

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022



Gamagara Local Municipality

Annual Financial Statements  
for the year ended 30 June 2022

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\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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### Mayoral committee

Executive Mayor

Councillors

Cllr. O.E. Hantise  
Cllr. N.S. Magagane  
Cllr. H. du Plessis  
Cllr. B.P. Lekgadi  
Cllr. B.I. Sebego  
Cllr. T.M. Motsoare  
Cllr. K.V. Dithupa  
Cllr. M.L. Jafta  
Cllr. E.T. Tiroyame  
Cllr. G.M. Sekgopi  
Cllr. J.J.T. Roman  
Cllr. A.M. Caetano  
Cllr. E. Dikolanyane  
Cllr. N.M. Koikoi  
Cllr. A.J. Morwe (Re-appointed Apr 2022)  
Cllr. M.C. Skeiman (Term ended Oct 2021)  
Cllr. G.J. Esau (Resigned Feb 2021)  
Cllr. M.F. Nqume (Term ended Oct 2021)  
Cllr D.P. Seetile (Term ended Oct 2021)  
Cllr. A. Booysen (Term ended Oct 2021)  
Cllr. M.K. Orpen (Term ended Oct 2021)  
Cllr. C.V. Joseph (Deceased Feb 2022)  
Cllr. H.J. Fourie (Term ended Oct 2021)

### Grading of local authority

Grade 3

### Chief Finance Officer (CFO)

Mr A. Makoku

### 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 2022

## Index

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Accounting Officer's Responsibilities and Approval	4
Certification of Remuneration of Councillors	5
Statement of Financial Position	6 - 78
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 16
Accounting Policies	17 - 37
Notes to the Annual Financial Statements	38 - 101

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**

Annual Financial Statements for the year ended 30 June 2022

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

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 2023 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 pages 5 to 101, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

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**K.P. Leserwane**  
**Municipal Manager**

# **Gamagara Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Certification of Remuneration of Councillors**

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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.

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KP LESERWANE

MUNICIPAL MANAGER

31 August 2022.

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 2022 and were signed on its behalf by:

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**K.P. Leserwane**  
**Municipal Manager**

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	959 548	1 280 479
Operating lease asset	4	2 336	14 671
Other trade receivables from exchange transactions	5	3 946 292	4 523 923
Statutory receivables from non-exchange transactions	6&7	103 021 362	90 374 844
Statutory receivables from exchange transactions	8	31 011 861	32 727 552
Receivables from exchange transactions	9	255 981 276	197 847 949
Other trade receivables from non-exchange transactions	12	2 535 327	2 675 094
Cash and cash equivalents	14	19 253 258	29 598 137
		<b>416 711 260</b>	<b>359 042 649</b>
<b>Non-Current Assets</b>			
Investment property	15	343 955 367	314 786 745
Property, plant and equipment	16	1 166 350 956	1 192 495 992
Intangible assets	17	430 995	534 746
Heritage assets	18	74 581	74 581
Other trade receivables from exchange transactions	10	3 546 449	3 589 781
Other trade receivables from non-exchange transactions	11	1 584 774	1 156 682
		<b>1 515 943 122</b>	<b>1 512 638 527</b>
<b>Total Assets</b>		<b>1 932 654 382</b>	<b>1 871 681 176</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	19	47 785 934	42 669 410
Payables from exchange transactions	20	483 188 963	438 384 949
Payables from non-exchange	21	42 270 125	41 981 364
Consumer deposits	22	6 532 704	5 914 379
Employee benefit obligation	23	3 473 000	2 227 000
Unspent conditional grants and receipts	24	11 254 024	21 361 219
		<b>594 504 750</b>	<b>552 538 321</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	23	56 507 000	52 285 000
Provisions	25	54 333 860	64 485 448
		<b>110 840 860</b>	<b>116 770 448</b>
<b>Total Liabilities</b>		<b>705 345 610</b>	<b>669 308 769</b>
<b>Net Assets</b>		<b>1 227 308 772</b>	<b>1 202 372 407</b>
Accumulated surplus		1 227 308 772	1 202 372 407
<b>Total Net Assets</b>		<b>1 227 308 772</b>	<b>1 202 372 407</b>

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	27	296 960 587	245 374 889
Rental of facilities and equipment	28	2 003 599	1 627 885
Interest received from exchange	29	29 436 971	30 069 703
Agency services	30	601 554	470 427
Other income	32	6 032 685	8 257 076
Interest received - Investment	48	492 380	346 302
<b>Total revenue from exchange transactions</b>		<b>335 527 776</b>	<b>286 146 282</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	33	138 856 279	122 996 700
Availability charges	34	38 779 930	-
Licences and Permits (Non-exchange)		1 377 326	1 147 203
Interest received from non-exchange	29	10 353 298	6 784 700
<b>Transfer revenue</b>			
Government grants & subsidies	35	64 627 650	109 866 186
Public contributions and donations	36	18 211 083	10 306 174
Fines, Penalties and Forfeits	37	765 144	891 240
<b>Total revenue from non-exchange transactions</b>		<b>272 970 710</b>	<b>251 992 203</b>
<b>Total revenue</b>	26	<b>608 498 486</b>	<b>538 138 485</b>
<b>Expenditure</b>			
Employee related costs	38	(203 229 303)	(189 891 760)
Remuneration of councillors	39	(5 741 114)	(5 350 510)
Depreciation and amortisation	40	(55 155 169)	(62 535 371)
Impairment of assets	41	(2 349 795)	(930 396)
Finance costs	42	(26 042 716)	(20 209 405)
Lease rentals on operating lease	43	(6 933 812)	(7 065 536)
Debt Impairment	44	(8 056 754)	(40 579 225)
Bad debts written off		(17 734 185)	(11 941 373)
Repairs & Maintenance		(8 030 027)	(4 698 788)
Bulk purchases	45	(156 017 083)	(138 336 062)
General Expenses	46	(116 590 111)	(90 801 066)
<b>Total expenditure</b>		<b>(605 880 069)</b>	<b>(572 339 492)</b>
<b>Operating surplus (deficit)</b>		<b>2 618 417</b>	<b>(34 201 007)</b>
Loss on disposal of assets and liabilities		(2 162 658)	(378 908)
Fair value adjustments	47	30 296 571	14 968 782
Actuarial gains/losses	23	2 343 566	(6 542 553)
		<b>30 477 479</b>	<b>8 047 321</b>
<b>Surplus (deficit) for the year</b>		<b>33 095 896</b>	<b>(26 153 686)</b>

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 146 472 563	1 146 472 563
Adjustments		
Prior year adjustments	82 053 530	82 053 530
<b>Balance at 01 July 2020 as restated*</b>	<b>1 228 526 093</b>	<b>1 228 526 093</b>
Changes in net assets		
Surplus for the year	(26 153 686)	(26 153 686)
Total changes	(26 153 686)	(26 153 686)
Opening balance as previously reported	1 234 662 715	1 234 662 715
Adjustments		
Correction of errors	(9 770 403)	(9 770 403)
Prior year adjustments	(30 679 436)	(30 679 436)
<b>Restated* Balance at 01 July 2021 as restated*</b>	<b>1 194 212 876</b>	<b>1 194 212 876</b>
Changes in net assets		
Surplus for the year	33 095 896	33 095 896
Total changes	33 095 896	33 095 896
<b>Balance at 30 June 2022</b>	<b>1 227 308 772</b>	<b>1 227 308 772</b>

\* See Note 51



# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		415 672 482	341 199 938
Grants		55 310 198	97 260 366
Interest received		15 665 216	15 793 039
		<u>486 647 896</u>	<u>454 253 343</u>
<b>Payments</b>			
Employee costs		(204 026 920)	(191 418 236)
Suppliers		(247 939 429)	(196 959 645)
Finance costs		(18 844 413)	(9 947 183)
		<u>(470 810 762)</u>	<u>(398 325 064)</u>
<b>Net cash flows from operating activities</b>	60	<b><u>15 837 134</u></b>	<b><u>55 928 279</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	16	(26 226 812)	(61 721 105)
Proceeds from sale of property, plant and equipment	16	44 799	-
<b>Net cash flows from investing activities</b>		<b><u>(26 182 013)</u></b>	<b><u>(61 721 105)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(10 344 879)</u></b>	<b><u>(5 792 826)</u></b>
Cash and cash equivalents at the beginning of the year		29 598 137	35 390 963
<b>Cash and cash equivalents at the end of the year</b>	14	<b><u>19 253 258</u></b>	<b><u>29 598 137</u></b>

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 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

