

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021



Gamagara Local Municipality

Annual Financial Statements
for the year ended 30 June 2021

* See Note 2 & 49

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Mayoral committee

Executive Mayor

Councillors

Cllr. O.E. Hantise

Cllr. D.P. Seetile

Cllr. M.F. Ngume

Cllr. A.J. Monwe

Cllr. G.J. Esau (Resigned February 2021)

Cllr. M.C. Skelman

Cllr. H. du Plessis

Cllr. A. Booysen

Cllr. M.K. Orpen

Cllr. B.P. Lekgadi

Cllr. N.S. Magagane

Cllr. C.V. Joseph

Cllr. H.J. Fourie

Cllr. B.I. Sebege (Appointed April 2021)

Grading of local authority

Grade 3

Chief Finance Officer (CFO)

Mr A. Makoku (Appointed January 2021)

Accounting Officer

K.P. Leserwane

Registered office

Civic Centre

Cnr Hendrik Van Eck & Frikkie Meyer Rd

Kathu

8446

Postal address

PO BOX 1001

Kathu

8446

Bankers

First National Bank

Standard Bank

Auditors

Auditor General South Africa

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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

Gamagara Local Municipality

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the 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, 2022 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 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 5.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2021 and were signed on its behalf by:


K.P. Leserwane
Municipal Manager

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June, 2021

Certification of Remuneration of Councillors

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



K.P. LESERWANE
MUNICIPAL MANAGER

31 August 2021.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2021 and were signed on its behalf by:



K.P. Leserwane
Municipal Manager

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	4	1,280,479	744,548
Operating lease asset	5	14,671	35,307
Other trade receivables from exchange transactions	6	8,097,400	2,373,887
Receivables from non-exchange transactions	7&8	81,838,790	89,848,865
VAT receivable	9	31,843,616	23,642,422
Receivables from exchange transactions	10	175,606,128	175,693,046
Cash and cash equivalents	13	29,598,137	35,390,963
		328,279,221	327,728,838
Non-Current Assets			
Investment property	14	308,824,640	293,847,777
Property, plant and equipment	15	1,192,346,364	1,154,562,224
Intangible assets	16	534,746	838,953
Heritage assets	17	74,581	74,581
		1,501,780,331	1,449,323,535
Total Assets		1,830,059,552	1,777,052,373
Liabilities			
Current Liabilities			
Other financial liabilities	18	42,669,410	38,189,957
Payables from exchange transactions	19	444,634,048	389,132,836
Payables from non-exchange	20	45,599,149	51,284,177
Consumer deposits	21	5,914,379	5,706,428
Employee benefit obligation	22	2,227,000	2,236,000
Unspent conditional grants and receipts	23	21,361,219	34,982,329
Provisions	24	64,485,448	36,204,575
		626,890,653	557,736,302
Non-Current Liabilities			
Employee benefit obligation	22	52,285,000	41,121,000
Total Liabilities		679,175,653	598,857,302
Net Assets		1,150,883,899	1,178,195,071
Accumulated surplus		1,150,883,899	1,178,195,071
Total Net Assets		1,150,883,899	1,178,195,071

* See Note 2 & 49

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	245,374,889	228,517,805
Rental of facilities and equipment	27	1,627,885	1,281,573
Interest received from exchange	28	11,885,769	-
Agency services	29	470,427	420,072
Other income	31	8,257,076	4,129,248
Interest received - Investment	46	346,302	508,818
Total revenue from exchange transactions		267,962,348	234,857,516
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	122,996,700	117,575,789
Licences and Permits (Non-exchange)		1,147,203	910,188
Interest received from non-exchange	28	2,681,815	-
Transfer revenue			
Government grants & subsidies	33	109,866,186	81,944,453
Public contributions and donations	34	10,306,173	94,134,106
Fines, Penalties and Forfeits	35	891,240	1,172,181
Total revenue from non-exchange transactions		247,889,317	295,736,717
Total revenue	25	515,851,665	530,594,233
Expenditure			
Employee related costs	36	(189,891,760)	(164,986,266)
Remuneration of councillors	37	(5,350,510)	(5,530,771)
Depreciation and amortisation	38	(60,192,113)	(50,093,030)
Reversal of impairments	39	(910,303)	(2,366,818)
Finance costs	40	(20,209,405)	(29,996,019)
Lease rentals on operating lease	41	(7,065,536)	(5,781,934)
Debt Impairment	42	18,628,516	82,695,772
Bad debts written off		(11,941,373)	(3,301,584)
Repairs & Maintenance		(4,581,641)	(5,029,685)
Bulk purchases	43	(138,336,062)	(127,372,696)
General Expenses	44	(90,918,213)	(87,832,323)
Total expenditure		(510,768,400)	(399,595,354)
Operating surplus		5,083,265	130,998,879
Loss on disposal of assets and liabilities		(378,908)	(3,180,793)
Fair value adjustments	45	14,976,863	1,470,508
Actuarial gains/losses	22	(6,542,553)	9,658,558
		8,055,402	7,948,273
Surplus for the year		13,138,667	138,947,152

* See Note 2 & 49

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	957,194,389	957,194,389
Adjustments		
Prior year adjustments	82,053,530	82,053,530
Balance at 01 July 2019 as restated*	1,039,247,919	1,039,247,919
Changes in net assets		
Surplus for the year	138,947,152	138,947,152
Total changes	138,947,152	138,947,152
Opening balance as previously reported	1,178,195,071	1,178,195,071
Adjustments		
Correction of errors	(9,770,403)	(9,770,403)
Prior year adjustments	(30,679,436)	(30,679,436)
Restated* Balance at 01 July 2020 as restated*	1,137,745,232	1,137,745,232
Changes in net assets		
Surplus for the year	13,138,667	13,138,667
Total changes	13,138,667	13,138,667
Balance at 30 June 2021	1,150,883,899	1,150,883,899
Note(s)		

* See Note 2 & 49

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		347,416,968	383,466,589
Grants		107,442,490	197,776,121
Interest income		346,302	508,818
		<u>455,205,760</u>	<u>581,751,528</u>
Payments			
Employee costs		(190,629,825)	(165,098,749)
Suppliers		(191,413,236)	(214,098,039)
Finance costs		(20,209,406)	(28,985,693)
		<u>(402,252,467)</u>	<u>(408,182,481)</u>
Net cash flows from operating activities	58	<u>52,953,293</u>	<u>173,569,047</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(63,501,373)	(73,302,476)
Proceeds from sale of property, plant and equipment	15	275,801	(146,087)
Purchase of investment property	14	-	(82,930,400)
Proceeds from sale of investment property	14	-	4,107,149
Net cash flows from investing activities		<u>(63,225,572)</u>	<u>(152,271,814)</u>
Cash flows from financing activities			
Movement of other financial liabilities		4,479,453	3,909,423
Finance lease payments		-	(1,138,247)
Net cash flows from financing activities		<u>4,479,453</u>	<u>2,771,176</u>
Net increase/(decrease) in cash and cash equivalents		<u>(5,792,826)</u>	<u>24,068,409</u>
Cash and cash equivalents at the beginning of the year		35,390,963	11,322,554
Cash and cash equivalents at the end of the year	13	<u>29,598,137</u>	<u>35,390,963</u>

* See Note 2 & 49

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	316,638,739	(49,350,493)	267,288,246	245,374,889	(21,913,357)	1
Rental of facilities and equipment	1,465,411	(132,126)	1,333,285	1,627,885	294,600	2
Interest received (trading)	43,240,000	(7,621,518)	35,618,482	11,885,769	(23,732,713)	
Agency services	539,147	-	539,147	470,427	(68,720)	3
Other income - (rollup)	9,242,656	(4,660,745)	4,581,911	8,257,076	3,675,165	4
Interest received - investment	313,500	-	313,500	346,302	32,802	5
Total revenue from exchange transactions	371,439,453	(61,764,882)	309,674,571	267,962,348	(41,712,223)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	167,690,404	(43,386,450)	124,303,954	122,996,700	(1,307,254)	
Licences and Permits (Non-exchange)	1,115,684	(2,282)	1,113,402	1,147,203	33,801	
Surcharges and Taxes	-	-	-	2,681,815	2,681,815	
Transfer revenue						
Government grants & subsidies	115,381,215	(14,868,000)	100,513,215	109,866,186	9,352,971	6
Public contributions and donations	1,506,738	(564,804)	941,934	10,306,173	9,364,239	7
Fines, Penalties and Forfeits	221,018	476,921	697,939	891,240	193,301	8
Total revenue from non-exchange transactions	285,915,059	(58,344,615)	227,570,444	247,889,317	20,318,873	
Total revenue	657,354,512	(120,109,497)	537,245,015	515,851,665	(21,393,350)	
Expenditure						
Employee related costs	(169,360,801)	(17,749,460)	(187,110,261)	(189,891,760)	(2,781,499)	
Remuneration of councillors	(5,537,535)	(72,734)	(5,610,269)	(5,350,510)	259,759	9
Depreciation and amortisation	(44,768,720)	(2,926,428)	(47,695,149)	(60,192,113)	(12,496,964)	35
Impairment loss/ Reversal of impairments	-	-	-	(910,303)	(910,303)	
Finance costs	(27,936,489)	7,981,546	(19,954,943)	(20,209,405)	(254,462)	
Lease rentals on operating lease	(5,393,014)	1,290,000	(4,103,014)	(7,065,536)	(2,962,522)	10
Debt Impairment	-	-	-	18,628,516	18,628,516	11
Bad debts written off	(10,968,271)	(946,506)	(11,914,777)	(11,941,373)	(26,596)	
Repairs and maintenance	(16,593,225)	7,812,366	(8,780,859)	(4,581,641)	4,199,218	12
Bulk purchases	(142,294,193)	2,281,685	(140,012,508)	(138,336,062)	1,676,446	
General Expenses	(97,122,070)	(1,644,083)	(98,766,153)	(90,918,213)	7,847,940	13
Total expenditure	(519,974,318)	(3,973,615)	(523,947,933)	(510,768,400)	13,179,533	
Operating surplus	137,380,194	(124,083,112)	13,297,082	5,083,265	(8,213,817)	
Loss on disposal of assets and liabilities	8,638,484	-	8,638,484	(378,908)	(9,017,392)	14
Fair value adjustments	-	-	-	14,976,863	14,976,863	
Actuarial gains/losses	-	-	-	(6,542,553)	(6,542,553)	15

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	8,638,484	-	8,638,484	8,055,402	(583,082)	
Surplus before taxation	146,018,678	(124,083,112)	21,935,566	13,138,667	(8,796,899)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	146,018,678	(124,083,112)	21,935,566	13,138,667	(8,796,899)	
Reconciliation						

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,612,164	(149,868)	1,462,296	1,280,479	(181,817)	16
Operating lease asset	-	-	-	14,671	14,671	17
Other trade receivables from exchange transactions	-	-	-	8,097,400	8,097,400	18
Receivables from non-exchange transactions	43,275,307	(25,466,066)	17,809,241	81,838,790	64,029,549	19
VAT receivable	-	-	-	31,843,616	31,843,616	20
Consumer debtors	526,998,609	(207,747,156)	319,251,453	175,606,128	(143,645,325)	21
Cash and cash equivalents	13,661,078	(66,109,142)	(52,448,064)	29,598,137	82,046,201	22
	585,547,158	(299,472,232)	286,074,926	328,279,221	42,204,295	
Non-Current Assets						
Investment property	206,199,584	88,401,573	294,601,157	308,824,640	14,223,483	23
Property, plant and equipment	1,111,192,612	38,563,768	1,149,756,380	1,192,346,364	42,589,984	24
Intangible assets	1,101,510	(262,557)	838,953	534,746	(304,207)	25
Heritage assets	74,581	(74,581)	-	74,581	74,581	26
	1,318,568,287	126,628,203	1,445,196,490	1,501,780,331	56,583,841	
Total Assets	1,904,115,445	(172,844,029)	1,731,271,416	1,830,059,552	98,788,136	
Liabilities						
Current Liabilities						
Other financial liabilities	2,261,712	35,928,245	38,189,957	42,669,410	4,479,453	27
Payables from exchange transactions	490,440,494	(39,907,048)	450,533,446	444,634,045	(5,899,401)	
Taxes and transfers payable (non-exchange)	-	-	-	45,599,149	45,599,149	28
Consumer deposits	3,746,185	(353,037)	3,393,148	5,914,379	2,521,231	29
Employee benefit obligation	-	-	-	2,227,000	2,227,000	30
Unspent conditional grants and receipts	-	-	-	21,361,219	21,361,219	31
Provisions	55,107,820	(18,938,551)	36,169,269	64,485,448	28,316,179	32
	551,556,211	(23,270,391)	528,285,820	626,890,650	98,604,830	
Non-Current Liabilities						
Other financial liabilities	6,806,344	(6,806,344)	-	-	-	
Employee benefit obligation	-	-	-	52,285,000	52,285,000	33
Provisions	49,858,982	(6,501,982)	43,357,000	-	(43,357,000)	34
	56,665,326	(13,308,326)	43,357,000	52,285,000	8,928,000	
Total Liabilities	608,221,537	(36,578,717)	571,642,820	679,175,650	107,532,830	
Net Assets	1,295,893,908	(136,265,312)	1,159,628,596	1,150,883,902	(8,744,694)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Reserves						
Accumulated surplus	1,295,893,908	(136,265,321)	1,159,628,587	1,150,883,900	(8,744,687)	

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

According to GRAP 24, an explanation is required for material variances. The Gamagara Local Municipality used a 5% variances as material.

1] The billing on service charges were lower than expected, mainly due to the under billing on water and electricity, which is mainly due to faulty or damaged meters.

2]The rental income was higher than expected due to the rental of community assets (e.g Halls) were higher than anticipated due to the high demand for the venues.

3]The agency services was lower than anticipated due to the impact of COVID-19, as traffic offices were affected by the closure of the economy as a result of the COVID-19 regulations.

4]Revenue is higher than anticipated, mainly due to the increase in building plan approvals during the financial year..

5]The interest on investments was higher than anticipated, as the municipality deposited more funds in the call accounts than expected during the year under review.

6]The WSIG, Energy Efficiency Grant and INEP rollovers were approved but was omitted from the revenue budget and only included in the expenditure budget.

7]There was an increase in donation in-kind due to unexpected asset donations received from the mine during the year under review.

8]There was an increase court fine revenue received during the year, due to the increase in successful court cases.

9]During the course of the financial year, one councillor resigned, and the position was vacant for one month. Councillors did not receive a increase during 2020/21, and during the budget process provision was made for a possible increase..

10]Due to the misalignment between GRAP and the mSCOA chart, the actuals for car rentals was split between lease rentals and car hire, however the total budget was posted against car hire under general expenditure.

