 333)	27 463 873
Conditional grant overspent	(1 015 969)	8 850 553
Payables from exchange transactions	9 037 113	(62 866 168)
Unspent conditional grants and receipts	(4 036 812)	37 951 783
Consumer deposits	495 494	513 254
Employee Benefits obligation	-	(2 989 689)
	214 862 348	241 328 222
37. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	14 629 008	39 228 163
Total capital commitments		
Already contracted for but not provided for	14 629 008	39 228 163
Total commitments		
Total commitments		
Authorised capital expenditure	14 629 008	39 228 163

This committed expenditure relates to plant and equipment and will be financed by unspent grants(MIG) rolled over as per conditions of Division Revenue Act .

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
38. Contingent Liabilities		
The municipality had the litigation cases that could result in the following contingent liabilities being payable as at year end:		
Motor vehicle accident due to a pothole	70 000	-
Claim against the municipality FOR AN INCORRECT CAUSE OF ACTION. Claiming that municipality had not paid them whereas contract has ended. Case 359 Magistrate Court Claim for R70 644.75 Regional Court Case: RC 032020 for R317 575.50 The applicant has applied for withdrawal of the matter on both cases. Municipality also notified the court that it will apply for the cost of the application.	-	400 000
The contractor was awarded work on a project that was divided into three phases. They were appointed to work on phase one only but they are claiming work for the other two phases.	-	3 200 000
	70 000	3 600 000

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

39. Related parties

Relationships

Accounting Officer with significant influence

Members of key management with significant influence

Councillors with significant influence and control

Key management and council interest in other companies

Councillor N.G Thupaemang

Councillor G.C Assegaai

Councillor E.B Modise

Chief Financial Officer: Kagiso Noke

Councillor: G.N Mntuyedwa

Councillor: K.B Madikiza

Councillor: G.N Masegela

Councillor: O.D Mathibe

Councillor: M.P Galeboe

Councillor: M.G Reetsang

Councillor: Moagi

Councillor: I Tshetshemeserogwe

Municipal Manager: MM Tsatsimpe

Councillor: A Van Der Westhuisen

Councillor: K.A Nels

Director Community Services: FK Baloyi

Councillor: L.N Makoke

Councillor :MF Disang

Refer to note 28

Refer to note 28

Refer to note General information and councillors 29

Bafumahadi khumo Enterprise and Projects - Director
Mmeotshwara Thipa Ka Ha Bogaleng Primary
Cooperative Limited - Director Ditswammung Mineral
Resources Consortium Director Mseko Enterprise
and Projects

Bomme-sejo Services and Supply Co-operative
Limited - Director Gadikgadi - Director Self-Propelled
Trading and Projects - Director
Bomme-sejo Services and Supply Co-operative
Limited

KAYN Projects - Director

Masakeng A Dipodi Primary Co-operative Limited
Director

TOLT Business Enterprise

Sekhutlong Holdings

Batharos Sound Hire - Director Tlotlanang Catering -
Director Bomme-Sejo Services and Supply Co-
operative Limited - Director By Fire Business
Enterprise

Obitseng Trading

Boka Resources - Director 22Tone Live Media Group
AM Tlou Holdings, Kuru Cross Resources, Neo Ya
Resegofetse Properties, Dimenerale Mining

Nomisa Enterprise - Director

PKS Trading - Director Phoggie N Sego

Trading Enterprise

Oneway Maruping Recycling Project Primary
Co-operative Limited

Letlotlo Lame Trading and Projects

Tsoga Moreetsi Trading and Projects

1974 Celesti Trading and Projects

Tshetshemeserogwe 17 Enterprise

Director at Chitahvi Holdings

Kurara FM Radio Station

Director-Acsb Reaction and PI services

Director-T O L T Business Enterprise

Director-Masakeng A Dipodi Primary Co-operative
Limited

LA Coup Trading Enterprises

Mpho Ya Basadi Supplier & Projects

Palesa Tsa Cuba Lodge & Guest House

Bomme Tshenolo Projects & suppliers

Kgalagadi Women in Mining production drilling &
projects

BFMS Mining and Drilling Solutions

SHE Sanitation Solutions

Tsantsabane Youth Maths & Science Academy

Phitlhelelo Driving School Black Blazer Building

Construction and Projects

Director at MMA- Mpelegele Ngwana Daycare

Director - Disangkitso Enterprise

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

39. Related parties (continued)

Councillor :NG Ngesi

Director- One way Maruping Recycling Project
primary Co-operative Limited
Director- Letlotlo Lane Trading and Projects
Director-Tsogang Moreetsi Trading and Projects
Director-Joyful Attempt Construction and Production
Director-Bokone Mining Primary Co-operative
Limited
Director-Nkavutha Transport Services and projects
Director-Mpho ya Basadi Suppliers and Projects
Director-Bangeko Construction and projects
Director-Gamotinye Investment Holding
Director-Ditukus Projects
Director-Abotype
Director-Tulasign
Director-Abotrim
Director-Ladospace
Director-Batlharo le Batlhaping Mining Solutions
Director-NC Women Mining Projects
Director-Retsogile Mining Resources
S K Lesley General Trading

Councillor SK Lesley

Close family members of key management or council

RM Meyers
G Nels
O Nels
G Sibi
KV Makoke
D Baepi
KM Modise
SP Disipi

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
39. Related parties (continued)		
Related party transactions		
Salaries paid to related parties of councillors		
R.M. Meyers (Wife to Councillor T.E. Meyers)	432 521	396 290
G.Nels(Son to Councillor K. Nels)	658 484	490 233
O. Nels(Son to Councillor K. Nels)	661 612	490 371
G. Sibi (Daughter to Councillor N.G Thupaemang)	453 788	419 659
K.V. Makoke (Brother to Councillor L.N. Makoke)	389 666	458 342
D. Baepi (Brother to Councillor L.C. Moseki)	540 951	503 467
K.M. Modise (Daughter to Councillor B.E. Modise)	299 223	276 925
S.P Disipi(Wife to N.G Disipi)	387 654	270 942

The municipality supply municipal services and rates and taxes to councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager that is deemed related parties. These municipal services and rates and taxes are supplied on terms and conditions within the normal operating parameters established by that municipalities entity's legal mandate, and is not more or less favourable than to the general public.