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	298 887 657	31 758 338	<b>330 645 995</b>	296 960 587	<b>(33 685 408)</b>	
Rental of facilities and equipment	1 276 775	545 225	<b>1 822 000</b>	2 003 599	<b>181 599</b>	1
Interest received (trading)	30 000 000	-	<b>30 000 000</b>	29 436 971	<b>(563 029)</b>	2
Agency services	499 138	40 862	<b>540 000</b>	601 554	<b>61 554</b>	3
Other income - (rollup)	23 731 461	3 815 502	<b>27 546 963</b>	6 032 685	<b>(21 514 278)</b>	4
Interest received - investment	294 002	275 998	<b>570 000</b>	492 380	<b>(77 620)</b>	5
<b>Total revenue from exchange transactions</b>	<b>354 689 033</b>	<b>36 435 925</b>	<b>391 124 958</b>	<b>335 527 776</b>	<b>(55 597 182)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	154 700 773	-	<b>154 700 773</b>	138 856 279	<b>(15 844 494)</b>	6
Indirect taxes (VAT, customs duty)	1 069 933	38 713 926	<b>39 783 859</b>	38 779 930	<b>(1 003 929)</b>	
Licences and Permits (Non-exchange)	1 067 746	589 254	<b>1 657 000</b>	1 377 326	<b>(279 674)</b>	7
Surcharges and Taxes	-	-	-	10 353 298	<b>10 353 298</b>	8

##### Transfer revenue

Government grants & subsidies	94 623 400	(18 402 278)	<b>76 221 122</b>	64 627 650	<b>(11 593 472)</b>	9
Public contributions and donations	-	942 000	<b>942 000</b>	18 211 083	<b>17 269 083</b>	10
Fines, Penalties and Forfeits	707 203	(144 578)	<b>562 625</b>	765 144	<b>202 519</b>	11
<b>Total revenue from non-exchange transactions</b>	<b>252 169 055</b>	<b>21 698 324</b>	<b>273 867 379</b>	<b>272 970 710</b>	<b>(896 669)</b>	

#### Total revenue

<b>606 858 088</b>	<b>58 134 249</b>	<b>664 992 337</b>	<b>608 498 486</b>	<b>(56 493 851)</b>	
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#### Expenditure

Employee related costs	(183 205 971)	(13 604 271)	<b>(196 810 242)</b>	(203 229 303)	<b>(6 419 061)</b>	
Remuneration of councillors	(5 448 603)	(59 508)	<b>(5 508 111)</b>	(5 741 114)	<b>(233 003)</b>	
Depreciation and amortisation	(49 631 484)	-	<b>(49 631 484)</b>	(55 155 169)	<b>(5 523 685)</b>	12
Impairment loss/ Reversal of impairments	-	-	-	(2 349 795)	<b>(2 349 795)</b>	
Finance costs	(18 998 055)	5 350 000	<b>(13 648 055)</b>	(26 042 716)	<b>(12 394 661)</b>	13
Lease rentals on operating lease	(2 012 500)	(1 700 000)	<b>(3 712 500)</b>	(6 933 812)	<b>(3 221 312)</b>	14
Debt Impairment	-	-	-	(8 056 754)	<b>(8 056 754)</b>	15
Bad debts written off	(10 600 000)	(500 000)	<b>(11 100 000)</b>	(17 734 185)	<b>(6 634 185)</b>	15
Repairs and maintenance	(14 599 877)	2 378 051	<b>(12 221 826)</b>	(8 030 027)	<b>4 191 799</b>	16
Bulk purchases	(147 800 655)	(900 000)	<b>(148 700 655)</b>	(156 017 083)	<b>(7 316 428)</b>	
General Expenses	(95 201 264)	(25 726 573)	<b>(120 927 837)</b>	(116 590 111)	<b>4 337 726</b>	
<b>Total expenditure</b>	<b>(527 498 409)</b>	<b>(34 762 301)</b>	<b>(562 260 710)</b>	<b>(605 880 069)</b>	<b>(43 619 359)</b>	
<b>Operating surplus</b>	<b>79 359 679</b>	<b>23 371 948</b>	<b>102 731 627</b>	<b>2 618 417</b>	<b>(100 113 210)</b>	

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 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						
Loss on disposal of assets and liabilities	20 000 000	-	20 000 000	(2 162 658)	(22 162 658)	17
Fair value adjustments	-	-	-	30 296 571	30 296 571	18
Actuarial gains/losses	-	-	-	2 343 566	2 343 566	19
	20 000 000	-	20 000 000	30 477 479	10 477 479	
<b>Surplus before taxation</b>	<b>99 359 679</b>	<b>23 371 948</b>	<b>122 731 627</b>	<b>33 095 896</b>	<b>(89 635 731)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>99 359 679</b>	<b>23 371 948</b>	<b>122 731 627</b>	<b>33 095 896</b>	<b>(89 635 731)</b>	
<b>Reconciliation</b>						
Transfers and subsidies - Capital	-	-	-	-	-	

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	-	(9 517 000)	(9 517 000)	959 548	10 476 548	20
Operating lease asset	-	-	-	2 336	2 336	21
Other trade receivables from exchange transactions	-	2 207 585 000	2 207 585 000	3 946 292	2 203 638 708	22
Statutory receivables from non-exchange transactions	-	-	-	103 021 362	103 021 362	23
VAT receivable	-	-	-	31 011 861	31 011 861	24
Consumer debtors	49 997 000	285 632 000	335 629 000	255 981 276	(79 647 724)	25
Other trade receivables from non-exchange transactions	-	-	-	2 535 327	2 535 327	
Cash and cash equivalents	(26 443 000)	67 416 000	40 973 000	19 253 258	(21 719 742)	26
	<b>23 554 000</b>	<b>2 551 116 000</b>	<b>2 574 670 000</b>	<b>416 711 260</b>	<b>2 157 958 740</b>	

##### Non-Current Assets

Investment property	-	308 825 000	308 825 000	343 955 367	35 130 367	27
Property, plant and equipment	17 163 000	1 177 295 000	1 194 458 000	1 166 350 956	(28 107 044)	
Intangible assets	492 000	(735 000)	(243 000)	(534 746)	(291 746)	28
Heritage assets	-	75 000	75 000	74 581	(419)	
Long-term receivables	-	15 000	15 000	-	(15 000)	29
Other trade receivables from exchange transactions	-	-	-	3 546 449	3 546 449	
Other trade receivables from non-exchange transactions	-	-	-	1 584 774	1 584 774	
	<b>17 655 000</b>	<b>1 485 475 000</b>	<b>1 503 130 000</b>	<b>1 514 977 381</b>	<b>11 847 381</b>	

#### Total Assets

**41 209 000 | 4 036 591 000 | 4 077 800 000 | 1 931 688 641 | 2 146 111 359**

#### Liabilities

##### Current Liabilities

Other financial liabilities	(30 371 000)	62 029 000	31 658 000	47 785 934	16 127 934	30
Payables from exchange transactions	-	2 505 884 000	2 505 884 000	483 188 969	2 022 695 031	31
Taxes and transfers payable (non-exchange)	-	-	-	42 270 125	42 270 125	32
Consumer deposits	-	8 189 000	8 189 000	6 532 704	(1 656 296)	33
Employee benefit obligation	-	-	-	3 473 000	3 473 000	34
Unspent conditional grants and receipts	-	-	-	11 254 024	11 254 024	35
Provisions	-	(7 792 000)	(7 792 000)	-	7 792 000	36
	<b>(30 371 000)</b>	<b>2 568 310 000</b>	<b>2 537 939 000</b>	<b>594 504 756</b>	<b>1 943 434 244</b>	

##### Non-Current Liabilities

Other financial liabilities	(3 909 000)	-	(3 909 000)	-	3 909 000	37
Employee benefit obligation	-	-	-	56 507 000	56 507 000	38
Provisions	822 000	153 342 000	154 164 000	54 333 860	(99 830 140)	39
	<b>(3 087 000)</b>	<b>153 342 000</b>	<b>150 255 000</b>	<b>110 840 860</b>	<b>(39 414 140)</b>	

#### Total Liabilities

**(33 458 000) | 2 721 652 000 | 2 688 194 000 | 705 345 616 | 1 982 848 384**

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 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						
<b>Net Assets</b>	<b>74 667 000</b>	<b>1 314 939 000</b>	<b>1 389 606 000</b>	<b>1 226 343 025</b>	<b>(163 262 975)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	1 225 708 000	77 884 000	<b>1 303 592 000</b>	1 227 308 773	<b>(76 283 227)</b>	40

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 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 10% variances as material.