11]The mSCOA chart does not make provision for debt impairment, therefore the municipality has only budgeted for bad debts written off.

12]Repairs and maintenance are done on a need to basis, therefore the actual expenditure was lower than the budgeted figure.

13]Due to the misalignment, car hire budget was included in general expenditure instead of lease rentals..

14]The municipality expected to make a gain from the sale of property, however due to the down turn in the economic situation of the community as a result of COVID-19, the municipality was unable to achieve this goal and made a loss on the disposal of assets.

15]Actuarial gains on employee related cost form part of the employee related budget as part of the mSCOA tree and was therefore not budgeted for as a gain/loss but as part of the employee related budget.

16]The anticipated inventory acquisition was lower than expected due to lockdown regulations (which meant employees either worked shift or worked from home on some occasions), which resulted in a decline in the acquisition of inventory.

17]The Treasury template for budgeting does not make provision for operating lease assets, therefore no provision was made for it in the budget.

18]The Treasury template for budgeting does not make trade receivables, but rather for receivables from other debtors which have been used for receivables from non-exchange transactions.

19]There was a higher than expected increase in receivables from residential and commercial property rates, due to the decline in payments received from these consumers.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

20]No provision made for VAT receivables on the budget template, therefore the budget was omitted. General input VAT has increased compared to the prior year which contributed to the municipality recognising a VAT receivable at the end of the financial year.

21]The municipality expected to have a higher debtors' balance, however due to the increase on the collection of waste services and the increased impairment for the current year on all services, there was a considerable decrease in the debtors' balance as at year end.

22]The municipality anticipated to have a negative bank balance during the financial year, but due to funds being deposited in call accounts for the accrual of interest on investments and due to the decrease in total expenditure the municipality closed off the year with a positive balance.

23]Due to the increase in the fair value of investment property, the total investment property was higher than the budgeted figure.

24]Due to the donation received from the mine on infrastructure assets, the actual balance on PPE was higher than anticipated.

25]Due to the reduction in the cost price of intangible assets, there was a reduction in the accumulated amortisation, which may be due to intangible assets which are still in used but have a lower amortisation value than previously recognised..

26]The budget on heritage assets was erroneously removed from the budget during the final adjustment budget, therefore there is a difference between the actual and budgeted amount as at the end of the financial year.

27]Due to the fact that DBSA obligation payments are not adhered to, the interest on the outstanding balance has increased more than anticipated.

28]No provision made on the budget template for taxes and transfers payable, therefore the item was not budgeted for.

29]During the year under review, there was a high increase on water consumer deposits, which is an indication of new customer accounts which were opened for water which can also be seen in the increase building plan approvals. .

30]The treasury budget template does not make provision for separate disclosure of employee benefits, therefore provisions and employee benefits are budgeted as one amount.

31]The municipality did not budget to have any unspent conditional grant, however due delays on projects there was a balance on conditional grants received.

32]The increase on the provision for landfill site rehabilitation was higher than expected due to factors set out in the Landfill site closure report and the fact that both the current and non-current portion was captured against current liabilities..

33]The municipality did not budget to have any unspent conditional grant, however due delays on projects there was a balance on conditional grants received.

34]Provisions are split between current and non-current portion of provision, however as per the AFS the total provision was recognised on current provision.

35] Depreciation recognised during the year was higher than expected due to increase in the landfill site which increased the depreciation which needed to be recognised and the purchases made during the yearNo provisio

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Annual Financial Statements

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

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

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.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of 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:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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, held to maturity investments and loans and 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. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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.

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 condition assessment assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 24 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 22.

1.4 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.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Investment property (continued)

Fair value

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

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

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

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

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

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.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 14).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 15).

1.5 Property, plant and equipment

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

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, its 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.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings		
• Improvements	Straight-line	5-100 years
Electrical Infrastructure		
• Electricity	Straight-line	3-55 years
• Landfill asset	Straight-line	10-20 years
• Roads & Paving	Straight-line	3-100 years
• Sanitation	Straight-line	7-55 years
• Sewerage	Straight-line	7-100 years
• Water	Straight-line	5-100 years
Community		
• Community facilities	Straight-line	5-60 years
• Recreational facilities	Straight-line	10-60 years
Other property, plant and equipment		
• Bins & containers	Straight-line	5-15 years
• Computer equipment	Straight-line	3-10 years
• Emergency equipment	Straight-line	3-10 years
• Furniture & fittings	Straight-line	3-15 years
• Motor vehicles	Straight-line	4-15 years
• Office equipment	Straight-line	3-15 years
• Plant and equipment	Straight-line	2-15 years
• Specialised vehicles	Straight-line	10-20 years
• Other assets	Straight-line	25-30 years

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

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

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

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

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 15).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 15).

1.6 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.

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.

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	3-5 years

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Heritage assets

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.

Derecognition

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

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

1.8 Financial instruments

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

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

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

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

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

Classification

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

Class

Receivables from exchange transactions
Receivables from non-exchange transactions
Trade receivables
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

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

Class

Other financial liabilities
Payables from exchange transactions
Payables from non-exchange transactions
Employee benefit obligation

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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 asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Financial instruments (continued)

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 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

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Statutory receivables (continued)

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.

Derecognition

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

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

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

1.10 Leases

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

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

Finance leases - lessee

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

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

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 - lessor

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

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

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

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

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

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Leases (continued)

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.

1.11 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Useful life is either:

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

Identification

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

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

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

1.13 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.13 Employee benefits (continued)

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.14 Provisions and contingencies (continued)

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 56.

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

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

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

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

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

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, 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 recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue 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.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.17 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.

1.18 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.

1.19 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.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is 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).

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 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 programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.21 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 cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

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

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

1.22 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, executive mayor, mayoral committee members, municipal manager, executive directors and all other managers reporting directly to the municipal manager or as designated by the municipal manager.

1.23 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.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.24 Principal-agent arrangement

A principal-agent relationship is an arrangement where one person, the principal, relies on another person, the agent, to act on the principal's behalf.

The municipality as the agent acting on behalf of the principal recognises revenue based on the net amount retained (the amount billed to a customer less the amount paid to the supplier).

An entity that is the agent in a principal-agent arrangement shall disclose the following in the notes to the financial statements:

a description of any resources (including the carrying value and description of any assets recognised) that are held on behalf of a principal, but recognised in the agent's own financial statements. Such disclosure shall include:

the remittance of any resources during the period, as well as the expected timing of remittance of any remaining resources to the principal; and

risks that are transferred from the principal to the agent (if any), including risks flowing to the entity as a result of its custodianship over the resources held on behalf of a principal;

the aggregate amount of revenue that the entity recognises as compensation for the transactions carried out on behalf of the principal; and

a description of any liabilities incurred on behalf of a principal that have been recognised by the entity, as well as any corresponding rights of reimbursement that have been recognised as assets

1.25 Contingent Liabilities - Accounting Policy

The municipality's policy is not to recognise contingent liabilities in the annual financial statements, but to disclose them in the notes. A contingent liability is defined as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or A present obligation that arises from past events but is not recognised because: 1) It is not probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation, or 2) The amount of the obligation can not be measured with sufficient reliability.

The municipality acknowledges that contingent liabilities can have a significant financial and economic impact to the municipality – by conferring certain rights or obligations that may be expected in the future. If the impact is not known, this could allow for financial difficulties for the municipality. Therefore ways are sought as much as possible to put measures in place to limit the impact of contingent liabilities – should these materialise.

In estimating the probable financial implications of contingent liabilities, where applicable the following is taken into account:

1. Maximum potential loss - This method values contingent liabilities at full face value.
2. Expected loss - This method tries to estimate the probability that the contingency will occur – and can be used when reliable data is available.
3. Use of market information if available
4. Opinion of experts such as legal practitioners

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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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.

Interest on outstanding receivables

During the year, the municipality changed its accounting policy with respect to the treatment of interest from outstanding receivables. The municipality started charging interest to outstanding receivables in the 2019/2020 financial year at 15.5% per annum.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2020 is as follows:

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2020 is as follows:

Statement of Financial Performance

Interest income

Previously stated	-	-
Adjustment	-	37,109,440
	-	<u>37,109,440</u>

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 7 (revised): The Application of Deemed Cost	01 April 2021	Unlikely there will be a material impact

4. Inventories

Consumable stores	905,954	524,592
Water	97,534	160,084
Fuel (Diesel, Petrol)	276,991	59,872
	<u>1,280,479</u>	<u>744,548</u>

Inventories recognised as an expense during the year	6,238,036	3,662,257
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The cost of water production for the year amounted to R7.60 per kilolitre (2020: R8.05 per kilolitre). Raw water purchased from Sishen Iron Ore amounts to R0.06 per kilolitre.

No Inventories have been pledged as collateral for Liabilities of the municipality.

5. Operating lease asset (accrual)

Current assets	14,671	35,307
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Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
6. Other trade receivables from exchange transactions		
Creditors with debit balances	36,830	619,724
Arrangements	8,060,570	1,754,163
	8,097,400	2,373,887
Arrangements		
Current (0 -30 days)	1,035,645	107,051
31 - 60 days	1,691,558	25,113
61 - 90 days	1,043,645	147,136
91 - 120 days	2,430,293	278,733
121 - 365 days	1,795,102	1,163,117
> 365 days	64,328	33,014
	8,060,571	1,754,164
7. Receivables from non-exchange transactions		
Arrangements	3,388,339	827,690
Other receivables from non-exchange revenue	977,644	3,234,834
Consumer debtors - Rates	8 77,472,807	85,786,141
	81,838,790	89,848,665
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Taxes	76,539,947	73,110,531
Fines	977,644	3,234,834
	77,517,591	76,345,365
Financial asset receivables included in receivables from non-exchange transactions above	4,321,199	13,503,300
Total receivables from non-exchange transactions	81,838,790	89,848,665
Statutory receivables general information		
Transaction(s) arising from statute		
The Municipal Property Rates Act is a national law that regulate the power of a municipality to value and rate immovable properties located within the boundaries of municipalities.		
Traffic fines arise from enforcement of traffic law violation in the municipal area and is governed by the The National Road Traffic Act 93 of 1996.		
Value added tax is as a result of Value-Added Tax Act 89 of 1991		
Reconciliation of provision for impairment for statutory receivables		
Opening balance	(21,055,403)	(35,915,755)
Unused amounts reversed	6,311,743	14,860,352
	(14,743,660)	(21,055,403)

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
7. Receivables from non-exchange transactions (continued)		
Arrangements		
Current (0 -30 days)	435,343	50,511
31 - 60 days	711,063	11,849
61 - 90 days	438,706	69,425
91 - 120 days	1,021,597	131,518
121 - 365 days	754,589	548,809
> 365 days	27,041	15,578
	3,388,339	827,690
8. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Rates	94,975,410	94,290,064
Less: Allowance for impairment		
Consumer debtors - Rates	(17,502,603)	(8,503,923)
Net balance		
Consumer debtors - Rates	77,472,807	85,786,141
Statutory receivables included in consumer debtors above are as follows:		
Consumer debtors - Rates	76,539,947	73,110,531
Financial asset receivables included in consumer debtors above	932,860	12,675,610
Total consumer debtors	77,472,807	85,786,141
Property rates		
Current (0 -30 days)	(62,819)	(217)
31 - 60 days	9,148,888	9,517,681
61 - 90 days	3,578,998	4,895,854
91 - 120 days	3,697,380	4,442,561
121 - 365 days	17,385,954	26,807,871
> 365 days	43,724,406	40,122,391
	77,472,807	85,786,141

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
8. Consumer debtors disclosure (continued)		
Summary of debtors by customer classification		
Consumers and Other		
Current (0 -30 days)	(77,011)	(239)
31 - 60 days	11,073,421	10,251,676
61 - 90 days	4,282,525	5,255,352
91 - 120 days	4,441,144	4,758,095
121 - 365 days	20,732,599	28,716,404
> 365 days	52,121,500	43,297,170
	<u>92,574,178</u>	<u>92,278,458</u>
Less: Allowance for impairment	(17,042,195)	(8,322,498)
	<u>75,531,983</u>	<u>83,955,960</u>
 Industrial/ commercial		
Current (0 -30 days)	-	-
31 - 60 days	36,735	61,585
61 - 90 days	17,911	32,716
91 - 120 days	11,270	34,011
121 - 365 days	38,185	145,832
> 365 days	114,400	132,001
	<u>218,501</u>	<u>406,145</u>
Less: Allowance for impairment	(41,895)	(36,630)
	<u>176,606</u>	<u>369,515</u>
 National and provincial government		
Current (0 -30 days)	-	-
31 - 60 days	105,643	147,901
61 - 90 days	87,127	93,109
91 - 120 days	80,276	90,843
121 - 365 days	542,993	603,080
> 365 days	1,366,693	670,527
	<u>2,182,732</u>	<u>1,605,460</u>
Less: Allowance for impairment	(418,514)	(144,795)
	<u>1,764,218</u>	<u>1,460,665</u>
 Total		
Current (0 -30 days)	(77,011)	(239)
31 - 60 days	11,215,799	10,461,162
61 - 90 days	4,387,563	5,381,177
91 - 120 days	4,532,690	4,882,949
121 - 365 days	21,313,777	29,465,317
> 365 days	53,602,593	44,099,699
	<u>94,975,411</u>	<u>94,290,065</u>
Less: Allowance for impairment	(17,502,604)	(8,503,922)
	<u>77,472,807</u>	<u>85,786,143</u>
 Less: Allowance for impairment		
Current (0 -30 days)	14,192	22
31 - 60 days	(2,066,911)	(943,481)
61 - 90 days	(808,565)	(485,323)
91 - 120 days	(835,310)	(440,388)
121 - 365 days	(3,927,823)	(2,657,446)
> 365 days	(9,878,188)	(3,977,306)

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
8. Consumer debtors disclosure (continued)		
	(17,502,605)	(8,503,922)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(8,503,922)	(35,915,755)
Contributions to allowance	(8,998,683)	27,411,833
	(17,502,605)	(8,503,922)
The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.		
In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.		
Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.		
9. VAT receivable		
VAT	31,843,616	23,642,422
10. Receivables from exchange transactions		
Gross balances		
Electricity	62,161,683	26,054,568
Water	65,558,175	62,804,159
Waste water	14,797,267	17,835,530
Refuse	63,330,919	47,613,941
Other (specify)	3,807,810	37,874,431
	209,655,854	192,182,629
Less: Allowance for impairment		
Electricity	(9,301,377)	(1,585,227)
Water	(9,648,724)	(5,585,680)
Waste water	(2,726,923)	(1,608,569)
Refuse	(11,670,978)	(4,294,252)
Other (specify)	(701,724)	(3,415,855)
	(34,049,726)	(16,489,583)
Net balance		
Electricity	52,860,306	24,469,341
Water	55,909,451	57,218,479
Waste water	12,070,344	16,226,961
Refuse	51,659,941	43,319,689
Other (specify)	3,106,086	34,458,576
	175,606,128	175,693,046