Remuneration of council and key management

Councillors/Mayoral committee members

Refer to note "Remuneration of councilors" 29

Key management

*Refer to note "Employee related costs" 28

Councillors arrear accounts

Refer to note "Additional disclosure in terms of Municipal Finance Management Act" 45

40. Risk management

Financial risk management

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

40. Risk management (continued)

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.

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	69 365 733	-	-	-
Finance lease obligation	739 380	611 547	-	-
Other financial liabilities	2 186 412	8 351 230	-	-
Consumer deposits	5 669 875	-	-	-
Employee benefit obligation	1 683 000	-	-	-
Unspent conditional grants and receipts	14 183 837	-	-	-
	-	-	-	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	63 520 768	-	-	-
Finance lease obligation	2 202 988	1 404 317	-	-
Other financial liabilities	2 103 672	10 537 615	-	-
Consumer deposits	5 226 811	-	-	-
Employee benefit obligation	1 683 000	28 111 000	-	-
Unspent conditional grants and receipts	35 632 576	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and accounts receivable. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customers, taking into account their financial position, past experience and other factors

Credit risk arises from cash deposits, cash equivalents, and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

Financial instrument	30 June 2021	30 June 2020
Receivables from exchange transactions	57 531 406	52 906 301
Receivables from non-exchange transactions	22 042 599	19 609 479
Cash and cash equivalents	90 466 140	59 270 087

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Notes to the Annual Financial Statements

41. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to 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 following indicators have a negative outlook on the going concern of the municipality:

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account:

-Material electricity losses to the amount of R13 846 389 (2020: R9 253 915) was incurred which represents 21,83% (2020: 14,38%) of total bulk electricity purchased.

-Material water losses to the amount of R33 144 921 (2020: R22 856 119) was incurred which represents 69% (2020: 68%) of water purchased.

-Material impairment of R45 395 094 (2020: R33 383 770) as a result of a debt impairment of receivables from exchange transactions, due to non-collection of outstanding balances owned to the municipality.

-Material impairment of R15 807 920 (2020: R14 244 211) as a result of a debt impairment of receivables from non-exchange transactions, due to non-collection of outstanding balances owned to the municipality.

-Material losses under disposals of R18 409 888 on property, plant and equipment due to assets that were written off.

-Material impairment of R8 847 786 on property, plant and equipment, due to assets that reached its useful lives.

Despite the above negative indicators, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution

	2020/21	2021/22	2022/23
Finance Management Grant (FMG)	3 000 000	3 200 000	3 300 000
Expanded Public Works Program (EPWP)	1 580 000	-	-
Municipal Infrastructure Grant (MIG)	52 954 000	57 449 000	60 738 000
Integrated National Electrification Grant	40 751 000	15 000 000	10 000 000
Water Services infrastructure (WSIG)	40 000 000	45 000 000	50 000 000
Library grant	1 797 000	-	-
Equitable Share	174 760 000	191 857 000	208 236 000
	314 842 000	312 506 000	332 274 000

There was an outbreak of COVID-19 which was declared an epidemic by the World Health Organisation and following that, the South Africa Government declared 21 days of lockdown. In spite of the COVID-19 outbreak, the municipality will continue as a going concern as it is part of the institutions that supply critical services to the communities it serves. The President of South Africa also pledged support for all institutions that supply critical services and a fund has also been set up to support these institutions. Unemployment Insurance Fund (UIF) was also used to support salaries during this period. The municipality has also received their grants (Equitable share) and they will continue to receive grants in the foreseeable future.

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Notes to the Annual Financial Statements

42. Unauthorised expenditure

Opening Unauthorised expenditure	21 355 929	178 074 976
Current year	67 810 223	24 243 389
Written-off	(21 355 929)	(180 962 436)
	67 810 223	21 355 929