1] The demand for the rental of facilities/equipment was higher than expected. The budget amount was based on the prior year actuals, which showed a low rate of rentals during the COVID-19 pandemic.

2]The increase in outstanding debtors amount to approximately 27%, which correlates with the increase in interest charged on outstanding debtors during the financial year. This is mainly due to a decline in consumer payment culture..

3]There was an increase in licence & permits issued on behalf of Department of Safety & Liaison, which led to an increase in agency fees received.

4]The increase in other revenue is mainly due to a significant increase in building plans approved, during COVID-19 there was an increase in building plan applications due to either renovations done on houses by consumers or construction of new houses.

5]The municipality invested less on the call accounts, due to the reduction in grant allocation which led to a decrease in interest received on investment accounts.

6]The main reason for the reduction in property rates billed is due to an increase in free basic services during the financial year as more consumers registered for the indigent subsidy.

7]The amount recognised as licences & permits was lower than expected, due to the breakdown the drivers licence card machine during the financial year .

8]Due to the misalignment between the AFS templates and the budget templates, surcharges & taxes do not form part of the A-Schedule and was therefore not budgeted for.

9]Due to the slow progress on the MIG and Disaster Relief Grant expenditure, the amount recognised as revenue was lower than expected.

10The main reason for the increase in public contributions and donations is due to the donation received from the mine of a Grader and property donated during the financial year.

11]There was a major increase in court fines issued during the financial year in progress, due to the nature of fines issued/non-payment of fines for which court fines was issued.

12] As per the Treasury budgeting schedule, no provision is made for reversal of impairment, therefore there was no budget for this line item.

13]During the adjustment budget process, the municipality anticipated that ESKOM and DBSA would freeze interest on outstanding debt once an arrangement was reached, however on conclusion of the arrangement both ESKOM and DBSA refused to reverse/freeze the interest on outstanding debt.

14]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.

15]The number of accounts qualifying for debt write-off was higher than expected during the year under review.

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 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						
16]Underspending is mainly due to the slow performance on sewer repairs during the financial year.						
17] The municipality expected to make a gain from the disposal of assets, however due to the nature of the assets disposed the market demand was lower than expected resulting in a loss.						
18]Fair value adjustment did not form part of the municipal budget, which is the reason for the variance.						
19] Actuarial gains and losses form part of employee related costs as per the mSCOA tree, and was therefore not budgeted separately but as part of the employee related costs.						
20] The balance sheet budget on the system is automated, however the balance as per the system resulted in a negative opening balance which resulted in a higher than expected variance.						
21]The Treasury template for budgeting does not make provision for operating lease assets, therefore no provision was made for it in the budget..						
22]Due to the reconciliation that needs to be done on the opening balance of VAT receivable and VAT payable, the high budget is automated in the system as the budget tool takes into account the opening balance plus or minus the projected movements as per the performance statement.						
23]The Treasury template for budgeting does not make a split between exchange & non-exchange trade receivables, but rather for receivables from other debtors which have been used for receivables from non-exchange transactions.						
24]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..						
25]The municipality expected to have a higher debtors' balance, however due to the increase impairment for the current year on all services, there was a considerable decrease in the debtors' balance as at year end..						
26]The municipality anticipated to close off the financial year with a higher cash balance, however due to the reduction in grant allocations and reduction in debt collection during the year the municipality was unable to meet this target.						
27]The increase on investment property is mainly due to the major adjustment made on the fair value during the valuation process.						
28]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.						
29]The municipality did not have any long-term receivables at the end of the financial year.						
30]Due to the fact that DBSA obligation payments are not adhered to, the interest on the outstanding balance has increased more than anticipated.						
31]Due to the reconciliation that needs to be done on the opening balance of VAT receivable and VAT payable, the high budget is automated in the system as the budget tool takes into account the opening balance plus or minus the projected movements as per the performance statement.						
32]No provision made on the budget template for taxes and transfers payable, therefore the item was not budgeted for.						
33]The increase in consumer deposits was lower than expected.						
34]The treasury budget template does not make provision for separate disclosure of employee benefits, therefore provisions and employee benefits are budgeted as one amount.						

## Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

### 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

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

36] 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.

37] The non-current portion of the loan has been cleared as the loan was due to be settled by 30 June 2021.

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

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

40] Due to the correction made on prior period transactions, the accumulated surplus was lower than anticipated.



# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

Figures in Rand	Note(s)	2022	2021
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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, loans and receivables

The municipality assesses its trade receivables, 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, management makes judgement 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, 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. 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.

## Accounting Policies

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### 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 25 - 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 23.

### 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 2022

## Accounting Policies

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### 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 15).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 16).

### 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 2022

## 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.

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.

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

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 16).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 16).

### 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:

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Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3-5 years

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# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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 2022

## Accounting Policies

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### 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 2022

## Accounting Policies

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### 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 2022

## Accounting Policies

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### 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.

## Accounting Policies

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### 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 2022

## Accounting Policies

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### 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 2022

## Accounting Policies

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### 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 interest rate implicit in the lease.

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 2022

## Accounting Policies

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### 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 2022

## Accounting Policies

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### 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 2022

## Accounting Policies

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### 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 2022

## Accounting Policies

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### 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 58.

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, an 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 2022

## Accounting Policies

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### 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 2022

## Accounting Policies

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### 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.

## Accounting Policies

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### 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 Segment information

A segment is an activity of an entity:

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

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

### Measurement

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

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

### 1.22 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.

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.22 Budget information (continued)

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.

### 1.23 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.

### 1.24 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.

There were no events that occurred between the reporting date and the date when the financial statements were authorised for issue.

### 1.25 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

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.26 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 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>2. New standards and interpretations</b>		
<b>2.1 Standards and interpretations effective and adopted in the current year</b>		
In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:		
<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• Directive 7 (revised): The Application of Deemed Cost	01 April 2021	The impact of the is not material.
<b>3. Inventories</b>		
Consumable stores	518 783	905 954
Water	130 966	97 534
Fuel (Diesel, Petrol)	309 799	276 991
	<b>959 548</b>	<b>1 280 479</b>
Inventories recognised as an expense during the year	7 987 156	6 238 036
The cost of water production for the year amounted to R8.72 per kilolitre (2021: R7.60 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.		
<b>4. Operating lease asset (accrual)</b>		
Current assets	2 336	14 671
<b>5. Other trade receivables from exchange transactions</b>		
Creditors with debit balances	115 063	36 830
Arrangements	3 831 229	4 027 353
Kumba Interns	-	459 740
	<b>3 946 292</b>	<b>4 523 923</b>
<b>Arrangements</b>		
Less than 1 year	3 831 229	4 027 353
<b>6. Statutory receivables from non-exchange transactions</b>		
Other receivables from non-exchange revenue	706 976	517 905
Consumer debtors - Rates	7 102 314 386	89 856 939
	<b>103 021 362</b>	<b>90 374 844</b>
<b>7. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	123 608 131	112 276 363
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(21 293 745)	(22 419 424)

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>7. Consumer debtors disclosure (continued)</b>		
<b>Net balance</b>		
Consumer debtors - Rates	102 314 386	89 856 939
<b>Statutory receivables included in consumer debtors above are as follows:</b>		
Consumer debtors - Rates	102 314 386	89 856 939
<b>Financial asset receivables included in consumer debtors above</b>	-	-
<b>Total consumer debtors</b>	<b>102 314 386</b>	<b>89 856 939</b>
<b>Property rates</b>		
Current (0 -30 days)	(88 671)	-
31 - 60 days	11 282 959	9 365 742
61 - 90 days	4 334 740	4 458 690
91 - 120 days	3 599 803	4 534 813
121 - 365 days	22 292 804	24 037 069
> 365 days	60 892 750	47 460 624
	<b>102 314 386</b>	<b>89 856 939</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers and Other</b>		
Current (0 -30 days)	(84 244)	-
31 - 60 days	5 934 081	6 899 133
61 - 90 days	3 101 903	3 789 294
91 - 120 days	2 539 896	2 989 266
121 - 365 days	15 700 131	18 895 644
> 365 days	41 053 822	32 418 768
	68 245 589	64 992 104
Less: Allowance for impairment	(12 320 561)	(13 469 196)
	<b>55 925 028</b>	<b>51 522 908</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	(4 427)	-
31 - 60 days	7 511 981	4 666 030
61 - 90 days	1 914 785	1 610 445
91 - 120 days	1 590 688	2 417 166
121 - 365 days	9 539 847	9 500 088
> 365 days	29 207 982	24 993 271
	49 760 854	43 187 001
Less: Allowance for impairment	(8 973 184)	(8 950 229)
	<b>40 787 670</b>	<b>34 236 772</b>
<b>National and provincial government</b>		
Current (0 -30 days)	-	-
31 - 60 days	183 082	197 385
61 - 90 days	219 420	178 013
91 - 120 days	217 764	248 829
121 - 365 days	1 688 405	1 526 170
> 365 days	3 293 016	1 946 860
	<b>5 601 687</b>	<b>4 097 258</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>7. Consumer debtors disclosure (continued)</b>		
<b>Total</b>		
Current (0 -30 days)	(88 671)	-
31 - 60 days	13 629 144	11 762 548
61 - 90 days	5 236 108	5 577 751
91 - 120 days	4 348 348	5 655 262
121 - 365 days	26 928 382	29 921 902
> 365 days	73 554 820	59 358 900
	<b>123 608 131</b>	<b>112 276 363</b>
Less: Allowance for impairment	<b>(21 293 746)</b>	<b>(22 419 425)</b>
	<b>102 314 385</b>	<b>89 856 938</b>
<b>Less: Allowance for impairment</b>		
31 - 60 days	2 424 461	(2 396 806)
61 - 90 days	904 560	(1 119 061)
91 - 120 days	744 786	(1 120 448)
121 - 365 days	4 551 024	(5 884 833)
> 365 days	12 668 915	(11 898 276)
	<b>21 293 746</b>	<b>(22 419 425)</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(22 419 425)	(8 503 922)
Contributions to allowance	43 713 170	(13 915 503)
	<b>21 293 746</b>	<b>(22 419 425)</b>

