



GA-SEGONYANA LOCAL MUNICIPALITY

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

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Council committee

Mayor

Speaker

Councillors

Cllr. N. Masegela (Chairperson EXCO)

Cll. K.B. Madikiza

Cllr. C. Phillips (Chief Whip)

Councillors appointed 09 November 2021

Cllr. T. Meremetsi (Chairperson MPAC)

Cllr. K. Matlhole (EXCO Member)

Cllr. L. Moagi (EXCO Member)

Cllr. M. Reetsang (EXCO Member)

Cllr. C.O. Mojaki

Cllr. K.R. Makhubo

Cllr. K.P. Moepeng

Cllr. L.S. Molusi

Cllr. K.G. Molokwe

Cllr. T. L. Diphatse

Cllr. T.S. Nyathi

Cllr. N. Mereotlhe

Cllr. G.C. Chere

Cllr. M.K. Taeng

Cllr. S.I. Kok

Cllr. M.E. Valela

Cllr. M.E. Leberegeane

Cllr. K.S. Setlhodi

Cllr. E.S. Ellis

Cllr. M.P. Mamapula

Cllr. K.H. Chweu

Cllr. M.F. Disang

Cllr. S.M. Ryan

Cllr. O.D. Mathibe

Cllr. MS Kapoledi

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

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General Information

Bankers	First National Bank ABSA 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) Housing Act (Act No. 107 of 1997) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations
Attorneys	Mogaswa Attorneys Peyper Attorneys Sifumba Attorneys Koikanyang Attorneys Motshabi Attorneys

Ga Segonyana Local Municipality

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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 director 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 2024 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 entity's external auditors.

The annual financial statements set out on page 7 to 97, which have been prepared on the going concern basis were approved by the Accounting Officer on 31 August 2023.

M. Tsatsimpe
Designation

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

Legislative requirements

We are pleased to present our draft report for the financial year ended 30 June as required in terms of section 166 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003, as amended) (MFMA), read with circular 65 published by the National Treasury for the year ended 30 June 2023.

Audit, Performance and Risk committee (APRC) members and attendance

The Audit, Risk and Performance committee (APRC) has been appointed by the District Municipality John Taolo Gaetsewe. Service level agreements between the District and Gamagara, Ga-Segonyana and Joe Morolong Local Municipalities provide for a shared APRC within the District.

The APRC is governed by formal terms of reference, which are regularly reviewed and approved by council.

The APRC consists of the members listed hereunder and should meet 4 times per annum as per approved terms of reference. During the current year, 8 meetings were held:

Name of member	Number of meetings attended
Tshimomola R. (Chairperson) (Ended 31/12/2022)	6
Buys F. (Ended 31/12/2022)	5
Mashati M. (Ended 31/12/2022)	2
Snyders J (Chairperson) (Commenced on 01/04/2023)	2
Ntseno N (Commenced on 01/04/2023)	2
Nkoe K (Commenced on 01/04/2023)	2

Audit committee responsibility

The APRC has complied with its responsibilities arising from section 166 of the MFMA read with MFMA Circular 65, and reports that it operated in terms of the audit committee charter read in conjunction with the internal audit charter

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 quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of draft annual financial statements

The APRC has:

- Reviewed and discussed the draft unaudited annual financial statements to be included in the annual report, with the Accounting Officer for submission to AGSA on 31 August 2023. The draft unaudited annual financial statements was work in progress, however management committed to finalise and consider the review by internal audit and the APRC. On this basis the APRC supports the submission to the AGSA.
- Reviewed the progress on the audit action plan;

The following will be reviewed in the APRC meeting of November 2023The following will be reviewed in the APRC meeting of November 2023:

- .the Auditor-General of South Africa's audit report, management report and management's response thereto, and
- .the organisation's compliance with legal and regulatory provisions

From the above the concurrence and acceptance of the Auditor-General of South Africa's report on the annual financial statements will be assessed

Internal audit

Audit, Risk and Performance Committee is satisfied that the internal audit function is operating effectively and objectively and it has addressed the risks pertinent to the municipality and its audits.The quality assurance improvement program and combined assurance plan will be implemented in the next financial year

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Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

Auditor-General of South Africa

Audit, Risk and Performance Committee will meet 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 2023

Statement of Financial Position as at 30 June 2023

		2023	2022
	Note(s)	R	Restated* R
Assets			
Current Assets			
Inventories	3	46 937 514	64 090 984
Receivables from non-exchange transactions	4	29 114 694	29 994 036
VAT	5	-	16 346 766
Receivables from exchange transactions	6	30 286 772	43 140 739
Cash and cash equivalents	7	38 210 006	95 153 067
		144 548 986	248 725 592
Non-Current Assets			
Investment property	8	20 268 149	20 253 699
Property, plant and equipment	9	1 763 142 170	1 705 161 397
Intangible assets	10	496 305	485 656
Heritage assets	11	1 655 642	1 655 642
		1 785 562 266	1 727 556 394
Total Assets		1 930 111 252	1 976 281 986
Liabilities			
Current Liabilities			
Other financial liabilities	12	2 204 855	2 275 769
Finance lease obligation	13	-	960 111
Payables from exchange transactions	14	76 508 536	93 952 195
VAT payable	5	8 081 616	-
Consumer deposits	15	6 400 581	5 914 289
Employee benefit obligation	16	2 256 432	2 904 000
Unspent conditional grants and receipts	17	14 857 204	17 399 799
		110 309 224	123 406 163
Non-Current Liabilities			
Other financial liabilities	12	3 875 149	6 080 009
Finance lease obligation	13	-	427 942
Employee benefit obligation	16	35 499 513	35 435 000
Provisions	18	25 495 555	27 717 355
		64 870 217	69 660 306
Total Liabilities		175 179 441	193 066 469
Net Assets		1 754 931 811	1 783 215 517
Accumulated surplus		1 754 931 811	1 783 215 517

* See Note 51

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

		2023	2022
	Note(s)	R	Restated* R
REVENUE			
Revenue from exchange transactions			
Sale of stands		3 872 723	1 786 942
Service charges	20	184 783 447	174 461 354
Rental of facilities	21	2 872 486	3 272 540
Interest on outstanding receivables	23	4 516 791	2 839 606
Licences and permits		3 642 989	3 680 421
Other revenue	24	13 444 041	12 610 581
Interest on investments	25	5 691 571	5 054 603
Total revenue from exchange transactions		218 824 048	203 706 047
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	55 032 123	50 222 676
Interest on outstanding receivables	23	3 924 469	1 668 827
Transfer revenue			
Grants and subsidies realised	27	387 106 472	402 315 155
Fines, penalties and forfeits	22	7 555 914	4 898 223
Total revenue from non-exchange transactions		453 618 978	459 104 881
Total revenue	19	672 443 026	662 810 928
EXPENDITURE			
Employee related costs	28	(186 827 196)	(173 049 555)
Remuneration of councillors	29	(13 185 940)	(10 472 326)
Depreciation, amortisation and impairment loss/(reversal)	30	(90 876 471)	(55 465 290)
Finance costs	31	(7 692 090)	(6 515 349)
Debtors impairment	32	(18 773 629)	(7 703 540)
Bad debts written-off	33	(15 197 913)	(4 017 292)
Bulk purchases	34	(124 534 746)	(120 721 658)
Contracted Services	35	(97 359 300)	(71 559 365)
Cost of land sold	3.1	(1 783 000)	(2 902 000)
General expenses	36	(122 406 150)	(89 595 154)
Total expenditure		(678 636 435)	(542 001 529)
Operating (deficit) surplus		(6 193 409)	120 809 399
Gains/(Loss) on disposal of assets		(2 574 551)	(4 915 395)
Fair value adjustments	55	14 450	-
Actuarial gains/(losses)	16	5 675 994	1 859 000
		3 115 893	(3 056 395)
SURPLUS FOR THE YEAR		(3 077 516)	117 753 004

* See Note 51

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	1 565 082 612	1 565 082 612
Balance at 01 July 2021 as restated*	1 665 462 513	1 665 462 513
Surplus for the year ended 30 June 2022	117 753 004	117 753 004
Total changes	117 753 004	117 753 004
Opening balance as previously reported	1 779 833 855	1 779 833 855
Prior year adjustments	123 841 420	123 841 420
Restated* Balance at 01 July 2022 as restated*	1 758 009 327	1 758 009 327
Changes in net assets		
Surplus/(Deficit) for the year ended 30 June 2023	(3 077 516)	(3 077 516)
Total changes	(3 077 516)	(3 077 516)
Balance at 30 June 2023	1 754 931 811	1 754 931 811

* See Note 51

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

		2023	2022
	Note(s)	R	Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		272 028 150	218 278 576
Grants		376 438 199	384 597 306
Interest on investments		5 691 571	5 054 603
		<u>654 157 920</u>	<u>607 930 485</u>
Payments			
Suppliers		(384 767 178)	(266 402 394)
Employee Costs		(199 948 623)	(179 396 621)
Finance costs		(814 235)	(3 047 349)
		<u>(585 530 036)</u>	<u>(448 846 364)</u>
Undefined difference compared to the cash generated from operations note		-	3 521 885
Net cash flows from operating activities	37	68 627 884	162 606 006
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(121 705 267)	(155 361 747)
Purchase of intangible assets	10	(417 864)	(143 187)
Net cash flows from investing activities		(122 123 131)	(155 504 934)
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in other financial liabilities		(2 275 774)	(2 181 864)
Finance lease payments		(1 172 040)	(232 278)
Net cash flows from financing activities		(3 447 814)	(2 414 142)
Net increase/(decrease) in cash and cash equivalents		(56 943 061)	4 686 927
Cash and cash equivalents at the beginning of the year		95 153 067	90 466 140
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	38 210 006	95 153 067

* See Note 51

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
Revenue from exchange transactions						
Sale of stands	16 000 000	-	16 000 000	3 872 723	(12 127 277)	1
Service charges	246 166 592	2 811 475	248 978 067	184 783 447	(64 194 620)	2
Rental of facilities	1 604 896	-	1 604 896	2 872 486	1 267 590	3
Interest on outstanding receivables	5 144 646	550 000	5 694 646	4 516 791	(1 177 855)	17
Licences and permits	3 477 798	50 000	3 527 798	3 642 989	115 191	39
Other revenue	2 891 478	1 601 486	4 492 964	13 444 041	8 951 077	5
Interest on investments	3 819 579	1 000 000	4 819 579	5 691 571	871 992	4
Total revenue from exchange transactions	279 104 989	6 012 961	285 117 950	218 824 048	(66 293 902)	
Revenue from non-exchange transactions						
Property rates	51 738 117	2 842 836	54 580 953	55 032 123	451 170	38
Interest on outstanding receivables	-	-	-	3 924 469	3 924 469	17
Grants and subsidies realised	231 333 147	-	231 333 147	387 106 472	155 773 325	11
Fines, Penalties and Forfeits	1 610 576	(50 000)	1 560 576	7 555 914	5 995 338	5
Total revenue from non-exchange transactions	284 681 840	2 792 836	287 474 676	453 618 978	166 144 302	
Total revenue	563 786 829	8 805 797	572 592 626	672 443 026	99 850 400	
EXPENDITURE						
Employee related costs	(189 860 651)	3 658 461	(186 202 190)	(186 827 196)	(625 006)	12
Remuneration of councillors	(11 082 335)	(2 023 453)	(13 105 788)	(13 185 940)	(80 152)	13
Depreciation and amortisation	(58 000 000)	(911 000)	(58 911 000)	(86 688 407)	(27 777 407)	10
Finance costs	(930 200)	(10 800)	(941 000)	(7 692 090)	(6 751 090)	7
Debt Impairment	(12 004 360)	-	(12 004 360)	(18 773 629)	(6 769 269)	21
Bad debts written-off	-	-	-	(15 197 913)	(15 197 913)	14
Bulk purchases	(122 297 534)	10 000	(122 287 534)	(124 534 746)	(2 247 212)	
Contracted services	(83 981 347)	(11 638 000)	(95 619 347)	(97 359 300)	(1 739 953)	
Cost of land sold	-	-	-	(1 783 000)	(1 783 000)	
General expenses	(103 643 212)	(2 553 788)	(106 197 000)	(122 406 150)	(16 209 150)	
Total expenditure	(581 799 639)	(13 468 580)	(595 268 219)	(674 448 371)	(79 180 152)	
Operating deficit	(18 012 810)	(4 662 783)	(22 675 593)	(2 005 345)	1 369 566 990	
Gain/(Loss) on disposal of assets	-	-	-	(2 196 090)	(2 196 090)	8
Fair value adjustments	-	-	-	14 450	14 450	16
Actuarial gains/losses	-	-	-	5 675 994	5 675 994	9
	-	-	-	3 494 354	3 494 354	
SURPLUS FOR THE YEAR	(18 012 810)	(4 662 783)	(22 675 593)	1 489 009	24 164 602	