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

42. Unauthorised expenditure (continued)

Reconciliation of operating and capital expenditure versus actual

Operating expenditure budget				
Vote Description	Adjusted Budget	Actual spent GL amount by vote	Variance	Budget vs actual Unauthorised
Expenditure by Vote				
Vote 1 - EXECUTIVE & COUNCIL	16 268 156,00	14 777 861,00	(1 490 295,00)	-
Vote 2 - FINANCE AND ADMINISTRATION	189 266 671,00	223 416 435,00	34 149 764,00	34 149 764,00
Vote 3 - COMMUNITY AND SOCIAL SERVICES	25 152 012,00	12 590 385,00	(12 561 627,00)	-
Vote 4 - SPORTS & RECREATION	10 362 880,00	8 560 990,00	(1 801 890,00)	-
Vote 5 - PUBLIC SAFETY	19 806 739,00	20 204 288,00	397 549,00	397 549,00
Vote 6 - PLANNING AND DEVELOPMENT	43 186 629,00	47 806 484,00	4 619 855,00	4 619 855,00
Vote 7 - ROAD TRANSPORT	11 456 308,00	9 904 908,00	(1 551 400,00)	-
Vote 8 - ENVIRONMENTAL PROTECTION	217 740,00	184 651,00	(33 089,00)	-
Vote 9 - ENERGY SOURCES	111 231 400,00	118 664 899,00	7 433 499,00	7 433 499,00
Vote 10 - WATER MANAGEMENT	43 228 716,00	39 182 340,00	(4 046 376,00)	-
Vote 11 - WASTE WATER MANAGEMENT	9 023 160,00	4 966 403,00	(4 056 757,00)	-
Vote 12 - WASTE MANAGEMENT	18 661 388,00	21 391 551,00	2 730 163,00	2 730 163,00
Vote 13 - OTHER	6 476,00	-	(6 476,00)	-
Total Expenditure by Vote	497 868 275,00	521 651 195,00	23 782 920,00	49 330 830,00
Capital expenditure budget				
Vote Description	Adjusted Budget	Actual spent GL amount by vote	Variance	Budget vs actual Unauthorised
Single-year expenditure to be adjusted				
Vote 1 - EXECUTIVE & COUNCIL	-	-	-	-
Vote 2 - FINANCE AND ADMINISTRATION	3 107 000,00	7 753,00	(3 099 247,00)	-
Vote 3 - COMMUNITY AND SOCIAL SERVICES	11 272 227,00	9 163 105,00	(2 109 122,00)	-
Vote 4 - SPORTS & RECREATION	1 068 788,00	982 395,00	(86 393,00)	-
Vote 5 - PUBLIC SAFETY	19 088 385,00	10 079 134,00	(9 009 251,00)	-
Vote 6 - PLANNING AND DEVELOPMENT	-	-	-	-
Vote 7 - ROAD TRANSPORT	18 967 851,00	23 463 841,00	4 495 990,00	4 495 990,00
Vote 8 - ENVIRONMENTAL PROTECTION	-	-	-	-
Vote 9 - ENERGY SOURCES	49 305 393,00	47 373 764,00	(1 931 629,00)	-
Vote 10 - WATER MANAGEMENT	71 473 723,00	81 181 476,00	9 707 753,00	9 707 753,00
Vote 11 - WASTE WATER MANAGEMENT	-	4 275 650,00	4 275 650,00	4 275 650,00
Vote 12 - WASTE MANAGEMENT	-	-	-	-
Capital single-year expenditure sub-total	174 283 367,00	178 250 351,00	3 966 984,00	18 479 393,00
Total Unauthorised				67 810 223,00

43. Fruitless and wasteful expenditure

Opening balance	150 693	2 425 259
Fruitless and wasteful expenditure	-	2 220 665
Current year AGSA adjustment	-	150 693
Written off -current year	-	(4 645 924)
Written off- prior year	(150 693)	-
	-	150 693

The fruitless and wasteful expenditure relates to interest charged on overdue accounts.

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Notes to the Annual Financial Statements

	2021 R	2020 R
44. Irregular expenditure		
Opening balance	3 249 015	61 447 144
Add: Irregular Expenditure - current year	18 867 000	54 797 672
Add: Irregular Expenditure - current year identified during the audit	-	1 511 878
Less: Write-off	(2 469 833)	(114 507 679)
	19 646 182	3 249 015

Analysis of irregular expenditure - Current year

Bid Adjudication Committee not compliant with regulations	11 378 198	49 843 881
SCM Regulation 32 Appointment	4 687 417	4 599 178
Court nullified appointment of the Department of Transport	-	100 014
Councillor interest in other suppliers	2 360	-
Declaration of Interest (MBD4) not made	-	26 375
Unit rates	2 799 025	254 599
Suppliers who were not tax compliant at the date of order	-	29 181
Award not made to the lowest price quotation as per SCM Policy	-	15 585
Bid did not specify the minimum threshold for local production and content	-	1 440 737
	18 867 000	56 309 550

Details of irregular expenditures under assessment (not included in the main note)

The regulation of the use of panels (work allocation within the panel)	23 802 589	4 690 760
Exceeding contract value	5 972 043	-
MBD4	16 042	-
	29 790 674	4 690 760

The expenditure above was incurred through a panel appointment system. At the time of reporting it was not clear if these may be regarded as irregular expenditure or not as the process for listing of the panel was through a competitive bidding process. Management has requested guidelines from National Treasury and Provincial Treasury, however, at the time of reporting no feedback was received by the municipality. A formal dispute was logged with National Treasury for interpretation and clarity.

Further instances of Irregular Expenditure that might have resulted from non-compliance with SCM processes are under investigation to determine the full extent of the amount.

The irregular expenditure figures in the note are inclusive of VAT.

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Notes to the Annual Financial Statements

	2021 R	2020 R
45. Additional disclosure in terms of Municipal Finance Management Act		
Bulk Electricity and water Losses in terms of section 125 (2)(d)(i) of the MFMA		
30 June 2021	Lost units	Tariff
Unaccounted electricity losses	14 575 146 0,95	Value 13 846 389
30 June 2020	Lost units	Tariff
Unaccounted electricity losses	9 740 963 0,95	Value 9 253 915
Volume in KWH/year	30 June 2021	30 June 2020
System Input Volume	81 329 689	77 493 944
Billed Consumption	66 754 543	67 752 981
Distribution Loss	14 575 146	9 740 963
Percentage Distribution Loss (%)	21,83%	14.38%
30 June 2021	Lost units	Tariff
Unaccounted for water losses	4 076 866 8,13	Value 33 144 921
30 June 2020	Lost units	Tariff
Unaccounted for water losses	5 416 142 4,22	Value 22 856 119
Volume in KI/year	30 June 2021	30 June 2020
System Input Volume	5 884 075	5 796 468
Billed Consumption	1 807 209	1 861 251
Distribution Loss	4 076 866	4 051 060
% Distribution loss	69%	68.00%
Included in both water and electricity losses is the municipal own consumption at various municipal facilities.		
SDL		
Opening balance	180 800	-
Current year subscription / fee	1 039 037	941 115
Amount paid - current year	(1 419 823)	(760 315)
	(199 986)	180 800
PAYE and UIF		
Current year subscription / fee	20 859 716	18 315 829
Amount paid - current year	(20 859 716)	(18 315 829)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	21 294 742	18 348 831
Amount paid - current year	(21 294 742)	(18 348 831)
	-	-