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
10. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	11,689,071	5,911,193
31 - 60 days	8,661,153	2,760,321
61 - 90 days	4,788,368	(631,788)
91 - 120 days	5,778,382	309,033
121 - 365 days	7,850,802	(8,842,496)
> 365 days	14,092,530	24,963,078
	52,860,306	24,469,341
Water		
Current (0 -30 days)	13,199,318	870,453
31 - 60 days	2,006,131	2,605,955
61 - 90 days	701,052	1,254,794
91 - 120 days	873,855	1,525,056
121 - 365 days	3,050,589	5,454,401
> 365 days	36,078,506	45,507,820
	55,909,451	57,218,479
Waste water		
Current (0 -30 days)	(6,304)	(199)
31 - 60 days	997,086	1,034,324
61 - 90 days	302,983	458,533
91 - 120 days	185,685	446,658
121 - 365 days	1,129,942	1,749,085
> 365 days	9,460,952	12,538,560
	12,070,344	16,226,961
Refuse		
Current (0 -30 days)	(33,954)	(236)
31 - 60 days	11,580,501	2,350,751
61 - 90 days	1,303,659	1,487,274
91 - 120 days	1,155,577	1,310,835
121 - 365 days	6,934,994	8,462,334
> 365 days	30,719,164	29,708,731
	51,659,941	43,319,689
Other (specify)		
Current (0 -30 days)	-	(6,690)
31 - 60 days	151,077	3,114,635
61 - 90 days	72,347	3,279,983
91 - 120 days	70,165	3,114,042
121 - 365 days	791,843	23,099,466
> 365 days	2,020,653	1,857,141
	3,106,085	34,458,577

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
10. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	24,838,717	6,519,376
31 - 60 days	28,077,721	12,571,804
61 - 90 days	8,590,246	6,225,810
91 - 120 days	9,737,517	7,175,313
121 - 365 days	23,603,486	32,154,658
> 365 days	111,822,167	124,942,244
	<u>206,669,854</u>	<u>189,589,205</u>
Less: Allowance for impairment	(33,620,697)	(16,255,684)
	<u>173,049,157</u>	<u>173,333,521</u>
Industrial/ commercial		
Current (0 -30 days)	-	-
31 - 60 days	83,310	89,713
61 - 90 days	18,839	25,256
91 - 120 days	17,077	38,192
121 - 365 days	68,998	119,463
> 365 days	261,067	230,978
	<u>449,291</u>	<u>503,602</u>
Less: Allowance for impairment	(64,555)	(45,419)
	<u>384,736</u>	<u>458,183</u>
National and provincial government		
Current (0 -30 days)	-	-
31 - 60 days	520,514	380,736
61 - 90 days	178,807	177,517
91 - 120 days	130,809	156,842
121 - 365 days	549,439	614,895
> 365 days	1,157,137	759,833
	<u>2,536,706</u>	<u>2,089,823</u>
Less: Allowance for impairment	(364,477)	(188,479)
	<u>2,172,229</u>	<u>1,901,344</u>
Total		
Current (0 -30 days)	24,838,717	6,519,376
31 - 60 days	28,681,546	13,042,253
61 - 90 days	8,787,892	6,428,583
91 - 120 days	9,885,403	7,370,347
121 - 365 days	24,221,923	32,889,016
> 365 days	113,240,372	125,933,055
	<u>209,655,853</u>	<u>192,182,630</u>
Less: Allowance for impairment	(34,049,729)	(16,489,582)
	<u>175,606,124</u>	<u>175,693,048</u>

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
10. Receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Current (0 - 30 days)	7,055	255,193
31 - 60 days	(3,960,810)	(1,176,267)
61 - 90 days	(1,213,574)	(579,787)
91 - 120 days	(1,365,136)	(664,724)
121 - 365 days	(6,547,150)	(2,986,226)
> 365 days	(20,970,111)	(11,357,772)
	(34,049,726)	(16,489,583)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(16,489,583)	(71,773,521)
Contributions to allowance	(17,560,143)	55,283,938
	(34,049,726)	(16,489,583)
Statutory receivables general information		
11. Statutory receivables		
Consumer debtors - Rates	77,472,807	85,786,141
VAT receivable	31,843,616	23,642,422
Traffic fines	549,800	293,768
	109,866,223	109,722,331
12. Interest receivable		
Interest receivable - Non-exchange transactions	15,705,750	10,289,988
Interest receivable - Exchange transactions	40,773,660	24,781,756
	56,479,410	35,071,744
13. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	24,337,842	35,199,263
Short-term deposits	5,260,295	191,700
	29,598,137	35,390,963

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
First National Bank Primary Account - Cheque - 536-6800-6069	18,038,063	34,477,511	8,695,392	18,396,363	34,477,511	8,695,392
First National Bank - Call Account - 613-6800-1025	5,063,760	(18)	63,615	5,063,760	(18)	63,615
First National Bank - Call Account - 620-1304-5861	2,209	2,209	2,207	2,209	2,209	2,207
First National Bank - Call Account - 623-8067-5193	69,695	68,441	65,883	69,695	68,441	65,883
First National Bank - Call Account - 623-3404-0748	52,567	52,435	51,462	52,567	52,435	51,462
First National Bank - Fixed Deposit - 710-2095-0327	72,063	68,632	63,831	72,063	68,632	63,831
Standard Bank - Current - 230-0456-8500	5,941,479	721,752	2,380,770	5,941,479	721,752	2,380,770
Total	29,239,836	35,390,962	11,323,160	29,598,136	35,390,962	11,323,160

14. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	308,824,640	-	308,824,640	293,847,777	-	293,847,777

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	293,847,777	14,976,863	308,824,640

Reconciliation of investment property - 2020

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	212,807,779	82,930,400	(3,360,910)	1,470,508	293,847,777

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.

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Gamagara Local Municipality
Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

15. Property, plant and equipment

	2021		2020	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Land	104,179,015	-	104,179,015	104,179,015
Buildings	113,240,163	(50,766,883)	62,473,280	113,240,163
Plant and machinery	9,230,276	(4,343,134)	4,887,142	8,320,003
Furniture and fixtures	11,820,081	(9,540,234)	2,279,847	11,973,750
Motor vehicles	17,532,342	(7,447,118)	10,085,224	17,532,342
IT equipment	2,130,489	(1,470,902)	659,587	2,139,704
Electrical Infrastructure	339,384,247	(140,541,261)	198,842,986	310,023,608
Community	159,156,440	(54,192,010)	104,964,430	158,331,571
Roads Infrastructure	537,749,678	(303,377,128)	234,372,550	537,614,838
Sanitation Infrastructure	402,742,598	(192,072,233)	210,670,365	398,726,055
Water supply Infrastructure	459,515,436	(244,312,021)	215,203,415	423,108,475
Solid waste Infrastructure	90,488,161	(46,759,618)	43,728,543	84,023,713
Total	2,247,168,906	(1,054,822,542)	1,192,346,364	2,149,213,235
				(994,651,011)
				1,154,562,224

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

15. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Opening Work In Progress	Additions/ Adjustments Work In Progress	Transfer-Out Work In Progress	Transfer-In Work In Progress	Change in provision of obligation	Depreciation	Impairment loss	Total
Land	104,179,015	-	-	-	-	-	-	-	-	-	104,179,015
Buildings	56,771,043	-	-	10,466,152	-	-	-	-	(4,763,915)	-	62,473,280
Plant and machinery	4,744,453	910,273	-	-	-	-	-	-	(767,584)	-	4,887,142
Furniture and fixtures	3,103,483	-	(19,387)	-	-	-	-	-	(795,735)	(8,514)	2,279,847
Motor vehicles	11,546,113	-	-	-	-	-	-	-	(1,460,889)	-	10,085,224
IT equipment	840,354	-	(8,529)	-	-	-	-	-	(172,258)	-	659,567
Electrical infrastructure	161,489,430	1,014,000	-	16,272,102	28,346,640	-	-	-	(7,920,785)	(358,401)	198,842,986
Community	106,841,618	-	-	1,003,498	824,869	-	-	-	(3,705,555)	-	104,964,430
Roads infrastructure	241,513,299	-	(315,697)	2,421,300	1,257,969	-	-	-	(10,114,209)	(390,112)	234,372,550
Sanitation infrastructure	175,913,467	-	-	38,906,550	4,016,543	-	-	-	(8,101,329)	(64,868)	210,670,365
Water supply infrastructure	154,590,881	14,821,605	(8,441)	34,699,865	27,131,079	(5,530,721)	-	-	(10,394,350)	(108,503)	215,203,415
Solid waste infrastructure	29,024,315	-	(304,655)	235,286	-	-	-	26,769,103	(11,995,506)	-	43,728,543
	1,050,557,471	16,745,878	(654,709)	104,004,753	61,577,100	(5,530,721)	-	26,769,103	(60,192,115)	(930,396)	1,192,346,364

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

15. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Opening Work In Progress	Additions/ Adjustments Work In Progress	Transfer-Out Work In Progress	Transfer-In Work In Progress	Change in provision of obligation	Depreciation	Impairment loss	Total
Land	97,631,815	8,043,000	(1,495,800)	-	-	-	-	-	-	-	104,179,015
Buildings	60,647,451	-	(369)	10,466,152	-	-	-	-	(3,851,842)	(24,197)	67,237,195
Plant and machinery	5,013,334	340,639	-	-	-	-	-	-	(609,379)	(141)	4,744,453
Furniture and fixtures	3,738,031	81,006	(257)	-	-	-	-	-	(696,164)	(19,133)	3,103,483
Motor vehicles	8,475,644	3,500,000	-	-	-	-	-	-	(429,531)	-	11,546,113
IT equipment	902,988	195,631	-	-	-	-	-	-	(237,867)	(20,398)	840,354
Electrical Infrastructure	135,188,849	781,535	(139,885)	29,138,079	20,542,306	(33,408,282)	33,408,282	-	(7,709,473)	(39,879)	177,761,532
Community	99,734,337	-	(226,355)	9,731,520	3,472,121	(12,200,143)	12,200,143	-	(4,852,623)	(13,884)	107,845,116
Roads Infrastructure	254,666,540	-	(882,328)	1,826,984	594,316	-	-	-	(10,067,437)	(2,203,476)	243,934,599
Sanitation Infrastructure	145,104,347	91,836	(19,289)	61,050,817	15,554,190	(37,698,457)	37,698,457	-	(6,961,884)	-	214,820,017
Water supply Infrastructure	147,511,240	966,895	(270,423)	32,107,980	19,139,000	(16,547,114)	16,547,115	-	(10,118,239)	(45,709)	189,280,746
Solid waste Infrastructure	47,780,571	-	-	235,286	-	-	-	(14,533,170)	(4,223,086)	-	29,259,601
	1,006,395,147	14,000,543	(3,034,706)	144,556,818	59,301,933	(99,853,996)	99,853,997	(14,533,170)	(49,757,525)	(2,366,817)	1,154,562,224

Pledged as security

The municipality did not pledge any of its assets as security.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
15. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Projects were identified where construction or development has been halted either during the current or previous reporting period(s). These projects relate to internal funded projects and was halted due to financial constraints. These projects were all considered for impairment and it was concluded that assets are not impaired at this point in time and the projects will be continued when funds are available as most of these projects only incurred professional fees on the planning phase.		
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Upgrading of municipal offices in Olifantshoek Only the professional fees paid, the project was supposed to be funded internally. The project will be implemented when funds become available in the future.	501,376	501,376
Upgrading of internal roads in Olifantshoek Only the professional fees paid, the project was supposed to be funded internally. The project will be implemented when funds become available in the future.	744,554	744,554
Kathu 1600 Mixed Typology Development Contractor did not perform, terminated. COGHSTA to implement the project.	9,680,492	9,680,492
Sesheng Engineering Civil Services The project is being implemented by COGHSTA.	13,035,088	13,035,088
Electrical transmission Only the professional fees paid, the project was supposed to be funded internally. The project will be implemented when funds become available in the future.	-	112,195
Construction of Dibeng Landfill site Control Room and Fencing Only the professional fees paid, the project has been terminated.	-	87,719
Construction of Control Room at Olifantshoek Landfill Site Only the professional fees paid, the project was supposed to be funded internally. The project will be implemented when funds become available in the future	40,743	40,743
Construction of Control Room and Fencing at Kathu Transfer Station. Only the professional fees paid, the project was supposed to be funded internally. The project will be implemented when funds become available in the future	106,823	106,823
Upgrading of 1km of Hans Coetzee road in Kathu The project is implemented by the Khumani Mine.	1,082,430	1,082,430
Kathu West 18ml reservoir and 3ml tower Only the professional fees paid, the project was supposed to be funded internally. The project will be implemented when funds become available in the future.	2,389,000	2,389,000
Construction of 7ml reservoir and 1.7 elevated tower at Sesheng The IRS to be developed during the 21/22 financial year and submitted to the Department of Water and Sanitation for approval.	658,484	658,484
Upgrading of electrical switchgear in Industrial substation No budget. Project to continue in future when funds become available	322,150	322,150
Resealing of Olifantshoek reservoir and replacing of AC feeder and supply pipe No budget. Project to continue in future when funds become available	-	266,582
Development of Khai appel boreholes Phase 1 The project is implemented by Khumani Mine.	967,976	967,976

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
15. Property, plant and equipment (continued)		
Electrification Kathu No budget. Project to continue in future when funds become available	-	1,141,839
Construction of control room at Olifantshoek [Only professional fees were paid due to lack of funding.]	69,369	69,369
Construction of ablution facility & fencing Olifantshoek Only professional fees were paid due to lack of funding.	214,915	214,915
Water Reticulation in Olifantshoek Phase 1 Project entails 2 stages 1. Ground water exploration- Completed 2. Second stage: The Contractor is experiencing serious challenges on Site, the Community constantly stops the construction activities, and this led him to stop completely until the two(2) subbies are appointed.	-	7,190,832
	29,813,400	38,612,567

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Buildings	Included within Landfill assets	
Opening balance	92,299,819	1,003,498	10,466,152	235,286	10
Additions/capital expenditure	60,752,229	824,869	-	-	6
Transferred to completed items	(5,530,721)	(1,223,874)	-	-	(
	147,521,327	604,493	10,466,152	235,286	15

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Buildings	Included within Landfill assets	
Opening balance	124,123,860	9,731,520	10,466,152	235,286	14
Additions/capital expenditure	55,829,812	3,472,121	-	-	5
	(87,653,853)	(12,200,143)	-	-	(9
	92,299,819	1,003,498	10,466,152	235,286	10

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	225,812	169,761
Infrastructure	4,472,977	9,249,535
	4,698,789	9,419,296

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.