Annual Financial Statements for the year ended 30 June 2023

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	

Ga Segonyana Local Municipality

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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	67 604 159	(3 799 006)	63 805 153	46 937 514	(16 867 639)	20
Receivables from non-exchange transactions	17 230 930	14 115 950	31 346 880	29 114 694	(2 232 186)	35
Receivables from exchange transactions	43 595 792	(1 175 965)	42 419 827	30 286 772	(12 133 055)	22
VAT	4 175 215	12 171 551	16 346 766	(8 081 616)	(24 428 382)	23
Other debtors	19 238 998	(19 238 998)	-	-	-	20
Cash and cash equivalents	107 301 000	(13 587 036)	93 713 964	38 210 006	(55 503 958)	24
	259 146 094	(11 513 504)	247 632 590	136 467 370	(111 165 220)	
Non-Current Assets						
Investment property	18 473 517	1 780 182	20 253 699	20 268 149	14 450	18
Property, plant and equipment	1 664 549 534	168 701 108	1 833 250 642	1 759 256 597	(73 994 045)	25
Intangible assets	917 661	(432 005)	485 656	496 305	10 649	26
Heritage assets	1 655 642	-	1 655 642	1 655 642	-	
	1 685 596 354	170 049 285	1 855 645 639	1 781 676 693	(73 968 946)	
Total Assets	1 944 742 448	158 535 781	2 103 278 229	1 918 144 063	(185 134 166)	
Liabilities						
Current Liabilities						
Other financial liabilities	(12 995 625)	13 515 492	519 867	2 204 855	1 684 988	27
Payables from exchange transactions	66 797 582	43 583 490	110 381 072	76 508 536	(33 872 536)	29
Consumer deposits	5 310 000	(11 224 577)	(5 914 577)	6 400 581	12 315 158	32
Employee benefit obligation	-	2 256 432	2 256 432	-	(2 256 432)	30
Unspent conditional grants and receipts	11 642 295	(11 642 295)	-	14 857 204	14 857 204	31
Provisions	3 448 147	-	3 448 147	-	(3 448 147)	31
	74 202 399	36 488 542	110 690 941	99 971 176	(10 719 765)	
Non-Current Liabilities						
Other financial liabilities	22 437 583	(15 929 632)	6 507 951	3 875 149	(2 632 802)	27
Employee benefit obligation	8 778 568	26 656 432	35 435 000	35 499 513	64 513	30
Provisions	49 526 218	(21 808 863)	27 717 355	25 495 555	(2 221 800)	37
	80 742 369	(11 082 063)	69 660 306	64 870 217	(4 790 089)	
Total Liabilities	154 944 768	25 406 479	180 351 247	164 841 393	(15 509 854)	
Net Assets	1 789 797 680	133 129 302	1 922 926 982	1 753 302 670	(169 624 312)	
Net Assets						
Reserves						
Accumulated surplus	1 789 797 454	133 129 607	1 922 927 061	1 749 821 408	(173 105 653)	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
	R	R	R	R	R	

Narration area

Sale of stands

- 1) The variance is due to lack of demand for stands.

Service charges

- 2) Under recovery is mainly as a result of the challenges experienced regarding the installation of prepaid meters and also due to overbudgeting.

Rental of facilities

- 3) The variance is due to the delay in signing of contracts for SMME Hub tenants, the budget was understated.

Interest on Investments

- 4) Actual revenue was higher than the budget due to high bank balance. This has resulted in higher interest being accrued

Fines, Penalties and Forfeits

- 5) Variance is due to more fines issued in the 2021/22 financial year

Other Revenue

- 6) Variance is as a result of expected benefit investing for Employees obligation that was not budgeted for.

Finance Costs

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

Gains/(Loss on disposal of assets

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

Actuarial gains/(Losses)

- 9) Actuarial gains or losses were not budgeted for.

Depreciation and amortisation and impairment loss/(reversal)

- 10) Variance is due to the impairment reversal done on assets that had less than 1 year of remaining useful and still in good condition.

Grants and subsidies realised

- 11) Variances is due to the municipality only budgeting for operational grants (i.e. Equitable share) and received additional grants for capital projects in terms of DORA Act.

Employee Related Costs

- 12) Variance is due to current service costs in terms of the valuation of GRAP 25 and appointment of new employees

Remuneration of councillors

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
13) Variance is due to no anticipated increase to the gazzetted remuneration of councillors in the current year under review..						
14) Bad Debts write off						
The municipality did not budget for bad debt write-off						
Transfers and subsidies						
15) No expenditure incurred relating to transfer and subsidies.						
Gains/(loss) on disposal of assets						
16) Gains/(loss) on disposal of assets was not budgeted for.						
Interest on outstanding receivables						
17) Variance is due to no interest on sundry debtors being levied for the current year under review.						
Investment property						
18) Variance is due to the correction of error in the figure of investment property which increased the figure of investment property.						
General expenses.						
19) General expenses increased due to increases in repairs and maintenance from capital projects.						
Inventory						
20) Inventory variance due to RDP land derecognised and no other land transferred to owner.						
Debt Impairment						
21) Actual amount less than budgeted.						
Receivables from exchange transactions						
22) The trade receivable are less than budgeted amounts due to the increase in the actual write- offs made during the financial year.						
VAT						
23) VAT receivable is lower than the budget amount as the municipality was refunded most of the outstanding returns as at year end.						
Cash and cash equivalents						
24) The cash and cash equivalents of the municipality was less than budgeted, the municipality improved in paying its creditors debt on time						
Property, plant and equipment						
25) Property, plant and equipment increased due to additional assets bought or constructed in the current year as projects are completed as well as public donations contributions on capital projects which was not budgeted for.						
Intangible assets						

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

26) Variance due to additional computer software on new laptops bought for municipal officials.

Other Financial liabilities

27) This balance is composed of loans from DBSA and the municipality managed to repay part of the loan in the 2021/22 financial year.

Finance Leases

28) The Municipality did not budget for finance leases.

Payables from exchange transactions

29) Management improved in settling outstanding debts to its suppliers.

Employee benefit obligation

30) Difference due to the valuation in terms of Grap 25 not budgeted for by the municipality.

Unspent Conditional grants and receipts

31) Unspent grant was not budgeted for by the municipality, as initial anticipation is to spend total grants allocation, and also due to the fact that the unspent grants are to possibly be refunded to treasury based on the response on the application of the roll over of unspent grants.

Customer Deposits

32) The municipality had more customers who opened new customer accounts during the year than anticipated. This resulted in an increase in customer deposits.

Cost of land sold

33) The actual value for cost of land sold was lesser than budgeted due to RDP houses land which were transferred to owners .

Bulk Purchases

34) The variance is due to changes in NERSA tariff changes which increased in the current financial year by 14.59%

Receivables from non-exchange transactions

35) Variance is due to more fines issued in the 2021/22 financial year and increase in tariff rate for property rates.

Contracted Services

36) The movement of contracted services and General Expenses was due to MSCOA classification. Items that were classified as general expenditure had to be reclassified as contracted services.

Provision.

37) Budget amount less than Actual amount due no new rehabilitation site being developed during the financial year under review.

Property rates.

38) The actual amount was less than budgeted amount.

Licence and Permits.

Ga Segonyana Local Municipality

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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	

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

Additional text

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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 entity 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.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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 2023

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

Annual Financial Statements for the year ended 30 June 2023

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 government schools
Tenant accounts	Remainder of consumer receivable accounts	Government receivables, excluding government schools
Non-active accounts	Remainder of consumer receivable accounts	Government receivables, excluding government 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

Annual Financial Statements for the year ended 30 June 2023

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

Annual Financial Statements for the year ended 30 June 2023

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.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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 entity; 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.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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	10-60 years
- Solid waste disposal	Straight line	3-50 years
- Electricity network	Straight line	3-50 years
- LV network	Straight line	10-50 years
- Distribution network	Straight line	2- 70 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	3-60 years
- Water network	Straight line	20 years
- Water pipes	Straight line	20 years
- Water pump	Straight line	15-60 years
- Water storage	Straight line	3-60 years
Community Assets		
- Buildings	Straight line	15-50 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
Road Furniture	Straight line	5-30
External Facilities	Straight line	3-30 years
Sports Facilities and other Amenities	Straight line	3-50 years
Landfill site	Straight line	13-50 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.

Accounting Policies

1.5 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit.

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 entity 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.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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 entity assess its heritage assets at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the entity 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 amortised cost.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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.

1.9.1 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 municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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1.10 Statutory receivables (continued)

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

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.

1.12.1 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.

1.12.2. Operating leases - lessee

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

1.13 Inventories

1.13.1 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

1.13.2 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 entity 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 entity.

Accounting Policies

1.13 (continued)

1.13.3 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.

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:

1.14.1 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.

1.14.2 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 entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

1.14.3 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.

1.14.4 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 entity 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:

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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:

1.15.1 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.

1.15.2 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:

1.15.3 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 entity 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.

1.15.4 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.

1.15.5 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)

1.15.6 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.

1.16.1 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.

1.16.2 Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate municipality (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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1.17 Provisions and contingencies

1.17.1 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.

1.17.2 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 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 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.

1.18.1 Measurement

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

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Accounting Policies

1.19 Revenue from exchange transactions (continued)

1.18.2 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.

1.18.3 Rendering of services

Rendering of services includes the following service charges: refuse removal billed at a fixed fee per month, electricity (i.e. conventional and prepaid electricity) based on consumption, water based on consumption and sewerage based on water consumption. 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.

1.18.4 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.

1.18.5 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.

1.18.6 Other Income

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

1.20 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 municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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1.20 Revenue from non-exchange transactions (continued)

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.

1.19.1 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.

1.19.2 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.

1.19.3 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.

1.19.4 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.

1.19.5 Fines

Revenue from fines will be accounted on accrual basis based on IGRAP 1.

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.

The municipality recognises the full amount of revenue from fines at the transaction date and subsequently recognise the impairment loss for revenue not expected to be collected, as there is uncertainty about the entities ability to collect such revenue based on past history. The municipality considered the past history in assessing the likelihood of the discounts or reductions being taken up by the debtors

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

1.19.6 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.

1.21 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.

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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.

1.24 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.

1.25 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.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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 2022/07/01 to 2023/06/30.

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 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 2023.

1.28 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.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.28 Expenditure (continued)

- 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..

1.29 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.