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

45. 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 2021:

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
N.G Masegela	7 115	10 895	18 010
G.C. Assegaai	231	6 100	6 331
D.T Mpata	620	19 607	20 227
A.W.P Van der Westhuizen	4 301	10 332	14 633
L.R. Nelson	298	575	873
K.A. Nels	1 673	25 708	27 381
N.G.Thupaemang	566	555	1 121
	14 804	73 772	88 576

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
D.T Mpata	434	18 135	18 569
E.B Modise	2	78	80
N.G. Masengela	26 310	465	26 775
G.N. Mntuyedwa	-	12	12
G.C Assegaai	119	5 380	5 499
B.A. Eiman	2 095	604	2 699
L.R Nelson	613	701	1 314
N.G Thupaemang	85	3 023	3 108
K.A Nels	2 471	25 688	28 159
AWP Van Der Westhuizen	6 906	19 746	26 652
	39 035	73 832	112 867

Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers and residents.

46. Auditors' remuneration

External Audit	5 721 484	4 877 253
Internal Audit	2 994 221	1 554 988
	8 715 705	6 432 241

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

47. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	57 531 406	-	57 531 406
Cash and cash equivalents	-	-	90 466 140	90 466 140
	-	57 531 406	90 466 140	147 997 546

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Other financial liabilities	-	10 537 642	-	10 537 642
Payables from exchange transactions	-	70 064 798	-	70 064 798
Finance lease liability	-	1 404 318	-	1 404 318
Consumer deposits	-	5 310 255	-	5 310 255
	-	87 317 013	-	87 317 013

2020

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	40 624 158	-	40 624 158
Cash and cash equivalents	-	-	59 270 087	59 270 087
	-	40 624 158	59 270 087	99 894 245

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Other financial liabilities	-	12 641 287	-	12 641 287
Payables from exchange transactions	-	63 520 768	-	63 520 768
Finance lease liability	-	3 607 305	-	3 607 305
Consumer deposits	-	4 814 761	-	4 814 761
	-	84 584 121	-	84 584 121

Credit quality of other assets that are neither past due nor impaired

The municipality evaluates the credit risk of all its customers on an on-going basis taking into account the financial position, past payment history and also considers the municipality's internal control systems on debt collection and credit risk management.

Ga Segonyana Local Municipality

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48. Deviations

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer and have noted by Council. Furthermore, management did not note any material non-compliance with the Municipal Finance Management Act.

Reason	Month	Supplier	Amount	Description
Sole Supplier: Only Mercedes Benz can do services on the vehicle without compromising its warranty and guarantee, and without compromising the life of the car. No three quotations can be sourced as the dealer has to diagnose the car on what needs to be changed/ replaced and do the normal service.	16 July 2020	John Williams-Bloemfontein	110 089	Car Service and Maintenance
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	17 July 2020	Prodiba	16 590	Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	23 July 2020	Prodiba	10 191	Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	28 July 2020	Prodiba	10 112	Driving Licenses Card Issues
Strip and QuoteThe service provider, (being the initial provider who supplied and installed the stair lift) was requested to determine the faults that caused the stair lift not to function. The service provider had to detect the faults on the lift and thereafter fix them	29 July 2020	Omogolo Consulting CC	38 500	Maintenance and Service of Stairs Lift
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	30 July 2020	Prodiba	24 885	Driving Licenses Card Issues
Sole Supplier: Only Mercedes Benz can do services on the vehicle without compromising its warranty and guarantee, and without compromising the life of the car. No three quotations can be sourced as the dealer has to diagnose the car on what needs to be changed/ replaced and do the normal service.	11 August 2020	John Williams-Bloemfontein	3 175	Car Service and Maintenance
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	28 August 2020	Prodiba	31 679	Driving Licenses Card Issues
Sole Supplier: The supplier has the sole rights to the machine. They are the manufacturers of the machines, and they are the only one permitted to service the machine.	07 September 2020	Workshop Electronics	45 238	Calibration Machine Service
Sole Supplier (Only Mercedes Benz Dealerships) The car has to be taken in for car services/ routine maintenance, where it can only be serviced at the Mercedes Benz Dealership. It must be noted that the service plan on the car has lapsed and every time the car is serviced, the municipality pays per service.	08 September 2020	Gariep Motors	11 733	Car Service and Maintenance
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	17 September 2020	Prodiba	18 012	Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	23 September 2020	Prodiba	16 353	Driving Licenses Card Issues
Car diagnosis at John Williams - Bloemfontein. Only a Mercedes Benz outlet can provide a diagnosis on the car as the car make is from the dealer.	08 October 2020	John Williams-Bloemfontein	15 699	Car Services

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48. Deviations (continued)

