



GA-SEGONYANA LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2024

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

General Information

Council committee

Mayor

Cllr. N Masegela (Chairperson EXCO)

Speaker

Cllr. K.B Madikiza

Councillors

Cllr C. Phillips (Chief Whip)

Cllr. T. Merementsi (Chairperson MPAC)

Cllr. K. Matlhole (EXCO Member)

Cllr. L Moagi (EXCO Member)

Cllr. A.W van der Westhuizen (EXCO Member)

Cllr. M. Reetsang (EXCO Member)

Cllr. C.O. Mojaki (resigned not replaced)

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. Leberegame

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. J.W Marumo

Cllr. O.N Hantise

Cllr. M.B Mosiapoa

Chief Finance Officer (CFO)

L Mashiane

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

Bankers

First National Bank
ABSA Bank Limited

Auditors

Auditor-General South Africa (AGSA)
Registered Auditors

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

General Information

Attorneys

Mogaswa Attorneys
Peyper Attorneys
Sifumba Attorneys
Koikanyang Attorneys
Motshabi Attorneys

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, PromiseLand 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

GA-SEGONYANA LOCAL MUNICIPALITY

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Abbreviations used:

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

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

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 period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

M. Tsatsimpe
Accounting Officer

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Audit Committee Report

Legislative requirements

We are pleased to present our report for the financial year ended 30 June 2024 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 National Treasury.

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

The Audit, Performance and Risk 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 Municipality 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 its approved terms of reference. During the current year, 5 meetings were held:

Name of member	Number of meetings attended
Snyders J (Chairperson)	5
Ntseno N (resigned 30/06/2023)	0
Nkoe K	5
Mathibela B (appointment 01/04/2024)	1

APRC responsibility

The APRC reports that it has complied with its responsibilities arising from Section 166 of the MFMA read with MFMA Circular 65, and reports that it has adopted appropriate formal terms of reference as per its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

Evaluation of annual financial statements

The APRC has:

- Performed a desktop review and discussed the unaudited annual financial statements to be included in the annual report, with the Accounting Officer for submission to AGSA on 31 August 2024. The draft unaudited annual financial statement was work in progress, however management committed to finalise and consider the review by internal audit, Provincial Treasury and the APRC. On this basis the APRC support the submission to AGSA
- reviewed the progress on the audit plan;
- the Auditor-General of South Africa's audit report, management report and management's response thereto, and organisation's compliance with legal and regulatory provisions will be reviewed in the APRC meeting in November 2024.

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

The internal audit function does not have the capacity to operate effectively to address the risks pertinent to the municipality and its audits. The capacity will be addressed in the new financial year. The quality assurance improvement program and combined assurance plan will be implemented in the next financial year.

Auditor-General of South Africa

The Audit, Performance and Risk committee will meet with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit, Performance and Risk Committee

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Audit Committee Report

Date: _____

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 *Restated
Assets			
Current Assets			
Inventories	12	18 946 672	27 449 065
Receivables from non-exchange transactions	13	38 393 492	29 114 694
Receivables from exchange transactions	14	36 068 846	30 286 772
Cash and cash equivalents	15	36 946 346	38 210 006
		130 355 356	125 060 537
Non-Current Assets			
Investment property	3	21 844 849	20 268 149
Property, plant and equipment	4	1 850 124 125	1 753 398 661
Intangible assets	5	443 636	496 305
Heritage assets	6	1 655 642	1 655 642
		1 874 068 252	1 775 818 757
Total Assets		2 004 423 608	1 900 879 294
Liabilities			
Current Liabilities			
Other financial liabilities	18	2 106 738	2 204 856
Finance lease obligation	16	1 886 916	-
Operating lease liability	7	6 752 031	4 074 159
Payables from exchange transactions	8	122 172 925	76 508 536
VAT payable	9	47 370 393	3 780 629
Consumer deposits	10	6 842 949	6 400 581
Employee benefit obligation	11	2 115 143	2 256 432
Unspent conditional grants and receipts	17	1 517 893	14 857 202
		190 764 988	110 082 395
Non-Current Liabilities			
Other financial liabilities	18	1 768 416	3 875 148
Employee benefit obligation	11	45 483 535	35 499 513
Provisions	19	28 463 712	25 495 555
		75 715 663	64 870 216
Total Liabilities		266 480 651	174 952 611
Net Assets		1 737 942 957	1 725 926 683
Accumulated surplus		1 737 942 957	1 725 926 683
Total Net Assets		1 737 942 957	1 725 926 683

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated
Revenue			
Revenue from exchange transactions			
Sale of stands		5 288 063	3 872 723
Service charges	21	233 479 436	184 783 447
Rental of facilities	22	1 344 794	2 873 275
Interest received (trading)		7 295 148	4 516 791
Licences and permits	24	3 964 437	3 642 989
Other income	27	6 334 602	13 444 043
Interest received - investment	28	9 637 797	5 691 571
Fair value adjustments		527 000	-
Actuarial gains		-	5 675 994
Total revenue from exchange transactions		267 871 277	224 500 833
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	58 324 939	55 032 123
Transfer revenue			
Government grants & subsidies	30	430 275 893	387 106 474
Fines, Penalties and Forfeits	23	8 247 791	7 555 914
Interest - Transfer revenue		4 155 689	3 924 469
Total revenue from non-exchange transactions		501 004 312	453 618 980
Total revenue	20	768 875 589	678 119 813
Expenditure			
Employee related costs	31	(245 251 126)	(186 827 197)
Remuneration of councillors	32	(14 809 800)	(13 185 942)
Depreciation and amortisation	33	(88 286 356)	(91 153 865)
Finance costs	34	(8 813 403)	(7 692 090)
Lease rentals on operating lease	25	(17 203 386)	(18 143 931)
Debt Impairment	36	424 058	(18 773 629)
Bad debts written off		(32 749 009)	(15 197 913)
Bulk purchases	38	(152 962 060)	(124 534 746)
Contracted services	39	(115 809 847)	(97 359 298)
Actuarial losses		(4 187 649)	-
Inventories losses/write-downs		(424 195)	(33 267 585)
Loss on non-current assets held for sale or disposal groups		(1 727 970)	(7 360 206)
Sale of goods/Inventory		(919 000)	(1 783 000)
General Expenses	37	(74 130 549)	(94 543 584)
Total expenditure		(756 850 292)	(709 822 986)
Surplus (deficit) for the year		12 025 297	(31 703 173)

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 758 009 327	1 758 009 327
Adjustments		
Correction of errors	(379 471)	(379 471)
Balance at 01 July 2022 as restated*	1 757 629 856	1 757 629 856
Changes in net assets		
Surplus for the year	(3 077 516)	(3 077 516)
Prior year adjustment	(28 625 657)	(28 625 657)
Total changes	(31 703 173)	(31 703 173)
Balance at 01 July 2023 Restated	1 725 917 660	1 725 917 660
Changes in net assets		
Surplus for the year	12 025 297	12 025 297
Total changes	12 025 297	12 025 297
Balance at 30 June 2024	1 737 942 957	1 737 942 957

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023
Cash flows from operating activities			
Receipts			
Sale of goods and services		321 454 050	286 911 293
Grants		390 323 000	371 353 010
Interest income		12 193 281	18 550 104
VAT		-	16 346 766
Fines, Penalties and Forfeits		5 444 871	8 078 185
Other income		4 261 609	6 292 513
		<u>733 676 811</u>	<u>707 531 871</u>
Payments			
Employee costs		(246 087 505)	(201 639 065)
Suppliers		(356 390 269)	(344 508 864)
Interest paid		(1 213 965)	(814 235)
Tax paid		43 589 763	3 780 630
		<u>(560 101 976)</u>	<u>(543 181 534)</u>
Net cash flows from operating activities	40	<u>173 574 835</u>	<u>164 350 337</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(180 207 562)	(222 903 280)
Purchase of other intangible assets	5	(176 966)	(417 864)
Interest Income		9 637 799	5 691 571
		<u>(170 746 729)</u>	<u>(217 629 571)</u>
Net cash flows from investing activities		<u>(170 746 729)</u>	<u>(217 629 571)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(2 204 850)	(2 275 774)
Finance lease payments		(1 886 916)	(1 388 053)
Net cash flows from financing activities		<u>(4 091 766)</u>	<u>(3 663 827)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(1 263 660)</u>	<u>(56 943 061)</u>
Cash and cash equivalents at the beginning of the year		38 210 006	95 153 067
Cash and cash equivalents at the end of the year	15	<u>36 946 346</u>	<u>38 210 006</u>

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of stands	20 000 000	-	20 000 000	5 288 063	(14 711 937)
Service charges	282 120 147	5 962 906	288 083 053	233 479 436	(54 603 617)
Rental of facilities and equipment	1 689 510	-	1 689 510	1 344 794	(344 716)
Interest received (trading)	6 245 194	3 500 721	9 745 915	7 295 148	(2 450 767)
Licences and permits	3 714 771	250 000	3 964 771	3 964 437	(334)
Other income - (rollup)	5 447 456	376 640	5 824 096	6 334 602	510 506
Interest received - investment	5 075 017	3 696 069	8 771 086	9 637 797	866 711

Total revenue from exchange transactions	324 292 095	13 786 336	338 078 431	267 344 277	(70 734 154)
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Revenue from non-exchange transactions

Taxation revenue

Property rates	57 938 494	2 016 000	59 954 494	58 324 939	(1 629 555)
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Transfer revenue

Government grants & subsidies	405 048 000	20 259 886	425 307 886	430 275 893	4 968 007
Fines, Penalties and Forfeits	1 644 442	55 000	1 699 442	8 247 791	6 548 349
Interest - Transfer revenue	-	-	-	4 155 689	4 155 689

Total revenue from non-exchange transactions	464 630 936	22 330 886	486 961 822	501 004 312	14 042 490
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Total revenue	788 923 031	36 117 222	825 040 253	768 348 589	(56 691 664)
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Expenditure

Personnel	(249 354 823)	5 305 405	(244 049 418)	(245 251 126)	(1 201 708)
Remuneration of councillors	(13 567 364)	(1 302 177)	(14 869 541)	(14 809 800)	59 741
Depreciation and amortisation	(58 906 750)	(9 312 468)	(68 219 218)	(88 286 356)	(20 067 138)
Finance costs	(975 780)	(255 000)	(1 230 780)	(8 813 403)	(7 582 623)
Lease rentals on operating lease	(17 112 349)	12 348	(17 100 001)	(17 203 386)	(103 385)
Debt Impairment	(14 969 050)	-	(14 969 050)	424 058	15 393 108
Bad debts written off	(515 950)	(46 500)	(562 450)	(32 749 009)	(32 186 559)
Bulk purchases	(130 000 000)	(13 000 000)	(143 000 000)	(152 962 060)	(9 962 060)
Contracted Services	(70 350 995)	(30 451 985)	(100 802 980)	(115 809 847)	(15 006 867)
Sale of goods/Inventory	-	-	-	(919 000)	(919 000)
General Expenses	(92 421 836)	5 405 018	(87 016 818)	(74 130 549)	12 886 269

Total expenditure	(648 174 897)	(43 645 359)	(691 820 256)	(750 510 478)	(58 690 222)
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Operating surplus	140 748 134	(7 528 137)	133 219 997	17 838 111	(115 381 886)
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Fair value adjustments	-	-	-	527 000	527 000
Actuarial gains/losses	-	-	-	(4 187 649)	(4 187 649)
Inventories losses/write-downs	-	-	-	(424 195)	(424 195)
Loss on non-current assets held for sale or disposal groups	-	-	-	(1 727 970)	(1 727 970)

	-	-	-	(5 812 814)	(5 812 814)
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Surplus before taxation	140 748 134	(7 528 137)	133 219 997	12 025 297	(121 194 700)
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GA-SEGONYANA LOCAL MUNICIPALITY

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	140 748 134	(7 528 137)	133 219 997	12 025 297	(121 194 700)	

Sales 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 over budgeting.