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.

### 8. Statutory receivables from exchange transactions

Vat receivable	31 011 861	32 727 552
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### 9. Receivables from exchange transactions

<b>Gross balances</b>		
Electricity	98 719 802	74 789 705
Water	86 944 527	72 465 342
Waste water	40 861 864	16 836 035
Refuse	75 960 129	72 389 610
Other (specify)	5 830 692	4 520 562
	<b>308 317 014</b>	<b>241 001 254</b>



# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>9. Receivables from exchange transactions (continued)</b>		
<b>Less: Allowance for impairment</b>		
Electricity	(16 748 142)	(12 599 980)
Water	(14 768 981)	(11 834 014)
Waste water	(6 791 330)	(3 361 832)
Refuse	(13 023 562)	(14 454 810)
Other (specify)	(1 003 723)	(902 669)
	<b>(52 335 738)</b>	<b>(43 153 305)</b>
<b>Net balance</b>		
Electricity	81 971 660	62 189 725
Water	72 175 546	60 631 328
Waste water	34 070 534	13 474 203
Refuse	62 936 567	57 934 800
Other (specify)	4 826 969	3 617 893
	<b>255 981 276</b>	<b>197 847 949</b>
<b>Electricity</b>		
Current (0 -30 days)	1 433 855	11 689 071
31 - 60 days	32 062 020	6 114 199
61 - 90 days	4 144 917	2 702 151
91 - 120 days	3 013 938	3 767 079
121 - 365 days	15 670 712	12 435 438
> 365 days	25 646 218	25 481 786
	<b>81 971 660</b>	<b>62 189 725</b>
<b>Water</b>		
Current (0 -30 days)	1 150 526	13 200 665
31 - 60 days	15 328 283	2 064 218
61 - 90 days	1 931 122	874 402
91 - 120 days	1 510 162	1 069 699
121 - 365 days	10 807 232	4 223 456
> 365 days	41 448 221	39 198 888
	<b>72 175 546</b>	<b>60 631 328</b>
<b>Waste water</b>		
Current (0 -30 days)	1 410 573	-
31 - 60 days	3 365 047	1 025 957
61 - 90 days	1 958 407	377 902
91 - 120 days	1 823 532	227 300
121 - 365 days	13 352 116	1 563 830
> 365 days	12 160 859	10 279 214
	<b>34 070 534</b>	<b>13 474 203</b>
<b>Refuse</b>		
Current (0 -30 days)	305 383	-
31 - 60 days	2 840 146	11 915 814
61 - 90 days	1 663 089	1 626 017
91 - 120 days	1 539 991	1 414 559
121 - 365 days	10 114 655	9 602 388
> 365 days	46 473 304	33 376 022
	<b>62 936 567</b>	<b>57 934 800</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>9. Receivables from exchange transactions (continued)</b>		
<b>Other (specify)</b>		
31 - 60 days	247 661	155 452
61 - 90 days	330 583	90 237
91 - 120 days	189 026	85 891
121 - 365 days	817 208	1 090 898
> 365 days	3 242 491	2 195 415
	<b>4 826 969</b>	<b>3 617 893</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>9. Receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers and Other</b>		
Current (0 -30 days)	2 395 672	(70)
31 - 60 days	12 325 246	13 921 716
61 - 90 days	6 075 187	4 647 468
91 - 120 days	5 715 811	3 851 151
121 - 365 days	38 245 378	27 072 559
.	142 334 314	123 300 172
	207 091 608	172 792 996
Less: Allowance for impairment	(35 960 173)	(35 262 683)
	<b>171 131 435</b>	<b>137 530 313</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	1 880 115	24 889 807
31 - 60 days	52 381 808	12 044 989
61 - 90 days	5 495 516	2 121 033
91 - 120 days	3 696 999	2 089 816
121 - 365 days	21 010 656	8 642 002
> 365 days	10 654 118	13 767 520
	95 119 212	63 555 168
Less: Allowance for impairment	(16 379 876)	(7 890 620)
	<b>78 739 336</b>	<b>55 664 548</b>
<b>National and provincial government</b>		
Current (0 -30 days)	24 549	-
31 - 60 days	332 276	617 236
61 - 90 days	542 668	317 058
91 - 120 days	343 304	2 261 417
121 - 365 days	2 061 349	416 031
> 365 days	2 807 183	1 041 349
	<b>6 111 329</b>	<b>4 653 090</b>
<b>Total</b>		
Current (0 -30 days)	4 300 336	24 889 737
31 - 60 days	65 039 330	26 583 941
61 - 90 days	12 113 371	7 085 559
91 - 120 days	9 756 113	8 202 384
121 - 365 days	61 317 383	36 130 592
> 365 days	155 790 481	138 109 042
	308 317 014	241 001 254
Less: Allowance for impairment	(52 335 738)	(43 153 303)
	<b>255 981 276</b>	<b>197 847 951</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>9. Receivables from exchange transactions (continued)</b>		
<b>Less: Allowance for impairment</b>		
31 - 60 days	(11 367 479)	(5 299 146)
61 - 90 days	(2 032 695)	(1 381 279)
91 - 120 days	(1 653 605)	(1 212 401)
121 - 365 days	(10 409 866)	(7 288 436)
> 365 days	(26 872 093)	(27 972 042)
	<b>(52 335 738)</b>	<b>(43 153 305)</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(43 153 305)	(16 489 583)
Contributions to allowance	(9 182 434)	(26 663 722)
	<b>(52 335 738)</b>	<b>(43 153 305)</b>
<b>Statutory receivables general information</b>		
<b>10. Other trade receivables from exchange transactions</b>		
<b>Arrangements</b>		
Between 1 year and 2 years	2 804 093	2 491 851
Between 2 year and 5 years	742 356	1 097 930
	<b>3 546 449</b>	<b>3 589 781</b>
<b>11. Other trade receivables from non-exchange transactions</b>		
<b>Arrangements</b>		
Between 1 year and 2 years	1 448 857	1 116 260
Between 2 year and 5 years	135 917	40 422
	<b>1 584 774</b>	<b>1 156 682</b>
<b>12. Other trade receivables from non-exchange transactions</b>		
<b>Arrangements</b>		
Less than 1 year	2 535 327	2 675 094
<b>13. Interest receivable</b>		
Interest receivable - Non-exchange transactions	25 009 571	20 918 738
Interest receivable - Exchange transactions	56 087 272	35 560 672
	<b>81 096 843</b>	<b>56 479 410</b>
<b>14. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	16 488 369	24 337 842
Short-term deposits	2 764 889	5 260 295
	<b>19 253 258</b>	<b>29 598 137</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
First National Bank Primary Account - Cheque - 536-6800-6069	16 120 249	18 038 063	34 477 511	16 512 685	18 396 363	34 477 511
First National Bank - Call Account - 613-6600-1025	2 563 436	5 063 760	(18)	2 563 436	5 063 760	(18)
First National Bank - Call Account - 620-1304-5861	2 209	2 209	2 209	2 209	2 209	2 209
First National Bank - Call Account - 623-8067-5193	71 256	69 695	68 441	71 256	69 695	68 441
First National Bank - Call Account - 623-3404-0748	52 861	52 567	52 435	52 861	52 567	52 435
First National Bank - Fixed Deposit - 710-2095-0327	75 126	72 063	68 632	75 126	72 063	68 632
Standard Bank - Current - 230-0456-8500	(24 316)	5 941 479	721 752	(24 316)	5 941 479	721 752
<b>Total</b>	<b>18 860 822</b>	<b>29 239 836</b>	<b>35 390 962</b>	<b>19 253 258</b>	<b>29 598 136</b>	<b>35 390 962</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 15. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	343 955 367	-	343 955 367	314 786 745	-	314 786 745

#### Reconciliation of investment property - 2022

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	314 786 745	(1 127 949)	30 296 571	343 955 367

#### Reconciliation of investment property - 2021

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	299 817 963	-	14 968 782	314 786 745

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.