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 2023

Notes to the annual financial statements

	2023 R	2022 R
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2. New standards and interpretations

2.1 Standards and interpretations issued and effective in the current year

There are no new standards that were issued and effective in the current year. The municipality has applied all standards and interpretations that were issued by the accounting standards board that are applicable to the municipality consistently with prior year

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Grap 25	01 April 2021	Unlikely there will be a material impact
Grap 104	01 April 2022	Unlikely there will be a material impact
Grap 104	01 April 2021	Unlikely there will be a material impact
iGrap 7	01 April 2022	Unlikely there will be a material impact
iGrap 21	01 April 2022	Unlikely there will be a material impact

3. Inventories

Inventories 1	-	-
Other inventories held for sale (land)	58 886 783	60 669 783
Consumable stores	2 623 474	4 147 818
Water	117 557	98 213
	61 627 814	64 915 814
Inventories (write-downs)	(14 690 300)	(824 830)
	46 937 514	64 090 984

3.1 Other Inventory held for sale (land)

Opening balance	60 669 783	63 571 783
Cost of land sold	(1 783 000)	(2 902 000)
	58 886 783	60 669 783

The cost of inventories is assigned using the weighted average cost formula. Subsequently inventories are measured at the lower of cost nad net realisable value

Inventory pledged as security

No inventory was pledged as security.

4. Receivables from non-exchange transactions

Fines	12 848 296	13 370 567
Property Rates	16 266 398	16 623 469
	29 114 694	29 994 036

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

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
4. Receivables from non-exchange transactions (continued)		
Current (0-30 days)	4 453 195	215 401
31-60 days	2 129 802	2 290 352
61-90 days	1 737 811	1 602 221
91-120 days	1 599 538	1 504 544
121-365 days	10 929 275	8 321 143
>365 days	26 301 530	21 955 546
	47 151 151	35 889 207
Less: Allowance for impairment	(30 884 752)	(19 356 082)
Net balance	16 266 399	16 623 461
Fines		
Gross fines	16 154 406	14 540 689
Impairment	(3 306 110)	(1 170 122)
	12 848 296	13 370 567

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	(8 081 616)	16 346 766
Amounts outstanding from SARS at year end	4 226 919	5 931 299
VAT on accrual basis	(12 308 535)	10 415 467
	(8 081 616)	16 346 766

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R			
6. Receivables from exchange transactions					
Gross balances					
Electricity	22 730 207	28 811 408			
Water	13 703 694	11 413 885			
Sewerage	21 289 361	19 325 553			
Refuse	12 019 230	10 485 433			
Sundry debtors	16 201 215	22 886 077			
	85 943 707	92 922 356			
Less: Allowance for impairment					
Less: Allowance for impairment	(55 656 935)	(49 781 617)			
Net balance					
	30 286 772	43 140 739			
Included in above is receivables from exchange transactions					
Rental	7 558 658	5 392 337			
Accrued Income	814 432	7 757 175			
Staff Recovery	1 087 881	160 363			
Merchandising Jobbing	6 740 245	9 576 202			
	16 201 216	22 886 077			
Net balance					
	16 201 216	22 886 077			
Sundry Receivables Ageing 2023					
	Rental	Accrued income	Staff Recovery	Merchandising Jobbing	Total
Current (0-30 days)	1 305 414	327 409	11 381	33 866	1 678 070
31-60 days	93 345	3 094	4 308	3 901	104 648
61-90 days	277 646	7 338	3 773	156	288 913
91-120 days	72 529	4 731	2 650	10 686	90 596
121-365 days	1 162 856	167 914	17 394	66 601	1 414 765
>365 days	4 646 869	303 946	1 048 375	6 625 035	12 624 225
	7 558 659	814 432	1 087 881	6 740 245	16 201 217
Sundry receivable Ageing 2022					
	Rental	Accrued Income	Staff Recovery	Merchandising Jobbing	Total
Current (0-30 days)	725 321	327 508	5 124	83 476	1 141 429
31-60 days	99 144	3 143	3 217	6 083	111 587
61-90 days	1 981 343	7 387	1 961	1 087	1 991 778
91-120 days	34 981	4 781	2 108	145	42 015
121-365 days	380 278	5 133 486	28 935	9 485 412	15 028 111
>365 days	2 171 270	2 280 870	119 018	-	4 571 158
	5 392 337	7 757 175	160 363	9 576 203	22 886 078

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
6. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	5 416 948	6 220 337
31 - 60 days	1 686 673	1 500 450
61 - 90 days	1 058 225	1 049 815
91 - 120 days	979 118	846 586
121 - 365 days	5 988 441	4 894 869
> 365 days	7 600 802	14 299 351
	22 730 207	28 811 408
Water		
Current (0 -30 days)	2 829 307	2 133 724
31 - 60 days	1 077 498	1 359 608
61 - 90 days	901 150	821 369
91 - 120 days	771 611	518 740
121 - 365 days	3 874 324	2 570 315
> 365 days	4 249 804	4 010 129
	13 703 694	11 413 885
Waste water		
Sewerage		
Current (0 -30 days)	1 833 262	1 352 796
31 - 60 days	1 039 181	931 893
61 - 90 days	898 761	775 062
91 - 120 days	796 798	597 899
121 - 365 days	5 202 013	3 680 409
> 365 days	11 519 346	11 987 494
	21 289 361	19 325 553
Refuse		
Current (0 -30 days)	1 073 241	818 323
31 - 60 days	619 392	454 367
61 - 90 days	500 520	369 972
91 - 120 days	469 607	343 901
121 - 365 days	3 162 825	2 882 925
> 365 days	6 193 645	5 615 945
	12 019 230	10 485 433
Sundry debtors		
Current (0 -30 days)	1 678 069	1 411 547
31 - 60 days	104 648	104 354
61 - 90 days	289 913	1 985 289
91 - 120 days	90 595	37 719
121 - 365 days	1 414 765	427 397
> 365 days	12 624 225	18 919 771
	16 202 215	22 886 077
Reconciliation of allowance for impairment		
Balance at beginning of the year	(49 781 617)	(45 395 096)
Contributions to allowance	5 875 318	(4 386 521)
	(43 906 299)	(49 781 617)

Credit quality of consumer debtors

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
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6. Receivables from exchange transactions (continued)

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	3 400
Other cash and cash equivalents	38 206 606	95 149 667
	38 210 006	95 153 067

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB BANK -CHEQUE - ACCOUNT-62649722883	-	87 963 239	18 567 378	-	86 623 775	18 557 833
FNB BANK -CHEQUE - ACCOUNT-6265254632	-	298 149	170 602	-	795 204	234 947
FNB BANK - 7 Day CALL - 74690806392	-	507 492	60 225 856	-	507 492	60 225 857
FNB BANK - CALL ACCOUNT - 62671219048	-	100 634	11 444 103	-	100 634	11 444 103
ABSA BANK - 4103242034	733 878	1 234 245	-	771 941	672 756	-
ABSA BANK - CHEQUE ACCOUNT - 4103241868	7 849 815	6 421 781	-	7 956 447	6 449 806	-
ABSA BANK - FIXED DEPOSIT - 20-8054-0793	468 771	-	-	468 771	-	-
ABSA BANK - FIXED DEPOSIT - 20-8054-0963	799 341	-	-	799 341	-	-
ABSA BANK - DEP PLUS - 93-7142-0627	28 210 102	-	-	28 210 102	-	-
ABSA 4060204391	-	-	-	4	-	-
Total	38 061 907	96 525 540	90 407 939	38 206 606	95 149 667	90 462 740

8. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	20 268 149	-	20 268 149	20 253 699	-	20 253 699

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	20 253 699	14 450	20 268 149

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

8. Investment property (continued)

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	20 253 699	20 253 699

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.

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 25 August 2023. 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 IA Consulting (Werner Welgemoed Registered Professional Valuer 6990/2).

9. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	15 764 663	-	15 764 663	15 764 663	-	15 764 663
Operational Buildings	83 709 054	(20 773 081)	62 935 973	73 244 071	(19 388 457)	53 855 614
Plant and machinery	4 845 954	(2 998 556)	1 847 398	4 224 023	(2 923 640)	1 300 383
Furniture and fixtures	10 295 927	(8 057 474)	2 238 453	9 967 393	(7 667 805)	2 299 588
Motor vehicles	18 334 440	(11 512 204)	6 822 236	17 169 019	(10 475 514)	6 693 505
Office equipment	5 568 594	(2 993 475)	2 575 119	8 577 750	(6 252 748)	2 325 002
Infrastructure	2 472 947 790	(906 643 841)	1 566 303 949	2 353 172 545	(827 696 098)	1 525 476 447
Community	176 284 133	(71 629 754)	104 654 379	165 276 627	(67 830 431)	97 446 196
Total	2 787 750 555	(1 024 608 385)	1 763 142 170	2 647 396 091	(942 234 693)	1 705 161 398

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Work in Progress	Depreciation	Impairment loss	Total
Land	15 764 663	-	-	-	-	-	15 764 663
Buildings	53 855 614	31 771 421	(5 691)	(21 282 531)	(1 314 105)	(88 735)	62 935 973
Plant and machinery	1 300 383	1 041 918	(131 487)	-	(348 114)	(15 302)	1 847 398
Furniture and fixtures	2 299 588	794 839	(77 575)	-	(767 185)	(11 213)	2 238 454
Motor vehicles	6 693 504	1 335 415	(17 267)	-	(1 189 416)	-	6 822 236
Office equipment	2 325 002	1 830 518	(586 341)	-	(979 505)	(14 555)	2 575 119
Infrastructure	1 525 476 447	84 931 157	(1 604 236)	38 885 300	(77 083 885)	(4 300 834)	1 566 303 949
Community	97 446 196	-	(151 954)	11 716 543	(3 865 671)	(490 736)	104 654 378
	1 705 161 397	121 705 268	(2 574 551)	29 319 312	(85 547 881)	(4 921 375)	1 763 142 170

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Work In Progress	Impairment loss	Total
Land	15 764 663	-	-	-	-	-	15 764 663
Buildings	42 628 308	-	-	(1 188 013)	12 415 319	-	53 855 614
Plant and machinery	1 292 242	345 710	(47 881)	(275 622)	-	(14 066)	1 300 383
Furniture and fixtures	2 458 563	824 468	(291 047)	(686 312)	-	(6 084)	2 299 588
Motor vehicles	7 758 509	-	(7 592)	(1 055 927)	-	(1 486)	6 693 504
Office equipment	2 411 033	1 118 499	(98 498)	(1 105 969)	-	(63)	2 325 002
Infrastructure	1 428 997 009	205 057 654	(4 424 176)	(51 032 815)	(57 416 606)	4 295 381	1 525 476 447
Community	94 305 943	9 733 487	(46 201)	(3 786 575)	(2 641 919)	(118 539)	97 446 196
	1 595 616 270	217 079 818	(4 915 395)	(59 131 233)	(47 643 206)	4 155 143	1 705 161 397

Assets subject to finance lease (Net carrying amount)

Office Equipment	-	865 502
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Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
9. Property, plant and equipment (continued)		
Additions Reconciliation		
Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (Carrying amount)		
Property, plant and equipment procured through cash received by the municipality	140 701 129	155 361 749
Property, plant and equipment procured through mining donations	9 668 474	14 074 885
	150 369 603	169 436 634
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	246 645 586	147 641 069
Community	20 962 893	19 506 888
	267 608 479	167 147 957
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Gravel to Paved Road Gamopedi	-	9 219 618
The project was running since the year 2019/2020 financial year and the supplier for the brick material declared insolvent in 2021 and went under voluntary liquidation which caused a delay in the project		
	-	9 219 618
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
	-	-