Rental of facilities

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

Fines, Penalties and Forfeits

4) The variance is due to more fines issued in the 2023/2024 financial year and also the retention forfeit that was not budgeted for in the 2023/24 financial year.

Finance Costs

5) The Variance is due to interest on landfill site and interest on Employee Obligation that was not budgeted for.

Gains/(Loss) on disposal of assets

6) Gains/(Loss) on disposal of assets was not budgeted for.

Actuarial gains/(losses)

7) Actuarial gains or losses were not budgeted for.

Depreciation, amortisation and impairment loss/(reversal).

8) The municipality did not adequately budget for the 2023/24 depreciation.

Bad debts written off

9) The municipality did not budgeted for bad debt write-off.

Other Revenue

10) Variance is as a result of expected benefit investing for employees obligation that was not budgeted for.

General expenses

11) General expenses increased due to increases in repairs and maintenance from capital projects.

Debt impairment

12) The variance is due to over-budgeting for debt impairment and also as a result of the unpredictable movement on the consumer debtors' accounts..

Contracted services

13) The variance is as a result of over expenditure on the Bloem water expenditure. The municipality understated the budget for this item.

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GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Interest received (trading)

14) The variance is due to a decrease in accounts receivable, resulting a decrease in interest received from exchange transactions.

Bulk Purchases

15) The variance is due to the high increases in tariffs charged by Eskom.

Inventory losses/write-downs

16) The variance is due to the unpredictability of inventory losses/write-downs at the time the budget was prepared.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	24 574 820	22 240 794	46 815 614	18 946 672	(27 868 942)	
Receivables from non-exchange transactions	19 672 862	6 291 964	25 964 826	38 327 071	12 362 245	
VAT receivable	94 691 638	(97 219 973)	(2 528 335)	-	2 528 335	
Receivables from exchange transactions	31 415 555	1 843 977	33 259 532	36 135 263	2 875 731	
Other asset 1	19 238 998	(19 238 998)	-	-	-	
Cash and cash equivalents	113 237 318	(1 214 107)	112 023 211	36 946 346	(75 076 865)	
	302 831 191	(87 296 343)	215 534 848	130 355 352	(85 179 496)	

Non-Current Assets

Investment property	10 144 644	10 123 505	20 268 149	19 745 449	(522 700)	
Property, plant and equipment	1 841 043 172	57 684 468	1 898 727 640	1 852 170 857	(46 556 783)	
Intangible assets	917 657	(421 352)	496 305	496 305	-	
Heritage assets	1 655 642	-	1 655 642	1 655 642	-	
	1 853 761 115	67 386 621	1 921 147 736	1 874 068 253	(47 079 483)	

Total Assets

	2 156 592 306	(19 909 722)	2 136 682 584	2 004 423 605	(132 258 979)	
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Liabilities

Current Liabilities

Other financial liabilities	989 751	(284 896)	704 855	2 106 738	1 401 883	
Finance lease obligation	-	-	-	1 886 916	1 886 916	
Operating lease liability	-	-	-	6 752 031	6 752 031	
Payables from exchange transactions	77 961 547	39 252 440	117 213 987	122 172 925	4 958 938	
VAT payable	66 224 751	(15 825 113)	50 399 638	47 370 393	(3 029 245)	
Consumer deposits	5 915 498	486 083	6 401 581	6 842 949	441 368	
Employee benefit obligation	-	-	-	2 115 143	2 115 143	
Unspent conditional grants and receipts	-	-	-	1 517 893	1 517 893	
Provisions	761 092	(761 092)	-	-	-	
Unspent conditional grants	17 312 937	(8 371 453)	8 941 484	-	(8 941 484)	
	169 165 576	14 495 969	183 661 545	190 764 988	7 103 443	

Non-Current Liabilities

Other financial liabilities	8 779 000	26 721 000	35 500 000	1 768 416	(33 731 584)	
Finance lease obligation	7 037 992	(3 163 852)	3 874 140	-	(3 874 140)	
Employee benefit obligation	-	-	-	45 483 535	45 483 535	
Provisions	54 373 787	(28 878 232)	25 495 555	28 463 712	2 968 157	
	70 190 779	(5 321 084)	64 869 695	75 715 663	10 845 968	

Total Liabilities

	239 356 355	9 174 885	248 531 240	266 480 651	17 949 411	
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Net Assets

	1 917 235 951	(29 084 607)	1 888 151 344	1 737 942 954	(150 208 390)	
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GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	1 917 236 383	(29 084 552)	1 888 151 831	1 737 942 952	(150 208 879)	
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Inventory

1) Inventory variance due to RDP land derecognised and no other land transferred to owner.

Receivables from exchange transactions

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

VAT

3) VAT receivable is lower than the budgeted amount as the municipality was refunded most of the outstanding returns as at year end.

Cash and cash equivalents

4) 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

5) 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

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

Other Financial liabilities

7) This balance is composed of loans from DBSA and the municipality managed to repay part of the loan in the 2022/23 financial year.

Payables from exchange transactions

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

Employee benefit obligation

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

Unspent conditional grants and receipts

10) 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

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

Receivables from non-exchange transactions

12) The variance is due to more fines issued in the 2023/24 financial year and increase in tariff rate for property rates.

Provision

13) Budgeted amount is less than actual amount due to no new rehabilitation site being developed during the financial year under review.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Operating lease liability

14) The variance is due to the fact that the expense was budgeted for as a operating lease and not in terms of a finance lease.

Finance lease obligation

15) The variance is mainly due to over budget for finance leases.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Significant accounting policies

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

1.1 Basis of preparation

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

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

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".

1.2 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.

1.3 Going concern assumption

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

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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.

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.

Fair value estimation

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

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

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

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

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 goodwill and tangible assets.

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

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions and Contingencies

Provisions are recognised when:

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

(a) has a detailed formal plan for the restructuring, identifying at least:

- (i) the activity/operating unit or part of an activity/operating unit concerned; (ii) the principal locations affected.
- (iii) the location, function, and approximate number of employees who will be compensated for their services being terminated.
- (iv) the expenditures that will be undertaken; and
- (v) when the plan will be implemented; and (b) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

- (a) necessarily entailed by the restructuring; and
- (b) not associated with the ongoing activities of the entity.

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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

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

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

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

- Financial difficulty of the debtor.
- Defaults or delinquencies in interest and capital repayments by the debtor;
- Breaches of the terms of the debt instrument that results in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- A decline in prevailing economic circumstances (e.g. high interests' rate, inflation and unemployment) that impact on the ability of entities to repay their obligations

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

The amount determined using in the standard of GRAP on provisions, contingent liabilities and contingent assets; and

The amount of the fee initially recognises less, where appropriate, cumulative amortisation recognised in accordance with the standard of GRAP on revenue from exchange transactions.

Decommissioning, restoration and similar liability

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

Where the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability
- exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on 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 2024

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

Effective interest rate

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

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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 receivable 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.

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.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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:

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:

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

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:

Group	Expected future cash flow
Accounts with no payment received in the last No payment expected six months	
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 Fully recoverable and/or 60 days	
High risk consumer receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc.) -Payment history

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Medium risk consumer receivables	-Any other factors applicable (e.g. debtors handed over) Will be determined using the following: -Geographical area -Category (Business, household, etc.) -Payment history
Low risk consumer receivables	-Any other factors applicable (e.g. debtors handed over) Will be determined using the following: -Geographical area -Category (Business, household, etc.) -Payment history
High risk sundry receivables	-Any other factors applicable (e.g. debtors handed over) Will be determined using the following: -Geographical area -Category (Business, household, etc.) -Payment history
Medium risk sundry receivables	-Any other factors applicable (e.g. debtors handed over) Will be determined using the following: -Geographical area -Category (Business, household, etc.) -Payment history
Low risk sundry receivables	-Any other factors applicable (e.g. debtors handed over) 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.

1.5 Investment property

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

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

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

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

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

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

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

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.5 Investment property (continued)

Fair value

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.

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

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

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

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.

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.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements.

1.6 Property, plant and equipment

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

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
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.

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.

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1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

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Significant Accounting Policies

1.7 Site restoration and dismantling cost (continued)

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.

1.8 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.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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Significant Accounting Policies

1.8 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	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 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).

1.9 Heritage assets

Assets are resources controlled by a 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.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

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1.10 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.

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.

1.10.1 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.

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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Significant Accounting Policies

1.11 Statutory receivables (continued)

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

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

Other charges

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

Impairment losses

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

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

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

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

In estimating the future cash flows, a 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.

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1.11 Statutory receivables (continued)

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

1.12 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.

1.13 Leases

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

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

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 of on the remaining balance of the liability.

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

Operating leases - lessee

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

1.14 Inventories

1.14.1 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.

1.14.2 Subsequent measurement

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

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

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

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

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

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1.14 Inventories (continued)

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

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

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

1.14.3 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.

1.15 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:

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.

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1.15 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

1.16 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.

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

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:

- 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:

Identification

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

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

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

Value in use

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

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

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.

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.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.17 Employee benefits

Identification

Employee benefits

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

Short-term employee benefits

Recognition and measurement

All 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

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

- (a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- (b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are discounted using the discount rate as specified.

1.18 Provisions and contingencies

1.18.1 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.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

1.18.2 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 surplus (deficit).

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

Contingent liabilities and assets

In preparing the financial statements, the municipality complies with the requirements of the Standards of Generally Recognised Accounting Practice (GRAP). The municipality discloses contingent liabilities and contingent assets in accordance with GRAP 19 – Provisions, Contingent Liabilities, and Contingent Assets.

Recognition and Measurement

Contingent liabilities and contingent assets are not recognised in the financial statements because they are either:

- Contingent Liabilities: Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the municipality; or present obligations that arise from past events but are not recognised because it is not probable that an outflow of resources will be required or the amount cannot be reliably measured.

- Contingent Assets: Possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the municipality.

Where contingent liabilities and assets are disclosed, they are reported at the best estimate value, representing management's best judgement of the potential financial impact based on available information.

Review and Update

Contingent liabilities and assets are reviewed at each reporting date to determine whether any adjustments are necessary. The municipality will recognise a provision if it becomes probable that an outflow or inflow of resources will be required and the obligation or asset qualifies for recognition as a liability or an asset, respectively, as defined by GRAP 19.

1.19 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.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.20 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

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, sale of stands, licenses and permits and interest income.

Measurement

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

Sale of goods

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

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

Rendering of services

Rendering of services include 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;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Interest

Revenue arising from the use by others of 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 is recognised on a time proportion basis.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.21 Revenue from non-exchange transactions

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

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.

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

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

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

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Recognition

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

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

Measurement

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

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

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.

Fines

Revenue fines will be accounted for on accrual basis based on GRAP 1

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

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.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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

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.

1.22 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.

1.23 Comparative figures

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

1.24 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

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

- (a) this Act; or
(b) the state Tender 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 entity's supply chain management policy.