No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	13 October 2020	Prodiba	14 694	Driving Licenses Card Issues
Strip and Quote The money counting machines used by the cashiers are not functional. At this stage we cannot detect the faults. Page Automation supplied the municipality with these machines, and as a result it is economic and sensible to enlist their services to find any fault that might need fixing. It is impractical to source quotations from other service providers as the supplier has to strip down the machines and find faults.	20 October 2020	Page Automation	2 723	Services and Maintenance - Cash counting machine
The prices as quoted are for the call out mainly. Possibility is upon fixing the machines, prices might go up No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	22 October 2020	Prodiba	3 634	Prodiba
Strip and Quote The money counting machines used by the cashiers are not functional. At this stage we cannot detect the faults. Page Automation supplied the municipality with these machines, and as a result it is economic and sensible to enlist their services to find any fault that might need fixing. It is impractical to source quotations from other service providers as the supplier has to strip down the machines and find faults. The prices as quoted are for the call out mainly. Possibility is upon fixing the machines, prices might go up	23 October 2020	Page Automation	2 723	Services and Maintenance- Cash counting machine
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	29 October 2020	Prodiba	14 536	Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	19 November 2020	Prodiba	21 330	Driving Licenses Card Issues
Emergency On the 04th November 2020, Kuruman experienced a storm. In the process it destroyed a power line at Moffat Mission. This left the residence of that particular part of the town without electricity on the day. On the 05th November 2020, the services of Bright Point (Pty) Ltd was requested to provide the municipality with the services to fix the power line. This not only provided a blackout to the residents but it posed danger to the citizens as the cables were lying down on the floor.	26 November 2020	Bright Point	47 231	Power Line Maintenance
Emergency / Strip and Quote On the weekend of the 20th November 2020, the pump station (boreholes) situated in Mothibistad experienced electrical shots, where pumps and other electrical appliances were damaged. As a result, the residents of the affected area are without water since Saturday (21/11/2020). The service provider was requested to repair the pump, where he needs to strip the pump, find the fault and fix it thereafter. It is therefore impractical to source three quotations or follow regulation 18 procurement processes	15 December 2020	Newgen Pumps and Valves	80 466	Maintenance- Sewer and Water Pumps
Sole Provider The municipality received a donation in a form of a compactor truck. This truck came without a service and maintenance plan. The make of the truck is Isuzu. Only Isuzu manufacturer/ agent can provide the maintenance and service plan without losing the vehicle warranty, hence only one quotation is sourced from the service provider	15 December 2020	Motus Group	51 246	Purchase - Service and Maintenance Plan

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48. Deviations (continued)

Emergency During December 2019, sewerage pump station was vandalised and a contractor was requested to fix the pumps on an emergency basis. Attached hereto please find the deviation request from the Director – Technical services, who requested the service provider to provide service at the time.	15 December 2020	HT Pelatona	194 994	Repairs to Sewerage Pumps
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	18 December 2020	Prodiba	37 051	Driving Licenses Card Issues
Strip and Quote The service provider, (being the initial provider who supplied and installed the stair lift) was requested to determine the faults that caused the stir lift not to function. The service provider had to detect the faults on the lift and thereafter fix them	18 December 2020	Omogolo Consulting	34 150	Stair Lift Services/ Maintenance
Sole Provider - Only Mercedes Benz can maintain and service the car. It was a mileage service done on intervals. CRF 957 NC	22 January 2021	JOHN WILLIAMS BLOEMFONT EIN	13 168	Supply of Coffin
Sole Provider. The municipality received a donation in a form of a Skip Loader (FX SERIES FYH 33-360 TIP). This truck came without a service and maintenance plan. The make of the truck is Isuzu. Only Isuzu manufacturer/ agent can provide the maintenance and service plan without losing the vehicle warranty, hence only one quotation is sourced from the service provider	08 January 2021	Motus Group	47 535	Maintenance and Services
Emergency: During the lockdown as a result of the pandemic caused by covid 19 the Municipality experienced some damages to its sewerage as at Cilliers street.	14 December 2020	HT Pelatona	251 169	Fixing Sewerage blockage
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	21 January 2021	Prodiba	25 833	Driving Licenses Card Issues
Sole Provider - Only Mercedes Benz can maintain and service the car. It was a mileage service done on intervals. CLF 286 NC & CRF 959 NC.	26 February 2021	Gariep Motors	43 696	Vehicle Maintenance & Services
Strip and Quote: The service provider had to strip the pump and diagnose the fault and thereafter fix the fault.	12 February 2021	Newgen Pumps and Valves	51 591	Strip & Quote - Boreholes
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	21 February 2021	Prodiba	31 363	Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	25 March 2021	Prodiba	25 596	Driving Licenses Card Issues
Strip and Quote: The service provider had to strip the pumps and diagnose the fault and thereafter fix the fault. Pump 2.2kw Fluid Pump 7.5kw Robot x 2	04 March 2021	Newgen Pumps and Valves	101 756	Strip & Quote - Boreholes
Strip and Quote: The service provider stripped the wipe machine to diagnose the fault, and thereafter fixed the machine.	15 March 2021	Acorn Projects 51 (Pty) Ltd	3 030	Strip & Quote - Wipe Machine
Strip and Quote: The service provider has strip the machine, diagnose the problem and fix the problem thereafter. It is impossible to request the different suppliers to provide quotations as the works cannot be pre-determined	11 May 2021	Workshop Electronics	20 957	Testing Machine Calibration
Car Service and Maintenance The car can only be taken to the dealer for service and maintenance. At the time of the service and maintenance, the works to be executed cannot be pre-determined, hence no Reg 18 cannot be followed.	12 May 2021	John Williams - Bloemfontein	53 186	Car Services & Maintenance

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48. Deviations (continued)

Strip & Quote: The service provider has strip the machine, diagnose the problem and fix the problem thereafter. It is impossible to request the different suppliers to provide quotations as the works cannot be pre-determined.	23 June 2021	Workshop Electronics	25 960	Testing Machine Calibration
Strip & Quote : The service provider has strip the pumps, diagnose the problem and fix the problem thereafter. It is impossible to request the different suppliers to provide quotations as the works cannot be pre-determined. Different pumps were diagnosed.	24 June 2021	Newgen Pumps & Valves (Pty) Ltd	305 681	Strip and Quote - Water and Sewer Pumps
Strip & Quote: The service provider has strip the aircons (corporate services department) diagnose the problem and fix the problem thereafter. It is impossible to request the different suppliers to provide quotations as the works cannot be pre-determined.	29 June 2021	L P Refrigeration	12 650	Strip and Quote - Airconditions
Strip & Quote: The service provider has strip the aircons (corporate services department) diagnose the problem and fix the problem thereafter. It is impossible to request the different suppliers to provide quotations as the works cannot be pre-determined.	29 June 2021	Prodiba	53 246	Driving Licenses Card Issues