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.

Gamagara Local Municipality

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16. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4,664,698	(4,129,952)	534,746	5,034,759	(4,195,806)	838,953

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	838,953	(304,207)	534,746

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	1,174,458	(335,505)	838,953

17. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	74,581	-	74,581	74,581	-	74,581

Reconciliation of heritage assets 2021

	Opening balance	Total
Heritage assets	74,581	74,581

Reconciliation of heritage assets 2020

	Opening balance	Total
Heritage assets	74,581	74,581

Gamagara Local Municipality

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Figures in Rand	2021	2020
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18. Other financial liabilities

At amortised cost

Annuity Loans - Current	42,669,410	38,189,957
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Annuity Loans are repaid over periods varying from 10 to 15 (2019: 10 to 15) years and at interest rates varying from 8.63% to 11.06% (2019: 8.63% to 11.06%) per annum. Annuity Loans are not secured.

Arrears interest is charged at 10.63% to 12.76% for unpaid instalment.

The fair value of Long-term liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term liabilities.

Current liabilities

At amortised cost	42,669,410	38,189,957
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Contract number	Loan/Project number	Start date	Planned end date	Loan term	Interest rate
61000367	101798/1	01-07-2006	30-06-2021	15	8.63 %
61006899	12007530	01-07-2011	30-06-2021	10	9.56 %
61006937	12007596	01-07-2011	30-06-2021	10	11.06 %

As at 30 June 2021

Maturity analysis	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
DBSA	42,669,410	-	-	-	42,669,410
Subtotal	42,669,410	-	-	-	42,669,410
	42,669,410	-	-	-	42,669,410

Maturity analysis

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 30 June 2020					
Maturity analysis					
DBSA	38,189,957	-	-	-	38,189,957
Subtotal	38,189,957	-	-	-	38,189,957
	38,189,957	-	-	-	38,189,957

Gamagara Local Municipality

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Figures in Rand				2021	2020
18. Other financial liabilities (continued)					
Defaults and breaches					
2021					
	Loan	Loan	Loan	Total	
	61000367	61006899	61006937		
Capital	11,386,777	6,313,088	7,735,491	25,435,356	
Interest	6,827,770	4,243,954	6,162,329	17,234,053	
	18,214,547	10,557,042	13,897,820	42,669,409	
2020					
	Loan	Loan	Loan	Total	
	61000367	61006899	61006937		
Capital	8,708,578	4,804,077	5,839,162	19,351,817	
Interest	5,073,380	3,143,437	4,537,782	12,754,599	
Capital (incl. Cap Interest)	2,678,199	1,509,011	1,896,331	6,083,541	
	16,460,157	9,456,525	12,273,275	38,189,957	

The loans were not renegotiated and are due on 30 June 2021.

19. Payables from exchange transactions

Trade payables	350,265,169	303,495,323
Retentions payable	5,892,905	4,112,635
Accrued leave pay	21,318,683	18,787,330
Accrued bonus	5,233,181	4,281,893
Agency fees	49,703	49,703
Department of transport and Prodiba	25,354,933	22,056,232
Prepaid electricity	2,407,777	1,922,640
Payments received in advance	26,211,494	26,330,520
Employee Control account	7,900,203	8,096,560
	444,634,048	389,132,836

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The municipality had a payment arrangement in place with ESKOM at year end, this arrangement was not settled in full during July 2020.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

20. Payables from non-exchange

Payment Received In Advance	11,873,970	12,918,474
Unspent grant payable to National Treasury	19,292,050	19,292,050
Unallocated Deposits	14,433,129	19,073,653
	45,599,149	51,284,177

Staff leave and bonus accrues to the staff of the municipality on an annual basis, subject to certain conditions.

No credit period exists for payables from non-exchange transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

Gamagara Local Municipality

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Figures in Rand	2021	2020
20. Payables from non-exchange (continued)		
The municipality did not default on the payment of its creditors. No terms for payment have been renegotiated by the municipality.		
The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.		
21. Consumer deposits		
Sundry deposits - rentals	6,398	2,238,289
Electricity & water	5,907,981	3,468,139
	5,914,379	5,706,428
22. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded - Post Employment Medical Aid	(40,945,000)	(33,718,000)
Present value of the defined benefit obligation-wholly unfunded - Long Service Awards	(13,567,000)	(9,639,000)
	(54,512,000)	(43,357,000)
Non-current liabilities	(52,285,000)	(41,121,000)
Current liabilities	(2,227,000)	(2,236,000)
	(54,512,000)	(43,357,000)
The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, 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 an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.		
Long service award		
The members of the long service award are made up as follows:		
Eligible employees as at 30 June 2021	352	349
New Entries	99	15
Exits	(16)	(12)
	435	352
Movements in the present value of the defined benefit obligation are as follows:		
Opening balance	9,639,000	10,880,310
Current service cost	925,000	1,072,251
Interest cost	658,000	831,346
Benefits paid	(1,547,077)	(1,175,895)
Actuarial loss	3,892,077	(1,969,012)
	13,567,000	9,639,000

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Figures in Rand	2021	2020
22. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial performance		
Current service cost	925,000	1,072,251
Interest cost	658,000	831,346
Actuarial (gains) losses	3,892,077	(1,969,012)
Settlement	(1,547,077)	(1,175,895)
	3,928,000	(1,241,310)

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

Assumptions used at the reporting date:

Discount rates used	9.27 %	7.34 %
Average retirement age	62	62

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:

	One percentage point increase	One percentage point decrease
General earnings inflation rate	1,696,000	1,479,000
Discount rate	1,566,000	1,600,000

The history of experienced adjustments is as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	13,567,000	9,639,000	10,880,000	9,418,000	8,805,000
Surplus (deficit)	(13,567,000)	(9,639,000)	(10,880,000)	(9,418,000)	(8,805,000)
Experience adjustments on plan liabilities	3,880,077	(1,543,012)	325,722	155,233	514,742

Post employment medical aid subsidy

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

In-service (employee) members	362	287
In-service (employee) non-members	73	65
Continuation (retiree and widow) members	17	16
	452	368

Unfunded liability

In-service (employee) members	29,654,000	23,543,000
In-service (employee) non-members	1,266,000	879,000
Continuation (retiree and widow) members	10,025,000	9,296,000
	40,945,000	33,718,000

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Figures in Rand	2021	2020
22. Employee benefit obligations (continued)		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	33,718,000	36,716,960
Current service cost	1,832,000	2,017,524
Interest cost	3,613,000	3,488,845
Benefits paid	(868,476)	(815,783)
Actuarial loss	2,650,476	(7,689,546)
	40,945,000	33,718,000

Net expense recognised in the statement of financial performance

Current service cost	1,832,000	2,017,524
Interest cost	3,613,000	3,488,845
Actuarial (gains) losses	2,650,476	(7,689,546)
Settlement	(868,476)	(815,783)
	7,227,000	(2,998,960)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.37 %	10.85 %
Health care cost inflation rate	6.98 %	6.85 %
Average retirement age	62	62

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:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	6,488,000	4,617,000
Discount rate	4,953,000	6,045,000

The history of experienced adjustments is as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	40,945,000	33,718,000	36,717,000	37,010,000	36,499,000
Surplus (deficit)	(40,945,000)	(33,718,000)	(37,717,000)	(37,010,000)	(36,499,000)
Experience adjustments on plan liabilities	963,000	546,000	(793,000)	(1,110,000)	(2,222,000)

Impact of COVID-19

Post employment medical aid benefit liability

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

Gamagara Local Municipality

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Figures in Rand

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22. Employee benefit obligations (continued)

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

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

Long service award liability

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

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

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

23. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	7,583,574	418,143
Integrated National Electrification Programme Grant (INEP)	9,496,211	14,500,214
EPWP	24,722	231,517
Equitable share - COVID 19	1,642,000	-
Provisional: Library	725,373	725,373
Energy Efficiency and Demand Side Management Grant (EEDSM)	-	618,525
Water Service Infrastructure Grant (WSIG)	1,889,339	18,488,557
	21,361,219	34,982,329

Movement during the year

Balance at the beginning of the year	34,982,329	14,456,948
Additions during the year	48,613,000	76,262,000
Income recognition during the year	(62,644,455)	(44,379,671)
Rollover not approved transferred to payables	410,345	(11,356,948)
	21,361,219	34,982,329

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.

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

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

Gamagara Local Municipality

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Notes to the Annual Financial Statements

24. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Rehabilitation of Landfill Sites - Olifantshoek	3,632,845	-	121,430	1,425,418	5,179,693
Rehabilitation of Landfill Sites - Deben	32,571,730	-	1,390,340	25,343,685	59,305,755
	36,204,575	-	1,511,770	26,769,103	64,485,448

Reconciliation of provisions - 2020

	Opening Balance	Additions	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Rehabilitation of Landfill Sites - Olifantshoek	6,168,666	-	101,378	(2,637,199)	3,632,845
Rehabilitation of Landfill Sites - Deben	43,558,757	-	908,944	(11,895,971)	32,571,730
	49,727,423	-	1,010,322	(14,533,170)	36,204,575

The municipality has an obligation to rehabilitate landfill sites.

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

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used is 5.25% (1 years) and 10.51% (19 years).

The valuation of the landfill site provision was done by JPCE Specialist Consulting Engineers, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities and the professional valuator on the project was W. Meyers (B. Eng.), with extensive experience and expertise relevant for this type of work.

Environmental rehabilitation provision

Council operates two disposal sites. In terms of the Environmental Conservation Act (Act No 73 of 1989), the municipality is responsible to perform a rehabilitation of the land upon closure of the landfill site.

Key assumptions

Description	Deben	Olifantshoek
Total Site Area	108 924m ²	18 964m ²
Estimated site closure date	2030	2040
Remaining site life (from 2020) (years)	9 years	19 years
Net present value calculations based on the Government Bond Yield Rates for 10-years and 20-years respectively as discount rates (as at 30 June 2021)	8.88%	10.51%

Gamagara Local Municipality

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Figures in Rand	2021	2020
25. Revenue		
Service charges	245,374,889	228,517,805
Rental of facilities and equipment	1,627,885	1,281,573
Interest received (trading)	11,885,769	-
Agency services	470,427	420,072
Other income - (rollup)	8,257,076	4,129,248
Interest received - investment	346,302	508,818
Property rates	122,996,700	117,575,789
Surcharges and Taxes	2,681,815	-
Government grants & subsidies	109,866,186	81,944,453
Public contributions and donations	10,306,173	94,134,106
Fines, Penalties and Forfeits	891,240	1,172,181
	514,704,462	529,684,045
 The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	245,374,889	228,517,805
Rental of facilities and equipment	1,627,885	1,281,573
Interest received (trading)	11,885,769	-
Agency services	470,427	420,072
Other income - (rollup)	8,257,076	4,129,248
Interest received - investment	346,302	508,818
	267,962,348	234,857,516
 The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	122,996,700	117,575,789
Licences or permits	1,147,203	910,188
Surcharges and Taxes	2,681,815	-
Transfer revenue		
Government grants & subsidies	109,866,186	81,944,453
Public contributions and donations	10,306,173	94,134,106
Fines, Penalties and Forfeits	891,240	1,172,181
	247,889,317	295,736,717
 26. Service charges		
Sale of electricity	159,577,727	152,454,119
Sale of water	36,904,463	27,352,864
Solid waste	37,050,472	35,924,042
Sewerage and sanitation charges	11,842,227	12,786,780
	245,374,889	228,517,805
 27. Rental of facilities and equipment		
Premises		
Premises	1,622,711	1,274,777
 Facilities and equipment		
Rental of facilities	5,174	6,796
	1,627,885	1,281,573

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Figures in Rand	2021	2020
28. Interest		
Interest exchange	11,885,769	-
Interest non-exchange	2,681,815	-
	14,567,584	-
29. Agency services		
Water and Sanitation	470,427	420,072
30. Other revenue		
Other income - (rollup)	8,257,076	4,129,248
31. Other income		
Cemetery fees	62,422	30,998
Collection charges	1,917,925	949,657
Building plan approval	5,186,329	2,974,633
Photocopies	614	1,864
Tender documents	43	-
Insurance Refund	395,459	-
Reconnection fees	330,753	172,096
Ancillary charges	363,531	-
	8,257,076	4,129,248
32. Property rates		
Rates received		
Property rates income	125,356,978	120,186,622
Less: Income forgone	(2,360,278)	(2,610,833)
	122,996,700	117,575,789

Gamagara Local Municipality

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Figures in Rand	2021	2020
32. Property rates (continued)		
Valuations		
Residential	6,707,211,535	6,696,597,910
State owned	84,395,400	77,217,100
Municipal farms	84,498,000	84,398,359
Small holdings	92,370,000	102,450,000
Industrial	159,148,500	168,924,500
Business	1,154,277,112	994,871,700
Agriculture	1,380,143,000	1,449,026,000
Public service infrastructure	16,739,006	84,093,006
Public benefit organisation	9,526,000	3,376,000
Church	86,871,948	82,658,868
Education	363,233,000	375,364,864
Vacant stands	12,161,384	59,516,100
Mining	405,678,100	476,218,100
Existing farms without dwellings	162,527,000	164,073,000
Municipal	528,173,301	439,618,608
	11,226,953,286	11,258,404,115

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A fixed rate is applied to property valuations according to different categories as per the tariff schedules to determine assessment rates. Rebates of R15 000 on the property valuation are granted to residential property owners.

Gamagara Local Municipality

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Figures in Rand	2021	2020
33. Government grants and subsidies		
Operating grants		
Equitable share	45,742,000	37,163,000
National: Financial Management Grant	1,700,000	1,770,000
Provincial: Department of Public Works: EPWP Programme	1,261,795	1,017,482
Provincial: Library	-	277,827
National Department: Environmental	-	150,000
Municipal Disaster Relief Grant	-	95,000
Education, Training and Development Practices- SETA	248,077	156,783
	48,951,872	40,629,892
Capital grants		
National: Municipal Infrastructure Grant (MIG)	4,492,569	11,434,857
National: Department of Minerals & Energy (INEP)	25,004,003	15,886,785
Energy Efficiency Demand Side Management Grant	5,118,525	4,381,475
Water Service Infrastructure Grant (WSIG)	26,299,217	9,611,444
	60,914,314	41,314,561
	109,866,186	81,944,453
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R647.79 - (2020: R591.14 -), which is funded from the grant.		
National: Financial Management Grant (FMG)		
Current-year receipts	1,700,000	1,770,000
Conditions met - transferred to revenue	(1,700,000)	(1,770,000)
	-	-
The Financial Management Grant (FMG) was allocated to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).		
National: Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	418,143	-
Current-year receipts	11,658,000	11,853,000
Conditions met - transferred to revenue	(4,910,712)	(11,434,857)
Other	418,143	-
	7,583,574	418,143
The Municipal Infrastructure Grant (MIG) was allocated to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.		
National: Department of Mineral & Energy (INEP)		
Balance unspent at beginning of year	14,500,214	1,701,995
Current-year receipts	20,000,000	30,387,000
Conditions met - transferred to revenue	(25,004,003)	(15,886,785)
Other	-	(1,701,996)
	9,496,211	14,500,214

Gamagara Local Municipality

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Figures in Rand	2021	2020
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33. Government grants and subsidies (continued)

The grant was allocated to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.