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

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.26 Irregular expenditure (continued)

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

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

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

1.27 Segment information

A segment is an activity of an entity:

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

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

1.28 Budget information

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

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

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

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

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

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

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

1.29 Related parties

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

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

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.29 Related parties (continued)

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

The municipality identifies related parties in line with GRAP 20 - Related Party Disclosures. A related party is a person or entity with the ability to control or significantly influence the municipality's financial and operating policies or is a member of the key management personnel of the municipality.

1. Related Party Transactions: Transactions between the municipality and related parties are disclosed in the financial statements when a transfer of resources, services, or obligations has occurred, regardless of whether a price is charged.

2. Types of Related Parties:

- Key Management Personnel: Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the municipality. This includes executive directors, senior management, and council members.
- Entities Controlled by the Municipality: Any entities, subsidiaries, or trusts over which the municipality has control or significant influence are considered related parties and are disclosed accordingly.
- Close Family Members: Close family members of key management personnel are also considered related parties and disclosed if they have a financial relationship with the municipality.

3. Measurement and Recognition:

- Related party transactions are measured at the transaction amount, in accordance with GRAP 20, and disclosed in the financial statements to provide transparency on potential conflicts of interest and to maintain compliance with applicable standards.

4. Disclosure Requirements:

- All related party transactions are disclosed in Note 44 to the financial statements, including the nature of the relationship, types of transactions, and, where applicable, the value of transactions and outstanding balances at year-end.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.30 Events after reporting date

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

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

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

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

1.31 Segment Reporting

The municipality reports on segments in accordance with GRAP 18 – Segment Reporting, which requires entities to disclose information that enables users of the financial statements to evaluate the nature and financial effects of the activities in which the municipality is involved. The primary basis of segment reporting is based on the internal structure used for management reporting purposes, which reflects the municipality's operations and decision-making process.

The municipality has identified segments 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 issued 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

The Municipality has several departments/functional areas and accordingly. The segments for reporting purposes are as set out below:

- Municipal governance and administration services)
- Finance and administration
- Public Safety, Community and Social Services
- Sports and Recreation
- Planning and Development
- Road Transport
- Environmental Protection
- Energy Sources
- Trading Services

Revenue and Expenses: Revenue and expenses are assigned to segments based on the direct attribution of activities. Indirect expenses are allocated to segments in a systematic and reasonable basis.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.32 Expenditure

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

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

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

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

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

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

1.33 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.

Notes to the Annual Financial Statements

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

2024

2023

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 40 - Public-Private Partnerships (PPS) 01 January 2023
- GRAP 104 (amended) - Financial instruments 01 January 2023
- GRAP 19 (amended) - Provisions, Contingent Liabilities and Contingent Assets 01 January 2023
- GRAP 18 (amended) - Segment reporting 01 January 2023

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	21 844 849	-	21 844 849	20 268 149	-	20 268 149

Reconciliation of investment property - 2024

	Opening balance	Transfers received	Fair value adjustments	Total
Investment property	20 268 149	1 049 700	527 000	21 844 849

Reconciliation of investment property - 2023

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

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.

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).

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	22 369 957	-	22 369 957	15 764 663	-	15 764 663
Buildings	100 808 432	(23 431 846)	77 376 586	83 709 054	(20 773 081)	62 935 973
Plant and machinery	4 750 510	(3 295 433)	1 455 077	4 845 954	(2 998 556)	1 847 398
Furniture and fixtures	11 302 566	(8 289 734)	3 012 832	10 295 927	(8 057 474)	2 238 453
Motor vehicles	18 067 105	(12 565 874)	5 501 231	18 334 440	(11 512 205)	6 822 235
Office equipment	7 498 364	(3 768 739)	3 729 625	5 568 594	(2 993 475)	2 575 119
Infrastructure	2 608 021 252	(979 070 345)	1 628 950 907	2 468 162 135	(906 643 841)	1 561 518 294
Community	181 319 964	(73 592 054)	107 727 910	167 030 981	(67 334 455)	99 696 526
Total	2 954 138 150	(1 104 014 025)	1 850 124 125	2 773 711 748	(1 020 313 087)	1 753 398 661

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	15 764 663	6 605 294	-	-	-	-	22 369 957
Buildings	62 935 973	17 099 377	-	-	(2 658 764)	-	77 376 586
Plant and machinery	1 847 398	174 349	(106 732)	-	(459 938)	-	1 455 077
Furniture and fixtures	2 238 453	1 796 520	(251 118)	-	(771 022)	-	3 012 832
Motor vehicles	6 822 236	-	(16 332)	-	(1 304 672)	-	5 501 231
Office equipment	2 575 119	2 704 697	(490 601)	-	(1 059 591)	-	3 729 624
Infrastructure	1 561 518 294	146 107 866	(698 085)	(3 470 505)	(73 314 323)	(1 192 340)	1 628 950 907
Community	99 440 025	17 211 074	(152 519)	(1 474 600)	(4 966 974)	(2 329 096)	107 727 910
	1 753 142 161	191 699 177	(1 715 387)	(4 945 105)	(84 535 284)	(3 521 436)	1 850 124 124

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	13 748 463	-	-	-	2 016 200	-	-	15 764 663
Buildings	53 855 613	31 771 421	(5 690)	(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	80 145 502	(1 604 236)	38 885 300	-	(77 083 885)	(4 300 834)	1 561 518 294
Community	92 514 587	-	(151 954)	11 716 543	-	(3 891 912)	(490 736)	99 696 528
	1 698 213 587	116 919 613	(2 574 550)	29 319 312	2 016 200	(85 574 122)	(4 921 375)	1 753 398 665

Other information

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	141 974 392	140 701 129
Property, plant and equipment procured through mining donations	3 422 176	9 668 474
	145 396 568	150 369 603

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	221 892 550	246 645 586
Community	31 524 474	20 962 893
	253 417 024	267 608 479

The renovation of the Town Hall, with a carrying amount of R9,144,860, is taking an extended period to complete. Similarly, the Bankara Water Reservoir project, with a carrying amount of R141,974,392, is also experiencing significant delays.

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Figures in Rand	2024	2023
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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	225 363 055	32 999 074	258 362 129
Additions/capital expenditure	142 453 727	32 489 695	174 943 422
Transferred to completed items	(145 924 232)	(33 964 295)	(179 888 527)
	221 892 550	31 524 474	253 417 024

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	207 760 286	21 282 531	229 042 817
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	32 999 074	258 362 130

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	529 824	261 695
Plant and Equipment	1 086 442	604 883
Infrastructure	2 247 039	3 315 354
	3 863 305	4 181 932

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

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Notes to the Annual Financial Statements

5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	2 696 480	(2 252 844)	443 636	2 101 651	(1 605 346)	496 305

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	496 305	176 966	(229 635)	443 636

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	485 656	417 864	(407 215)	496 305

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Notes to the Annual Financial Statements

6. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	1 655 642	-	1 655 642	1 655 642	-	1 655 642

Reconciliation of heritage assets 2024

	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 2023

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

7. Operating lease asset (liability)

Current liabilities	6 752 031	4 074 159
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Operating Lease Liability

Minimum lease payments due

- within one year	6 752 031	4 074 159
- in second to fifth year	-	-
	6 752 031	4 074 159

8. Payables from exchange transactions

Trade payables	1 885 605	17 848 217
Debtors with credit balances	6 484 112	7 377 883
Accruals	61 371 700	5 442 558
Unallocated deposits	2 922 818	2 845 641
Leave Pay	14 409 569	12 493 094
Employee cost accrual	3 877 556	3 809 874
Retentions	19 307 799	16 588 066
Sale of Stands	4 921 528	5 234 828
Bonus	6 988 559	4 842 028
Sundry payables	3 679	26 347
	122 172 925	76 508 536

9. VAT payable

Tax refunds payables	47 370 393	3 780 629
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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
10. Consumer deposits		
Electricity	5 337 292	5 067 034
Housing rental	1 505 657	1 333 547
	6 842 949	6 400 581

11. Employee benefit obligations

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

Carrying value

Present value of the defined benefit obligation	(36 600 491)	(29 589 518)
Present value of the defined benefit obligation-wholly unfunded	(10 998 187)	(8 166 427)
	(47 598 678)	(37 755 945)
Non-current liabilities	(45 483 535)	(35 499 513)
Current liabilities	(2 115 143)	(2 256 432)
	(47 598 678)	(37 755 945)

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 continue 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 a 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 2024 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 employees as at 30 June 2024	381	380
New entries	58	12
Exits	(7)	(11)
	432	381

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

Opening balance	8 166 427	8 394 000
Total expenditure	559 722	977 378
Actuarial loss/(gain)	2 272 038	(1 204 951)
	10 998 187	8 166 427

Net expense recognised in the statement of financial performance are as follows:

Service cost	838 464	921 000
- Current service cost	838 464	921 000
Net interest on the net defined benefit liability (asset)	798 431	830 000
Remeasurements of the net defined benefit liability (asset)	2 272 038	(1 204 951)
- Actuarial gains and losses arising from:	2 272 038	(1 204 951)
Actuarial (gains)/losses	2 272 038	(1 204 951)
Expected vesting benefits	(1 077 173)	(773 622)
	2 831 760	(227 573)

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Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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11. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate	10,53%	10,47%
Net discount	3,87 %	3,96%
General earning inflation rate	6,41 %	6,26%
Average retirement age	63	63

Pre-retirement mortality SA85-90

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

A discount rate of 10.53% 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 2024. 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 2024. The duration of the total liability was estimated to be 9.53 years.

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Notes to the Annual Financial Statements

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11. Employee benefit obligations (continued)

Sensitivity analysis

Healthcare cost trends

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:

	2024 R	2023 R	2022 R	2021 R	2020 R
Defined benefit obligation	10 998 187	8 166 427	8 447 000	7 176 000	6 031 000
Surplus (deficit)	(10 998 187)	(8 166 427)	(8 447 000)	(7 176 000)	(6 031 000)
Experience adjustments on plan liabilities	(278 742)	56 445	180 000	621 000	55 820

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		10 998 187	
General earnings inflation rate	+1%	11 713 788	6.51%
	- 1%	10 345 954	-5.93%
Discount rate	+1%	31 820 985	17.01%
	- 1%	42 565 093	13.77%
Average retirement age	+2 yrs	11 839 009	7.65%
	- 2 yrs	9 931 961	- 9.69%
Withdrawal rates	X2	12 697 591	- 50%

Sensitivity Analysis on current service and interest costs for the year ending 30 June 2024

Assumption	Change	Current Service	Interest cost	Total	%Change
Central assumptions		838 464	798 431	1 636 895	
General earnings inflation rate	+1%	1 220 279	1 179 341	2 399 620	6.51%
	- 1%	1 055 718	1 035 335	2 091 053	-5.93%
Discount rate	+1%	2 935 875	4 521 044	7 456 919	17.01%
	- 1%	4 197 290	5 233 785	9 431 075	13.77%
Average retirement age	- 2 yrs	1 036 372	995 890	2 032 262	-9.69%
	+2 yrs	1 204 900	1 188 426	2 393 326	7.65%

Sensitivity Analysis on current service and interest costs for the year ending 30 June 2025

Assumption	Change	Current Service	Interest cost	Total	%Change
Central assumptions		1 133 787	1 104 002	2 237 789	
General earnings inflation rate	+1%	1 220 279	1 055 718	2 275 997	6.51%
	- 1%	1 217 694	1 133 787	2 351 481	6.30%
Discount rate	+1%	1 177 100	110 400	1 287 500	-5.70%
Average retirement age	+2 yrs	1 204 900	1 188 426	2 393 326	7.65%
	- 2 yrs	1 036 372	995 890	2 032 262	-9.69%
Withdrawal rates	X2	1 133 787	1 367 428	2 501 215	15.45%
	X0.5	1 104 002	1 282 916	2 386 918	-50.00%

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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11. Employee benefit obligations (continued)

Post employment medical aid subsidy

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

In-service (employee) members	322	244
In-service (employee) non members	110	119
Continuation)retiree or widow members	<u>22</u>	<u>22</u>
	454	385

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

Opening balance	31 520 970	29 945 000
Contributions by plan participants	<u>1 179 259</u>	<u>1 637 970</u>
	32 762 229	31 582 970

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

Current service cost	2 258 137	2 223 000
Interest cost	4 016 484	3 484 000
Actuarial (gains)/losses	1 915 611	(4 471 043)
Settlement	<u>(1 179 259)</u>	<u>(1 591 439)</u>
	7 010 973	(355 482)

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

Assumptions used at the reporting date:

Discount rates used	13,46%	10,33%
Health care cost inflation	9,34%	6,40%
Net-of health-care-cost-inflation discount rate	3,77%	3,69%
Maximum subsidy inflation rate	6,63%	4,43%
Medical cost trend rates	6,40%	5,65%
Expected increase in salaries	75,00%	75,00%
Expected pension increases	75,00%	75,00%
Proportion of employees opting for early retirement	15,00%	15,37%
Average retirement age	65	63

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Figures in Rand	2024	2023
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11. Employee benefit obligations (continued)

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 2024.