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Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

49. Prior period errors

	Note(s)	Previously reported R	Adjustment R	Re- classification R	Restated R	Re
Assets						
Current Assets						
Inventories	3	75 258 924	7 256 000	-	82 514 924	[3]
Receivables from non-exchange transactions	4	20 325 641	(716 162)	-	19 609 479	[2]
Receivables from exchange transactions	6	52 977 683	(71 382)	-	52 906 301	[2]
VAT	5	3 248 938	902 709	-	4 151 647	[1]
Cash and cash equivalents	7	59 270 087	-	-	59 270 087	
		211 081 273	7 371 165	-	218 452 438	
Non-Current Assets						
Investment property	8	18 229 634	-	-	18 229 634	
Property, plant and equipment	9	1 443 786 809	48 569 392	-	1 492 356 201	[4]
Intangible assets	10	284 613	-	-	284 613	
Heritage assets	11	1 655 642	-	-	1 655 642	
		1 463 956 698	48 569 392	-	1 512 526 090	
Total Assets		1 675 037 971	55 940 557	-	1 730 978 528	
Liabilities						
Current Liabilities						
Other financial liabilities	12	2 103 672	-	-	2 103 672	
Finance lease obligation	13	2 202 988	-	-	2 202 988	
Payables from exchange transactions	14	62 947 608	(2 350 523)	-	60 597 085	[3]
Consumer deposits	15	5 226 811	(412 050)	-	4 814 761	[7]
Employee benefit obligation	16	1 683 000	-	-	1 683 000	
Unspent conditional grants and receipts	17	35 632 576	-	-	35 632 576	
		109 796 655	(2 762 573)	-	107 034 082	
Non-Current Liabilities						
Other financial liabilities	12	10 537 615	-	-	10 537 615	
Finance lease obligation	13	1 404 317	-	-	1 404 317	
Employee benefit obligation	16	28 111 000	-	-	28 111 000	
Provisions	18	18 808 913	-	-	18 808 913	
		58 861 845	-	-	58 861 845	
Total Liabilities		168 658 500	(2 762 573)	-	165 895 927	
Net Assets		1 506 379 471	58 703 130	-	1 565 082 601	
Accumulated surplus		1 506 379 471	58 703 130	-	1 565 082 601	[6]

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

49. Prior period errors (continued)

Statement of Financial Performance

		Previously reported	Adjustment	Re- classific ation	Restated	Referen
	Note(s)	R	R	R	R	R
Revenue						
Revenue from exchange transactions						
Sale of Stands		2 378 515	-	-	2 378 515	
Service charges	20	157 478 628	190 689	-	157 669 317	[8]
Rental of facilities and equipment	21	2 351 079	-	-	2 351 079	
Interest on outstanding receivables		4 466 344	371 606	-	4 837 950	[11]
New connections and administration fees		-	-	-	-	
Licences and permits		3 235 544	8 812	-	3 244 356	[8]
Other income		3 854 160	19 352	-	3 873 512	[5]
Interest received - investment	25	3 707 754	-	-	3 707 754	
Total revenue from exchange transactions		177 472 024	590 459	-	178 062 483	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	26	45 094 777	-	-	45 094 777	
Interest on outstanding receivables		3 145 398	-	-	3 145 398	
Transfer revenue						
Government grants & subsidies	27	385 548 478	-	-	385 548 478	
Public contributions and donations		-	-	-	-	
Fines, Penalties and Forfeits		4 845 325	-	-	4 845 325	
Total revenue from non-exchange transactions		438 633 978	-	-	438 633 978	
Total revenue	19	616 106 002	590 459	-	616 696 461	
Expenditure						
Employee related costs	28	(130 928 705)	-	-	(130 928 705)	
Remuneration of councillors	29	(9 860 821)	-	-	(9 860 821)	
Depreciation and amortisation	30	(60 575 361)	(2 688 264)	-	(63 263 625)	
Impairment loss		-	-	-	-	
Finance costs	31	(9 438 769)	-	-	(9 438 769)	
Debt Impairment	32	(18 699 403)	11 034 677	-	(7 664 726)	[2]
Bad debts written off		(634 575)	(2 064 706)	-	(2 699 281)	[2]
Bulk purchases	34	(113 208 832)	-	-	(113 208 832)	
Cost of land sold		-	(2 591 600)	-	(2 591 600)	
		-	-	-	-	
General Expenses	35	(93 109 449)	4 682 339	-	(88 427 110)	[9]
Total expenditure		(436 455 915)	8 372 446	-	(428 083 469)	
Operating surplus		179 650 087	8 962 905	-	188 612 992	
Gains/(Loss) on disposal of assets		(4 939 617)	-	-	(4 939 617)	
Fair value adjustments	52	136 000	-	-	136 000	
Actuarial gains/losses	16	6 552 491	-	-	6 552 491	
Gains/(Loss) on impairment		129 187	-	-	129 187	
		1 878 061	-	-	1 878 061	
Surplus for the year		181 528 148	8 962 905	-	190 491 053	

* See Note 49

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

			2021	2020
	Note(s)	R	R	Restated* R
49. Prior period errors (continued)				
Other				
Related parties		2 054 683	1 251 546	- 3 306 229 [12]

[1] Vat receivable increased by R902 709 due to vat output written off as a result of write off of long outstanding receivables approved by council. Furthermore the sale of stands was adjusted.

[2] The council approved long outstanding debtors as at 30 June 2020 which resulted to decrease in receivables from exchange and non exchange transactions. The adjustment also resulted in increase in bad debts write off and increase in accumulated surplus.