#### Maintenance of investment property

The municipality did not undertake any maintenance work to investment property.

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 16. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	96 097 988	-	96 097 988	96 347 988	-	96 347 988
Buildings	115 134 473	(54 035 197)	61 099 276	115 135 525	(50 446 657)	64 688 868
Plant and machinery	2 971 283	(1 636 225)	1 335 058	3 702 068	(2 145 347)	1 556 721
Furniture and fixtures	9 933 212	(8 325 064)	1 608 148	10 083 779	(8 058 028)	2 025 751
Motor vehicles	28 248 034	(11 933 016)	16 315 018	23 581 342	(10 030 069)	13 551 273
IT equipment	5 652 422	(2 564 411)	3 088 011	3 356 504	(2 528 070)	828 434
Electrical Infrastructure	344 710 425	(148 542 512)	196 167 913	334 611 327	(141 215 732)	193 395 595
Community	158 770 466	(59 417 163)	99 353 303	159 423 716	(55 686 795)	103 736 921
Roads infrastructure	556 330 907	(315 099 446)	241 231 461	544 074 578	(303 778 968)	240 295 610
Sanitation infrastructure	419 523 065	(209 016 898)	210 506 167	418 403 167	(199 642 775)	218 760 392
Water supply infrastructure	469 160 798	(258 116 056)	211 044 742	459 430 361	(246 085 751)	213 344 610
Solid waste infrastructure	80 151 142	(51 647 271)	28 503 871	90 723 447	(46 759 618)	43 963 829
<b>Total</b>	<b>2 286 684 215</b>	<b>(1 120 333 259)</b>	<b>1 166 350 956</b>	<b>2 258 873 802</b>	<b>(1 066 377 810)</b>	<b>1 192 495 992</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

#### Reconciliation of property, plant and equipment - 2022

Description	Land	Buildings	Plant and machinery	Furniture and fixtures	Motor Vehicles	IT Equipment	Electrical Infrastructure	Community	Roads Infrastructure	Sanitation Infrastructure	Water Supply Infrastructure	Solid Waste Infrastructure	Total
<b>Carrying values at - 30 June 2021</b>	<b>96 347 988</b>	<b>64 688 868</b>	<b>1 556 721</b>	<b>2 025 751</b>	<b>13 551 272</b>	<b>828 434</b>	<b>193 395 595</b>	<b>103 736 921</b>	<b>240 295 609</b>	<b>218 760 392</b>	<b>213 344 609</b>	<b>43 963 829</b>	<b>1 192 495 989</b>
<b>Cost</b>	<b>96 347 988</b>	<b>115 135 525</b>	<b>3 702 068</b>	<b>10 083 779</b>	<b>23 581 342</b>	<b>3 356 504</b>	<b>334 611 327</b>	<b>159 423 716</b>	<b>544 074 578</b>	<b>418 403 167</b>	<b>459 430 361</b>	<b>90 723 447</b>	<b>2 258 873 802</b>
- Completed assets	96 347 988	104 669 373	3 702 068	10 083 779	23 581 342	3 356 504	291 549 132	158 819 223	540 395 308	400 129 858	423 768 721	90 488 161	2 146 891 457
- Under Construction	-	10 466 152	-	-	-	-	43 062 195	604 493	3 679 270	18 273 309	35 661 640	235 286	111 982 345
Accumulated impairment losses	-	(1 380 599)	(174)	(41 587)	(628 974)	(24 574)	(535 941)	(415 472)	(2 957 581)	(173 243)	(274 641)	-	(6 432 786)
Accumulated depreciation	-	(49 066 058)	(2 145 173)	(8 016 441)	(9 401 096)	(2 503 496)	(140 679 791)	(55 271 323)	(300 821 388)	(199 469 532)	(245 811 111)	(46 759 618)	(1 059 945 027)
<b>Acquisitions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Cost	-	-	272 834	185 454	4 666 692	2 650 194	-	563 206	16 425 163	-	17 859 058	-	42 622 601
- Under construction	-	-	-	-	-	-	10 217 311	-	12 990 352	1 129 883	9 756 401	-	34 093 947
<b>Depreciation and impairment</b>	<b>-</b>	<b>(3 542 267)</b>	<b>(365 913)</b>	<b>(556 736)</b>	<b>(1 902 946)</b>	<b>(322 649)</b>	<b>(7 276 149)</b>	<b>(4 855 861)</b>	<b>(9 960 378)</b>	<b>(9 376 566)</b>	<b>(12 004 415)</b>	<b>(4 887 653)</b>	<b>(55 051 533)</b>
- Depreciation	-	(3 542 267)	(365 913)	(556 736)	(1 902 946)	(322 649)	(7 276 149)	(4 855 861)	(9 960 378)	(9 376 566)	(12 004 415)	(4 887 653)	(55 051 533)
- Impairment loss	-	(46 847)	-	-	-	-	(84 030)	(89 187)	(2 099 882)	(2 471)	(27 375)	-	(2 349 792)
<b>Disposal/Impairment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Cost	(250 000)	(1 053)	(1 003 619)	(336 021)	-	(354 276)	(118 213)	(1 216 456)	(1 234 118)	(9 985)	(1 641)	-	(4 525 382)
- Accumulated depreciation	-	573	875 035	289 533	-	286 308	30 715	1 214 681	738 038	4 913	1 485	-	3 441 281
- Accumulated impairment	-	-	-	166	-	-	2 683	-	1 744	-	-	-	4 593
<b>Capital under construction - Completed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfers	-	-	-	-	-	-	-	-	(15 925 068)	-	(17 883 381)	-	(33 808 449)
<b>Change in discount factor</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10 572 305)</b>	<b>(10 572 305)</b>
Change in obligation	-	-	-	-	-	-	-	-	-	-	-	(10 572 305)	(10 572 305)
<b>Carrying values at 30 June 2022</b>	<b>96 097 988</b>	<b>61 099 274</b>	<b>1 335 058</b>	<b>1 608 147</b>	<b>16 315 018</b>	<b>3 088 011</b>	<b>196 167 912</b>	<b>99 353 304</b>	<b>241 231 460</b>	<b>210 506 166</b>	<b>211 044 741</b>	<b>28 503 871</b>	<b>1 166 350 950</b>
<b>Cost</b>	<b>96 097 988</b>	<b>115 134 472</b>	<b>2 971 283</b>	<b>9 933 212</b>	<b>28 248 034</b>	<b>5 652 422</b>	<b>344 710 425</b>	<b>158 770 466</b>	<b>556 330 907</b>	<b>419 523 065</b>	<b>469 160 798</b>	<b>80 151 142</b>	<b>2 286 684 214</b>
- Completed assets	96 097 988	104 668 320	2 971 283	9 933 212	28 248 034	5 652 422	291 430 919	158 165 973	555 586 353	400 119 873	441 626 138	79 915 856	2 174 416 371
- Under construction	-	10 466 152	-	-	-	-	53 279 506	604 493	744 554	19 403 192	27 534 660	235 286	112 267 843
Accumulated impairment losses	-	(1 427 446)	(174)	(41 421)	(628 974)	(24 574)	(617 288)	(504 659)	(5 055 719)	(175 714)	(302 016)	-	(8 777 985)
Accumulated depreciation	-	(52 607 752)	(1 636 051)	(8 283 644)	(11 304 042)	(2 539 837)	(147 925 225)	(58 912 503)	(310 043 728)	(208 841 185)	(257 814 041)	(51 647 271)	(1 111 555 279)



# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

#### Reconciliation of property, plant and equipment - 2021

Description	Land	Buildings	Plant and machinery	Furniture and fixtures	Motor Vehicles	IT Equipment	Electrical Infrastructure	Community	Roads Infrastructure	Sanitation Infrastructure	Water Supply Infrastructure	Solid Waste Infrastructure	Total
<b>Carrying values at - 30 June 2020</b>	<b>96 347 988</b>	<b>68 323 639</b>	<b>1 034 117</b>	<b>2 716 445</b>	<b>15 434 030</b>	<b>1 102 482</b>	<b>173 473 414</b>	<b>108 686 678</b>	<b>248 656 608</b>	<b>224 407 192</b>	<b>188 853 678</b>	<b>29 190 232</b>	<b>1 158 226 503</b>
<b>Cost</b>	<b>96 347 988</b>	<b>115 135 525</b>	<b>2 791 795</b>	<b>10 202 787</b>	<b>23 581 342</b>	<b>3 401 403</b>	<b>306 368 546</b>	<b>159 423 716</b>	<b>542 714 921</b>	<b>414 496 586</b>	<b>423 974 853</b>	<b>63 954 344</b>	<b>2 162 393 806</b>
- Completed assets	96 347 988	104 669 373	2 791 795	10 202 787	23 581 342	3 401 403	290 535 131	158 819 223	540 293 621	400 129 858	408 962 118	63 719 058	2 103 453 697
- Under Construction	-	10 466 152	-	-	-	-	15 833 415	604 493	2 421 300	14 366 728	15 012 735	235 286	58 940 109
Accumulated impairment losses	-	(1 380 599)	(174)	(33 290)	(628 974)	(24 574)	(177 541)	(415 472)	(2 581 825)	(108 378)	(170 546)	-	(5 521 373)
Accumulated depreciation	-	(45 431 287)	(1 757 504)	(7 453 052)	(7 518 338)	(2 274 347)	(132 717 591)	(50 321 566)	(291 476 488)	(189 981 016)	(234 950 629)	(34 764 112)	(998 645 930)
<b>Acquisitions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Cost	-	-	910 273	-	-	-	1 014 000	-	1 223 874	-	14 821 605	-	17 969 752
- Under construction	-	-	-	-	-	-	27 228 780	1 223 874	1 257 970	3 906 582	26 179 626	-	59 796 832
<b>Depreciation and impairment</b>	<b>-</b>	<b>(3 634 773)</b>	<b>(387 669)</b>	<b>(664 290)</b>	<b>(1 882 757)</b>	<b>(263 947)</b>	<b>(7 962 198)</b>	<b>(4 949 758)</b>	<b>(10 137 119)</b>	<b>(9 488 515)</b>	<b>(10 864 632)</b>	<b>(11 995 506)</b>	<b>(62 231 164)</b>
- Depreciation	-	(3 634 773)	(387 669)	(664 290)	(1 882 757)	(263 947)	(7 962 198)	(4 949 758)	(10 137 119)	(9 488 515)	(10 864 632)	(11 995 506)	(62 231 164)
- Impairment loss	-	-	-	(8 514)	-	-	(358 401)	-	(390 112)	(64 866)	(108 503)	-	(930 396)
<b>Disposal/Impairment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(119 008)</b>	<b>-</b>	<b>(44 899)</b>	<b>-</b>	<b>-</b>	<b>(1 122 187)</b>	<b>-</b>	<b>(15 002)</b>	<b>-</b>	<b>(1 301 096)</b>
- Cost	-	-	-	(119 008)	-	(44 899)	-	-	(1 122 187)	-	(15 002)	-	(1 301 096)
- Accumulated depreciation	-	-	-	100 900	-	34 797	-	-	792 220	-	4 150	-	932 067
- Accumulated impairment	-	-	-	217	-	-	-	-	14 356	-	4 411	-	18 984
<b>Capital under construction - Completed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 223 874)</b>	<b>-</b>	<b>-</b>	<b>(5 530 721)</b>	<b>-</b>	<b>(6 754 595)</b>
Transfers	-	-	-	-	-	-	-	(1 223 874)	-	-	(5 530 721)	-	(6 754 595)
<b>Change in discount factor</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26 769 103</b>	<b>26 769 103</b>
Change in obligation	-	-	-	-	-	-	-	-	-	-	-	26 769 103	26 769 103
<b>Carrying values at 30 June 2021</b>	<b>96 347 988</b>	<b>64 688 866</b>	<b>1 556 721</b>	<b>2 025 750</b>	<b>13 551 273</b>	<b>828 433</b>	<b>193 395 595</b>	<b>103 736 920</b>	<b>240 295 610</b>	<b>218 760 393</b>	<b>213 344 612</b>	<b>43 963 829</b>	<b>1 192 495 990</b>
<b>Cost</b>	<b>96 347 988</b>	<b>115 135 525</b>	<b>3 702 068</b>	<b>10 083 779</b>	<b>23 581 342</b>	<b>3 356 504</b>	<b>334 611 326</b>	<b>159 423 716</b>	<b>544 074 578</b>	<b>418 403 168</b>	<b>459 430 361</b>	<b>90 723 447</b>	<b>2 258 873 802</b>
- Completed assets	96 347 988	104 669 373	3 702 068	10 083 779	23 581 342	3 356 504	291 549 131	158 819 223	540 395 308	400 129 858	423 768 721	90 488 161	2 146 891 456
- Under construction	-	10 466 152	-	-	-	-	43 062 195	604 493	3 679 270	18 273 310	35 661 640	235 286	111 982 346
Accumulated impairment losses	-	(1 380 599)	(174)	(41 587)	(628 974)	(24 574)	(535 942)	(415 472)	(2 957 581)	(173 244)	(274 638)	-	(6 432 785)
Accumulated depreciation	-	(49 066 060)	(2 145 173)	(8 016 442)	(9 401 095)	(2 503 497)	(140 679 789)	(55 271 324)	(300 821 387)	(199 469 531)	(245 811 111)	(46 759 618)	(1 059 945 027)

#### 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 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>16. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment in the process of being constructed or developed</b>		
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.		
<b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b>		
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.	9 680 492	9 680 492
Sesheng Engineering Civil Services The project is on hold	13 035 088	13 035 088
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
Development of Khai appel boreholes Phase 1 The project is implemented by Khumani Mine.	-	967 976
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
	<b>28 845 424</b>	<b>29 813 400</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 16. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Buildings	Included within Landfill assets	Total
Opening balance	100 676 415	604 493	10 466 152	235 286	111 982 346
Additions/capital expenditure	40 919 610	-	-	-	40 919 610
Transferred to completed items	(33 808 449)	-	-	-	(33 808 449)
	<b>107 787 576</b>	<b>604 493</b>	<b>10 466 152</b>	<b>235 286</b>	<b>119 093 507</b>

#### Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Buildings	Included within Landfill assets	Total
Opening balance	47 634 178	604 493	10 466 152	235 286	58 940 109
Additions/capital expenditure	58 572 958	1 223 874	-	-	59 796 832
Transferred to completed items	(5 530 721)	(1 223 874)	-	-	(6 754 595)
	<b>100 676 415</b>	<b>604 493</b>	<b>10 466 152</b>	<b>235 286</b>	<b>111 982 346</b>

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Buildings	346 698	225 812
Infrastructure	7 620 579	4 472 977
	<b>7 967 277</b>	<b>4 698 789</b>

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

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 17. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4 664 698	(4 233 703)	430 995	4 664 698	(4 129 952)	534 746

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	534 746	(103 751)	430 995

#### Reconciliation of intangible assets - 2021

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

### 18. Heritage assets

	2022			2021		
	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 2022

	Opening balance	Total
Heritage assets	74 581	74 581

#### Reconciliation of heritage assets 2021

	Opening balance	Total
Heritage assets	74 581	74 581

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 19. Other financial liabilities

#### At amortised cost

Annuity Loans - Current	47 785 934	42 669 410
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Annuity Loans are repaid over periods varying from 10 to 15 (2021: 10 to 15) years and at interest rates varying from 8.63% to 11.06% (2021: 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	47 785 934	42 669 410
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Contract number	Loan/Project number	Start date	Planned end date	Loan term	Interest rate
61000367	101796/1	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 2022

Maturity analysis	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
DBSA	47 785 934	-	-	-	47 785 934
Subtotal	47 785 934	-	-	-	47 785 934
	<b>47 785 934</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47 785 934</b>

#### Maturity analysis

#### 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
	<b>42 669 410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42 669 410</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 19. Other financial liabilities (continued)

#### Defaults and breaches

#### 2022

	Loan 61000367	Loan 61006899	Loan 61006937	Total
Capital	11 386 777	6 313 088	7 735 491	25 435 356
Interest	8 815 619	5 499 057	8 035 902	22 350 578
	<b>20 202 396</b>	<b>11 812 145</b>	<b>15 771 393</b>	<b>47 785 934</b>

#### 2021

	Loan 61000367	Loan 61006899	Loan 61006937	Total
Capital	11 386 777	6 313 088	7 735 491	25 435 356
Interest	6 827 770	4 243 954	6 162 330	17 234 054
	<b>18 214 547</b>	<b>10 557 042</b>	<b>13 897 821</b>	<b>42 669 410</b>

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

### 20. Payables from exchange transactions

Trade payables	399 474 527	350 265 169
Retentions payable	3 385 083	6 776 841
Accrued leave pay	23 720 258	21 318 683
Accrued bonus	5 350 733	5 233 181
Agency fees	49 703	49 703
Department of transport and Prodiba	26 671 372	25 354 933
Prepaid electricity and water	2 838 905	2 407 777
Payments received in advance	13 134 073	19 078 459
Employee Control account	8 564 309	7 900 203
	<b>483 188 963</b>	<b>438 384 949</b>

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.