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:

	2024 R	2023 R	2022 R	2021 R	2020 R
Defined benefit obligation	34 684 880	29 589 518	29 945 000	28 407 000	23 763 000
Surplus (deficit)	(34 684 800)	(29 589 518)	(29 945 000)	(28 407 000)	(23 763 000)
Experience adjustments on plan liabilities	-	-	-	28 400	1 188 000

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11. Employee benefit obligations (continued)

Sensitivity Analysis on Accrued Liability

Assumption	Change	Liability	Change
Central assumptions		10 998 187	
General earnings inflation rate	+1%	11 713 788	6.51%
	- 1%	10 345 954	-5.93%
Discount rate	+1%	31 820 985	17.01%
	- 1%	42 565 093	13.77%
Average retirement age	+2 yrs	11 839 009	7.65%
	- 2 yrs	9 931 961	- 9.69%
Withdrawal rates	X2	12 697 591	- 50%

Sensitivity Analysis on current service and interest costs for the year ending 30 June 2024

Assumption	Change	Current Service	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	7.00%
	- 1%	1 964 000	3 193 000	5 175 000	-10.00%
Discount rate	+1%	1 866 000	3 299 000	5 165 000	- 9.00%
	- 1%	2 681 000	3 696 000	6 377 000	12.00%
Post-employment mortality	- 1 yrs	2 171 000	3 391 000	5 562 000	2.00%
	+1 yrs	2 271 000	3 576 000	5 847 000	2.00%
Average retirement age	+1 yra	2 330 000	3 735 000	6 065 000	-10.00%
Membership contribution	-10%	1 941 000	3 212 000	5 153 000	-10.00%

Sensitivity Analysis on current service and interest costs for the year ending 30 June 2025

Assumption	Change	Current Service	Interest cost	Total	%Change
Central assumptions		2 258 137	4 016 484	6 274 621	
Health care inflation rate	+1%	4 260 318	5 688 914	9 949 232	17.01%
	- 1%	2 884 929	5 126 377	8 011 306	13.77%
Discount rate	+1%	2 935 875	4 197 290	7 133 165	13.06%
	- 1%	4 521 044	5 233 785	9 754 839	16.30%
Post-employment mortality	+1 yrs	3 491 214	3 588 149	7 079 363	3.02%
	- 1 yrs	4 851 403	4 999 987	9 851 390	

12. Inventories

Consumable stores	2 264 548	2 623 473
Water	548 083	117 557
Unsold Properties Held for Resale (Land)	16 134 041	24 708 035
	18 946 672	27 449 065

13. Receivables from non-exchange transactions

Fines	15 651 216	12 848 296
Property rates	22 742 276	16 266 398
	38 393 492	29 114 694

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Figures in Rand	2024	2023
13. Receivables from non-exchange transactions (continued)		
Included in receivables from non-exchange transactions are balances owing from property rates as follows:		
Current	4 466 069	4 453 195
31-60 days	2 517 102	2 129 802
61-90 days	2 120 466	1 737 811
91-120 days	1 964 532	1 599 538
121-365days	13 095 286	10 929 275
>365 days	27 178 759	26 301 530
	51 342 214	47 151 151
Less: Allowance for impairment	(28 599 938)	(30 884 752)
Net Balance	22 742 276	16 266 399
Fines		
Gross fines	22 771 266	16 154 406
Less: Impairment	(7 120 050)	(3 306 110)
Net balance	15 651 216	12 848 296
	-	-
Total receivables from non-exchange transactions	38 393 492	29 114 694
Statutory receivables general information		
Credit quality of receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Based in the assessment conducted by the municipality, the quality of these debtors is considered to be satisfactory.		
14. Receivables from exchange transactions		
Gross balances		
Electricity	23 503 089	22 730 207
Water	19 967 822	13 703 694
Sewerage	23 261 797	21 289 361
Refuse	12 419 335	12 019 230
Sundry Debtors	10 619 504	16 201 215
	89 771 547	85 943 707
Less: Allowance for impairment		
Allowance for impairment	(53 702 701)	(55 656 936)
Net balance	36 068 846	30 286 772
Electricity		
Current (0 -30 days)	7 304 764	5 416 948
31 - 60 days	2 517 487	1 686 673
61 - 90 days	2 716 587	1 058 225
91 - 120 days	1 217 758	979 118
121 - 365 days	4 885 409	5 988 441
> 365 days	4 861 086	7 600 802
	23 503 091	22 730 207

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Figures in Rand	2024	2023
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14. Receivables from exchange transactions (continued)

Water

Current (0 -30 days)	3 990 108	2 829 307
31 - 60 days	2 135 795	1 077 498
61 - 90 days	1 980 698	901 150
91 - 120 days	1 542 832	771 611
121 - 365 days	5 176 785	3 874 324
> 365 days	5 141 603	4 249 804
	19 967 821	13 703 694

Waste water

Current (0 -30 days)	2 617 066	1 833 262
31 - 60 days	1 655 485	1 039 181
61 - 90 days	1 680 781	898 761
91 - 120 days	1 515 422	796 798
121 - 365 days	6 756 447	5 202 013
> 365 days	9 036 595	11 519 346
	23 261 796	21 289 361

Refuse

Current (0 -30 days)	1 371 058	1 073 241
31 - 60 days	803 846	619 392
61 - 90 days	673 199	500 520
91 - 120 days	570 157	469 607
121 - 365 days	3 715 813	3 162 825
> 365 days	5 285 262	6 193 645
	12 419 335	12 019 230

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 874	3 400
Bank balances	36 944 468	36 938 490
Short-term deposits	4	1 268 116
	36 946 346	38 210 006

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FNB Cheque Account-62649722883	-	-	87 963 239	-	-	86 623 775
FNB Cheque Account-6265254632	-	-	298 149	-	-	795 204
FNB - 7 days Call Account-74690806392	-	-	507 492	-	-	507 492
FNB Call Account-62671219048	-	-	100 634	-	-	100 634
ABSA Cheque Account-4103242034	159 900	733 878	1 234 245	164 112	771 941	672 756
ABSA Primary Account-4103241868	16 494 977	7 849 815	6 421 781	16 527 805	7 956 447	6 449 806
ABSA Deposit- 2080540793	-	468 771	-	-	468 771	-
ABSA Fixed Deposit-2080540963	-	799 341	-	-	799 341	-
ABSA Deposit Plus-9371420627	20 252 551	28 210 102	-	20 252 551	28 210 102	-
ABSA - 4060204391	-	-	-	4	4	-
Total	36 907 428	38 061 907	96 525 540	36 944 472	38 206 606	95 149 667

16. Finance lease obligation

Minimum lease payments due

- within one year	1 146 352	-
- in second to fifth year inclusive	1 432 940	-

less: future finance charges

2 579 292	-
(692 376)	-

Present value of minimum lease payments

1 886 916	-
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It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 2% .

Interest rates are fixed 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.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	-	14 858 165
EEMG Electricity Consumption Reduction	-	131
Financial Management Grant	(44)	(8)
Expanded Public Works Programme (EPWP)	-	8
Integrated National Electrification Programme	1 977	1 846
Neighbourhood Development Partnership	86	-
Water Services Infrastructure Grant (WSIG)	1 515 873	(2 941)
	1 517 893	14 857 202

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17. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	14 857 078	17 399 799
Additions during the year	390 323 000	384 563 874
Income recognition during the year	(403 662 308)	(387 106 471)
	1 517 770	14 857 202

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

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

18. Other financial liabilities

At amortised cost

DBSA Bank loan	3 875 154	6 080 004
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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	1 768 416	3 875 148
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Current liabilities

At amortised cost	2 106 738	2 204 856
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Financial liabilities at amortised cost

As at 30 June 2024, 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 30 June 2024	Interest p.a
61000038	100234/1	2003/08/07	2023/12/31	20	4 341 243.00	-	11.50%
61000357	101738/2	2005/03/24	2025/06/30	20	7 183 596.00	743 081.52	9.34%
61000505	102274/2	2006/06/30	2026/02/28	20	12 109 500.00	2 286 010.59	8.46%
61000632	102568/2	2007/11/19	2027/12/31	20	3 512 071.00	846 063.37	5.00%
						3 875 155.48	

Contract number: 102568/2
- Grace period: 1 year

Contract number: 101738/2
- Grace period: 0 years

Contract number:102274/2
- Grace period: 0 years

Contract number:100234/1
- Grace period: 0 years

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
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18. Other financial liabilities (continued)

Maturity analysis

At June 30,2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
DBSA Bank Loan	2 106 737.75	1 472 205.54	296 210.21	-
At June 30,2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
DBSA Bank Loan	2 204 854.56	2 106 737.75	1 768 415.75	-

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.

19. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	25 495 555	183 634	2 784 523	28 463 712

Reconciliation of provisions - 2023

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	27 717 355	(2 221 800)	25 495 555

Environmental rehabilitation provision

The obligation relates to the final rehabilitation and closure of the Kuruman landfill site. This obligation arises from legal requirements for environmental management and rehabilitation, as per the National Environmental Management Act (NEMA) and related waste management regulations. The expected timing of outflows involves immediate and future costs, with the estimated remaining life of the landfill being 4 years. After closure, outflows will also occur over a 30-year post-closure monitoring period.

There are uncertainties concerning both the amount and timing of outflows due to factors such as inflation, future interest rates, and changes in the regulatory environment. Specific uncertainties include the cost of necessary closure activities (e.g., capping, top-soiling, vegetation, and leachate control) and ongoing post-closure monitoring (e.g., water and gas monitoring). The landfill has yet to implement key environmental monitoring systems, which adds further unpredictability to future rehabilitation costs. The major assumptions used in determining these costs include the application of the Consumer Price Index (CPI) for future cost estimations, and a discount rate of 10.494% to calculate the present value of future liabilities.