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Buildings	Total
Opening balance	207 760 286	30 528 881	238 289 167
Additions/capital expenditure	133 075 584	11 716 543	144 792 127
Transferred to completed items	(115 472 814)	-	(115 472 814)
	225 363 056	42 245 424	267 608 480

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Buildings	Total
Opening balance	264 916 678	20 755 480	285 672 158
Additions/capital expenditure	146 279 092	19 506 888	165 785 980
Transferred to completed items	(203 435 484)	(9 733 487)	(213 168 971)
	207 760 286	30 528 881	238 289 167

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 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	610 283	93 704
Plant and Equipment	13 220 616	16 524 396
Infrastructure	2 514 081	-
	16 344 980	16 618 100

During the year the municipality discovered that electrification projects of R42 305 994 that were completed on 30 June 2022 were erroneously included on the WIP reconciliation which resulted in a WIP closing balance of R280 559 161 per the reconciliation. The identified misclassification error had no financial impact on the amounts reported on both the property plant and equipment reconciliation and statement of financial position as WIP balances were combined together with balances of assets that are completed and in use. There were also no depreciation and impairment implications due to insignificance of passage of time between completion time to year end. The correct closing balance to have been included on the WIP reconciliation should have been R238 289 167.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
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10. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 148 744	(1 652 439)	496 305	2 101 651	(1 615 995)	485 656

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	485 656	417 864	-	(407 215)	496 305

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	722 012	143 187	(7)	(379 536)	485 656

11. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	5 642	-	5 642	5 642	-	5 642
The Eye	1 650 000	-	1 650 000	1 650 000	-	1 650 000
Total	1 655 642	-	1 655 642	1 655 642	-	1 655 642

Reconciliation of heritage assets 2023

	Opening balance	Total
Mayoral chain	5 642	5 642
The Eye	1 650 000	1 650 000
	1 655 642	1 655 642

Reconciliation of heritage assets 2022

	Opening balance	Total
Mayoral chain	5 642	5 642
The Eye	1 650 000	1 650 000
	1 655 642	1 655 642

2023 R	2022 R
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Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

12. Other financial liabilities

At amortised cost

DBSA Bank loan 6 080 004 8 355 778

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 3 875 149 6 080 009

Current liabilities

At amortised cost 2 204 855 2 275 769

As at 30 June 2023, 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 2022	Interest rate per annum
61000632	102568/2	2007/11/19	2027/12/31	20	3 512 071	1 100 962	5,00 %
61000505	102274/2	2006/06/30	2026/02/28	20	12 109 500	3 293 722	8,46 %
61000357	101738/2	2005/03/24	2025/06/30	20	7 183 596	1 420 992	9,34 %
61003307	13891/201	2001/12/20	2021/12/31	20	3 849 273	-	2,10 %
61000038	100234/1	2003/08/07	2023/12/31	20	4 341 243	264 335	11,50 %

Contract number: 102568/2

- Grace period: 1 year

Contract number: 102274/2

- Grace period: 0 years

Contract number: 101738/2

- Grace period: 0 years

Contract number: 13891/201

Grace period: 0 years

Contact number: 100234/1

- Grace period: 0 years

Maturity analysis

At 30 June 2023

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
DBSA Bank loan	2 204 855	2 106 738	1 768 416	-

At 30 June 2022

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
DBSA Bank loan	2 275 771	3 538 225	1 246 006	1 190 422

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.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

13. Finance lease obligation

Minimum lease payments due

- within one year	-	960 111
	-	960 111
less: future finance charges	-	(145 205)
Present value of minimum lease payments	-	814 906

Present value of minimum lease payments due

- within one year	-	960 111
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It is municipality policy to lease certain equipment under finance leases.

The average lease term was 2-5 years and the average effective borrowing rate was 7% (2022: 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 municipality'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	17 848 216	28 558 564
Accruals	5 442 435	7 582 088
Unallocated deposits	2 845 641	1 605 021
Retention monies	16 588 066	18 520 313
Sale of stands - (pending transfer)	5 234 827	5 289 721
Sundry payables	26 347	2 249 426
Debtors with credit balances	7 377 882	7 959 195
Employee costs accrual	3 754 915	1 503 335
Group life Insurance	54 960	3 667 109
Leave pay	12 493 094	12 614 609
Bonus	4 842 153	4 402 814
	76 508 536	93 952 195

15. Consumer deposits

Service accounts	5 129 439	4 903 359
Housing rental	1 271 142	1 010 930
	6 400 581	5 914 289

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

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 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	(29 589 518)	(29 945 000)
Present value of the defined benefit obligation-partly or wholly funded	(8 166 427)	(8 394 000)
	(37 755 945)	(38 339 000)
Non-current liabilities	(35 499 513)	(35 435 000)
Current liabilities	(2 256 432)	(2 904 000)
	(37 755 945)	(38 339 000)

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 2023 by Mr. DT Mureriwa. 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 employeeed as at 30 June 2023	380	345
New entries	75	53
Exits	(5)	(18)
	450	380

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

Opening balance	8 447 000	7 176 000
Total annual expenditure	977 378	1 218 000
Actuarial loss/(gains)	(1 204 951)	53 000
	8 219 427	8 447 000

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

Current service cost	921 000	894 000
Interest cost	830 000	654 000
Actuarial (gains) losses	(1 204 951)	53 000
Expected vesting benefits	(773 622)	(383 000)
	(227 573)	1 218 000

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

Assumptions used at the reporting date:

Discount rate	10,47%	11,08 %
Net discount	3,96 %	3,50 %
General earning inflation rate	6,26 %	7,32 %
Average retirement age	63	62

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
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16. Employee benefit obligations (continued)

Pre-retirement mortality SA85-90

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

A discount rate of 10.47% 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 4.47%. 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 2023. The duration of the total liability was estimated to be 9.53 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 4.47%. 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 2023. The duration of the total liability was estimated to be 9.53 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:

The history of experienced adjustments is as follows:

	2023 R	2022 R	2021 R	2020 R	2019 R
Defined benefit obligation	8 166 427	8 447 000	7 176 000	6 031 000	5 550 717
Surplus (deficit)	(8 166 427)	(8 447 000)	(7 176 000)	(6 031 000)	(5 550 717)
Experience adjustments on plan liabilities	56 445	180 000	621 000	55 820	300 806

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		8 166 427	
General earnings inflation rate	+1%	8 691 310	6.43%
	-1%	7 692 137	-5.81%
Discount rate	+1%	34 136 458	16.13%
	-1%	25 927 828	13.14%
Average retirement age	+2 yrs	8 737 952	9.74%
	-2 yrs	7 371 205	7%
Withdrawal rates	x2	9 456 453	-50%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2023

Assumption	Change	Current service costs	Interest cost	Total	% Change
Central assumptions		921 000	830 000	1 751 000	
General earnings inflation rate	+1%	903 158	853 372	1 756 530	6.43%
	-1%	2 720 920	4 318 765	7 039 685	-13.14
Discount rate	+1%	1 895 028	3 762 722	5 657 750	-2%
	-1%	2 258 137	4 016 484	6 274 621	2.89%
Average retirement age	-2 yrs	769 965	719 883	1 489 848	9.74%
	+2 yrs	884 777	858 254	1 743 031	-7%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2024

Assumption	Change	Current service cost	Interest cost	Total	% Change
Central assumptions		838 846	798 431	1 637 277	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

				2023 R	2022 R
16. Employee benefit obligations (continued)					
General earnings inflation rate	+1%			1,876,000	7%
	-1%	2 720 920	4 318 765	7 039 685	-13,14
Discount rate	+1%	1 859 028	3 762 722	5 621 750	16.13%
Average retirement age	+2 yrs	884 777	858 254	1 743 031	7%
	-2 yrs	769 965	719 883	1 489 848	-9,74%
Withdrawal rates	x2	838 846	798 431	1 637 277	15,80%
	x0,5	1 013 963	933 462	1 947 425	-50

Post employment medical aid subsidy

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

In-service (employee) members	244	263
In-service (employee) non-members	119	117
Continuation (retiree and widow) members	22	23
	385	403

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

Opening balance	29 945 000	28 407 000
Contributions by plan participants	1 637 970	1 538 000
	31 582 970	29 945 000

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

Current service cost	2 223 000	1 705 000
Interest cost	3 484 000	2 814 000
Actuarial (gains) losses	(4 471 043)	(1 912 000)
Settlement	(1 591 439)	(1 069 000)
	(355 482)	1 538 000

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

Assumptions used at the reporting date:

Discount rates used	10,33 %	11,84 %
Health care cost inflation rate	6,40 %	8,45 %
Net-of health-care-cost-inflation discount rate	3,69 %	3,13 %
Maximum subsidy inflation rate	4,43 %	5,96 %
Medical cost trend rates	5,65 %	5,55 %
Expected increase in salaries	75,00 %	60,00 %
Expected pension increases	75,00 %	75,00 %
Proportion of employees opting for early retirement	15,37 %	15,00 %
Average retirement age	63	62
	-	-

Mortality during employment SA 85-90:

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

A discount rate of 11.84% per annum has been used. The corresponding index-linked yield at this term is 4.12%. 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 2023.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
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16. Employee benefit obligations (continued)

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 9.35% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.64%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.13% which derives from $((1+13.85\%)/(1+5.10\%))-1$.

The healthcare cost inflation rate of 9.35% was assumed. It is 1.50% above the expected inflation over the expected term of the liability. The maximum subsidy cap inflation rate came to 6.64% which is 75% of the salary inflation assumption (expected inflation of 7.85%+1.00%) .

The next contribution increase was assumed to occur with effect from 1 January 2024.

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:

The history of experienced adjustments is as follows:

	2023 R	2022 R	2021 R	2020 R	2019 R
Defined benefit obligation	29 589 518	29 945 000	28 407 000	23 763 000	27 233 000
Surplus (deficit)	(29 589 518)	(29 945 000)	(28 407 000)	(23 763 000)	(27 233 000)
Experience adjustments on plan liabilities	-	-	28 400	1 188 000	679 000

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	Eligible Employees	Continuation Members	Total	% Change
Central assumptions		18.245	11.700	29.945	
Health care inflation rate	+1%	19.663	12.097	31.760	6%
	-1%	16.280	11.200	27.480	-8%
Discount rate	+1%	15.376	10.830	26.206	-12%
	-1%	21.905	12.706	34.611	16%
Post-employment mortality	+1 yr	17.825	11.334	29.159	-3%
	-1 yr	18.655	12.064	30.719	3%
Average retirement age	-1 yr	20.363	11.700	32.063	7%
Membership continuation	10%	15.945	11.700	27.645	-8%

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

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

				2023 R	2022 R
Assumption	Change	Current-service cost	Interest cost	Total	% Change
Central assumptions		1,705,000	2,814,000	4,519,000	
Health care Inflation rate	+1%	1,875,000	3,012,000	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 mortality	+1 yr	1,665,000	2,735,000	4,400,000	-3%
	-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%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2023

Assumption	Change	Current service cost	Interest Cost	Total	% Change
Central assumptions		2,223,000	3,484,000	5,707,000	
Health care inflation rate	+1%	2,407,000	3,699,000	6,106,000	7%
	-1%	1,964,000	3,193,000	5,175,000	-10%
Discount rate	+1%	1,866,000	3,299,000	5,165,000	-9%
	-1%	2,681,000	3,696,000	6,377,000	12%
Post-employment mortality	+1 yr	2,171,000	3,391,000	5,562,000	-3%
	-1 yr	2,271,000	3,576,000	5,847,000	2%
Average retirement age	+1 yr	2,330,000	3,735,000	6,065,000	6%
Membership contribution	-10%	1,941,000	3,212,000	5,153,000	-10%

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	14 858 167	50 598
Municipal Disaster Relief Grant	131	-
Library Grant	(1)	-
Finance Management Grant	(8)	-
Expanded Public Works Program Grant	8	-
Integrated National Electrification Programme Grant	1 846	2 054 159
RBIG Grant	2	-
Neighbourhood Development Partnership	-	7 594 105
Water Service Infrastructure Grant	(2 941)	7 700 937
	14 857 204	17 399 799

18. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Change in discount factor	Total
Provision for rehabilitation of landfill sites	27 717 355	(2 221 800)	25 495 555

Reconciliation of provisions - 2022

	Opening Balance	Reversed during the year	Change in discount factor	Total
Provision for rehabilitation of landfill sites	24 173 786	-	3 543 569	27 717 355

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
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18. Provisions (continued)

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 Environmental & Sustainability Solutions CC, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities and the professional valuator on the project was Seakle Godschalk, 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 10.92%.