Provincial: Department of Public Works: EPWP Programme

Balance unspent at beginning of year	231,517	369,575
Current-year receipts	1,055,000	1,249,000
Conditions met - transferred to revenue	(1,261,795)	(1,017,483)
Rollover not approved- transferred to payables	-	(369,575)
	24,722	231,517

The Expanded Public Works Programme was allocated to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines: road maintenance and the maintenance of buildings; low traffic roads and rural roads; basic services infrastructure, including water and sanitation reticulation(excluding bulk infrastructure); other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification; sustainable land-based livelihoods; social services programmes; community safety programmes.

Equitable share - COVID 19

Current-year receipts	5,442,000	-
Conditions met - transferred to revenue	(3,800,000)	-
	1,642,000	-

This was an allocation to the municipality for COVID 19.

Provincial: Library

Balance unspent at beginning of year	725,373	654,835
Current-year receipts	-	1,003,000
Conditions met - transferred to revenue	-	(277,627)
Rollover not approved- transferred to payables	-	(654,835)
	725,373	725,373

Conditions still to be met - remain liabilities (see note 23).

The Provincial Library Grant was allocated to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

Energy Efficiency and Demand Side Management (EEDSM)

Balance unspent at beginning of year	618,525	-
Current-year receipts	4,500,000	5,000,000
Conditions met - transferred to revenue	(5,118,525)	(4,381,475)
	-	618,525

The Energy Efficiency and Demand Side Management grant was allocated to provide subsidies to municipalities to implement efficiency and demand side management initiatives with in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

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Figures in Rand	2021	2020
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33. Government grants and subsidies (continued)

Education, Training and Development Practices- SETA

Current-year receipts	248,077	156,783
Conditions met - transferred to revenue	(248,077)	(156,783)
	-	-

In terms of Skills Levy Act of 1999, LGSETA pay s a mandatory grant which is 20% of 1% the municipality pays to the South African Revenue Service for Skill Development.

Water Service Infrastructure Grant (WSIG)

Balance unspent at beginning of year	18,488,557	11,730,543
Current-year receipts	9,700,000	25,000,000
Conditions met - transferred to revenue	(26,299,218)	(9,611,444)
Other	-	(8,630,542)
	1,889,339	18,488,557

Conditions still to be met - remain liabilities (see note 23).

The Water Service Infrastructure Grant was allocated to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance to sustainability of services especially in rural municipalities; provide basic and intermittent water and sanitation supply that ensures provision of services to identified and prioritised communities, including spring protection and groundwater development; support municipalities in implementing water conservation and water demand management projects; support the close-out of the existing Bucket Eradication Programme intervention in formal residential areas; support drought relief projects in effected municipalities.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act ... of 20X2), no significant changes in the level of government grant funding are expected over the forthcoming three (3) financial years.

34. Public contributions and donations

Public contributions and donations	10,306,173	94,134,106
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35. Fines, Penalties and Forfeits

Building Fines	156,590	1,172,181
Court Traffic Fines	734,650	-
	891,240	1,172,181

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
36. Employee related costs		
Basic	107,385,378	91,554,366
Contributions to Bargaining Council	52,876	233,148
Medical aid - company contributions	11,435,355	10,300,995
UIF	783,055	604,369
SDL	1,342,894	1,106,430
Leave pay provision charge	4,755,124	7,713,599
Current Service Costs (Medical & Long Service Award)	341,447	-
Defined contribution plans	17,740,672	15,116,682
Travel, motor car, accommodation, subsistence and other allowances	9,240,265	8,749,990
Overtime payments	14,653,492	14,924,855
Long-service awards	1,702,836	1,453,657
13th Cheques	9,379,791	7,730,608
Acting allowances	1,889,071	1,131,710
Housing benefits and allowances	1,891,717	1,532,617
Standby Allowance	6,748,125	2,422,089
Group life insurance	182,359	463
Cellular and Telephone	367,303	410,668
	189,891,760	164,986,266
Remuneration of Municipal Manager - KJ Leserwane		
Annual Remuneration	864,242	1,001,290
Performance Bonuses	120,034	120,034
Travel Allowance	576,162	558,522
Cellphone Allowance	19,200	19,200
Other	246,071	-
	1,825,709	1,699,046
Remuneration of Chief Finance Officer - A Makoku		
Annual Remuneration	275,280	-
Travel Allowance	181,120	-
Cellphone Allowance	12,000	-
	468,400	-
Mr A. Makoku was appointed in January 2021.		
Remuneration of the Director: Corporate Services - L Seetile		
Annual Remuneration	541,243	574,024
Performance Bonuses	75,173	95,783
Travel Allowance	360,829	375,723
Cellphone Allowance	19,200	19,200
Acting Allowance	89,722	-
	1,086,167	1,064,730
Remuneration of the Director: Infrastructure - KN Ositang		
Annual Remuneration	541,243	574,024
Performance Bonuses	75,173	95,784
Travel Allowance	360,829	375,723
Cellphone Allowance	19,200	19,200
	996,445	1,064,731

Gamagara Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
36. Remuneration of councillors (continued)		
Remuneration of the Director: Development and Town Planning - TP Rapelang		
Annual Remuneration	541,243	472,113
Performance Bonuses	75,173	30,015
Travel Allowance	360,829	310,102
Cellphone Allowance	19,200	17,600
	996,445	829,830
Remuneration of the Acting Director: Community Services - GN Loeto		
Annual Remuneration	812,520	764,724
Performance Bonuses	67,710	63,727
Travel Allowance	177,901	167,437
Cellphone Allowance	9,990	9,990
Acting Allowance	101,565	87,625
Other	138,902	217,982
	1,308,588	1,311,485
Mr G.N Loeto has been acting since May 2018 to date.		
Remuneration of Acting Chief Finance Officer - S Letshabo		
Annual Remuneration	396,744	248,936
Performance Bonuses	66,124	-
Travel Allowance	88,951	55,812
Cellphone Allowance	4,995	3,330
Acting Allowance	49,593	-
Other	5,787	-
	612,194	308,078
Mr K.S. Letshabo acted for the period, March 2020 to December 2020.		
37. Remuneration of councillors		
Councillors	3,582,217	3,673,092
Company Contributions to UIF, Medical and Pension Funds	720	56,592
Other Allowances (Cellular Phones, Housing, Transport, etc.)	1,767,573	1,801,087
	5,350,510	5,530,771
In-kind benefits		
The Councillor occupying the position of the Mayor of the municipality serve in a full-time capacity. He is provided with office, accommodation and secretarial support at the expense of the municipality in order to enable him to perform his official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
38. Depreciation and amortisation		
Property, plant and equipment	60,192,113	49,757,525
Intangible assets	-	335,505
	60,192,113	50,093,030

Gamagara Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
39. Impairment of assets		
Impairments		
Property, plant and equipment	910,303	2,366,818
The main classes of assets affected by impairment losses are:		
Infrastructure		
Furniture and office equipment		
The main classes of assets affected by reversals of impairment losses are:		
Infrastructure		
The main events and circumstances that led to the recognition of these impairment losses are as follows:		
Condition assessment of assets		
The main events and circumstances that led to the reversals of these impairment losses are as follows:		
Disposal of assets		
40. Finance costs		
Non-current borrowings	4,479,453	4,061,392
Interest on convertible instruments	-	1,010,322
Trade and other payables	9,947,182	20,604,114
Current borrowings	4,271,000	-
Service concession arrangements	-	4,320,191
Landfill site	1,511,770	-
	20,209,405	29,996,019
41. Lease rentals on operating lease		
Equipment		
Contractual amounts	7,065,536	5,781,934
42. Debt impairment		
Contributions to debt impairment provision	(18,628,516)	(82,695,772)
43. Bulk purchases		
Electricity - Eskom	131,989,274	119,004,372
Water	6,366,788	8,368,324
	138,336,062	127,372,696

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
44. General expenses		
Advertising	381,585	41,160
Auditors remuneration	4,624,188	4,347,640
Bank charges	1,049,612	868,197
Cleaning	475,901	-
Computer expenses	219,830	399,691
Consulting and professional fees	33,771,856	24,982,073
Consumables	7,118,416	4,241,338
Legal expenses	783,043	1,394,066
Entertainment	925	13,415
Hire	1,260,720	-
Insurance	2,158,854	2,301,735
IT expenses	1,074,340	2,530,682
Motor vehicle expenses	849,626	831,515
Town planning services	-	225,000
Fuel and oil	3,634,256	3,600,735
Printing and stationery	456,919	1,328,251
Gardening services	-	2,520
Protective clothing	978,415	1,264,475
Security (Guarding of municipal property)	8,736,556	7,232,709
Software expenses	122,052	49,800
Subscriptions and membership fees	1,856,637	1,820,043
Telephone and communication	7,506,605	8,598,301
Training	746,700	541,767
Subsistence and Travelling	716,020	2,123,297
Catering services	37,426	35,180
Prepared electricity services	6,359,965	5,517,727
Meter management services	1,652,517	2,005,909
Fire protection services	1,206,051	8,349,777
Sundries	3,139,198	3,185,320
	90,918,213	87,832,323
45. Fair value adjustments		
Investment property (Fair value model)	14,976,863	1,470,508
46. Investment revenue		
Interest revenue		
Bank	346,302	508,818
47. Auditors' remuneration		
Fees	4,624,188	4,347,640

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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48. Related parties

Relationships	Ward	Surname	Initials
Councillor	1	Seetile	DP
Councillor	1	Morwe	AJ
Councillor	1	Skeiman	MC
Councillor	2	Esau	GJ
Councillor	3	Nqume	MF
Mayor		Hantise	OE
Councillor	Proportional	du Plessis	H
Councillor	Proportional	Booyesen	A
Councillor	Proportional	Orpen	MK
Councillor	Proportional	Lekgadi	BP
Councillor	Proportional	Magagane	NS
Councillor	Proportional	Joseph	CV
Councillor	Proportional	Fourie	HJ
Director:			
Municipal Manager		Leserwane	KP
Chief Financial Officer		Makoku	A
Acting Chief Financial Officer		Letshabo	S
Director: Corporate Services		Seetile	L
Director: Technical Services		Ositang	KN
Acting Director: Community Services		Loeto	G
Director: Development and Town Planning		Rapelang	TP

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

Sapphire Dawn	(7,691)	(49,194)
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Contracted Supplier	Name of Spouse	Organ of State	Position held	2021	2020
Sapphire Dawn	Chris Engelbrecht	Gamagara Local Municipality	Millwright	27,391	42,777
Moyahi & Associates	Kelebogile Pamela Moyahi	Department of Safety and Liason	Assistant Director	737,546	1,186,261
				764,937	1,229,038

Services rendered to related parties

Year ended 30 June 2021

	Rates charges	Service charges	Sundry charges	Outstanding balances
Councillors	116,747	29,366	38,170	184,282
Section 57 Personnel	12,249	1,632	15,844	29,723
	128,996	30,998	54,014	214,005

	Rates charges	Service charges	Sundry charges	Outstanding balances
Councillors				
Executive Mayor: O.E. Hantise	-	12,929	3,807	16,735
Councillor: Ward 1: D.P. Seetile	-	570	-	570
Councillor: Ward 1: A.J. Morwe	-	-	-	-
Councillor: Ward 1: M.C. Skeiman	-	-	-	-
Councillor: Ward 1: G.J. Esau	-	-	-	-

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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48. Related parties (continued)

Councillor: Ward 1: M.F. Nqume	-	-	-	-
Councillor: PR: H. du Plessis	-	-	-	-
Councillor: PR: A. Booysen	491	6,299	2,073	8,863
Councillor: PR: M.K. Orpen	4,837	-	840	5,676
Councillor: PR: B.P. Lekgadi	-	-	-	-
Councillor: PR: N.S. Magagane	-	-	-	-
Councillor: PR: C.V. Joseph	661	-	-	661
Councillor: PR: H.J. Fourie	110,758	9,568	31,450	151,777
	116,747	29,366	38,170	184,282

Section 57 Personnel

Municipal Manager: K.P. Leserwane	-	-	(115)	(115)
Chief Financial Officer: A. Makoku	-	-	20,167	20,167
Director Corporate Services: L. Seetile	-	-	-	-
Director Infrastructure: K.N. Ositang	1,623	285	-	1,907
Director Development and Town Planning: T.P. Rapelang	2,135	1,347	176	3,657
Acting Chief Financial Officer: K.S. Letshabo	-	-	(2)	(2)
Acting Director: Community Services	8,491	-	(4,382)	4,109
	12,249	1,632	15,844	29,723

Gamagara Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

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48. Related parties (continued)

Services rendered to related parties

Year ended 30 June 2020

Councillors

Section 57 Personnel

Rates charges	Service charges	Sundry charges	Outstanding balances
181,059	52,848	30,011	263,918
13,181	23,004	23,004	45,057
194,240	75,852	53,015	308,975

Councillors

Executive Mayor: O.E. Hantise

Councillor: Ward 1: D.P. Seetile

Councillor: Ward 1: A.J. Morwe

Councillor: Ward 1: M.C. Skeiman

Councillor: Ward 1: G.J. Esau

Councillor: Ward 1: M.F. Ngume

Councillor: PR: H. du Plessis

Councillor: PR: A. Booysen

Councillor: PR: M.K. Orpen

Councillor: PR: B.P. Lekgadi

Councillor: PR: N.S. Magagane

Councillor: PR: C.V. Joseph

Councillor: PR: H.J. Fourie

Rates charges	Service charges	Sundry charges	Outstanding balances
-	12,871	1,897	14,768
-	5,690	191	5,881
894	17,766	2,293	20,953
-	-	-	-
-	-	-	-
-	-	-	-
(4,124)	259	-	(3,865)
-	-	-	-
-	186	2,974	3,160
-	-	-	-
-	-	-	-
6,355	-	-	6,355
177,934	16,076	22,656	216,666
181,059	52,848	30,011	263,918