No reimbursement are expected. Therefore, no asset has been recognized for such reimbursement. All costs for closure and post-closure management are expected to be borne by the municipality, and no specific provisions for external funding or reimbursements are noted.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
20. Revenue		
Sale of stands	5 288 063	3 872 723
Service charges	233 479 436	184 783 447
Rental of facilities and equipment	1 344 794	2 873 275
Interest received (trading)	7 295 148	4 516 791
Licences and permits	3 964 437	3 642 989
Actuarial gain	-	5 675 994
Fair value adjustments	527 000	-
Other income	6 334 602	13 444 043
Interest received - investment	9 637 797	5 691 571
Property rates	58 324 939	55 032 123
Government grants & subsidies	430 275 893	387 106 474
Fines, Penalties and Forfeits	8 247 791	7 555 914
Interest received - non exchange	4 155 689	3 924 469
	768 875 589	678 119 813
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of stands	5 288 063	3 872 723
Service charges	233 479 436	184 783 447
Rental of facilities and equipment	1 344 794	2 873 275
Interest received (trading)	7 295 148	4 516 791
Licences and permits	3 964 437	3 642 989
Actuarial gains	-	5 675 994
Fair value adjustments	527 000	-
Other income - (rollup)	6 334 602	13 444 043
Interest received - investment	9 637 797	5 691 571
	267 871 277	224 500 833
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	58 324 939	55 032 123
Transfer revenue		
Government grants & subsidies	430 275 893	387 106 474
Fines, Penalties and Forfeits	8 247 791	7 555 914
Interest received - non exchange	4 155 689	3 924 469
	501 004 312	453 618 980

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
21. Service charges		
Sale of electricity	148 863 789	125 711 151
Sale of water	42 558 521	28 319 082
Solid waste	15 829 037	12 827 899
Sewerage and sanitation charges	26 228 089	17 925 315
	233 479 436	184 783 447
Principal-Agent agreement		
Collection Agents :		
Prepaid electricity and water		
MBL/Phepheng JV is a service provider who serves as agents for Ga-segonyana Local Municipality in the third-party sale of prepaid electricity and water. All payments are made directly to the municipality, and the service provider invoices the municipality for commission payable (VAT exclusive):		
2024: R3 900 250.66		
2023: R2 840 715.47		
22. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	1 344 794	2 873 275
23. Fines, Penalties and Forfeits		
Building Fines	44 696	-
Illegal Connections Fines	94 494	327 819
Overdue Books Fines	70	10 680
Pound Fees Fines	47 473	9 484
Municipal Traffic Fines	8 014 250	7 179 796
Disconnection Fees Penalties	46 808	28 135
	8 247 791	7 555 914
24. Licences and permits		
Trading	21 252	39 513
Road and Transport	3 943 185	3 603 476
	3 964 437	3 642 989
25. Lease rentals on operating lease		
Lease rentals - Furniture and Office equipment		
Contractual amounts	581 815	278 999
Lease rentals on operating lease - Fleet		
Contractual amounts	16 621 571	17 864 932
	17 203 386	18 143 931

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
25. Lease rentals on operating lease (continued)		
Expenditure		
Operating lease straight lined	14 603 412	14 603 412
Excess KMs	493 669	2 404 010
Damages	612 030	137 274
Repairs and Maintenance	577 864	-
Management fee	334 596	110 161
Back payment	-	610 075
Total operating lease	16 621 571	17 864 932
Other Office equipment rentals		
Office equipment	581 815	278 999
	581 815	278 999
26. Other revenue		
Other income	6 334 602	13 444 043
27. Other income		
Administrative and handling fees	-	927 277
Encroachment fees	684	684
Collection charges	1 548	145
Bad debts recovered	403 923	481 690
Breakages and losses recovered	195	814
Incidental cash surplus	(490)	(39 306)
Insurance refund	50 696	10 147
Faxes and telephone	8 713	10 784
Sales of goods (tender documents)	3 757	13 913
Valuation services	575	6 798
Decrease in Landfill rehabilitation	(183 634)	4 785 655
Building plan approval	1 245 111	1 812 958
Skills development levy refund	1 150 839	1 124 171
Movement in employee benefit obligation	2 256 432	2 365 061
Staff recoveries	410 657	39 627
Developmental charges	212 458	48 630
Inspection fees	35 041	8 763
Advertisements	158 816	96 357
Cemetery and burial	51 331	43 552
Entrance fees	117 518	97 376
Legal fees	-	982 737
Application for land usage	348 072	543 747
Clearance certificates	62 360	82 463
	6 334 602	13 444 043
28. Investment revenue		
Interest revenue		
Bank	9 637 797	5 691 571
29. Property rates		
Rates received		
Property rates	58 324 939	55 032 123

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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30. Government grants & subsidies

Operating grants

Equitable share	230 911 000	210 902 000
Expanded Public Works Programme (EPWP)	1 111 008	1 519 000
Financial Management Grant (FMG)	3 100 035	3 100 008
Library Grant	1 312 000	1 200 000
	236 434 043	216 721 008

Capital grants

Integrated National Electrification Programme (INEP)	43 025 000	33 302 313
Municipal Infrastructure Grant (MIG)	73 532 165	60 930 433
Neighbourhood Development Partnership Grant	9 999 914	13 485 000
EEDMG Electricity Consumption Reduction	-	4 999 869
Water Services Infrastructure Grant (WSIG)	40 731 186	44 456 983
Public Contributions	26 553 585	13 210 868
	193 841 850	170 385 466
	430 275 893	387 106 474

Equitable Share

In terms of Section 227 of the Constitution, the 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 (MIG)

Balance unspent at beginning of year	14 858 167	50 598
Current-year receipts	59 159 000	75 738 000
Conditions met - transferred to revenue	(73 532 165)	(60 930 431)
Withheld	(485 000)	-
	2	14 858 167

The grant is mainly used to fund infrastructure related projects (mainly 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

Balance unspent at beginning of year	131	-
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(4 999 869)
	131	131

Conditions still to be met - remain liabilities (see note 17).

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	1 252 000	1 200 000
Conditions met - transferred to revenue	(1 251 999)	(1 200 000)
	1	-

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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30. Government grants & subsidies (continued)

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

Financial Management Grant

Balance unspent at beginning of year	(8)	-
Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 100 035)	(3 100 008)
	(43)	(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.

Expanded Public Works Program (EPWP)

Current-year receipts	1 111 000	1 519 000
Conditions met - transferred to revenue	(1 111 000)	(1 519 000)
	-	-

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

Integrated National Electrification Programme

Balance unspent at beginning of year	1 846	2 054 159
Current-year receipts	43 025 000	31 250 000
Conditions met - transferred to revenue	(43 025 000)	(33 302 313)
	1 846	1 846

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 infrastructures.

Neighbourhood Development Partnership

Balance unspent at beginning of year	-	7 594 106
Current-year receipts	9 999 914	13 485 000
Conditions met - transferred to revenue	(9 999 914)	(13 485 000)
Other	-	(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 areas.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	(2 941)	7 700 939
Current-year receipts	42 250 000	36 958 000
Conditions met - transferred to revenue	(40 731 186)	(44 456 983)
Other	-	(204 897)
	1 515 873	(2 941)

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 2024

Notes to the Annual Financial Statements

	2024	2023
31. Employee related costs		
Basic	158 348 410	117 291 629
Bonus	12 925 628	9 848 430
Medical aid - company contributions	11 022 210	9 183 388
UIF	1 027 411	900 351
Industrial Council Contributions	57 845	49 907
Leave pay provision charge	2 373 364	212 042
Defined contribution plans	27 187 499	18 385 676
Travel, motor car, accommodation, subsistence and other allowances	5 990 839	5 376 618
Overtime payments	7 218 339	6 777 347
Long-service awards	595 422	773 621
Acting allowances	789 667	2 401 094
Housing benefits and allowances	5 396 988	4 663 232
Cellphone allowance	665 505	633 082
Standby Allowance	1 404 851	1 301 888
Skills Development Levy	2 073 857	1 629 713
Night Shift allowance	838 148	586 829
Employee benefit obligation - current service cost	3 096 601	3 144 000
Group Life Insurance	4 238 542	3 668 350
	245 251 126	186 827 197

Remuneration of municipal manager : MM Tsatsimpe

Annual Remuneration	1 646 476	2 089 372
Travel Allowance	181 146	181 146
Performance Bonuses	-	156 313
Contributions to UIF, Medical and Pension Funds	16 971	23 163
COVID 19 allowance	-	2 500
Cellphone allowance	43 155	42 980
Contribution to Bargaining Council	137	130
	1 887 885	2 495 604

Remuneration of Acting Municipal Manager

RC Pule

Acting period 12 January 2024 - 15 January 2024	71 062.86	-
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FK Baloyi

Acting period 7 November 2023 - 9 November 2023	114 252.95	-
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Acting period 5 February 2024 - 9 February 2024

Remuneration of chief finance officer: L Mashiane - From 1 September 2023

Annual Remuneration	989 436	-
Travel Allowance	200 000	-
Cellphone Allowance	25 000	-
Contributions to SDL	11 744	-
Contribution to UIF	1 771	-
Contribution to Bargaining Council	114	-
	1 228 065	-

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
31. Employee related costs (continued)		
Remuneration of chief financial officer: BKS Noke		
Annual remuneration	128 346	1 283 098
Travel allowance	16 253	195 032
Performance bonus	-	127 693
Contribution to UIF	177	2 125
Cellphone allowance	2 500	30 630
Other contributions	1 500	16 129
Covid - 19 allowance	-	2 500
	148 726	1 657 207
Remuneration of Acting chief financial officer: T Jarvis		
Acting allowance	75 112	104 115
Acting period 01 August 2023 - 31 August 2023		
Remuneration of Acting chief financial officer: N Keswa		
Acting allowance	41 055	113 642
Acting period 12 February 2024 - 23 February 2024		
Remuneration of Acting chief financial officer: D Pelele		
Acting allowance	-	53 603
Acting period 01 December 2022 - 10 January 2023		
Remuneration of Director of Community Services: FK Baloyi		
Annual Remuneration	997 996	801 219
Travel Allowance	292 240	292 240
Performance Bonuses	-	100 470
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Acting Allowance	-	120 924
Cellphone allowance	31 618	30 840
Other Contributions	12 770	13 027
Covid-19 allowance	-	2 500
	1 336 749	1 363 345
Remuneration or acting Director Community Services: MA Keetile		
Acting allowance	39 364	31 157
Acting period 18 March 2024 - 03 April 2024		
Remuneration of Director Corporate Services: R Pule		
Annual Remuneration	1 397 214	1 083 208
Travel allowance	154 200	154 200
Acting Allowance	71 063	31 363
Performance bonus	-	114 073
Cellphone allowance	31 618	30 840
Contribution to UIF	2 125	2 125
Covid-19 allowance	-	2 500
Other contributions	14 145	13 983
	1 670 365	1 432 292
Remuneration or acting Director Corporate Support Services: M Molale		
Acting allowance	-	38 933
Acting period 31 May 2023 - 15 June 2023		
Remuneration of Director of Infrastructure and Technical Services: BM Kgosieng 1 April 2023		
Annual Remuneration	1 146 278	264 878