### 21. Payables from non-exchange

Payment Received In Advance	5 265 527	8 256 185
Unspent grant payable to National Treasury	19 292 050	19 292 050
Unallocated Deposits	17 712 548	14 433 129
	<b>42 270 125</b>	<b>41 981 364</b>

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

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 21. 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.

### 22. Consumer deposits

Sundry deposits - rentals	4 973	6 398
Electricity & water	6 405 199	5 932 424
Housing rental	122 532	(24 443)
	<b>6 532 704</b>	<b>5 914 379</b>

### 23. 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	(44 471 000)	(40 945 000)
Present value of the defined benefit obligation-wholly unfunded - Long Service Awards	(15 509 000)	(13 567 000)
	<b>(59 980 000)</b>	<b>(54 512 000)</b>
Non-current liabilities	(56 507 000)	(52 285 000)
Current liabilities	(3 473 000)	(2 227 000)
	<b>(59 980 000)</b>	<b>(54 512 000)</b>

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	435	352
New Entries	9	99
Exits	(17)	(16)
	<b>427</b>	<b>435</b>

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

Opening balance	13 567 000	9 639 000
Current service cost	1 422 000	925 000
Interest cost	1 198 000	658 000
Benefits paid	(1 188 767)	(1 547 077)
Actuarial loss	510 767	3 892 077
	<b>15 509 000</b>	<b>13 567 000</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 23. Employee benefit obligations (continued)

#### The amounts recognised in the statement of financial performance

Current service cost	1 422 000	925 000
Interest cost	1 198 000	658 000
Actuarial (gains) losses	510 767	3 892 077
Settlement	(1 188 767)	(1 547 077)
	<b>1 942 000</b>	<b>3 928 000</b>

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

Assumptions used at the reporting date:

Discount rates used	11,03	9,27 %
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	2 807 000	2 450 000
Discount rate	2 578 000	2 665 000

The history of experienced adjustments is as follows:

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	15 509 000	13 567 000	9 639 000	10 880 000	9 418 000
Surplus (deficit)	(15 509 000)	(13 567 000)	(9 639 000)	(10 880 000)	(9 418 000)
Experience adjustments on plan liabilities	822 767	3 880 077	(1 543 012)	325 722	155 233

#### Post employment medical aid subsidy

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

In-service (employee) members	366	362
In-service (employee) non-members	61	73
Continuation (retiree and widow) members	15	17
	<b>442</b>	<b>452</b>

#### Unfunded liability

In-service (employee) members	33 347 000	29 654 000
In-service (employee) non-members	1 361 000	1 266 000
Continuation (retiree and widow) members	9 763 000	10 025 000
	<b>44 471 000</b>	<b>40 945 000</b>



# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 23. Employee benefit obligations (continued)

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

Opening balance	40 945 000	33 718 000
Current service cost	2 989 000	1 832 000
Interest cost	4 201 000	3 613 000
Benefits paid	(809 667)	(868 476)
Actuarial loss	(2 854 333)	2 650 476
	<b>44 471 000</b>	<b>40 945 000</b>

### Net expense recognised in the statement of financial performance

Current service cost	2 989 000	1 832 000
Interest cost	4 201 000	3 613 000
Actuarial (gains) losses	(2 854 333)	2 650 476
Settlement	(809 667)	(868 476)
	<b>3 526 000</b>	<b>7 227 000</b>

### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11,85 %	10,37 %
Health care cost inflation rate	8,46 %	6,98 %
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	8 657 000	6 037 000
Discount rate	6 448 000	8 110 000

The history of experienced adjustments is as follows:

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	44 471 000	40 945 000	33 718 000	36 717 000	37 010 000
Surplus (deficit)	(44 471 000)	40 945 000	(33 718 000)	(37 717 000)	(37 010 000)
Experience adjustments on plan liabilities	3 180 000	963 000	546 000	(793 000)	(1 110 000)

### 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

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 23. 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.

### 24. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	4 750 124	7 583 574
Integrated National Electrification Programme Grant (INEP)	-	9 496 211
EPWP	-	24 722
Equitable share - COVID 19	-	1 642 000
Provisional: Library	-	725 373
Energy Efficiency and Demand Side Management Grant (EEDSM)	159 181	-
Municipal Disaster Relief Grant	6 283 711	-
Water Service Infrastructure Grant (WSIG)	61 008	1 889 339
	<b>11 254 024</b>	<b>21 361 219</b>

#### Movement during the year

Balance at the beginning of the year	21 361 219	34 982 329
Additions during the year	27 723 000	48 613 000
Income recognition during the year	(18 861 195)	(62 644 455)
Rollover not approved transferred to Equitable Share	(18 969 000)	410 345
	<b>11 254 024</b>	<b>21 361 219</b>

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

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

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

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

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 25. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Change in discount factor	Reduction due to re- measurement or settlement without cost to entity	Total
Rehabilitation of Landfill Sites - Deben	5 179 693	-	41 031	78 240	5 298 964
Rehabilitation of Landfill Sites - Olifantshoek	59 305 755	-	379 686	(10 650 545)	49 034 896
	<b>64 485 448</b>	<b>-</b>	<b>420 717</b>	<b>(10 572 305)</b>	<b>54 333 860</b>

#### 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 - Deben	3 632 845	-	121 430	1 425 418	5 179 693
Rehabilitation of Landfill Sites - Olifantshoek	32 571 730	-	1 390 340	25 343 685	59 305 755
	<b>36 204 575</b>	<b>-</b>	<b>1 511 770</b>	<b>26 769 103</b>	<b>64 485 448</b>

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 10.56% (10 years) and 11.62% (20 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	121 040m <sup>2</sup>	19 223m <sup>2</sup>
Estimated site closure date	2030	2040
Remaining site life (from 2022) (years)	8 years	18 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 2022)	10,56%	11,62%

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 26. Revenue

Service charges	296 960 587	245 374 889
Rental of facilities and equipment	2 003 599	1 627 885
Interest received (trading)	29 436 971	30 069 703
Agency services	601 554	470 427
Other income	6 032 685	8 257 076
Interest received - investment	492 380	346 302
Property rates	138 856 279	122 996 700
Indirect taxes (VAT, customs duty)	38 779 930	-
Surcharges and Taxes	10 353 298	6 784 700
Government grants & subsidies	64 627 650	109 866 186
Public contributions and donations	18 211 083	10 306 174
Fines, Penalties and Forfeits	765 144	891 240
	<b>607 121 160</b>	<b>536 991 282</b>

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

Service charges	296 960 587	245 374 889
Rental of facilities and equipment	2 003 599	1 627 885
Interest received (trading)	29 436 971	30 069 703
Agency services	601 554	470 427
Other income	6 032 685	8 257 076
Interest received - investment	492 380	346 302
	<b>335 527 776</b>	<b>286 146 282</b>

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

##### Taxation revenue

Property rates	138 856 279	122 996 700
Indirect taxes (VAT, customs duty)	38 779 930	-
Licences or permits	1 377 326	1 147 203
Surcharges and Taxes	10 353 298	6 784 700

##### Transfer revenue

Government grants & subsidies	64 627 650	109 866 186
Public contributions and donations	18 211 083	10 306 174
Fines, Penalties and Forfeits	765 144	891 240
	<b>272 970 710</b>	<b>251 992 203</b>

### 27. Service charges

Sale of electricity	181 246 640	159 577 728
Sale of water	47 176 450	36 904 462
Solid waste	37 453 329	37 050 472
Sewerage and sanitation charges	31 084 168	11 842 227
	<b>296 960 587</b>	<b>245 374 889</b>

### 28. Rental of facilities and equipment

#### Premises

Premises	1 950 946	1 622 711
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#### Facilities and equipment