Section 57 Personnel

Municipal Manager: K.P. Leserwane

Chief Financial Officer: N.M. Grond

Director Corporate Services: L. Seetile

Director Infrastructure: K.N. Ositang

Director Development and Town Planning: T.P. Rapelang

Rates charges	Service charges	Sundry charges	Outstanding balances
-	4,252	-	4,252
-	1,360	22,066	23,426
1,150	-	22	1,172
1,475	248	-	1,723
4,770	3,012	435	8,217
5,786	-	481	6,267
13,181	8,872	23,004	45,057

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

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48. Related parties (continued)

Remuneration of management

Councillors/Mayoral committee members

2021

Name	Basic salary	Other short-term employee benefits	Total
O.E. Hantise	675,995	259,615	935,610
A.J. Morwe	204,323	112,508	316,831
M.C. Skeiman	213,927	112,508	326,435
G.J. Esau	145,820	75,005	220,825
M.F. Nqume	204,323	112,508	316,831
D.P. Seetile	540,796	216,572	757,368
H. du Plessis	213,927	112,508	326,435
A. Booysen	274,540	131,805	406,345
M.K. Orpen	204,323	112,508	316,831
B.P. Lekgadi	204,323	112,508	316,831
N.S. Magagane	282,844	134,448	417,292
C.V. Joseph	282,844	134,448	417,292
H.J. Fourie	213,927	112,508	326,435
B.I. Sebegu	51,081	28,127	79,208
	3,712,993	1,767,576	5,480,569

2020

Name	Basic salary	Other short-term employee benefits	Total
O.E. Hantise	653,311	250,674	903,985
A.J. Morwe	265,327	128,173	393,500
M.C. Skeiman	206,749	109,678	316,427
G.J. Esau	206,749	109,678	316,427
M.F. Nqume	265,327	128,173	393,500
D.P. Seetile	522,650	209,419	732,069
H. du Plessis	206,749	109,678	316,427
A. Booysen	265,327	128,173	393,500
M.K. Orpen	265,327	128,173	393,500
B.P. Lekgadi	265,327	128,173	393,500
N.S. Magagane	273,353	130,707	404,060
C.V. Joseph	273,353	130,707	404,060
H.J. Fourie	206,749	109,678	316,427
	3,876,298	1,801,084	5,677,382

Additional information

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

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

48. Related parties (continued)

Management class: Executive management

2021

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Acting allowances	Total
KP Leserwane	864,242	120,034	841,433	-	1,825,709
A Makoku	275,280	-	193,120	-	468,400
L Seetile	541,243	75,173	380,029	89,722	1,086,167
KN Ositang	541,243	75,173	380,029	-	996,445
TP Rapelang	541,243	75,173	380,029	-	996,445
S Letshabo	396,744	66,124	99,733	49,593	612,194
G Loeto	812,520	67,710	394,503	33,855	1,308,588
	3,972,515	479,387	2,668,876	173,170	7,293,948

2020

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Acting allowances	Total
KP Leserwane	1,001,290	120,034	577,722	-	1,699,046
NM Grond	449,443	110,884	375,236	-	935,563
L Seetile	574,024	95,783	394,923	44,861	1,109,591
KN Ositang	574,024	95,784	394,923	-	1,064,731
TP Rapelang	472,113	30,015	327,702	-	829,830
S Letshabo	248,936	20,259	59,142	23,338	351,675
G Loeto	764,724	63,727	395,409	87,625	1,311,485
	4,084,554	536,486	2,525,057	155,824	7,301,921

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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49. Prior period errors

Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Assets						
Current Assets						
Inventories	4	861,668	(117,120)	-	744,548	
Operating lease asset	5	35,307	-	-	35,307	
Other trade receivables from exchange transactions	6&8	619,724	1,754,163	-	2,373,887	
Receivables from non-exchange transactions	7&8	75,569,180	14,279,485	-	89,848,665	
VAT receivable	9	23,275,980	366,442	-	23,642,422	
Receivables from exchange transactions	10	177,657,826	(1,964,780)	-	175,693,046	
Cash and cash equivalents	13	35,390,963	-	-	35,390,963	
		313,410,648	14,318,190	-	327,728,838	
Non-Current Assets						
Investment property	14	294,594,017	(746,240)	-	293,847,777	
Property, plant and equipment	15	1,153,006,238	1,555,986	-	1,154,562,224	
Intangible assets	16	838,953	-	-	838,953	
Heritage assets	17	74,581	-	-	74,581	
		1,448,513,789	809,746	-	1,449,323,535	
Total Assets		1,761,924,437	15,127,936	-	1,777,052,373	
Liabilities						
Current Liabilities						
Other financial liabilities	18	38,189,957	-	-	38,189,957	
Payables from exchange transactions	19	386,597,705	(7,464,869)	-	389,132,836	
Payables from non-exchange	20	38,461,773	12,822,404	-	51,284,177	
Consumer deposits	21	5,706,428	-	-	5,706,428	
Employee benefit obligation	22	2,236,000	-	-	2,236,000	
Unspent conditional grants and receipts	23	34,982,329	-	-	34,982,329	
Provisions	24	36,204,575	-	-	36,204,575	
		552,378,767	5,357,535	-	557,736,302	
Non-Current Liabilities						
Employee benefit obligation	22	41,121,000	-	-	41,121,000	
Total Liabilities		593,499,767	5,357,535	-	598,857,302	
Net Assets		1,168,424,670	9,770,401	-	1,178,195,071	
Accumulated surplus		1,168,424,672	9,770,399	-	1,178,195,071	

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

49. Prior period errors (continued)

Statement of Financial Performance

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Revenue						
Revenue from exchange transactions						
Service charges	26	222,245,407	6,272,398	-	228,517,805	
Rental of facilities and equipment	27	1,281,573	-	-	1,281,573	
Agency services		420,072	-	-	420,072	
Other income	31	4,017,335	111,913	-	4,129,248	
Interest received - investment	46	508,818	-	-	508,818	
Total revenue from exchange transactions		254,694,800	(19,837,284)	-	234,857,516	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	32	117,575,789	-	-	117,575,789	
Licences and Permits (Non-exchange)		2,529,813	(1,619,625)	-	910,188	
Transfer revenue						
Government grants & subsidies	33	81,787,670	156,783	-	81,944,453	
Public contributions and donations	34	94,290,889	(156,783)	-	94,134,106	
Fines, Penalties and Forfeits		1,172,181	-	-	1,172,181	
Total revenue from non-exchange transactions		308,244,187	(12,507,470)	-	295,736,717	
Total revenue	25	562,938,987	(32,344,754)	-	530,594,233	
Expenditure						
Employee related costs	36	(165,045,986)	59,720	-	(164,986,266)	
Remuneration of councillors	37	(5,530,771)	-	-	(5,530,771)	
Depreciation and amortisation	38	(49,917,319)	(175,711)	-	(50,093,030)	
Impairment loss/ Reversal of impairments	39	(2,366,818)	-	-	(2,366,818)	
Finance costs	40	(29,996,049)	30	-	(29,996,019)	
Lease rentals on operating lease		(5,781,934)	-	-	(5,781,934)	
Debt impairment	42	37,508,431	45,187,341	-	82,695,772	
Bad debts written off	42	(3,301,584)	-	-	(3,301,584)	
Repairs and maintenance		(3,679,862)	(1,349,823)	-	(5,029,685)	
Bulk purchases	43	(127,372,696)	-	-	(127,372,696)	
Transfers and Subsidies		-	-	-	-	
General Expenses	44	(90,671,925)	2,839,602	-	(87,832,323)	
Total expenditure		(446,156,513)	46,561,159	-	(399,595,354)	
Operating surplus		116,782,474	14,216,405	-	130,998,879	
Loss on disposal of assets and liabilities		(3,180,793)	-	-	(3,180,793)	
Fair value adjustments	45	1,470,508	-	-	1,470,508	
Actuarial gains/losses	22	9,658,558	-	-	9,658,558	
		7,948,273	-	-	7,948,273	
Surplus for the year		124,730,747	14,216,405	-	138,947,152	

[1] Remapping of R776,184 from various votes

[2] Restatement of VAT receivable accruing from other restatements R366,442

[3] Remappings and Restatements amounting to R5,088,771

[4] Remappings of votes meant to be in Payables from non exchange R96,070

* See Note 2 & 49

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand

	Note(s)	2021	2020 Restated*
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49. Prior period errors (continued)

[5] Reclassification of other receivables R2,239,267

[6] Non Billing accounts corrected and billed retrospectively R5,906,206. R172,096 reclassified

[7] Reclassification of accounts from other income votes R111,913

[8] Moved from grants and Subsidies R156,783

[9] Moved from Payables R1,619,625

[10] Remapping of Employees votes R59,720.

[11] Remapping from General Expenditure R1,466,329.29

[12] Provisions was adjusted by R- which relates to restatement of provision for Landfill site which was restated as a result of the municipality being issued with a licence for the dumping of waste.

[13] Remapping and Restatement of Prepaid Electricity Services

[14] Remapping of Inventory votes and Restatement of Inventory. The movement is R117,120.48

[15] Fruitless and Wasteful expenditure was restated to include items that were excluded from the previous register and excluding items that were accounted for in the incorrect financial year.

[16] Irregular expenditure was restated to recognise items that were previously excluded from the register and to remove items that were recognised in the incorrect period. Items that had been recognised inclusive of VAT were corrected.

[17] Property plant and equipment was resated due to new found assets

[29] Reclassification of actuarial gains from employee costs to other reportable items R 59,720.

[22] Depreciation was adjusted by R(175,711) due to correction of depreciation calculation.

[28] Debt impairment was adjusted by R45,187,341 due to change in methodology of impairment.

[26] General expenses was adjusted by R4,972,599 which relates mainly to reclassification of misallocated expenses.

[27] Finance lease obligation was adjusted by R1,123,465 to correct prior period errors on amortisation schedules.

50. Going concern

Management considered the following matters relating to the Going Concern:

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

During 2020 the Council adopted the 2020/2021 to 2023/24 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash backed status before it is ultimately approved by Council.

Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

* See Note 2 & 49

Gamagara Local Municipality

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Statement of Financial Performance

Figures in Rand

Note(s)

2021

2020
Restated*

50. Going concern (continued)

As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

The following indicators have a negative outlook on the going concern of the municipality:

- Current liabilities exceed current assets by R (298,611,432)
- Creditors days in 2021 are (318) and in 2020 are (324)
- Debtors days in 2021 are 239 and in 2020 are 255

The municipality owns Eskom R329 845 418 and Sedibeng Water R970 214 at year end.

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

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

Under the DORA Act (Division of Revenue Bill - Bill Published In Government Gazette No. 43025 of 17 February 2020) the municipality has been allocated the following funds for the years 2020/21 to 2022/23.

	2020/21	2021/2022	2022/2023	Total
Finance Management Grant (FMG)	1,700,000	2,000,000	2,200,000	5,900,000
Expanded Public Works Program (EPWP)	1,055,000	-	-	1,055,000
Municipal Infrastructure Grant (MIG)	11,803,000	12,441,000	12,908,000	37,152,000
Energy Efficiency and Demand Side Management	5,000,000	3,000,000	-	8,000,000
Integrated National Electrification Programme Grant (INEP)	43,000,000	24,139,000	20,000,000	87,139,000
Water Service Infrastructure Grant (WSIG)	15,000,000	15,000,000	25,000,000	55,000,000
Regional Bulk Infrastructure Grant (RBIG)	-	79,804,000	129,073,000	208,877,000
Equitable Share	41,942,000	47,584,000	53,688,000	143,214,000
	119,500,000	183,968,000	242,869,000	546,337,000

There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation.

In addition, the municipality collects revenue for services rendered and this will augment their cash flows in subsequent years. There was an outbreak of COVID-19 which was declared an epidemic by the World Health Organisation and following that, the South Africa Government declared it as such. In spite of the COVID-19 outbreak, the municipality will continue as a going concern as it is part of the institutions that supply critical services to the communities it serves. The President of South Africa also pledged support for all institutions that supply critical services and a fund has also been set up to support these institutions. The municipality has also received their grants (Equitable share) and they will continue to receive grants in the foreseeable future.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

51. Unauthorised expenditure

Opening balance as previously reported	583,340,333	578,550,946
Opening balance as restated	583,340,333	578,550,946
Add: Unauthorised Expenditure - current year	49,796,070	4,789,387
Closing balance	633,136,403	583,340,333

* See Note 2 & 49

Gamagara Local Municipality

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Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
51. Deviation from supply chain management regulations (continued)			
The over expenditure incurred by municipal departments during the year is attributable to the following categories:			
Non-cash		49,796,070	4,789,387
Analysed as follows: non-cash			
Depreciation and amortisation		45,245,658	4,789,387
Bad debts		4,550,412	-
		49,796,070	4,789,387
52. Fruitless and wasteful expenditure			
Opening balance as previously reported		56,929,954	32,265,229
Opening balance as restated		56,929,954	32,265,229
Add: Fruitless and Wasteful Expenditure - current year		-	24,664,725
Closing balance		56,929,954	56,929,954
The Fruitless and wasteful expenditure is mainly made up of interest for late payment of Eskom bulk account, Development Bank of Southern Africa and the South African Revenue Services.			
53. Irregular expenditure			
Opening balance as previously reported		624,700,661	523,885,820
Correction of prior period error		-	(14,368,666)
Opening balance as restated		624,700,661	509,517,154
Add: Irregular Expenditure - current year		108,600,010	115,183,507
Less: Amount written off by council- prior years		(444,555,778)	-
Less: Amount written off by council - current year		(25,542,403)	-
Closing balance		263,202,490	624,700,661
Incidents/cases identified in the current year include those listed below:			
Competitive bidding not invited		14,673,900	-
Three written quotations not invited		74,102	-
Non-compliance with legislation on contracts/Non-compliance with procurement processes		93,852,007	115,183,507
		108,600,009	115,183,507
54. Additional disclosure in terms of Municipal Finance Management Act			
Contributions to organised local government - SALGA			
Current year subscription / fee		1,623,368	1,820,043
Audit fees			
Current year subscription / fee		4,624,188	4,261,637
Amount paid - current year		(4,620,546)	(4,251,435)
		3,642	10,202

* See Note 2 & 49

Gamagara Local Municipality

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Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
54. Additional disclosure in terms of Municipal Finance Management Act (continued)			
PAYE and UIF			
Opening balance		2,214,866	22,610,450
Current year subscription / fee		29,041,099	25,351,317
Amount paid - current year		(29,041,099)	(25,351,317)
Amount paid - previous years		-	(20,398,222)
		2,214,866	2,212,228
Pension and Medical Aid Deductions			
Opening balance		3,253,260	3,020,282
Current year subscription / fee		45,840,162	38,909,025
Amount paid - current year		(44,809,856)	(38,676,047)
		4,283,566	3,253,260
VAT			
VAT receivable		31,843,616	23,642,422

VAT output payables and VAT input receivables are shown in note .