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
31. Employee related costs (continued)		
Acting Allowance	-	475 577
Travel allowance	144 000	36 000
Cellphone allowance	30 000	7 500
Contributions to UIF	2 125	531
Other Contributions	11 364	2 622
	1 333 767	787 108
Remuneration of Director of Infrastructure and Technical Services: H Smit		
Performance Bonuses	-	140 495
Contributions to UIF, Medical and Pension Funds	-	177
Other Contributions	-	1 405
	-	142 077
32. Remuneration of councillors		
Mayor	1 040 254	1 040 096
Chief Whip	1 097 876	435 412
Speaker	842 114	833 865
Councillors	11 829 557	10 876 568
	14 809 800	13 185 940
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 for official duties.		
33. Depreciation and amortisation		
Property, plant and equipment	88 286 356	91 153 865
34. Finance costs		
Interest on Finance leases	453 979	145 205
Interest on Non-current borrowings	441 727	650 386
Interest on overdue accounts	318 259	18 644
Interest on provision for rehabilitation of land	2 784 523	2 563 855
Interest on Employee benefit obligation	4 814 915	4 314 000
	8 813 403	7 692 090
35. Auditors' remuneration		
Fees	5 473 594	6 590 917
36. Debt impairment		
Debt impairment	(424 058)	18 773 629

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
37. General expenses		
Advertising	114 327	296 912
Auditors remuneration	5 473 594	6 590 917
Bank charges	729 802	987 048
Cleaning	122 816	-
Computer expenses	503 144	4 573 205
Consumables	23 866 419	35 744 834
Entertainment	1 654 914	1 634 741
Poverty relief	30 770	61 400
Hire	284 358	518 664
Insurance	15 889 621	11 832 494
Community development and training	9 746	2 886
Motor vehicle expenses	421 311	400 771
Fuel and oil	162 477	-
Postage and courier	-	534 195
Printing and stationery	602 183	845 850
Protective clothing	787 366	333 619
Repairs and maintenance	4 047 239	4 181 934
Subscriptions and membership fees	2 400 021	2 053 277
Telephone and fax	2 379 780	1 636 884
Travel - local	3 373 270	3 868 507
Title deed search fees	170 961	61 991
Electricity	2 352 614	6 621 545
Learnerships and Internships	637 909	1 125 391
Remuneration to Ward Committees	1 619 000	1 664 000
Staff Incentives	2 120	73 005
EPWP	3 050 339	2 710 847
Workmen's compensation fund	1 900 000	4 290 475
Indigent relief	1 360 814	1 854 531
Staff recruitment	-	43 661
Provision for landfill site	183 634	-
	74 130 549	94 543 584
38. Bulk purchases		
Electricity - Eskom	152 962 060	124 534 746
39. Contracted services		
Outsourced Services		
Administrative and Support Staff	354 861	331 752
Business and Advisory	2 006 893	1 403 497
Internal Auditors	-	39 933
Medical Services [Medical Health Services & Support]	128 460	143 801
Mini Dumping Sites	3 258 724	3 472 174
Security Services	11 389 140	8 724 544
Transport Services	241 135	244 039
Drivers Licence Cards	503 309	437 721
Water Takers	37 068 309	26 313 436
Consultants and Professional Services		
Business and Advisory	41 430 251	40 316 599
Laboratory Services	-	28 075
Legal Cost	6 673 877	5 269 300

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
39. Contracted services (continued)		
Contractors		
Building	12 534 388	10 418 427
Maintenance of Unspecified Assets	220 500	216 000
	115 809 847	97 359 298
40. Cash generated from operations		
Surplus (deficit)	12 025 297	(31 703 173)
Adjustments for:		
Depreciation and amortisation	88 286 356	91 153 865
Loss on disposal of non current assets	1 727 970	7 360 206
Fair value adjustments	(527 000)	-
Inventory loss	424 195	33 267 585
Sale of goods	919 000	1 783 000
Libary grants adjustments	(60 000)	-
Indigent relief	1 360 814	1 854 531
Debt impairment	(424 058)	18 773 629
Bad debts written off	32 749 009	15 197 913
Increase/decrease in provisions relating to employee cost	(13 973 421)	1 625 925
Interest received on investments (moved to investing activities)	(9 637 797)	(5 691 571)
non-cash Interest expense	7 599 438	6 877 855
Non-cash donations and other in-kind benefits	(26 553 585)	(13 210 868)
non-cash portion of sale of stands	(272 174)	(367 000)
non-cash other income	(2 072 993)	(7 151 530)
non-cash Actuarial gain	-	(5 675 994)
non-cash provision for landfill site (general expenditure)	183 634	-
non-cash Actuarial losses	4 187 649	-
Changes in working capital:		
Movement in Inventories	847 399	34 625 919
Movement in Receivables	(15 060 872)	13 733 309
Movement in Provisions	2 968 157	(2 221 800)
Movement in Employee benefit obligation non current	9 984 022	64 513
Movement in Employee benefit obligation current	(141 289)	(647 568)
Movement in Operating lease	2 677 872	4 074 159
Movement in Prepayments	(12 896 941)	(2 056 305)
Movement in Payables from exchange transactions	45 664 389	(17 443 659)
Movement in VAT payable	43 589 764	3 780 630
Movement in VAT receivable	-	16 346 766
	173 574 835	164 350 337
41. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Lease rentals on operating lease - 2		
• Contractual amounts	581 815	278 999
Lease rentals on operating lease - Other		
• Contractual amounts	16 621 571	17 864 932
	17 203 386	18 143 931
Gain on sale of non-current assets held for sale and net assets of disposal groups	1 727 970	7 360 206
Depreciation on property, plant and equipment	88 286 356	91 153 865
Employee costs	260 060 926	200 013 139

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
42. Fair value adjustments		
Investment property (Fair value model)	527 000	-
43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	58 368 245	14 999 309
Total capital commitments		
Already contracted for but not provided for	58 368 245	14 999 309
Total commitments		
Total commitments		
Authorised capital expenditure	58 368 245	14 999 309
44. Contingencies		
Contingent liabilities		
The municipality had the litigation cases that resulted in the following contingent liabilities as at year end:		
Motor vehicle accident due to a pothole	70 000	70 000
Motor vehicle accident due to a pothole	200 000	200 000
AFRIRENT-Claim of payment not done	578 676	578 676
IMATO obo Chere - Unfair labour practice	83 177	83 177
Seleka-Porthole claim	24 473	-
Moshoenyane -Third part claim as the results of the accident	264 800	-
MAAPE & OTHERS-Deduction of monies from salaries for attending unauthorised course	99 992	-
Solatt Building contractors-Enroachment on ERF	60 000	-

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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45. Related parties

Relationships

Accounting Officer

Refer to note 31

Members of key management with significant influence

Refer to note 31

Councillors with significant influence and control

Refer to note 34

Key management and Council interest in other companies

.

Director Community Services: FK Baloyi

La Coup Trading Enterprises

Chief Financial Officer: K Noke

Kayn Projects

Director Infrastructure: B Kgosieng

REBA Electrical

Councillor: K B Madikiza

Batlharos Sound Hire- Director

Tlotlanang Catering Director

Bomme-Sejo Services and Cooperative Limited-Director

Obitseng Trading

Councillor: M.G Reetsang

Oneway Maruping Recycling Project Primary Co-operative Ltd

Councillor: A Van Der Westhuisen

Director- Acsb Reaction and PI Services

Councillor: C.O Mojaki

Director- Renyaditswe Mining and Multi Projects

Director- MBR Mining Transport and Projects

Councillor: C Philips

Wrenchville United Youth Club

Councillor: T Merementsi

Merementsi General Trading and Projects

Councillor: S.I Kok

Peo E Weste Primary Co-operative Limited

Councillor: K.G Molokwe

Malunaka

Councillor: L Moagi

Celeste Arts Production

Councillor: N.G Masegela

Kuru Cross Resources

Tlou Mining Resources

Rams Bonsmara

Dimenerale Mining

Councillor: O.N Hantise

Hantise Chicken

Re a Aga Gonne

Councillor: J.W Marumo

Ditswammung Mineral Resources Consortium

Postmansburg motor vehicle services and trading

Councillor: J Letebele

primary co-operative Ltd

Councillor: S.K Lesley

Nomerias Holdings

Tsoga O Itirele General Trading

Remuneration of management

Management class: Board members

GA-SEGONYANA LOCAL MUNICIPALITY

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45. Related parties (continued)

2024

Name	Basic salary	Travel	Cellphone	Contribution to SDL	Contribution to UIF	Contribution to bargain council	Acting allowance	Total
M Tsatsimpe	1 646 476	181 146	43 155	14 845	2 125	137	-	1 887 884
L Mashiane	989 436	200 000	25 000	11 744	1 771	114	-	1 228 065
K Noke	128 346	16 253	2 500	1 438	177	11	-	148 725
T Jarvis	-	-	-	-	-	-	75 112	75 112
N Keswa	-	-	-	-	-	-	41 055	41 055
R Pule	1 397 214	154 200	31 618	14 008	2 125	137	71 063	1 670 365
FK Baloyi	997 996	292 240	31 618	12 634	2 125	137	114 253	1 451 003
MA Keetile	-	-	-	-	-	-	39 365	39 365
BM Kgosieng	1 146 278	144 000	30 000	11 227	2 125	137	-	1 333 767
	6 305 746	987 839	163 891	65 896	10 448	673	340 848	7 875 341

2023

Name	Basic salary	Travel	Cellphone	Contribution to SDL	Contribution to UIF	Contribution to bargain council	Acting allowance	Performance bonus and covid allowance	Total
M Tsatsimpe	2 089 372	181 146	42 980	20 861	2 303	130	-	158 813	2 495 605
K Noke	1 283 098	195 032	30 630	15 999	2 125	130	-	130 193	1 657 207
T Jarvis	-	-	-	-	-	-	104 115	-	104 115
N Keswa	-	-	-	-	-	-	113 642	-	113 642
R Pule	1 083 208	154 200	30 840	13 853	2 125	130	31 363	116 573	1 432 292
FK Baloyi	801 219	292 240	30 840	12 897	2 125	130	120 924	102 970	1 363 345
M Molale	-	-	-	-	-	-	38 933	-	38 933
MA Keetile	-	-	-	-	-	-	31 157	-	31 157
H Smit	140 495	-	-	1 405	177	-	-	-	142 077
V Seane	-	-	-	-	-	-	63 285	-	63 285
BM Kgosieng	264 878	36 000	7 500	2 590	531	32	475 577	-	787 108
D Pelele	-	-	-	-	-	-	53 603	-	53 603

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

45. Related parties (continued)

5 662 270	858 618	142 790	67 605	9 386	552	1 032 599	508 549	8 282 369
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46. Prior-year adjustments

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

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Property plant and equipment		1 705 161 397	(4 931 610)	1 700 229 787
Net assets		(1 758 009 327)	379 471	(1 757 629 856)
Operating leases liability		-	(6 918 237)	(6 918 237)
		(52 847 930)	(11 470 376)	(64 318 306)

2023

	Note	As previously reported	Correction of error	Restated
Inventories		46 937 514	(19 488 450)	27 449 064
Property, plant and equipment		1 763 142 170	(9 743 509)	1 753 398 661
Net Assets		(1 754 931 811)	8 394 086	(1 746 537 725)
Unspent conditional grants		(14 857 202)	2 248 525	(12 608 677)
VAT		(8 081 616)	4 300 987	(3 780 629)
Operating lease liability		-	(4 074 159)	(4 074 159)
		32 209 055	(18 362 520)	13 846 535

Statement of financial performance

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Notes to the Annual Financial Statements

Figures in Rand			2024	2023	
46. Prior-year adjustments (continued)					
2023					
	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation		90 876 471	277 394	-	91 153 865
Loss on assets disposal		2 574 551	4 785 655	-	7 360 206
Operating leases		-	4 074 159	13 790 773	17 864 932
Inventory losses/write down		-	19 488 450	13 779 136	33 267 586
General expenditure		122 406 150	-	(27 569 909)	94 569 704
Surplus for the year		215 857 172	28 625 658	-	244 216 293

Prior Period Errors

Operating leases Expense/Liability

Following an audit finding in 2022/23 financial year, management identified and corrected errors in the prior year's treatment of operating leases. The errors, which involved the misclassification of operating leases totaling R15,051,994.13 under General Expenditure, have been corrected as follows:

- An amount of R1,261,221 was reclassified to Telephone and Communications (still within General Expenditure). This reclassification reflects that the municipality has fully paid the lease, resulting in the transfer of ownership of the telephone to the municipality, which now only incurs monthly airtime costs.