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.

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.

19. Revenue

Sale of stands	3 872 723	1 786 942
Service charges	184 783 447	174 461 354
Rental of facilities	2 872 486	3 272 540
Interest received on outstanding receivables	4 516 791	2 839 606
Licences and permits	3 642 989	3 680 421
Other revenue	13 444 041	12 610 581
Interest investment	5 691 571	5 054 603
Property rates	55 032 123	50 222 676
Interest on outstanding receivable	3 924 469	1 668 827
Government grants & subsidies	387 106 472	402 315 155
Fines, penalties and forfeits	7 555 914	4 898 223
	672 443 026	662 810 928

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

Sale of stands	3 872 723	1 786 942
Service charges	184 783 447	174 461 354
Rental of facilities	2 872 486	3 272 540
Interest on outstanding receivables	4 516 791	2 839 606
Licences and permits	3 642 989	3 680 421
Other revenue	13 444 041	12 610 581
Interest on investments	5 691 571	5 054 603
	218 824 048	203 706 047

Ga Segonyana Local Municipality

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Notes to the annual financial statements

	2023 R	2022 R
19. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	55 032 123	50 222 676
Interest on outstanding receivables	3 924 469	1 668 827
Transfer revenue		
Government grants & subsidies	387 106 472	402 315 155
Fines, Penalties and Forfeits	7 555 914	4 898 223
	453 618 978	459 104 881
20. Service charges		
Sewer levied	17 935 619	15 004 285
Sale of electricity	127 451 973	126 340 468
Sale of water	28 319 082	23 393 501
Refuse removal	12 827 899	11 106 505
Less: Income forgone	(1 751 126)	(1 383 405)
	184 783 447	174 461 354
21. Rental of facilities		
Premises		
Premises	2 525 983	3 029 429
Facilities and equipment		
Rental of facilities	346 503	243 111
	2 872 486	3 272 540
22. Fines, Penalties and Forfeits		
Disconnection fees	28 135	195 802
Illegal Connections Fines	327 819	142 156
Overdue Books Fines	10 680	-
Pound Fees Fines	9 484	16 653
Traffic fines	7 179 796	4 543 612
	7 555 914	4 898 223
23. Interest on outstanding receivables		
Interest revenue from non exchange transactions	3 924 469	1 668 827
Interest revenue from exchange transactions	4 516 791	2 839 606
	8 441 260	4 508 433

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
24. Other revenue		
Administration and handling fees	96 681	8 142
Breakages and Losses Recovered	814	582
Collection Charges	145	21 000
Incidental Cash Surpluses	(39 306)	6 157
Skills Development Levy Refund	1 124 171	458 023
Staff Recoveries	1 012 264	382 806
Insurance Claims	8 956	8 973 798
Application Fees for Land Usage	543 747	124 502
Building Plan Approval	1 719 548	766 444
Cemetery and Burial	43 552	69 640
Clearance Certificates	83 654	93 487
Encroachment Fees	684	-
Entrance Fees	97 376	42 226
Legal Fees	982 737	-
Advertisements	96 357	44 447
Bad debts recovered	481 690	144 241
Movement in Employee Benefit obligation	2 365 061	1 451 999
Decrease in Landfill Rehabilitation	4 785 655	-
Inspection fees	8 763	11 615
Photocopies and Faxes	10 784	4 783
Publications:Tender Documents	13 913	-
Valuation Services	6 798	6 770
	13 444 044	12 610 662
25. Investment revenue		
Interest revenue		
Bank	5 691 571	5 054 603
26. Property rates		
Rates levied		
Property rates levied	56 438 676	51 637 446
Less: Income foregone	(1 406 553)	(1 414 770)
	55 032 123	50 222 676
27. Government grants and subsidies realised		
Operating grants		
Equitable share	210 902 000	205 034 872
Library Grant	1 200 000	2 095 032
Finance Management Grant (FMG)	3 100 008	3 100 000
Expanded Public Works Program Grant (EPWP)	1 519 000	1 708 610
	216 721 008	211 938 514
Capital grants		
Municipal Infrastructure Grant (MIG)	60 930 431	66 474 679
EEDMG Electricity Consumption Reduction	4 999 869	-
Neighbourhood Development Partnership Grant	13 485 000	19 751 895
Integrated National Electrification Programme (INEP)	33 302 313	53 945 841
Water Services Infrastructure Grant (WSIG)	44 456 983	32 607 458
Public Contributions	13 210 868	17 596 768
	170 385 464	190 376 641
	387 106 472	402 315 155

Ga Segonyana Local Municipality

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Notes to the annual financial statements

	2023 R	2022 R
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27. Government grants and subsidies realised (continued)

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	50 598	10 397 696
Grant withheld	-	(139 419)
Current-year receipts	75 738 000	56 267 000
Conditions met - transferred to revenue	(60 930 431)	(66 474 679)
	14 858 167	50 598

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.

EEDMG ELECTRICITY CONSUMPTION REDUCTION

Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	(4 999 869)	-
	131	-

The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation. No allocation was given to the municipality in the current year.

Library Grant

Current-year receipts	1 200 000	2 095 031
Conditions met - transferred to revenue	(1 200 000)	(2 095 031)
	-	-

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

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	703 812
Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 100 008)	(3 100 000)
Other	-	(703 812)
	(8)	-

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 2023

Notes to the annual financial statements

	2023 R	2022 R
27. Government grants and subsidies realised (continued)		
Expanded Public Works Program (EPWP)		
Balance unspent at beginning of year	-	287 618
Current-year receipts	1 519 000	1 421 000
Conditions met - transferred to revenue	(1 519 000)	(1 708 618)
	-	-

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	2 054 159	190 769
Prior year unspent grant withheld	-	(190 769)
Current-year receipts	31 250 000	56 000 000
Conditions met - transferred to revenue	(33 302 313)	(53 945 841)
	1 846	2 054 159

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

Balance unspent at beginning of year	-	20 015 869
Transferred to equitable share	-	(20 015 869)
	-	-

Neighbourhood Development Partnership Grant

Balance unspent at beginning of year	7 594 106	-
Current-year receipts	13 485 000	27 346 000
Conditions met - transferred to revenue	(13 485 000)	(19 751 894)
Prior year unspent grant withheld	(7 594 106)	-
	-	7 594 106

The purpose of the grant is to plan, catalyse, and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation, that will improve the quality of life, and access to opportunities for residents in South Africa's targeted locations, under-served neighbourhoods, townships and rural towns.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	7 700 939	-
Current-year receipts	36 958 000	40 308 397
Conditions met - transferred to revenue	(44 456 983)	(32 607 458)
Roll over adjustment	(204 897)	-
	(2 941)	7 700 939

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

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
28. Employee related costs		
Basic	117 291 627	106 880 915
Bonus - 13th Cheque	8 917 387	7 833 993
Medical aid - company contributions	9 183 388	7 784 666
UIF	900 351	825 844
SDL	1 629 713	-
Pension fund company contributions	18 385 675	-
Leave pay	333 556	3 338 313
Employee benefit obligations	3 144 000	4 415 843
Defined contribution plans	-	16 327 129
Travel, motor car, accommodation, subsistence and other allowances	4 894 178	4 601 025
Overtime payments	6 777 591	6 737 026
Long-service awards	773 622	241 399
Night shift allowance	586 850	-
Acting Allowance	2 400 829	3 836 853
Transport allowance	482 440	458 440
Housing benefits and allowances	4 663 232	4 266 199
Bonus Provision	931 044	897 238
Industrial Council Contributions	49 908	45 536
Standby Allowance	1 301 888	1 329 712
Telephone Allowance	633 082	608 252
Group Insurance	3 668 350	2 621 162
Leave Provision current year movement	(121 515)	-
	186 827 196	173 049 545

Remuneration of Municipal Manager: M Tsatsimpe

Annual Remuneration	2 089 372	1 345 494
Car Allowance	181 146	181 146
Performance Bonuses	156 313	166 688
Contributions to UIF, Medical and Pension Funds	23 163	2 125
Covid 19 Allowance	2 500	6 000
Cellphone Allowance	42 980	43 176
Other	130	97 086
	2 495 604	1 835 386

Remuneration of Chief Financial Officer : Kagiso Noke

Annual Remuneration	1 283 098	961 010
Travel Allowance	195 032	178 779
Performance Bonuses	127 693	136 130
Contributions to UIF	2 125	2 125
Cellphone Allowance	30 630	79 793
Other Contributions	16 129	79 906
Covid-19 Allowance	2 500	6 000
	-	79 589
	1 657 207	1 523 332

Remuneration of Acting Chief Financial Officer - T Jarvis

Acting Allowance	104 115	37 100
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Acting period 22 March 2023-15 May 2023

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
28. Employee related costs (continued)		
Remuneration of Acting Chief Financial Officer :N. Keswa		
Acting Allowance	113 642	115 984
Acting period : 13 February 2023 - 13 March 2023		
Remuneration of the Acting CFO: Pelele Desiree-21 Dec 2022 - 10 Jan 2023		
Acting Allowance	53 603	-
	-	-
	53 603	-
Remuneration of the Director: Corporate Support Services - R Pule		
Annual Remuneration	1 083 208	954 453
Travel Allowance	154 200	154 200
Acting Allowance	31 363	-
Performance bonus	114 073	60 501
Cellphone allowance	30 840	30 840
Contributions to UIF	2 125	2 125
Covid-19 Allowance	2 500	6 000
Other contributions	13 983	70 650
	1 432 292	1 278 769
Remuneration of the Director: Corporate Support Services - Ms. MM Gaselebelwe		
Acting Allowance	-	29 383
Remuneration of the Director: Community Services - F.K Baloyi		
Annual Remuneration	801 219	681 770
Acting Allowance	120 924	-
Cellphone allowance	30 840	30 840
Contributions to UIF	2 125	2 125
Covid-19 Allowance	2 500	6 000
Other Contributions	13 027	68 313
Travel allowance	292 240	292 240
Performance bonus	100 470	43 240
	1 363 345	1 124 528
Remuneration of Acting Director: Community Services - C.L. Scholtz		
Annual Remuneration	-	31 503
C.L. Scholtz Acting period: 05 April 2022 - 19 April 2022.		
Remuneration of Acting Director: Community Services - Mr. MA Keetile		
Acting Allowance	31 157	31 503
Mr M Keetile Acting period: 06 March 2023 - 17 March 2023.		