[3] Inventory increased by R7 256 000 due to an understatement in the prior year resulting in an increase in inventory and decrease in accumulated surplus, other income and payables by the same amount

[4] Property plant and equipment increased by R55 109 091 due to recognition of Property, Plant and Equipment initially not in the recognised in the prior years.

[5] Other income increased by R190 689 due to remapping of other votes to service charges and licences and permits.

[6] Accumulated surplus increased by R 60 875 050 due to write off of long outstanding debtors.(bad debt write off was written off against accumulated surplus. The adjustment resulted in decrease in debtors balance. The debt impairment provision for such debtors was also reversed. The adjustment on Property plant and equipment also resulted in the change.

[7] Customer deposits were adjusted by R412 050 as prior year amount was not reconciling the register.

[8] Licences and permits was increased by R8 812 and service charges by were increased by R190 689 due to remapping.

[9] General expenditure decreased by 2 090 739 due to prior year restatements processed.

[11] Interest revenue from outstanding receivables increased by R371 606 due to interest accrued on outstanding debtor previously not recognised in prior years.

[12] Management identified children of appointed councillors who are receiving salaries from the municipality resulting in adjustment on related parties.

The accounting policies on pages 14 to 38 and the notes on pages 39 to 94 form an integral part of the annual financial statements.

50. Statutory receivables

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. The receivables within the scope of GRAP 108, effective for all periods started on or after 1 April 2019. .

The following are regarded as statutory receivables;

Statutory Receivable

Vat receivables	8 241 249	4 151 647
Receivables from non exchange transactions	22 042 599	19 609 479
	30 283 848	23 761 126

51. Events after the reporting date

The Transnet property (Municipal building) which form part of the investment property in the statement of financial statements was burnt down after the reporting date. The netbook value of the property is R5 260 000 at the reporting date. As such a result the value of investment property reported does not reflect the effect of the fire.

* See Note 49

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

	Note(s)	2021 R	2020 Restated* R
51. Events after the reporting date (continued)			-
The estimate of the effects of the fire could not be determined.			
Furthermore there was local government elections held on 01 November 2021 and a new council (governance) will be appointed.			
52. Fair value adjustments			
Investment property (Fair value model)		-	136 000

53. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Types of goods and/or services by segment

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as set out below:

Reportable segment	Goods and/or services
Municipal governance and administration services	This segment consists of services such as executive services, support services to the executive and finance & administration services
Finance and administration	Provision of financial and administrative services to other segments of the municipality
Public Safety, Community and Social Services	Provision of public safety, an acceptable standard of Social Services, Emergency Services, Environmental and Health Services, Community Safety and Road Traffic Management
Sports and Recreation	Provision of advancement of participation in sport and recreation, Fast-tracking the revival of sport, Talent identification and optimization of talent, Empowerment programmes
Planning and Development	Provision of planning and development including policy and procedures. Co-ordination work relating to the preparation of the Annual Development Programme and its review
Road Transport	Construction and maintenance of roads and infrastructure owned by the municipality
Environmental Protection	This segment consists of environmental services such as planning & development, environmental protection and roads & storm water
Energy Sources	This segment consists of all services for energy supply to the community
Trading Services	This segment consists of all services for the management of waste water, water, refuse, electricity, in the municipal area.

* See Note 49

Ga Segonyana Local Municipality

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Restated*

53. Segment information (continued)

Segment surplus or deficit

2021

	Executive and Council	Finance and Administration	Public Safety, Community and Social Services	Sports and Recreation	Planning and Development	Road Transport	Environmental Protection	Energy Sources	Trading Services	Total
Revenue										
Revenue from non-exchange transactions	-	-	-	-	-	-	-	-	-	-
Property rates	-	49 763 478	-	-	-	-	-	-	-	49 763 478
Interest on outstanding receivables	-	1 628 503	-	38 860	-	-	-	-	-	1 667 363
Grants and subsidies realised	6 990 996	14 896 200	28 197 429	2 582 403	8 660 448	23 324 794	500 004	136 232 017	168 173 661	389 557 952
Fines, penalties and forfeits	-	7 494	3 333 254	-	-	-	22 270	54 892	-	3 417 910
Revenue from exchange transactions	-	-	-	-	-	-	-	-	-	-
Sale of stands	-	-	-	-	7 209 208	-	-	-	-	7 209 208
Service charges	-	-	-	-	-	-	-	113 097 210	45 056 059	158 153 269
Rental of facilities	-	307 376	21 757	1 377 767	305 171	-	-	-	-	2 012 071
Interest on outstanding receivables	-	3 848 481	-	-	-	-	-	-	-	3 848 481
Licences and permits	-	-	3 329 543	-	21 935	-	-	-	-	3 351 478
Other revenue	-	3 422 064	114 248	54 865	973 957	-	-	927	-	4 566 061
Interest on investments	-	3 864 834	-	-	-	-	-	-	-	3 864 834
Total segment revenue	6 990 996	77 738 430	34 996 231	4 053 895	17 170 719	23 324 794	522 274	249 385 046	213 229 720	627 412 105
Entity's revenue										627 412 105