- Of the original R15,051,994.13, a total of R13,790,773 has been reclassified out of General Expenditure and presented separately to improve clarity in financial reporting.

In addition, the audit finding indicated that management had not applied the straight-lining method to the operating lease as required by GRAP standards. To address this, an adjustment of R4,074,159.11 was made to Operating Lease – Fleet to account for the straight-lining effect, resulting in an Operating Lease Liability of R4,074,159.11.

All comparative figures have been restated accordingly to reflect these adjustments..

Land Held for sale

Included in Inventories for the 2022/23 financial year was Inventories amounting to R46,937,514, of which R44,196,484 represented land held for sale. During the preparation of the 2023/24 financial statements, management conducted a 100% verification of land held for sale and identified discrepancies due to two primary factors: illegal occupation of some properties and the addition of newly identified land intended for sale.

As a result of this verification process:

- Land with a carrying value of R32,305,100 was derecognised due to illegal occupation, leading to a change in ownership. This adjustment reflects the impairment and derecognition of land no longer under the municipality's control due to these circumstances.

- An amount of R12,816,650 was recognised in the prior year for land newly identified and formally recognized with the intent of sale as part of the municipality's strategic planning.

These adjustments have been applied to the prior period in accordance with applicable accounting standards, and all comparative figures have been restated accordingly.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

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

Retention of Capital Project Revenue

In the prior year, an error was identified regarding the recognition of the retention portion on invoices for capital projects. The revenue associated with this retention was not recognized in the prior year, as it was only recorded upon payment of the retention portion in the current year. Consequently, this resulted in an understatement of revenue from conditional grants and an overstatement of unspent conditional grants in the prior year.

Financial Statement Impact:

- Increase in revenue from conditional grants: R 1,955,239
- Decrease in unspent conditional grants: R 1,955,239

VAT Adjustment Due to Error:

- Increase in output VAT by R4 300 986.55 per the VAT reconciliation performed by the VAT consultant

This correction has been accounted for in line with applicable accounting standards, and comparative figures have been restated accordingly.

Property, plant and equipment

1. During the current reporting, the municipality discovered that a R9 246 349 work-in-progress project that was completed in the financial year ended 30 June 2022 was not transferred out of WIP, and was accounted for under both completed project and uncompleted projects
2. The municipality discovered that for the financial year ended 30 June 2022, infrastructure assets were over-depreciated by R4 314 740. The error resulted in the understatement of these assets as well as accumulated surplus. The correction of the error with result in the increase of the affected amounts
3. The municipality noted that a R4 785 655 movement in the cost to rehabilitate landfill site was erroneously classified as a gain instead of being capitalised to the landfill site cost. The reclassification will result in the reduction of the surplus for the prior period.
4. The municipality discovered that depreciation expense for the prior period was understated by R277 393. Resultantly, accumulated depreciation was understated and carrying amounts of non-current assets were overstated by the same amount. The correction of the error will decrease carrying amounts of assets and increase accumulated depreciation and prior year depreciation expense by the same amount

2022 Net Assets

During the year the municipality noted that there was a R379 471 casting on the statement of changes in accumulated surplus for the year ended 30 June 2022.

General expenditure reclassification 2023

As a result of the prior year's audit opinion, management revisited the general expenditure population and removed any expenses not relating to general expenditure.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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47. 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 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	2 106 738	1 768 416	-	-
Consumer deposits	6 842 949	-	-	-
Unspent conditional grants and receipts	1 517 893	-	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	2 204 856	3 875 148	-	-
Consumer deposits	6 400 581	-	-	-
Unspent conditional grants and receipts	14 857 202	-	-	-

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 evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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..

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

Financial instrument	2024	2023
Receivables from exchange transaction	36 068 846	30 286 772
Receivables from non-exchange transaction	38 393 492	29 114 694
Cash and cash equivalents	36 947 872	38 210 006
Long term liabilities	(3 875 154)	(6 080 004)

Financial instruments are carried at amortized cost.

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, alternative financing and hedging. 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.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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48. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available (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) 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 R26 952 950.65 (2023: R22 387 530.06) was incurred which represents 19.94% (2023: 16.55%) of total bulk electricity purchased.

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.

	2023/24	2024/25	2025/26
Finance Management Grant (FMG)	3 100 035	3 000 000	2 000 000
Expanded Public Works Program (EPWP)	1 111 008	1 271 000	-
Municipal Infrastructure Grant (MIG)	73 532 265	61 505 000	65 460 000
Integrated National Electrification Grant	43 025 000	53 183 000	15 000 000
Water Services infrastructure (WSIG)	40 731 186	31 000 000	35 000 000
Equitable Share	230 911 000	244 849 000	250 982 000
Energy Efficiency and Demand-Slide Management Grant (EEDMG)	-	4 000 000	3 000 000
Library Grant	1 200 000	1 300 000	1 328 000
Public Contributions	26 553 585		

49. Events after the reporting date

Note on Events After Reporting Date: High Court Judgement on NERSA Tariff Approvals Events After Reporting Date

Subsequent to the reporting date, a High Court judgment dated 08 July 2024 concluded that the electricity tariffs charged by municipalities, including Ga-Segonyana Local Municipality, for the 2024/25 financial year were not lawfully approved by the National Energy Regulator of South Africa (NERSA). This was due to NERSA failing to respond within the required 60-day period to the municipality's tariff application, which was submitted based on a cost of supply study as required by NERSA.

The judgment pertains to conditions that arose after the 30 June 2024 reporting date, specifically relating to the implementation of unlawful tariffs in the 2024/25 financial year. This judgment constitutes a post-reporting period event for the 2023/24 financial year and meets the definition of a "non-adjusting event after the reporting date" in accordance with paragraph 3 of GRAP 14:

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

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

Management has assessed the implications of this ruling and concluded that it does not affect the recognition or measurement of revenue in the 2023/24 financial statements. However, the judgment highlights non-compliance risks for the 2024/25 financial year and may result in adjustments to tariffs, customer refunds, or other financial obligations.

The municipality is actively engaging with NERSA and other stakeholders to determine the appropriate course of action and mitigate potential impacts on future operations. No adjustments have been made to the 2023/24 financial statements as this event is classified as a non-adjusting event.

The municipality cannot reasonably estimate the potential impact on the 2024/25 financial year at this time, as it is impractical to determine the financial implications of the High Court judgment with the information currently available. Management continues to monitor the situation closely and will provide updates to stakeholders as more information becomes available. No adjustments have been made to the 2023/24 financial statements, as this event is classified as a non-adjusting event.

GA-SEGONYANA LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
50. Unauthorised expenditure		
Opening balance as previously reported	35 728 132	21 760 217
Add: Unauthorised expenditure - current	89 357 605	48 939 000
Less: Amount authorised - current	(89 357 605)	(34 971 085)
Less: Amount authorised - prior period	(35 728 132)	-
Closing balance	-	35 728 132

The current year unauthorised expenditure of R89 357 605 also includes R27 720 989.30 which is funding received from the mines for multiples projects which has been subsequently been written by council.

51. Fruitless and wasteful expenditure

Add: Fruitless and wasteful expenditure identified - current	268 333	17 225
Less: Amount written off - current	(268 333)	(17 225)
Closing balance	-	-

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

52. Irregular expenditure

Opening balance as previously reported	240 061	160 273 346
Add: Irregular expenditure - current	5 242 316	51 249 909
Add: Irregular expenditure - prior period	-	240 061
Add: irregular expenditure - additional	69 139 810	-
Less: Amount written off - current	(5 242 316)	(51 249 909)
Less: Amount written off - prior period	(11 603 317)	(95 072 110)
Prior year adjustment	11 363 256	(65 201 236)
Closing balance	69 139 810	240 061

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

52. Irregular expenditure (continued)

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

Bid adjudication committee not compliant with regulation	-	1 694 480
SCM Regulation 32 Appointment	-	6 072 268
Appointment of Panels	-	43 483 161
False Declaration MBD 4 Form	5 242 316	-
Regulation 62	693 438	-
Supplier who did not score the highest points selected	36 477 972	-
Legal Services procured without following the SCM process	6 461 297	-
Preferential Procurement Policy Not in line with PPR 2022	8 208 266	-
Key Managers not remunerated at the correct grading level	754 241	-
Unjustifiable contract extensions	17 238 034	-
	75 075 564	51 249 909

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Bulk electricity and water losses in terms of section 125 (2)(d)(i) of the MFMA

30 June 2024	Lost units	Tariff	Value
Unaccounted electricity losses	15 948 492	1.69	26 952 950.65

30 June 2023	Lost units	Tariff	Value
Unaccounted electricity losses	13 819 463	1.62	22 387 530.06

Volume in Kwh/year	30 June 2024	30 June 2023
System Input Volume	79 976 376	72 370 827
Billed Consumption	64 027 884	58 551 364
Distribution Loss	15 948 492	13 819 463
Percentage Distribution Loss (%)	19.94%	19.09%

30 June 2024	Lost units	Tariff	Value
Unaccounted water losses	-	-	-

30 June 2023	Lost units	Tariff	Value
Unaccounted water losses	850 032	4.22	3 587 000

Volume in Kwh/year	30 June 2024	30 June 2023
System Input Volume	4 226 006	3 782 327
Billed Consumption	4 425 604	2 932 295
Distribution Loss	- 199 598	850 032
Percentage Distribution Loss (%)	- 4.72%	22.47%

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

Audit fees

Current year subscription / fee	5 473 594	6 590 917
Amount paid - current year	(5 473 594)	(6 590 917)
	-	-

PAYE and UIF

Current year subscription / fee	37 569 413	28 960 230
Amount paid - current year	(37 569 413)	(28 960 230)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	38 209 709	27 569 063
Amount paid - current year	(38 209 709)	(27 569 063)
	-	-

VAT

VAT payable	47 370 393	3 780 629
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VAT output payables and VAT input receivables are shown in note .

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

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

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
AWP VAN DER WESTHUIZEN	3 979	38 224	42 203
NG MASEGELA	53 693	81 139	134 832
ON HANTISE	4 808	88 801	93 609
FK Baloyi	391	-	391
BM Kgosieng	4 236	-	4 236
RC Pule	1 624	58	1 682
MM Tsatsimpe	6 220	-	6 220
	74 951	208 222	283 173
30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
AWP Van Der Westhuizer	18 537	-	18 537
Pule RC	4 508	-	4 508
Tsatsimpe MM	6 843	-	6 843
	29 888	-	29 888

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

Supply chain management regulations

In terms of Regulation 45 of the Municipal Supply Chain Management Regulations, the municipality is required to disclose awards made to suppliers where a close family member, partner, or associate is in the service of the state.