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
28. Employee related costs (continued)		
Remuneration of the Director: Technical Services - H Smit		
Annual Remuneration	-	82 445
Car Allowance	-	12 000
Performance Bonuses	140 495	124 269
Contributions to UIF	177	354
Cellphone Allowance	-	2 500
Other Contributions	1 405	6 622
Leave pay out on termination	-	40 806
	142 077	268 996

Remuneration of Acting Director Technical Services: Mr.V Seane

Acting Allowance	63 285	316 425
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Acting period: 03 May 2023 - 30 June 2023

Remuneration of Acting Director Technical Services: Mr BM Kgosieng

Acting Allowance	475 577	379 674
Annual Remuneration	264 878	-
Travel Allowance	36 000	-
Cellphone allowance	7 500	-
Contributions to UIF	531	-
Other Contributions	2 622	-
	787 108	379 674

Remuneration of Acting Director Corporate Services: Molale M (31 May 2023-15 June 2023)

Acting Allowance	38 933	-
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29. Remuneration of councillors

Mayor	1 040 096	909 279
Chief Whip	435 412	-
Councillors	10 876 568	9 290 783
Speaker	833 864	272 264
	13 185 940	10 472 326

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.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
30. Depreciation, amortisation and impairment loss/(reversal)		
Buildings	5 759 247	5 093 126
Plant and machinery	363 416	290 955
Furniture and fixtures	778 398	691 129
Motor vehicles	1 189 416	1 057 413
Office equipment	994 060	1 106 032
Infrastructure	81 384 719	46 847 099
Intangible assets	407 215	379 536
	90 876 471	55 465 290

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.

31. Finance costs

Employee benefit obligations	4 314 000	659 132
Interest on provision for rehabilitation of land	2 563 855	2 181 612
Non-current borrowings	650 386	844 135
Trade and other payables	18 644	21 602
Finance leases	145 205	2 808 868
	7 692 090	6 515 349

32. Debt impairment - Gain/(loss)

Contributions to debt impairment	18 773 629	7 703 540
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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	15 197 913	4 017 292
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34. Bulk purchases

Electricity	124 534 746	120 721 658
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The municipality appointed Sedibeng to produce water, supply and distribution to the communities in various wards in the municipality. The expenditure related to this contract operations is included under contracted services under note 35.

35. Contracted services

Consulting and professional services	71 045 863	49 016 847
Contractors - Bloem water	26 313 437	26 332 809
	97 359 300	75 349 656

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
36. General expenses		
Advertising	296 912	176 787
Auditors remuneration	6 590 917	5 852 168
Bank charges	987 048	970 394
Cleaning	13 687 627	28 787
Computer expenses	4 562 316	4 217 559
Consumables	24 824 867	12 438 263
Entertainment	1 216 667	605 672
Operating leases	15 051 994	12 380 158
Hire	587 973	251 983
Insurance	13 154 228	10 742 497
Remuneration to Ward Committees	1 664 000	893 000
Indigent Relief	1 854 531	1 506 716
Skills development	-	1 459 009
Workmen's compensation	4 290 475	-
Fuel and oil	8 094 236	5 128 959
Postage and courier	533 181	550 974
Printing and stationery	881 333	671 043
Protective clothing	333 619	1 190 773
Repairs and maintenance	7 064 677	16 618 099
Subscriptions, Licencing and membership fees	2 056 598	2 000 749
Telephone and fax	120 468	53 879
Staff Training	1 125 391	159 530
Travelling & Subsistence	3 853 435	2 458 754
Electricity	6 256 956	1 529 921
Traffic Services	400 771	169 324
Payments to EPWP	2 710 847	-
Sundry expenses	205 083	7 540 156
	122 406 150	89 595 154
37. Cash generated from operations		
(Deficit) surplus	(3 077 516)	117 753 004
Adjustments for:		
Depreciation and amortisation	90 876 471	55 465 290
Loss/(Gain) on disposal of assets	2 574 551	4 915 395
Fair value adjustments	(14 450)	-
Dbt impairment	18 773 629	7 703 540
Interest income	(14 132 831)	-
Debt impairment Vat portion	-	528 742
Donations non cash	(13 210 868)	(14 074 885)
Actuarial Gains/loss	(5 675 994)	(1 859 000)
Bad debts written off	15 197 913	4 017 292
Movements in retirement benefit assets and liabilities	64 513	4 615 000
Movements in provisions	(2 221 800)	3 543 569
Cost of land sold	1 783 000	-
Other non-cash item-Other revenue	(7 150 716)	-
Opening balance adjustment	(24 909 359)	-
Changes in working capital:		
Inventories	17 153 470	4 360 311
Receivables from exchange transactions	3 911 583	(13 276 158)
Consumer deposits	486 292	604 034
Receivables from non-exchange transactions	789 006	(10 351 697)
Payables from exchange transactions	(17 443 662)	21 171 066
VAT	7 684 241	(8 313 532)
Unspent conditional grants and receipts	(2 542 595)	(14 195 965)
	68 914 878	162 606 006

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
38. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	14 372 601	86 667 352
Total capital commitments		
Already contracted for but not provided for	14 372 601	86 667 352
Total commitments		
Total commitments		
Authorised capital expenditure	14 372 601	86 667 352
This committed expenditure relates to plant, property and equipment and will be financed by unspent grants (WSIG), (INEP) and (MIG) rolled over as per conditions of Division Revenue Act.		
39. Contingent Liabilities		
The municipality had the litigation cases that resulted in the following contingent liabilities as at year end:		
Claim A - against the Municipality in the amount of R49770.70 for outstanding invoices	700 000	-
Claim B – against the Municipality in the amount of R659846.92 for damages suffered		
Motor vehicle accident due to a pothole	70 000	70 000
Claim against the municipality for outstanding invoices for the period March 2021 and invoice on maintenance dated 30 April 2021 by Afrirent (Pty) Ltd.	-	1 259 890
SAMRO- Payment of Licences Fees	200 000	-
AFRIRENT-CLAIM OF PAYMENT NOT DONE	578 676	-
IMATU obo CHERE- Unfair Labour Practice	83 177	-
	1 631 853	1 329 890

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

40. Related parties

Relationships

Accounting office with significant influence

Members of key management with significant influence

Councillors with significant influence and control

Key Management and Council Interest in other companies

Director Community Services: FK Baloyi

Refer to note 28

Refer to note 28

Refer to General Information and Councillors 29

La Coup Trading Enterprises Mpho Ya Basadi
Suppliers and Projects Palesa tsa Cuba Lodge and
Guest House Bomme Tshenolo Projects and
Suppliers

Kgalagadi Women in Mining production Drilling and
Projects BFMS Mining and Drilling Solutions
She Sanitation solutions Tsantsabane youth Maths
and Science Academy Paxtrlo Logistics and mining
construction projects Babommope

Acting CFO: N Keswa (13/02/2023-17/03/2023)

Reatlegile Construction and Projects

Ko re tswang teng Foundation

Amazingly organic skincare

Nisaidie Financial Services

Micent Engineering Resources and Solutions

Acting Director Technical Services: V Seane (03 May 2023- 30
June2023)

Diane Dikopane Solutions

New Stragey Consulting

Acting Director Technical Services: BM Kgosieng (01 Augus 2022-
31March 2023)

Reba Electrical

Chief Financial Officer: K Noke

Municipal Manager: MM Tsatsimpe

Councillor: K B Madikiza

KAYAN Projects- Director

Boka Resources Kuru Cross Resources Neo

Batlharos Sound Hire- Director Tlotlanang Catering

Director Bomme-Sejo Services and Cooperative

Limited- Director By Fire Business Enterprise

Obitseng Trading

Councillor: O.D Mathibe

Councillor: A Van Der Westhuisen

Councillor: C.O Mojaki

Nomisa Enterprise Director

Director- Acsb Reaction and PI Services

Director- Renyaditswe Mining and Multi Projects

Director- MBR Mining Transport and Projects

Director- V Charles Director- Wrenchville United
Youth Club

Councillor: T Merementsi

Councillor: S.I Kok

Merementsi General Trading and Projects

Peo E Weste Primary Co-operative Limited

Remuneration of members of key management

Remuneration of councillor members

Refer to note 28

Refer to note 29

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
40. Related parties (continued)		
Related party transactions		
Salaries paid to related parties of councillors		
R.M Meyers (Wife to councillor T.E Meyers)	-	167 027
G. Nels (Son to Councillor K. Nels)	-	196 140
O. Nels (Son to Councillor K. Nels)	-	183 460
G. Sibi (Daughter to Councillor N.G Thupameng)	-	128 460
K.V Makoke (Brother to Councillor L.N Makoke)	-	162 985
D Baepi (Brother to Councillor L.C Moseki)	-	142 745
K.M Modise (Daughter to Councillor B.E Modise)	-	110 098
S.P Disipi (Wife to N.G Disipi)	-	105 706

Related party transactions

Councillor. N.G Ngesi Mabenaki Projects JR Projects	-	1 315 217
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Related party transactions key management and Councilors

The municipality has the following current employee benefit obligations and made other non-employee cost related cost payments towards senior management of 30 June 2023

Leave and bonus balances due to key management and family members on year end

Key management	Leave	Bonus	Travel and Subsistence	Total
M Tsatsimpe	-	156 313	181 146	337 459
K Noke	22 439	127 693	195 032	345 164
T Jarvis	51 615	-	-	51 615
N Keswa	63 992	-	-	63 992
R Pule	145 639	114 073	154 200	413 912
FK Baloyi	138 710	100 470	292 240	531 420
M Molale	72 808	-	-	72 808
MA Keetile	45 204	-	-	45 204
H Smit	-	140 695	-	140 695
V Seane	105 152	-	-	105 152
BM Kgosieng	16 540	-	36 000	52 540
D Pelele	84 495	-	-	84 495
	746 594	639 244	858 618	2 244 456

The municipality has the following current employee benefit obligations and made other non-employee cost related cost payments towards senior management of 30 June 2022.

Leave and bonus balances due to key management and family members on year end

Key management	Leave	Bonus	Travel and Subsistence	Total
M Tsatsimpe	258 346	-	181 146	439 492
K Noke	8 387	-	178 779	187 166
T Jarvis	107 954	25 326	-	133 280
N Keswa	77 452	18 575	-	96 027
R Pule	129 811	-	154 200	284 011
MM Gaselebelwe	83 164	19 797	-	102 961
FK Baloyi	119 997	-	292 240	412 237
CL Scholtz	70 445	16 894	-	87 339
MA Keetile	73 864	17 714	-	91 578
H Smit	-	-	12 000	12 000
V Seane	98 184	23 546	-	121 730
BM Kgosieng	107 954	25 698	-	133 652

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

40. Related parties (continued)

G Monchwe	83 164	8 660	-	91 824
	1 218 722	156 210	818 365	2 193 297

Outstanding balances as at year end 30 June 2023

Councillors and Directors	Rates	Service charges	Other	Interest	Total
AWP Van Der Westhuizer	-	18 537	-	-	18 537
Pule RC	-	4 508	-	-	4 508
Tsatsimpe MM	-	6 843	-	-	6 843
	-	29 888	-	-	29 888

Outstanding balances as at year end 30 June 2022

Councillors	Rates	Service Charges	Other	Interest	Total
AWP Van Der Westhuizen	-	3 967	-	-	3 967
Mayor	Rates	Service Charges	Other	Interest	Total
N Masegela	-	16 116	-	503	16 619

41. Risk management

Financial risk management

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 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	6 442 514	-	-	-
Employee benefit obligation	2 904 000	35 435 000	-	-
Unspent conditional grants and receipts	17 157 202	-	-	-
	-	-	-	-
At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	5 914 289	-	-	-
Employee benefit obligation	2 904 000	35 435 000	-	-
Trade and other payables	65 973 706	-	-	-
Finance lease obligation	744 098	427 942	-	-
Other financial liabilities	2 275 769	6 080 009	-	-
Unspent conditional grants and receipts	31 595 764	-	-	-

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

41. Risk management (continued)

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 municipality 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 municipality end were as follows:

Financial instrument	30 June 2023	30 June 2022
Receivables from exchange transactions	30 286 772	43 140 739
Receivables from non-exchange transactions	29 114 694	29 994 036
Cash and cash equivalents	38 210 006	95 153 067

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.