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

* See Note 2 & 49

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
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54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Electricity

		Lost Units	Value
30 June 2021	Unaccounted Electricity Losses	15,092,681	18,262,144
30 June 2020	Unaccounted Electricity Losses	17,517,820	19,801,640

Electricity Losses occur due to technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections).

The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Volumes in kWh/year:

System Input Volume	106,356,633	103,895,686
Billed Consumption	(91,263,952)	(86,377,866)
Distribution Loss	15,092,681	17,517,820

Percentage Distribution Loss	14.19 %	10.14 %
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Loss (R):	18,262,144	19,801,640
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Water

		Lost Units	Value
30 June 2021	Unaccounted Water Losses	3,231,995	18,562,735
30 June 2020	Unaccounted Water Losses	2,517,416	9,828,095
	Adjustment	-	7,251,999
	Restated 30 June 2020	2,517,416	17,080,094

Water Losses occur due to leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections.

The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

Opening Balance Water Stock	346,603	308,325
System Input Volume	7,794,586	5,893,970
Billed Consumption	(4,858,438)	(2,176,239)
Closing Balance Water Stock	(308,325)	(24,546)
Distribution Loss	2,974,426	2,897,688

Opening Balance Water Stock	36,536	29,372
System Input Volume	5,768,130	5,403,240
Billed Consumption	(2,540,569)	(2,878,660)
Closing Balance Water Stock	(32,102)	(36,536)
Distribution Loss	3,231,995	2,517,416

Percentage Distribution Loss	56.03 %	46.59 %
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* See Note 2 & 49

Gamagara Local Municipality

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Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
54. Additional disclosure in terms of Municipal Finance Management Act (continued)			
Loss		18,562,735	17,080,094

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 2021:

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
O.E. Hantise	1,048	15,687	16,735
D.P. Seetile	570	-	570
A. Booysen	346	8,518	8,864
M.K. Orpen	187	5,489	5,676
C.V. Joseph	661	-	661
H.J. Fourie	15,145	137,854	152,999
	17,957	167,548	185,505
30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Hantise OE	997	13,771	14,768
Seetile PD	2,111	4,942	7,053
Du Plessis SP	1,818	-	1,818
Fourie HJ	60,755	155,911	216,666
	65,681	174,624	240,305

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

* See Note 2 & 49

Gamagara Local Municipality
Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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.

SUPPLIER	CONTRACT/ SERVICE RENDERED	EXTERNAL PAYMENT REFERENCE	DESCRIPTION OF INCIDENT	DISCOVERY DATE	AMOUNT VAT INC.	AMOUNT VAT EXCL.
ADAPT IT	Provision of Municipal Financial Reporting software(Caseware) compliant with mSCOA	10,697	Deviation was approved by the accounting officer to acquire the services of Adapt IT to provide a software(Caseware) for mSCOA financial reporting. Adapt IT is the Sole provider of the caseware software in Africa.	08/09/2020	171,376.45	149,023.00
BOBCAT EQUIPMENT SOUTH AFRICA	Mechanical services	13,066	Deviation was approved service of the Bobcat Backhoe Loader. The machine is an original equipment manufacturer, as a result the repairs must be done by Bobcat Kathu office. The vehicle is essential for service delivery.	14/05/2021	14,599.34	12,695.08
BOBCAT EQUIPMENT SOUTH AFRICA	Mechanical services	12,743	Deviation was approved service of the Bobcat Backhoe Loader. The machine is an original equipment manufacturer, as a result the repairs must be done by Bobcat Kathu office. The vehicle is essential for service delivery.	12/04/2021	8,480.03	7,373.94

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Notes to the Annual Financial Statements

55. Deviation from supply chain management regulations (continued)					
Bothabo Trading Enterprise	Rental of Sewer Trucks	11,938	Deviation for the drain suction in Dibeng and Olifanshoek, the municipality's sewage trucks could not be used as their roadworthy disc license has expired and the testing center in Olifanshoek is not registered on the CSD and the one in Kuruman is not complied therefore the truck could not go for roadworthy test. The delays has caused backlog for drain suction, due to the situation at hand a service provider had to be sourced on an emergency basis as Bothabo is the only Service provider that could quickly assist with 2 sewage trucks in our area and also to avoid riots from the community & sewage overflow.	02/02/2021	112,700.00
C T HYDRAULICS (NQOBA)	Repair the compactor	11,783	Deviation for repair of waste management compactor used for waste removal in Kathu, the compactor urgently needed to be repaired, therefore the municipality could not wait for the SCM processess to be completed hence CT Hydraulics was requested to assist repair the compactor.	26/01/2021	54,985.10
DENMO MINING AND SUPPLIES	Thermal fogging and cold ULV Disinfection for buildings, Equipment and outside areas	11,030	Deviation was approved by the accounting officer to acquire the services of Thermal fogging and cold ULV Disinfection for buildings, Equipment and outside areas on an emergency basis	24/09/2020	38,320.18
DENMO MINING AND SUPPLIES	Thermal fogging and cold ULV Disinfection for buildings, Equipment and outside areas	10,768	Deviation was approved by the accounting officer to acquire the services of Thermal fogging and cold ULV Disinfection for buildings, Equipment and outside areas on an emergency basis	31/10/2020	34,067.34
DENMO MINING AND SUPPLIES	Thermal fogging and cold ULV Disinfection for buildings, Equipment and outside areas	11,780	Deviation was approved by the accounting officer to acquire the services of Thermal fogging and cold ULV Disinfection for buildings, Equipment and outside areas on an emergency basis	10/01/2021	22,714.98
DYNAMIC DECISIONS	Repair of Vacuum Pump of Sewer Truck	13,106	Deviation for the repair of vacuum pump for olifanshoek sewage truck on a strip and quote work	31/05/2021	22,991.01

* See Note 2 & 49

Gamagara Local Municipality
Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

55. Deviation from supply chain management regulations (continued)

KHARA HAIS MINING SOLUTIONS	Provision of water truck	10,843	Deviation was approved by the accounting officer to acquire the rental of a water truck on an emergency basis to provide water to the 4 communities in Gamagara Local Municipality.	31/10/2020	89,100.00	89,100.00
KULEVA PROJECTS	Supply and delivery	11,310	Deviation was approved by the accounting officer to urgently acquire a service provider for the installation of Desk screens, partitioning of offices and installation of windows in the Accounting officer's office to provided for ventilation	31/12/2020	778,840.00	778,840.00
KULEVA PROJECTS	Rental of Water trucks for Olifantshoek water crisis	13,100	Deviation was approved by the accounting officer to acquire the services of water trucks to supply water to Olifantshoek to mitigate the water crisis caused by the failure of Sedibeng Water to supply water to the community of Olifantshoek	01/06/2021	595,200.00	595,200.00
KURARA FM RADIO STATION	Radio presentation of the public participation for Budget and IDP	12,852	Deviation was approved by Accounting Officer to acquire the services of the local radio station for a presentation and interview to present the 2021/2022 IDP and Budget to public for comments and inputs. Kurara is the only local radio station the John Taolo Gaetsewe Region.	31/05/2021	16,800.00	16,800.00
LETLHOGONOL OLARONA BUSI NESS ENTERPRISE RISE	Thermal fogging and cold ULV Disinfection for buildings. Equipment and outside areas	10,993	Deviation was approved by the accounting officer to acquire the services of Letlhogonol Olarona Busine Enterprise Thermal fogging and cold ULV Disinfection for municipal facilities at Park Stores, Machinery and Equipment, Equipment and outside areas on an emergency basis	31/10/2020	32,889.76	32,889.76
LETLHOGONOL OLARONA BUSI NESS ENTERPRISE RISE	Deep cleansing and disinfecting of buildings	13,058	Deviation was approved by the accounting officer for the emergency disinfecting of the Traffic offices due to Covid positive case.	05/03/2021	4,992.50	4,992.50
LETLHOGONOL OLARONA BUSI NESS ENTERPRISE RISE	Deep cleansing and disinfecting of buildings	13,058	Deviation was approved by the accounting officer for the emergency disinfecting of Dibeng Municipal Offices	05/03/2021	2,954.00	2,954.00

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Notes to the Annual Financial Statements

55. Deviation from supply chain management regulations (continued)					
LIZAYA	Replacement of level gauge pipe of the vacuum pump	11,550	Deviation for the replacement of level gauge pipe of the vacuum pump for sewage truck CLN 294 NC. The level gauge pipe is leaking because the glass pipe broke while the team was busy working, the supplier was requested urgently to assist install the new pipe.	14/12/2020	2,742.00
LYNX TYRES	Repair flat tyre and replace a tube for fire truck	11,015	Deviation for repair flat tyre and replace a tube for fire truck for NP166685 as the truck was surrounded by fire in the veld on N14 towards Olifantshoek as it got a puncture in the veld while stopping the fire, LYNX Tyres was urgently requested to assist.	16/10/2020	2,204.96
LYNX TYRES	Repair flat tyre and replace a tube for fire truck	10,814	Deviation - urgency for flat tyre for the kothu fire station (Man Truck) at the veld fire at D3344 farm, got a puncture in the veld while stopping the fire to spread and needed to be repaired urgently as the fire was surrounded by fire, LYNX Tyres was called to repair the tyre.	15/09/2020	2,015.00
MOHINA SOLUTIONS	Deep cleansing and disinfecting of buildings	10,537	Deviation was approved by the accounting officer to acquire the services of Mohina Solutions for deep cleansing and disinfection of municipal buildings on an emergency basis.	11/07/2020	227,536.70
MULTI SPILLAGE CONTROL & CONTRACTS	Civil maintenance Services	13,076	Deviation for the replacement of Sand filter media at Kothu water treatment on an emergency as the Municipality cannot supply untreated water to the community.	01/08/2021	342,378.09
MULTI SPILLAGE CONTROL & CONTRACTS	Civil maintenance Services	13,186	Deviation for Supply and installation of Manhole rings and cover on the line from G26 to G28 pump station behind AHA Hotel on an emergency as they were the only one to submit the quotation at per request.	18/02/2021	33,180.38
OLIFANTSHOEK TESTING STATION	Vehicle testing	10,973	Deviation was approved by the accounting officer to acquire the services of th Olifantshoek Testing station as it is the only operation testing station in the Gamagara jurisdiction. The municipal testing station is not operational.	31/10/2020	5,060.00

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Notes to the Annual Financial Statements

55. Deviation from supply chain management regulations (continued)					
OLIFANTSHOE K TESTING STATION	Vehicle testing	11,238	Deviation was approved by the accounting officer to acquire the services of the Olifantshoek Testing station as it is the only operation testing station in the Gamagara jurisdiction. The municipal testing station is not operational.	12/11/2020	1,380.00
OLIFANTSHOE K TESTING STATION	Vehicle testing	12,539	Deviation was approved by the accounting officer to acquire the services of the Olifantshoek Testing station as it is the only operation testing station in the Gamagara jurisdiction. The municipal testing station is not operational.	12/04/2021	1,380.00
PALESTA VISION TRADING	Rental of Water trucks for Olifantshoek water crisis	13,128	Deviation was approved by the accounting officer to acquire the services of water trucks to supply water to Olifantshoek to mitigate the water crisis caused by the failure of Sedibeng Water to supply water to the community of Olifantshoek	01/06/2021	135,000.00
PALESTA VISION TRADING	Rental of Water trucks for Olifantshoek water crisis	13,099	Deviation was approved by the accounting officer to acquire the services of water trucks to supply water to Olifantshoek to mitigate the water crisis caused by the failure of Sedibeng Water to supply water to the community of Olifantshoek	01/06/2021	76,500.00
PALESTA VISION TRADING	Rental of Water trucks for Olifantshoek water crisis	13,079	Deviation was approved by the accounting officer to acquire the services of water trucks to supply water to Olifantshoek to mitigate the water crisis caused by the failure of Sedibeng Water to supply water to the community of Olifantshoek	01/06/2021	36,400.00
RISANNAH BUSINESS ENTERPRISE	Supply, delivery and installation	11,311	Deviation was approved by the accounting officer for the supply, delivery and installation of palisades at the Eastern Reservoir. The municipality has suffered numerous loss of municipal property due to theft and uncontrolled access to the water treatment works. The work had to be done on an emergency basis to that municipal property is secured.	27/10/2020	196,500.00
SINESINEGUGU	Mechanical services	12,570	Deviation for the repair for the tow and repair of Toyota Hilux BVV 355 NC due to strip and goute process.	28/04/2021	5,210.00

Gamagara Local Municipality

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Notes to the Annual Financial Statements

55. Deviation from supply chain management regulations (continued)					
SINESINEGUGU	Mechanical services	12,570	Deviation for the supply and replacement of the ignition lock with keys for Nissan bakkie BZF 229 NC due to strip and quote process.	26/04/2021	4,000.00
STRONG PEST	Deep cleansing and disinfecting of buildings	12,990	Deviation was approved by the accounting officer for the emergency disinfecting of Kathu Municipal Offices	07/06/2021	11,200.00
STRONG PEST	Deep cleansing and disinfecting of buildings	13,189	Deviation was approved by the accounting officer for the emergency disinfecting of Kathu Municipal Offices(Finance Ground and first floor)	22/06/2021	1,650.00
SUID AFRIKAAN	Licence renewals	10,738	Deviation was approved by the accounting officer for the payment of municipal vehicle licences. Post Office is the only authorised authority through which licences can be paid	31/10/2020	160,364.90
SUID AFRIKAAN	Licence renewals	11,963	Deviation was approved by the accounting officer for the payment of municipal vehicle licences. Post Office is the only authorised authority through which licences can be paid	26/02/2021	94,116.00
SUID AFRIKAAN	Licence renewals	11,028	Deviation was approved by the accounting officer for the payment of municipal vehicle licences. Post Office is the only authorised authority through which licences can be paid	22/10/2020	72,204.00
SUID AFRIKAAN	Licence renewals	11,237	Deviation was approved by the accounting officer for the payment of municipal vehicle licences. Post Office is the only authorised authority through which licences can be paid	11/11/2020	5,514.00
THE AFRICAN T	Rental of Water trucks for Olifantshoek water crisis	13,219	Deviation was approved by the accounting officer to acquire the services of water trucks to supply water to Olifantshoek to mitigate the water crisis caused by the failure of Sedibeng Water to supply water to the community of Olifantshoek	01/06/2021	78,300.00
WILL-TECH	Civil maintenance Services	12,302	Deviation for the replacement of Vacuum Pump for sewage truck on an emergency due to the supplier being based in Kathu and specialises in Vacuum Pumps and hydraulic work also to prevent blacklog of drains for the paid residents and further spillage of sewer on the streets.	11/03/2021	56,210.15