The following suppliers were identified for the 2023/24 financial year:

- Masanako: A family member of the supplier works for Ga-Segonyana Local Municipality. The total expenditure for the year amounted to R105,820.00.
- Marce Projects: A family member of the supplier works for Eskom Holdings. The total expenditure for the year amounted to R179,846.43.
- Fillies Enterprise and Service: A family member of the supplier works for Ga-Segonyana Local Municipality. The total expenditure for the year amounted to R407,772.02.

This disclosure is made to promote transparency and accountability in procurement processes.

54. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	3 875 154	6 080 004
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

GA-SEGONYANA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

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55. Deviation from supply chain management regulations

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

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

GA-SEGONYANA LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

55. Deviation from supply chain management regulations (continued)

Reason	Date	Supplier	Amount	Description
Sole provider- Service provider was appointed by National Department of Public Safety	12 Jul 23	Probida	36 656	License disc
Sole provider- Service provider was appointed by Department of Public Safety	15 Aug 23	Probida	40 843	License disc
Sole provider- Service provider was appointed by Department of public safety	14 Sep 23	Probida	47 637	License disc
Stripe and Quote/ Sole provider - Servicing of the fire truck by manufacturer	31 Jul 23	Marce Projects	179 846	Service and Maintenance
Stripe and Quote- The brush cutter machines were malfunctioning therefore it must be striped	20 Sep 23	Motus Group	20 501	Service and Maintenance
Sole provider- Noise as the compator is the product of cat	11 Aug 23	Barloworld Equipment SA	7 362	Service and Maintenance
Sole provider- Service provider was appointed by National Department of Public Safety	17 Oct 23	Probida	40 053	License disc
Sole provider- Service provider was appointed by National Department of Public Safety	10 Nov 23	Probida	43 608	License disc
Strip and Quote- Mileage service	17 Nov 23	Almighty Equipment	7 470	Service
Emergency- Transformer	27 Nov 23	000TVM's	198 950	Transformer
Sole provider- Service provider was appointed by National Department of Public Safety	25 Jan 24	Probida	74 181	License disc
Strip and Quote	26 Jan 24	LP Refregi-ration and projects	72 622	Strip and repair
Sole provider- Service provider was appointed by National Department of Public Safety	15 Feb 24	Probida	47 321	License disc
Strip and Quote- Sole provider for truck service	18 Mar 24	Almighty Equipment	7 279	Service and Maintenance
Sole Provider- Machine service by manufacturer	22 Mar 24	Workshop Electronics	27 903	Service and Maintenance
Sole provider- Service provider was appointed by National Department of Public Safety	16 Apr 24	Probida	9 322	License disc
Emergency- emergency procurement	18 Apr 24	Lethuru Trading	44 836	Emergency procurement
Sole provider- Service provider was appointed by National Department of Public Safety	16 May 24	Probida	123 872	License disc
Impractical - Specialised technical weighbridge service	17 May 24	Massmatic	113 678	Service and Maintenance
Sole provider- Service provider was appointed by National Department of Public Safety	11 Jun 24	Probida	39 974	License disc

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56. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area(guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments issued 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 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

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Annual Financial Statements for the year ended 30 June 2024

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56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Executive and Council	Finance and Administration	Public Safety, community and social services	Sports and recreation	Planning and development	Road transport	Environmental protection	Energy Sources	Trading Services	Total
Revenue										
Property rates	-	58 324 939	-	-	-	-	-	-	-	58 324 939
Interest on outstanding receivables-non exchange transactions	-	-	-	-	-	-	-	-	-	-
Grants and subsidies	9 652 683	22 259 707	9 099 784	15 252 649	12 593 154	32 643 405	299 370	121 593 891	206 881 252	430 275 895
Fines, penalties and forfeits	-	46 808	8 015 370	-	44 696	-	47 473	93 444	-	8 247 791
Sale of stands	-	-	-	-	5 288 063	-	-	-	-	5 288 063
Service charges	-	-	-	-	-	-	-	148 881 729	84 615 647	233 497 376
Rental of facilities	-	1 480	31 214	391 884	891 242	-	-	-	11 034	1 326 854
Interest on outstanding receivables-exchange transaction	-	7 295 148	-	-	-	-	-	-	-	7 295 148
Interest on outstanding receivables- non exchange transaction	-	4 155 689	-	-	-	-	-	-	-	4 155 689
Licences and permits	-	-	3 943 185	-	21 252	-	-	-	-	3 964 437
Other revenue	-	4 340 297	95 085	117 518	1 752 683	-	-	111 193	(82 174)	6 334 602
Interest on Investment	-	9 637 797	-	-	-	-	-	-	-	9 637 797
Fair value adjustment	-	527 000	-	-	-	-	-	-	-	527 000
Total segment revenue	9 652 683	106 588 865	21 184 638	15 762 051	20 591 090	32 643 405	346 843	270 680 257	291 425 759	768 875 591
Entity's revenue										768 875 591

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	Executive and Council	Finance and Administration	Public Safety, community and social services	Sports and recreation	Planning and development	Road transport	Environmental protection	Energy Sources	Trading Services	Total
56. Segment information (continued)										
Expenditure										
Employee related costs	(6 427 038)	(101 546 955)	(47 474 279)	(14 567 351)	(24 712 607)	(5 954 264)	(249 517)	(9 044 002)	(35 275 115)	(245 251 128)
Remuneration of councillors	(14 809 800)	-	-	-	-	-	-	-	-	(14 809 800)
Depreciation, amortisation and impairment loss	-	(2 971 911)	-	-	(7 983 421)	(28 052 594)	-	(10 629 147)	(38 649 285)	(88 286 358)
Finance costs	-	(5 524 779)	(14 612)	(21 492)	(15 131)	(69 277)	-	(269 094)	(2 899 018)	(8 813 403)
Debt impairment	-	1 974 088	(3 820 590)	-	-	-	-	12 845 007	(10 574 446)	424 059
Bad debts	-	(23 875 311)	-	-	-	-	-	1 852	(8 875 550)	(32 749 009)
Cost of land sold	-	-	-	-	(919 000)	-	-	-	-	(919 000)
Operating leases	-	(17 203 386)	-	-	-	-	-	-	-	(17 203 386)
General expenses	(7 979 306)	(25 350 942)	(2 978 800)	(1 439 004)	(4 164 114)	(7 394 929)	(32 048)	(13 694 929)	(11 096 477)	(74 130 549)
Contracted services	-	(56 029 598)	(503 309)	(207 895)	(5 987 123)	-	-	-	(53 081 921)	(115 809 846)
Bulk purchases	-	-	-	-	-	-	-	(152 962 060)	-	(152 962 060)
Inventory losses/write down	-	(424 195)	-	-	-	-	-	-	-	(424 195)
Loss on disposal of assets	-	(1 727 970)	-	-	-	-	-	-	-	(1 727 970)
Actuarial gains/(losses)	-	(4 187 649)	-	-	-	-	-	-	-	(4 187 649)
Total segment expenditure	(29 216 144)	(236 868 608)	(54 791 590)	(16 235 742)	(43 781 396)	(41 471 064)	(281 565)	(173 752 373)	(160 451 812)	(756 850 294)
Total segmental surplus/(deficit)	38 868 827	343 457 473	75 976 228	31 997 793	64 372 486	74 114 469	628 408	444 432 630	451 877 571	1 525 725 885
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2023

	Executive and Council	Finance and Administration	Public safety, community and social services	Sports and recreation	Planning and development	Road Transport	Environmental Protection	Energy sources	Trading Services	Total
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56. Segment information (continued)

Revenue

Property rates	-	55 032 123	-	-	-	-	-	-	-	-	55 032 123
Interest on outstanding receivables- non-exchange transactions	-	-	-	-	-	-	-	-	-	-	-
Grants and subsidies	11 339 707	20 434 382	19 070 656	9 517 604	11 823 166	21 939 165	240 756	109 476 974	183 264 065	387 106 475	
Fines, penalties and forfeits	-	28 135	7 190 476	-	-	-	9 484	327 819	-	7 555 914	
Sale of stands	-	-	-	-	3 872 723	-	-	-	-	3 872 723	
Service charges	-	-	-	-	-	-	-	125 711 151	59 072 296	184 783 447	
Rental of facilities	-	15	35 090	361 785	2 467 813	-	-	-	8 572	2 873 275	
Interest on outstanding receivables- exchange transactions	-	4 516 791	-	-	-	-	-	-	-	4 516 791	
Interest on outstanding receivables- non exchange transactions	-	3 924 469	-	-	-	-	-	-	-	3 924 469	
Licences and permits	-	-	3 603 476	-	39 513	-	-	-	-	3 642 989	
Other revenue	-	5 994 721	63 100	97 376	2 453 746	-	-	814	4 834 287	13 444 044	
Interest on investment	-	5 691 571	-	-	-	-	-	-	-	5 691 571	
Actuarial gains(losses)	-	5 675 994	-	-	-	-	-	-	-	5 675 994	
Total segment revenue	11 339 707	101 298 201	29 962 798	9 976 765	20 656 961	21 939 165	250 240	235 516 758	247 179 220	678 119 815	
Entity's revenue										678 119 815	

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	Executive and Council	Finance and Administration	Public safety, community and social services	Sports and recreation	Planning and development	Road Transport	Environmental Protection	Energy sources	Trading Services	Total
56. Segment information (continued)										
Expenditure										
Employee related costs	(6 123 592)	(71 907 784)	(42 363 674)	(10 291 187)	(21 281 300)	(4 721 200)	(188 819)	(9 465 669)	(20 483 971)	(186 827 196)
Remuneration of councillors	(13 185 941)	-	-	-	-	-	-	-	-	(13 185 941)
Depreciation, amortisation and impairment loss	-	(3 830 031)	-	-	(4 378 794)	(32 240 596)	-	(9 622 825)	(41 081 618)	(91 153 864)
Finance costs	-	(4 460 433)	(19 108)	(29 310)	(23 136)	(97 501)	-	(317 077)	(2 745 525)	(7 692 090)
Debt impairment	-	(3 406 947)	(3 306 110)	-	-	-	-	1 072 157	(13 132 729)	(18 773 629)
Operating leases	-	(18 143 931)	-	-	-	-	-	-	-	(18 143 931)
Bad debts written off	-	(3 807 874)	-	-	-	-	-	(772 660)	(10 617 379)	(15 197 913)
Consumables land cost	-	-	-	-	(1 783 000)	-	-	-	-	(1 783 000)
Contracted services	-	(49 724 867)	(437 721)	(214 139)	(6 534 460)	-	-	-	(40 448 112)	(97 359 299)
General expenses	(3 316 523)	(38 808 403)	(2 574 633)	(1 581 320)	(5 331 921)	(7 895 384)	(16 547)	(21 017 107)	(14 001 748)	(94 543 586)
Loss on disposal of assets	-	(7 360 206)	-	-	-	-	-	-	-	(7 360 206)
Bulk purchases	-	-	-	-	-	-	-	(124 534 746)	-	(124 534 746)
Inventory losses/write down	-	(33 267 585)	-	-	-	-	-	-	-	(33 267 585)
Actuarial gains/(losses)	-	-	-	-	-	-	-	-	-	-
Total segment expenditure	(22 626 056)	(234 718 061)	(48 701 246)	(12 115 956)	(39 332 611)	(44 954 681)	(205 366)	(164 657 927)	(142 511 082)	(709 822 986)
Total segmental surplus/(deficit)	33 965 763	336 016 262	78 664 044	22 092 721	59 989 572	66 893 846	455 606	400 174 685	389 690 302	1 387 942 801
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