42. 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:

- Material electricity losses to the amount of R22 387 530.06 (2022: R18 502 841) was incurred which represents 19.09% (2022: 16.55%) of total bulk electricity purchased.
- Material water losses to the amount of R3 587 000 (2022: 4 022 217) was incurred which represents 24.47% (2022: 32%) of water purchased.
- Material impairment of R46 882 697 (2022: R49 781 617) as a result of a debt impairment of receivables from exchange transactions, due to non-collection of outstanding balances owned to the municipality due to mothibistad debt that amount to atleast 80% of municipal debtors. The municipality is unable to collect this debt through its credit control policy due to electricity being directly supplied by Eskom. We are therefore not able to implement electricity disconnections to enforce payment. Also the municipality has a valuation roll that it provides as basis for it to levy rates and taxes..
- Material impairment of R17 273 532 (2022: R19 356 082) as a result of a debt impairment of receivables from non-exchange transactions, due to non-collection of outstanding balances owned to the municipality.

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

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

42. Going concern (continued)

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.

	2022/23	2023/24	2024/25
Finance Management Grant (FMG)	3 100 000	3 100 000	3 100 000
Expanded Public Works Program (EPWP)	1 519 000	-	-
Municipal Infrastructure Grant (MIG)	60 738 000	63 407 000	66 247 000
Integrated National Electrification Grant	25 250 000	16 354 000	17 088 000
Water Services infrastructure (WSIG)	30 000 000	42 250 000	44 111 000
Equitable Share	210 902 000	229 604 000	250 224 000
Energy Efficiency and Demand-Slide Management Grant (EEDMG)	5 000 000	-	5 000 000
	336 509 000	354 715 000	385 770 000

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

43. Unauthorised expenditure

Opening Unauthorised expenditure	21 760 217	67 810 223
Current year	48 939 000	33 915 000
Written-off	(34 971 085)	(79 965 006)
	35 728 132	21 760 217

The current year unauthorised expenditure of R48 939 000 also includes R13 210 868 which is funding received from the mines for multiples projects which has been subsequently been written by council..

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

43. 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	22 670 000,00	22 646 000,00	(24 000,00)	-
Vote 2 - FINANCE AND ADMINISTRATION	184 045 000,00	188 393 000,00	4 348 000,00	4 348 000,00
Vote 3 - COMMUNITY AND SOCIAL SERVICES	14 503 827,00	14 096 448,24	(407 378,76)	-
Vote 4 - SPORTS & RECREATION	12 448 052,00	12 116 507,21	(331 544,79)	-
Vote 5 - PUBLIC SAFETY	25 012 300,00	31 478 000,00	6 465 000,00	6 465 000,00
Vote 6 - PLANNING AND DEVELOPMENT	37 665 776,00	39 346 000,00	1 680 000,00	1 680 000,00
Vote 7 - ROAD TRANSPORT	40 243 902,00	44 328 000,00	4 085 000,00	4 085 000,00
Vote 8 - ENVIRONMENTAL PROTECTION	212 767,00	205 366,16	(7 400,84)	-
Vote 9 - ENERGY SOURCES	154 202 796,00	165 653 000,00	11 450 000,00	11 450 000,00
Vote 10 - WATER MANAGEMENT	52 005 023,00	68 563 000,00	16 558 000,00	16 558 000,00
Vote 11 - WASTE WATER MANAGEMENT	29 418 685,00	33 772 000,00	4 353 000,00	4 353 000,00
Vote 12 - WASTE MANAGEMENT	22 629 106,00	18 253 000,00	(4 376 000,00)	-
Vote 13 - OTHER	210 000,00	165 800,00	(44 200,00)	-
Total Expenditure by Vote	595 267 697,00	639 016 121,61	43 748 475,61	48 939 000,00

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

43. Unauthorised expenditure (continued)

Capital expenditure budget

Vote Description	Adjusted Budget	Actual spent GL amount by vote	Variance	Budget vs actual Unauthorised
<u>Single-year expenditure to be adjusted</u>				
Vote 1 - EXECUTIVE & COUNCIL	1 800 000,00	1 520 562,00	(279 438,00)	-
Vote 2 - FINANCE AND ADMINISTRATION	4 594 000,00	3 978 428,00	(615 572,00)	-
Vote 3 - COMMUNITY AND SOCIAL SERVICES	-	-	-	-
Vote 4 - SPORTS & RECREATION	20 759 000,00	6 566 552,00	(14 192 448,00)	-
Vote 5 - PUBLIC SAFETY	11 584 000,00	6 461 537,00	(5 122 463,00)	-
Vote 6 - PLANNING AND DEVELOPMENT	12 050 000,00	6 461 537,00	(5 588 463,00)	-
Vote 7 - ROAD TRANSPORT	20 785 000,00	18 893 113,00	(1 891 887,00)	-
Vote 8 - ENVIRONMENTAL PROTECTION	-	-	-	-
Vote 9 - ENERGY SOURCES	61 753 000,00	61 928 301,00	175 301,00	175 301,00
Vote 10 - WATER MANAGEMENT	55 801 000,00	60 149 240,00	4 348 240,00	4 348 240,00
Vote 11 - WASTE WATER MANAGEMENT	-	-	5 044 949,16	5 044 949,16
Vote 12 - WASTE MANAGEMENT	-	-	-	-
Capital single-year expenditure sub-total	189 126 000,00	165 959 270,00	(18 121 780,84)	9 568 490,16
Total Unauthorised				8 507 490,16

44. Fruitless and wasteful expenditure

Add: Expenditure identified-current year	17 225	181 140
Less: Amount written off	(17 225)	(181 140)
	-	-

The fruitless and wasteful expenditure relates to interest charged on overdue accounts. The Fruitless and wasteful expenditure in the Note are exclusive of Vat

Details of possible fruitless and wasteful expenditures under assessment (not included in the main note)

45. Irregular expenditure

Opening balance	160 273 346	19 643 822
Add: Irregular Expenditure - current year	51 249 909	138 409 286
Add: Irregular Expenditure-current year identified during the audit	240 061	28 493 350
Less: Amount written off	(51 249 909)	(26 273 112)
Prior year adjustment	(65 201 236)	-
Less: Write-Off of prior year	(95 072 110)	-
	240 061	160 273 346

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

	2023 R	2022 R
45. Irregular expenditure (continued)		
Analysis of irregular expenditure - Current year		
Bid adjudication Committee not compliant with regulation	1 694 480	3 731 425
SCM Regulation 32 Appointment	6 072 268	2 739 358
Appointment of Panels	43 483 161	130 238 627
SCM Regulation 13 Appointment	-	1 541 369
Unit rates	-	158 507
	51 249 909	138 409 286

Steps taken with regards to Irregular expenditure

-

There is an amount of irregular expenditure that is not included in the main note above that was identified during the audit of which the municipality could not quantify. At the time of reporting it was not clear if these may be regarded as irregular expenditure. Management has requested guidelines from National 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

46. 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 2023	Lost units	Tariff	Value
Unaccounted electricity losses	13 819 463	1,62	22 387 530,06
30 June 2022	Lost units	Tariff	Value
Unaccounted electricity losses	19 476 675	0,95	18 502 841
Volume in KWH/year		30 June 2023	30 June 2022
System Input Volume		72 370 827	83 765 128
Billed Consumption		58 551 364	68 288 453
Distribution Loss		13 819 463	19 476 675
Percentage Distribution Loss (%)		19,09%	23%
30 June 2023	Lost units	Tariff	Value
Unaccounted for water losses	850 032	4,22	3 587 000
30 June 2022	Lost units	Tariff	Value
Unaccounted for water losses	953 132	4,22	4 022 217
Volume in KI/year		30 June 2023	30 June 2022
System Input Volume		3 782 327	2 958 931
Billed Consumption		2 932 295	2 005 799
Distribution Loss		850 032	953 132
% Distribution loss		22,47%	32,00%

Included in both water and electricity losses is the municipal own consumption at various municipal facilities.

Ga Segonyana Local Municipality

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Notes to the annual financial statements

	2023 R	2022 R
46. Additional disclosure in terms of Municipal Finance Management Act (continued)		
SDL		
Opening balance	(199 986)	(199 986)
Current year subscription / fee	1 629 713	1 459 013
Amount paid - current year	(1 629 713)	(1 459 013)
	(199 986)	(199 986)
PAYE and UIF		
Current year subscription / fee	28 960 230	25 759 697
Amount paid - current year	(28 960 230)	(25 759 697)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	27 569 063	24 111 805
Amount paid - current year	(27 569 063)	(24 111 805)
	-	-
Councillors' arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:		
Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers and residents.		
47. Auditors' remuneration		
External Audit	6 590 917	5 852 168

Ga Segonyana Local Municipality

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Notes to the annual financial statements

48. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	30 286 772	-	30 286 772
Other receivables from non-exchange transactions	-	12 848 296	-	12 848 296
Cash and cash equivalents	-	-	38 210 006	38 210 006
	-	43 135 068	38 210 006	81 345 074

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Other financial liabilities	-	6 080 004	-	6 080 004
Trade and other payables from exchange transactions	-	76 508 536	-	76 508 536
Consumer deposits	-	6 400 581	-	6 400 581
	-	88 989 121	-	88 989 121

2022

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	43 140 739	-	43 140 739
Other receivables from non-exchange transactions	-	16 623 461	-	16 623 461
Cash and cash equivalents	-	-	95 153 067	95 153 067
VAT	-	-	16 417 530	16 417 530
	-	59 764 200	111 570 597	171 334 797

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Other financial liabilities	-	8 355 778	-	8 355 778
Trade and other payables from exchange transactions	-	76 934 774	-	76 934 774
Finance Lease Liability	-	1 172 040	-	1 172 040
Consumer deposits	-	5 914 289	-	5 914 289
	-	92 376 881	-	92 376 881

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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Notes to the annual financial statements

49. 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
Strip and Quote- Sole ProviderCar service and maintenance can only be done by Power Star or an agent authorised by Power Star. Power Star is the manufacturer of the truck. Almighty is authorised dealer or Power Star. No three quotations can be obtained as the dealer has to diagnose the services to be carried out first, thereafter act on the diagnosis report.	09 September 2022	ALMIGHTY EQUIPMENT	8 073	Car Service and Maintenance
Strip and Quote: The compactor truck was taken in for fault diagnosis at the dealer. The supplier has to strip the vehicle to locate fault, thereafter fix the fault. It is on this basis that no three quotations can be sourced from different suppliers,	09 September 2022	MOTUS GROUP	53 602	Vehicle Service and Maintenance
Impractical. It is impractical to follow SCM processes as the Service Provider was appointed by National Department of Public Safety Emergency	28 September 2022	Prodiba	40 290	License Disc
	17 August 2022	AMCOMMS	57 164	Newspaper Advert - Publication
Impractical. It is impractical to follow SCM processes as the Service Provider was appointed by National Department of Public Safety Sole Provider.	23 August 2022	Prodiba	27 496	License Disc
	29 July 2022	AAS OPERATION S	16 067	Chlorine Gas Cylinders Rentals
Strip & Quote: The service provider had to strip the aircons and diagnose the faults on the aircons. Thereafter the service provider had to fix the problem. It is therefore impractical to obtain three or more quotations.	27 October 2022	LP Refrigiration and Projects	33 350	Service and Maintenance
Strip & Quote: Water tanker had to be taken to the authorised agent to fix the mechanical problem. The agent had to strip and quote the fault.	20 October 2022	Almighty Equipment	16 718	Mechanical Services and Maintenance
Strip & Quote: The stir lift was malfunctioning and needed to be striped to locate the fault. The service provider was requested to diagnose the problem, thereafter fix the problem.	20 October 2022	Omogolo Consulting Cc	60 400	Service and Maintenance
It is impractical to follow SCM processes as the Service Provider was appointed by National Department of Public Safety	20 October 2022	Prodiba	31 363	License Disc
Strip and Quote: The compactor truck was taken in for fault diagnosis at the dealer. The supplier has to strip the vehicle to locate fault, thereafter fix the fault. It is on this basis that no three quotations can be sourced from different suppliers	03 November 2022	MOTUS GROUP	6 012	Vehicle Service and Maintenance
Strip & Quote: The cherry picker was built by Palfinger, so as the manufacturer of the tanker, the truck was sent to him to diagnose, the fault.	03 November 2022	Palfinger	113 846	Mechanical Service
It is impractical to follow SCM processes as the Service Provider was appointed by National Department of Public Safety.	24 November 2022	Prodiba	35 945	License Disc
Strip & Quote: Water tanker had to be taken to the authorised agent to fix the mechanical problem. The agent had to strip and quote the fault	20 December 2022	Almighty Equipment	6 683	Mechanical Services and Maintenance