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Notes to the Annual Financial Statements

55. Deviation from supply chain management regulations (continued)						
WILL-TECH	Civil maintenance Services	11,764	Deviation from procurement processes, The repair of vacuum pump for Dibeng sewage truck, the truck broke while the team was busy working. it has a challenge of a vacuum pump that has no serial numbers and this makes it difficult for other service providers to give us a quotation or assess it for repairs. The only service provider that has worked on the pump is Wiltech NC (PTY)LTD and the truck was taken to them for assessment and for repair costs on the vacuum pump.	21/10/2020	38,040.79	33,078.95
WILL-TECH	Civil maintenance Services	12,301	Deviation for the replacement of hydraulic oil pipe on the high pressure truck on an emergency due to the supplier being based in kathu and specialises in Vacuum Pumps and hydraulic work also to prevent sewer flowing on the streets.	12/02/2021	21,684.95	18,856.48
WILL-TECH	Civil maintenance Services	12,943	Only two quotation could be obtained for the repair of PTO pumps.	11/05/2021	16425.45	14,283.00
WILL-TECH	Maintenance services	12,413	Deviation was approved for the emergency repair of the Municipal High pressure Truck. The truck is essential for the unblocking of manholes and cleaning of sumps in Gamagara. The truck is unable to function due to the leakage in the hydraulic pipes. The services of WILL-TECH were requested to repair the hydraulic pipes in order to continue with service delivery.	20/11/2020	7,489.08	6,512.24
ZANRAY TRUST	Fuel	11,033	Deviation was approved by the Accounting officer to acquire a service provider for the supply of fuel on an emergency basis. Engen , which is an approved supplier in the National Treasury Transversal Contract had informed the municipality that there is a shortage of fuel and that they will not be able to fulfill the orders GLM had already placed.	13/07/2020	32,316.85	32,316.85
ZANRAY TRUST	Fuel	10,515	Deviation was approved by the Accounting officer to acquire a service provider for the supply of fuel on an emergency basis. Engen , which is an approved supplier in the National Treasury Transversal Contract had informed the municipality that there is a shortage of fuel and that they will not be able to fulfill the orders GLM had already placed.	18/07/2020	50,102.35	50,102.35

* See Note 2 & 49

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55. Deviation from supply chain management regulations (continued)	-	-	-	-	-	3,751,916.78	3,587,927.92
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Figures in Rand	2021	2020
56. Contingencies		
Contingent liabilities incurred relating to interests in other entities		
Curro Holdings [1]	120,000	100,000
Resilient Properties [2]	500,000	500,000
Imatu obo Muzaza [3]	1,000,000	1,000,000
Samwu obo Dorfling [4]	120,000	120,000
Dorfling CH & A [5]	-	100,000
Case No: 2667/18 Amadwala Constuction Trading 363 CC [6]	4,555,824	4,000,000
De Almeida [7]	100,000	-
Minister of Water and Sanitation [8]	100,000	100,000
Rural Metro Emergency Management Services (57/201800554) [9]	4,425,175	4,425,175
	10,920,999	10,345,175

[1] 1.Curro Holdings brought an urgent application interdicting the Municipality from disconnecting the electricity.A dispute in terms of the Credit Control and Debt Collecting Policy. The Municipal Attorneys drafted a response to opposing the dispute in order to protect the interest of the Municipality herein regarding the outstanding account and monies due by Curro to the Municipality. This is a pending High Court matter..

[2] Resilient Properties brought an application for various relief prejudicial towards the Municipality.Peyper Attorneys issued a counter application of which steps are still to be taken. Peyper Attorneys were appointed to act on behalf of the Municipality and the matter is pending High Court matter.

[3]Imatu obo Mazaza, This is an ongoing matter for various electricians who launched an statement of case in the Labour Court for equal work for equal pay. this is however not equal work for equal pay and the Municipality had to oppose the matter. The response has been filed and it is now a matter still pending at the Labour Court.

[4] Samwu abo Dorfling, This is a Labour court application matter in relation to the averments of demotion of the applicant.The matter is still pending

[5] Dorfling CH & A issued an application in the Labour Court in order to render certain powers, which powers was taken away by the Provincial Department. It was necessary to appoint Peyper Attorneys to act on behalf of the Municipality. The matter is partly completed and ruled in fvour of the municipality.

[6] Claim for services rendered by the plaintiff in the sum of R3 400 000. Matter is defended and parties are exchanging pleadings. Estimate of R4 555 824 includes claim amount and possible litigation.

[7] De Almeida, An application was launched to interdict the Municipality from disconnecting the electricity supply pending the review of the Municipality's decision. This is still a pending litigation.

[8] Minister of Water & Sanitation issued summons against the Municipality and Peyper Attorneys were appointed to act on behalf of the Municipality. Currently the Minister brought an application for an irregular step which is been opposed by Peyper Attorneys on behalf of the Municipality and they have filed the necessary answering affidavit thereto.

[9] Rural Metro Emergency Managent Services(57/201800554)/2 is a claim for services rendered in the sum of R4,425,174,66. cannot be estimated as client indicated they intend to settle the matter.

57. Principal-agent arrangement

Revenue received for agency activities

Agency Service - third party	470,427	420,072
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Reconciliation of movement of funds between principal and agent

* See Note 2 & 49

Gamagara Local Municipality

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57. Principal-agent arrangement (continued)

2021

Department of Transport

Total principal-agent arrangements funds transferred	Expenditure incurred against funds	Resources (assets and liabilities) under custodianship of agent	Fees paid to agent
3,903,472	-	-	470,427

2020

Department of Transport

Total principal-agent arrangements funds transferred	Expenditure incurred against funds	Resources (assets and liabilities) under custodianship of agent	Fees paid to agent
3,917,267	-	-	420,072

The municipality is a party to a principal-agent arrangement. Judgement is applied in assessing whether the municipality is the principal or agent. The agreement requires the municipality to perform all the registering and testing function on behalf of the Northern Cape Department of Transport which consist of motor vehicle registration and licensing, driving license test center functions and vehicle test station functions. The municipality is an agent to the agreement as they are only entitled to commission amount and deposits all the net amount received for services rendered to the provincial department. The total agency compensation received is reflected as agency services revenue on the face of the statement of financial performance. There has not been any significant changes to the arrangement during the current financial year.

There was no remittance of any resources during the period as the municipality does not have custodianship of resources held on behalf of the Department of Transport.

There are no risks that are transferred from the Department of Transport to the Municipality as the municipality does not have custodianship over the resources held on behalf of the principal (Department of Transport).

There are no liabilities incurred on behalf of the Department of Transport that have been recognised by the entity, as well as any corresponding rights of reimbursement that have been recognised as assets.

Carrying value of resources held on behalf of the Principal

Cash and cash equivalents held on behalf of the Department of transport and Prodiba	25,354,933	22,056,232
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* See Note 2 & 49

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58. Cash generated from operations		
Surplus	13,138,667	138,947,152
Adjustments for:		
Depreciation and amortisation	60,496,322	50,093,030
Gain on sale of assets and liabilities	378,908	3,180,793
Fair value adjustments	(14,976,863)	(1,470,508)
Impairment deficit	930,396	2,366,818
Debt impairment	(18,628,516)	(82,695,772)
Bad debts written off	11,941,373	3,301,584
Movements in operating lease assets and accruals	20,636	-
Movements in retirement benefit assets and liabilities	11,155,000	(4,240,270)
Movements in provisions	28,280,873	(13,522,848)
Other non-cash items		
Change in provision obligation	(26,769,103)	14,533,170
Donated assets	(9,290,884)	-
Property, plant and equipment	(295,448)	173,819,671
Cash and bank	-	430,452
Intangible assets	-	335,505
Landfill asset	-	1,230,615
Receivables	(38,697,715)	43,556,133
General expenses	-	1,160,370
Unallocated deposits	-	(120,324)
Retention	(4,112,635)	(3,691,462)
Landfill provision	-	(10,666,747)
Investment property	-	(1,470,508)
Revenue	-	(111,502,950)
VAT	2,594,061	245,306
Payables	61,887	(5,241,030)
Inventory	-	(117,120)
Deposits	-	(2,222,921)
Changes in working capital:		
Inventories	(535,931)	867,616
Other trade receivables from exchange transactions	2,286,362	(28,859,188)
Consumer debtors	6,774,062	3,633,498
Payables from exchange transactions	55,501,222	57,558,883
VAT	(8,201,194)	(29,887,383)
Taxes and transfers payable (non-exchange)	(5,685,028)	(46,036,288)
Unspent conditional grants and receipts	(13,621,110)	20,525,381
Consumer deposits	207,951	(471,611)
	52,953,293	173,569,047

59. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Trade receivables	8,097,400	8,097,400
Receivables from non-exchange transactions	81,838,790	81,838,790
Receivables from exchange transactions	175,606,128	175,606,128
Cash and cash equivalents	29,598,137	29,598,137
	295,140,455	295,140,455

Financial liabilities

* See Note 2 & 49

Gamagara Local Municipality

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59. Financial instruments disclosure (continued)

	At amortised cost	At cost	Total
Other financial liabilities	42,669,410	-	42,669,410
Payables from exchange transactions	444,634,048	-	444,634,048
Payables from non-exchange	-	45,599,149	45,599,149
	487,303,458	45,599,149	532,902,607

2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	619,724	619,724
Receivables from non-exchange transactions	75,569,180	75,569,180
Receivables from exchange transactions	177,657,826	177,657,826
Cash and cash equivalents	35,390,963	35,390,963
	289,237,693	289,237,693

Financial liabilities

	At amortised cost	At cost	Total
Other financial liabilities	38,189,957	-	38,189,957
Trade and other payables from exchange transactions	396,597,706	-	396,597,706
Payables (non-exchange)	-	38,461,773	38,461,773
	434,787,663	38,461,773	473,249,436

60. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Infrastructure	25,505,464	20,274,058
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Total capital commitments

Already contracted for but not provided for	25,505,464	20,274,058
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Authorised operational expenditure

This committed expenditure relates to infrastructure projects and are grant funded.

The commitments are exclusive of VAT.

* See Note 2 & 49

Gamagara Local Municipality

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61. Risk management

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Credit risk

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

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

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

Financial instrument	2021	2020
Receivables from exchange	175,606,128	175,693,048
Receivables from non-exchange transactions	81,838,790	89,848,665
Cash and cash equivalents	29,598,137	35,390,963

Market risk

Interest rate risk

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

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

62. Segment information

General information

Identification of segments

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

* See Note 2 & 49

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62. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Energy sources	This segment consists of all services for energy supply to the community
Environmental protection	This segment consists of environmental services such as planning & development, environmental protection and roads & storm water
Executive and council	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
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
Sport 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
Waste water management	This segment consists of services for the management of waste water in the municipal area.
Waste management	This segment consists of services for the management of refuse in the municipal area.
Water management	This segment consists of services for the management of water, refuse in the municipal area.

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62. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

Revenue	Community and social services	Energy sources	Environmental protection	Executive and council administration	Finance and planning	Road transport	Sport and recreation	Waste water management	Waste management	Total
Revenue from non-exchange transactions										
Property rates	-	-	2,372	-	121,857,994	-	-	-	-	- 122,996,700
Government grants and subsidies	897	30,969,761	-	45,276,061	2,532,901	1,136,334	1,116,612	-	29,785,104	109,866,186
Licences and permits	-	-	-	-	-	1,147,203	-	-	-	1,147,203
Interest received from non-exchange transactions	-	-	-	-	2,681,815	-	-	-	-	2,681,815
Public contributions and donations	-	-	-	-	10,306,173	-	-	-	-	10,306,173
Fines, penalties and forfeits	-	-	-	-	-	891,240	-	-	-	891,240
Revenue from exchange transactions										
Renting of services	-	157,546,948	-	-	280,445	-	-	10,619,448	43,321,613	33,606,435
Rental of facilities and equipment	-	-	-	759,607	868,278	-	-	-	-	1,627,885
Interest received	-	-	-	11,885,769	-	-	-	-	-	11,885,769
Agency fees	-	-	-	-	-	470,427	-	-	-	470,427
Interest received - investment	-	-	-	-	346,302	-	-	-	-	346,302
Other income	63,301	243,568	410	395,459	482,414	-	-	-	1,010,839	8,257,076
Total segment revenue	64,198	188,760,277	2,782	58,316,896	139,356,322	3,830,054	1,116,612	10,619,448	43,321,613	64,402,378
										515,851,865

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	Community and social services	Energy sources	Environmental protection	Executive and council administration	Finance and planning and development	Road transport	Sport and recreation	Waste water management	Waste management	Water	Total	
62. Segment information (continued)												
Expenditure												
Employee costs	(18,849,292)	(9,636,176)	-	(4,661,167)	(53,300,069)	(14,609,787)	(13,889,783)	(21,571,732)	(16,199,601)	(22,714,295)	(14,459,858)	(189,891,760)
Remuneration of councillors	-	-	-	(5,350,510)	-	-	-	-	-	-	-	(5,350,510)
Depreciation, amortisation and impairment	-	(7,251,091)	-	-	(6,834,635)	-	(9,259,107)	(3,438,834)	(7,428,065)	-	(30,452,382)	(64,664,114)
Finance costs	-	(9,573,109)	-	(284,399)	(10,351,897)	-	-	-	-	-	-	(20,209,405)
Bulk purchases	-	(132,970,344)	-	-	-	-	-	-	-	(5,365,718)	(138,336,062)	-
Repairs and maintenance	(923,185)	(1,057,458)	-	-	(979,932)	-	(42,633)	(11,520)	(953,488)	-	(613,425)	(4,581,841)
General expenses	(8,708,663)	(1,668,716)	(464,270)	(10,472,619)	(56,514,462)	(876,697)	(757,962)	(238,014)	(1,453,738)	(2,721,795)	(7,419,670)	(91,296,606)
Loss on disposal of assets and liabilities	-	-	-	-	(378,908)	-	-	-	-	-	-	(378,908)
Fair value adjustments	-	-	-	-	14,976,863	-	-	-	-	-	-	14,976,863
Actuarial gains/losses	-	-	-	-	(6,542,553)	-	-	-	-	-	-	(6,542,553)
Impairment loss	-	-	-	-	(910,303)	-	-	-	-	-	-	(910,303)
Total segment expenditure	(28,481,140)	(162,156,894)	(464,270)	(20,768,695)	(120,835,896)	(15,486,484)	(23,949,485)	(25,260,100)	(26,034,892)	(25,436,090)	(58,311,053)	(507,184,999)

Measurement of segment surplus or deficit, assets and liabilities

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

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62. Segment information (continued)

The nature and effect of any asymmetrical allocations to reportable segments

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

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

Information about geographical areas

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