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Restated*

	Executive and Council	Finance and Administra tion	Public Safety, Community and Social Services	Sports and Recreation	Planning and Development	Road Transport	Environmental Protection	Energy Sources	Trading Services	Total
53. Segment information (continued)										
Expenditure										
Employee related costs	(3 375 486)	(58 065 729)	(30 704 991)	(8 415 840)	(17 516 281)	(6 507 173)	(171 253)	(6 823 720)	(19 814 678)	(151 395 151)
Remuneration of councillors	(9 842 705)	-	-	-	-	-	-	-	-	(9 842 705)
Depreciation, amortisation and impairment loss	-	(65 944 055)	-	-	-	-	-	-	-	(65 944 055)
Finance costs	-	(3 937 781)	(25 068)	(42 381)	(162 103)	(152 160)	(251)	(457 272)	(5 685 736)	(10 462 752)
Debt impairment	-	(13 774 273)	-	-	-	-	-	-	(48 719)	(13 822 992)
Bad debts written off	-	(640 423)	-	-	-	-	-	(828 942)	-	(1 469 365)
Bulk purchases	-	-	-	-	-	-	-	(99 409 275)	(26 225 000)	(125 634 275)
Consumables Land cost	-	-	-	-	(15 105 401)	-	-	-	-	(15 105 401)
General expenses	(1 559 669)	(72 568 019)	(2 249 415)	(244 716)	(2 873 930)	(3 245 575)	(13 148)	(10 812 533)	(13 394 604)	(106 961 609)
Gains/(Loss) on disposal of assets	-	(18 409 890)	-	-	-	-	-	-	-	(18 409 890)
Fair value adjustments	-	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses)	-	(2 603 000)	-	-	-	-	-	-	-	(2 603 000)
Gain (loss) on impairment	-	-	-	-	-	-	-	-	-	-
Total segment expenditure	(14 777 860)	(235 943 170)	(32 979 474)	(8 702 937)	(35 657 715)	(9 904 908)	(184 652)	(118 331 742)	(65 168 737)	(521 651 195)
Total segmental surplus/(deficit)										105 760 910

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Restated*

53. Segment information (continued)

2020

	Executive and Council	Finance and Administra tion	Public Safety, Community and Social Services	Sports and Recreation	Planning and Development	Road Transport	Environmental Protection	Energy Sources	Trading Services	Total
Revenue										
Revenue from non-exchange transactions	-	-	-	-	-	-	-	-	-	-
Property rates	-	45 094 777	-	-	-	-	-	-	-	45 094 777
Interest on outstanding receivables	-	2 997 427	-	-	-	-	-	28 939	119 032	3 145 398
Grants and subsidies realised	6 851 000	13 980 000	5 501 504	7 498 712	8 075 547	31 643 060	300 000	95 702 834	215 995 821	385 548 478
Fines, penalties and forfeits	-	103 457	4 722 010	-	-	-	15 858	4 000	-	4 845 325
Revenue from exchange transactions	-	-	-	-	-	-	-	-	-	-
Sale of stands	-	-	-	-	2 378 515	-	-	-	-	2 378 515
Service charges	-	-	-	-	-	-	-	112 011 218	45 658 099	157 669 317
Rental of facilities	-	1 011 770	34 119	447 292	857 898	-	-	-	-	2 351 079
Interest on outstanding receivables	-	4 837 950	-	-	-	-	-	-	-	4 837 950
Licences and permits	-	-	3 234 504	-	8 812	-	-	1 040	-	3 244 356
Other revenue	-	2 836 256	124 087	81 469	831 700	-	-	-	-	3 873 512
Interest on investments	-	3 707 754	-	-	-	-	-	-	-	3 707 754
Total segment revenue	6 851 000	74 569 391	13 616 224	8 027 473	12 152 472	31 643 060	315 858	207 748 031	261 772 952	616 696 461
Entity's revenue										616 696 461

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Notes to the Annual Financial Statements

Restated*

	Executive and Council	Finance and Administra- tion	Public Safety, Community and Social Services	Sports and Recreation	Planning and Development	Road Transport	Environmental Protection	Energy Sources	Trading Services	Total
53. Segment information (continued)										
Expenditure										
Employee related costs	(2 452 838)	(49 586 191)	(26 010 630)	(8 260 736)	(15 096 305)	(6 357 393)	(162 615)	(5 275 023)	(17 726 974)	(130 928 705)
Remuneration of councillors	(9 860 821)	-	-	-	-	-	-	-	-	(9 860 821)
Depreciation, amortisation and impairment loss	-	(63 263 625)	-	-	-	-	-	-	-	(63 263 625)
Finance costs	-	(6 095 025)	-	-	(217 614)	(179 872)	(606)	(2 632 436)	(313 216)	(9 438 769)
Debtors impairment	-	-	-	-	-	-	-	(3 412 630)	(4 252 096)	(7 664 726)
Bad debts written-off	-	(2 699 281)	-	-	-	-	-	-	-	(2 699 281)
Bulk purchases	-	-	-	-	-	-	-	(88 208 832)	(25 000 000)	(113 208 832)
Cost of land sold	-	-	-	-	(2 591 600)	-	-	-	-	(2 591 600)
General expenses	(1 703 991)	(63 191 314)	(1 869 219)	(290 575)	(2 639 988)	(959 931)	(32 781)	(7 179 782)	(10 559 529)	(88 427 110)
Gains/(Loss) on disposal of assets	-	(4 939 617)	-	-	-	-	-	-	-	(4 939 617)
Fair value adjustments	-	136 000	-	-	-	-	-	-	-	136 000
Actuarial gains/(losses)	-	6 552 491	-	-	-	-	-	-	-	6 552 491
Gain (loss) on impairment	-	129 187	-	-	-	-	-	-	-	129 187
Total segment expenditure	(14 017 650)	(182 957 375)	(27 879 849)	(8 551 311)	(20 545 507)	(7 497 196)	(196 002)	(106 708 703)	(57 851 815)	(426 205 408)
Total segmental surplus/(deficit)										190 491 053

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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53. Segment information (continued)

Information about geographical areas

Although the Municipality operates in a number of geographical areas (i.e. wards), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

Measurement of specific segment information

The accounting policies of the respective segments are the same as those prescribed in the summary of significant accounting policies.

The Municipality had no changes to the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.