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Notes to the annual financial statements

49. Deviations (continued)

Strip & Quote: The service provider had to strip the aircons and diagnose the faults on the aircons. Thereafter the service provider had to fix the problem. It is therefore impractical to obtain three or more quotations.	20 December 2022	LP Refregiration and Projects	37 375 Service and Maintenance
It is impractical to follow SCM processes as the Service Provider was appointed by National Department of Public Safety.	21 December 2022	Prodiba	31 521 License Disc
It is impractical to follow SCM processes as the Service Provider was appointed by National Department of Public Safety	24 January 2023	Prodiba	29 230 License Disc
The robot controller was malfunctioning, and the control box was taken to Tele-Tronic to diagnose the fault and fix it thereafter. No three quotations can be sourced as the control box has to be stripped and fixed thereafter,	25 January 2023	TELE TRONIC	9 738 Traffic Light Motor Repairs
Strip and Quote: The aircons of different offices ahd to be serviced. At the time of the service the aircons are stripped to diagnose any faults, and thereafter the aircons are fixed/ serviced. No qoutations can be sourced upfront, as the works has to be performed first and thereafter, price the works done.	08 February 2023	L P REFRIGERA TION	58 995 Aircons Services and Maintenance
Impracticall t is impractical to follow SCM processes as the Service Provider was appointed by National Department of Public Safety	21 February 2023	Prodiba	30 099 License Disc
Sole Provider: The vehicle testing machine has been supplied by Workshop Electronics to the municipality, and as a result they have sole rights to service, maintain and calibrate the machine. Due to this reason no Reg 18 procurement processes can be follow	03 March 2023	Workshop Electronics	46 901 Testing Machine - Calibration
Strip & Quote: Water tanker had to be taken to the authourised agent to fix the mechanical problem. The agent had to strip and quote the fault. No quotations can be sourced from other service providers as the fault has be located first and thereafter fixed.	28 March 2023	Almighty Equipment	7 431 Truck Services
Sole Provider: It is impractical to follow SCM processes as the Service Provider was appointed by National Department of Public Safety	08 March 2023	Prodiba	9 717 License Disc
Sole Provider It is impractical to follow SCM processes as the Service Provider was appointed by National Department of Public Safety	14 March 2023	Prodiba	25 122 License Disc
Sole Provider: It is impractical to follow SCM processes as the Service Provider was appointed by National Department of Public Safety	05 April 2023	Prodiba	38 710 License Disc
Sole Provider: It is impractical to follow SCM processes as the Service Provider was appointed by National Department of Public Safety	18 May 2023	Prodiba	30 336 License Disc
Sole Provider: Massmatic is the provider of the licence used by the municipality at landfill site for weight bridge. On annual basis the licence must be renewed. Since this licence is sole owned by Massmatic. No other service provider can provide this licence, hence no other quotations are sourced from other service providers.	04 May 2023	Massmatic	5 558 License Renewal
Strip and Quote: The service provider had to strip the aircons to locate faults and thereafte fix the aircons. This was due to the aircons not working properly or not at all. It is not practical to follow the Reg 18 process as the value of the work cannot be pre-determined.	09 May 2023	'LP Refregiration And Projects Cc	52 354 Repairs of Aircons
Strip and Quote: The water tanker (CZP 724 NC) went for service at Almighty Equipment. The truck can only be serviced by Power Star or one of its authorised dealers as it is the manufacturer of the truck. No other quotations can be sourced since Powerstar has to dign	24 May 2023	'Almighty Equipment (Pty) Ltd	11 114 Repairs and Maintenance

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

49. Deviations (continued)

Sole Provider: It is impractical to follow SCM processes as the Service Provider was appointed by National Department of Public Safety

27 June 2023

Prodiba

71 179 License Disc

Emergency: The electrical sub-station had been vandalised several times, and the Oryx Complex would be left without electricity and power. The municipality suffered financial lossess as the vandalised and stolen cables had to be replaced in order to restore the electricity. The manager electrity on an emergency basis requested the service to fence the transformer. On that reason the manager DID NOT request three quotation and/or request Reg 18 processes.

28 June 2023

Gabane-Ponjo Trading and Projects (Pty) Ltd

84 548 Erection of Safety Fence - Oryx Electrical Sub Station

Sole Provider and Strip and Quote: The steel wheel compactor (Landfill Site) needs to be serviced. It is CAT product. As a result, ONLY CAT approved service providers can service it. The compactor has to be taken in for service, where strip and quote will be conducted as well. Faults are thereafter fixed. As a results NO quotations can be sourced from other service providers.

09 June 2023

Barloworld Equipment SA

21 227 Mechanical Service

Sole Provider and Strip and Quote: Refuse truck's grease pump was malfunctioning/ broken and it needs repairing. The truck has to be taken to the service provider (manufacturer of the product) to diagnose the fault and thereafter fix the fault. The manufacturer of the grease pump system is Groenveld-Beka. This greasing system is automated, and has an On-board computer system that grease the entire truck. For quality assurance and compatability, it is safe and just that the pump and the fitting services be supplied and executed by the manufacturer of the product, as a result NO three quotations can be sourced from other service providers.

08 June 2023

Timkem South Africa (Pty) Ltd

21 386 Supply of Greasing System

1 129 550

Ga Segonyana Local Municipality

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Notes to the annual financial statements

50. Budget differences

Financial statement line item	Reference*	% Variance Final budget vs Actual amounts	Explanation of material differences between Final Budget vs Actual amounts	% Variance Approved vs Final budget	Explanation of material differences between Approved Budget and Final Budget amounts
STATEMENT OF FINANCIAL PERFORMANCE					
REVENUE					
Revenue from exchange transactions					
Sale of stands		44%	Sale of stands- The variance is due to lack of demand for stands.		
Rental of facilities		25%	The variance is due to the delay in signing of contracts for SMME Hub tenants, the budget was understated.		
Service Charges		23%	Under recovery is mainly as a result of the challenges experienced regarding the installation of prepaid meters, high credit that was given to consumers and also due to overbudgeting.		
Interest on investments		29%	The variance is due to high bank balance. This has resulted in higher interest being accrued		
Other Revenue		13%	Variance is as a result of more building plans paid.		-
Fines, Penalties and Forfeits		14%	Variance is due to more fines issued in the 2022/23 financial year		
Revenue from non-exchange transactions					
EXPENDITURE					
Depreciation and amortisation		185%	Depreciation and amortisation and impairment loss/(reversal) - Variance is due to the impairment reversal done on assets that had less than 1year of remaining useful and still in good condition.		-

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

50. Budget differences (continued)

Bad debts written off	10%	Bad Debts write off - The municipality did not budget for bad debt write-off
Gains and losses	-21%	Gains/(loss) on disposal of assets was not budgeted for

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

51. Prior period errors

	Note (s)	Previously reported R	Adjustment R	Re- classification R	Restated R	Refer
Assets						
Current Assets						
Inventories	3	62 619 153	1 471 832	-	64 090 984	
Non-Current Assets						
Property, plant and equipment	9	1 703 035 553	2 125 845	-	1 705 161 398	
Total Assets		1 876 728 134	10 072 313	-	1 976 281 987	
Liabilities						
Current Liabilities						
Finance lease obligation	13	744 098	189 750	-	960 111	
Unspent conditional grants and receipts	17	-	-	-	-	
		70 808 896	24 077 147	-	94 912 306	
Non-Current Liabilities						
Total Liabilities		71 236 838	23 649 205	-	94 912 306	
Net Assets		1 805 491 296	(13 576 892)	-	1 881 369 681	
Accumulated surplus		1 779 833 855	3 381 662	-	1 783 215 517	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

51. 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						
Service charges	20	37 074	24 675	-	61 749	
Total revenue	19	469 295 910	19 115 413	-	488 411 323	
Expenditure						
		-	-	-	-	
Operating deficit		(31 342 393)	(22 247 813)	-	(53 590 206)	
Deficit for the year		(33 945 393)	(17 785 813)	-	(56 646 601)	
Other						

[1] In the 2021 financial period, account number 8100391 water was billed using an incorrect tariff. This resulted in an understatement of revenue from service charges amounting to R 24 675,34. This error also resulted in consumer debtors being understated by an amount of R 24 675,34. This error has retrospectively restated.

2 During the current year, Toshiba leases were noted that were acquired in February 2022 that were omitted from prior period note. The impact of the omission is that finance obligation is understated by R189 750 which was duly retrospectively corrected.

3. During the current year, the municipality discovered that prior year depreciation for infrastructure was overstated by R109 645. Consequently the accumulated depreciation was overstated by the same amount. The correction has been retrospectively applied. Additionally during the year it was discovered that land that is occupied is incorrectly classified as held for sale. The cost of this land is R2 016 200 which is per the valuation roll.

[4] Inventory increased by R1 471 832 due to an understatement in the prior year resulting in an increase in inventory and decrease in accumulated surplus

The accounting policies on pages 18 to 41 and the notes on pages 42 to 89 form an integral part of the annual financial statements.

52. 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.

* See Note 51

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

	Note(s)	2023 R	2022 Restated* R
Statutory receivables (continued)			
The following are regarded as statutory receivables;			
Statutory Receivable			
Vat receivables		-	16 417 530
Receivables from non exchange transactions		16 266 398	16 623 461
		16 266 398	33 040 991
53. Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity			
Management has taken a decision not to dispose of a significant asset /or a group of assets and liabilities /or a component of the municipality.			
54. Events after the reporting date			
There were no events after reporting period .			
55. Fair value adjustments			
Investment property (Fair value model)		14 450	-
56. Consumer debtors disclosure			
Gross balances			
Consumer debtors - Rates		16 265 191	35 736 618
Less: Allowance for impairment			
Consumer debtors - Rates		1 207	(19 113 149)
Net balance			
Consumer debtors - Rates		16 266 398	16 623 469
57. Change in estimate			
Landfill site			
The estimated useful lives of assets were reviewed at 30 June 2022. The change of estimate was done only on asset that had 1year remaining as useful life, however they are still in use and in good condition,thus the change in the useful life was done on the remaining useful life based on the condition of the asset The effect of the adjustment is as follows:			
Asset Description			
Intangibles		-	22 953
Infrastructure		-	133 205
Buildings		-	87 624
Movables		-	633 583
		-	877 365
58. Segment information			
General information			

* See Note 51

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Restated*

58. Segment information (continued)

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