Rental of facilities	52 653	5 174
	<b>2 003 599</b>	<b>1 627 885</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>29. Interest</b>		
Interest exchange	29 436 971	30 069 703
Interest non-exchange	10 353 298	6 784 700
	<b>39 790 269</b>	<b>36 854 403</b>
<b>30. Agency services</b>		
Department of Transport	601 554	470 427
<b>31. Other revenue</b>		
Other income - (rollup)	6 032 685	8 257 076
<b>32. Other income</b>		
Cemetery fees	64 059	62 422
Collection charges	2 608 120	1 917 925
Building plan approval	2 997 106	5 186 329
Photocopies	2 324	614
Tender documents	-	43
Insurance Refund	4 849	395 459
Reconnection fees	349 505	330 753
Ancillary charges	-	363 531
Land Use Inspections	6 722	-
	<b>6 032 685</b>	<b>8 257 076</b>
<b>33. Property rates</b>		
<b>Rates received</b>		
Property rates income	142 082 585	125 356 978
Less: Income forgone	(3 226 306)	(2 360 278)
	<b>138 856 279</b>	<b>122 996 700</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>33. Property rates (continued)</b>		
<b>Valuations</b>		
Residential	6 697 478 875	6 707 211 535
State owned	82 646 420	84 395 400
Municipal farms	84 498 000	84 498 000
Small holdings	89 150 000	92 370 000
Industrial	159 148 500	159 148 500
Business	1 172 726 112	1 154 277 112
Agriculture	1 359 917 000	1 360 143 000
Public service infrastructure	16 750 006	16 739 006
Public benefit organisation	9 526 000	9 526 000
Church	86 881 848	86 871 948
Education	363 233 000	363 233 000
Vacant stands	11 769 384	12 161 384
Mining	405 678 100	405 678 100
Existing farms without dwellings	162 527 000	162 527 000
Municipal	528 751 941	528 173 301
	<b>1 230 682 186</b>	<b>1 226 953 286</b>

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.

### 34. Availability charges

Electricity	13 657 787	-
Water	13 252 566	-
Sanitation	11 869 577	-
	<b>38 779 930</b>	<b>-</b>

Availability charges are billed on vacant stands which are serviced by the municipality. The municipality supply electrical, sewerage and water infrastructure to service the vacant stands and the owner is then billed for the availability of the infrastructure network supplied. Availability charges were only implemented from July 2021.

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 35. Government grants and subsidies

#### Operating grants

Equitable share	45 435 000	45 742 000
National: Financial Management Grant	2 000 000	1 700 000
Provincial: Department of Public Works: EPWP Programme	1 028 723	1 261 795
Provincial: Library	725 373	-
Municipal Disaster Relief Grant	1 612 061	-
Education, Training and Development Practices- SETA	331 454	248 077
	<b>51 132 611</b>	<b>48 951 872</b>

#### Capital grants

National: Municipal Infrastructure Grant (MIG)	-	4 492 569
National: Department of Minerals & Energy (INEP)	-	25 004 003
Energy Efficiency Demand Side Management Grant	4 840 819	5 118 525
Municipal Disaster Relief Grant	746 228	-
Water Service Infrastructure Grant (WSIG)	7 907 992	26 299 217
	<b>13 495 039</b>	<b>60 914 314</b>
	<b>64 627 650</b>	<b>109 866 186</b>

#### 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 R892.44 - (2021: R647.79 -), which is funded from the grant.

#### National: Financial Management Grant (FMG)

Current-year receipts	2 000 000	1 700 000
Conditions met - transferred to revenue	(2 000 000)	(1 700 000)
	-	-

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	7 583 574	418 143
Current-year receipts	4 750 000	11 658 000
Conditions met - transferred to revenue	-	(4 910 712)
Rollover not approved- Transfer to Equitable share	(7 583 450)	418 143
	<b>4 750 124</b>	<b>7 583 574</b>

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	9 496 211	14 500 214
Current-year receipts	-	20 000 000
Conditions met - transferred to revenue	-	(25 004 003)
Rollover not approved - Transfer to Equitable share	(9 496 211)	-
	-	<b>9 496 211</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 35. 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	24 722	231 517
Current-year receipts	1 004 000	1 055 000
Conditions met - transferred to revenue	(1 028 722)	(1 261 795)
	-	24 722

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

Balance unspent at beginning of year	1 642 000	-
Current-year receipts	-	5 442 000
Transfer to Municipal Disaster Relief Grant	(1 642 000)	(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	725 373
Conditions met - transferred to revenue	(725 373)	-
	-	725 373

Conditions still to be met - remain liabilities (see note 24).

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	5 000 000	4 500 000
Conditions met - transferred to revenue	(4 840 819)	(5 118 525)
	159 181	-

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.



# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>35. Government grants and subsidies (continued)</b>		
<b>Education, Training and Development Practices- SETA</b>		
Current-year receipts	331 454	248 077
Conditions met - transferred to revenue	(331 454)	(248 077)
	-	-

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

### Municipal Disaster Relief Grant

Transfer from Equitable share- COVID 19 (Opening Balance)	1 642 000	-
Current-year receipts	7 000 000	-
Conditions met - transferred to revenue	(2 358 289)	-
	<b>6 283 711</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 24).

Provide explanations of conditions still to be met and other relevant information.

### Water Service Infrastructure Grant (WSIG)

Balance unspent at beginning of year	1 889 339	18 488 557
Current-year receipts	7 969 000	9 700 000
Conditions met - transferred to revenue	(7 907 992)	(26 299 218)
Rollover not approved- Transfer to Equitable share	(1 889 339)	-
	<b>61 008</b>	<b>1 889 339</b>

Conditions still to be met - remain liabilities (see note 24).

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.

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>36. Public contributions and donations</b>		
Property, plant and equipment	16 681 293	9 290 884
Revenue In-kind	740 048	-
Kumba Interns	789 742	1 015 290
	<b>18 211 083</b>	<b>10 306 174</b>

### Property, plant and equipment

Relates to the Grader, building (Community Hall) and refurbished road donated by Kumba Sesheng Iron Ore Mine

### Revenue in kind

Invoices paid to Auditor General on behalf of the Municipality by Treasury

### Kumba Interns

Donations from Kumba to pay for Interns stipends

### 37. Fines, Penalties and Forfeits

Other Fines	208 672	156 590
Court Traffic Fines	556 472	734 650
	<b>765 144</b>	<b>891 240</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 38. Employee related costs

Basic	113 809 318	107 385 378
Contributions to Bargaining Council	55 466	52 876
Medical aid - company contributions	12 834 404	11 435 355
UIF	918 294	783 055
SDL	1 701 949	1 342 894
Leave pay provision charge	3 387 266	4 755 124
Current Service Costs (Medical & Long Service Award)	2 412 566	341 447
Defined contribution plans	19 014 874	17 740 672
Travel, motor car, accommodation, subsistence and other allowances	11 717 096	9 240 265
Overtime payments	18 918 624	14 603 502
Long-service awards	1 183 297	1 702 836
13th Cheques	9 493 974	9 379 791
Acting allowances	2 014 723	1 889 071
Housing benefits and allowances	1 914 341	1 891 717
Standby Allowance	3 167 803	6 798 115
Group life insurance	227 726	182 359
Cellular and Telephone	457 582	367 303
	<b>203 229 303</b>	<b>189 891 760</b>

### Remuneration of Municipal Manager - KJ Leserwane

Annual Remuneration	984 276	984 276
Travel Allowance	576 162	576 162
Cellphone Allowance	19 200	19 200
Other	-	246 071
	<b>1 579 637</b>	<b>1 825 709</b>

### Remuneration of Chief Finance Officer - A Makoku

Annual Remuneration	550 561	275 280
Travel Allowance	362 240	181 120
Cellphone Allowance	24 000	12 000
	<b>936 801</b>	<b>468 400</b>

Mr A. Makoku was appointed in January 2021.

### Remuneration of the Director: Corporate Services - L Seetile

Annual Remuneration	616 416	616 416
Travel Allowance	360 829	360 829
Cellphone Allowance	19 200	19 200
Acting Allowance	134 583	89 722
	<b>1 131 028</b>	<b>1 086 167</b>

### Remuneration of the Director: Infrastructure - KN Ositang

Annual Remuneration	616 416	616 416
Travel Allowance	360 829	360 829
Cellphone Allowance	19 200	19 200
	<b>996 445</b>	<b>996 445</b>

### Remuneration of the Director: Development and Town Planning - TP Rapelang

Annual Remuneration	616 416	616 416
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# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>38. Employee related costs (continued)</b>		
Travel Allowance	360 829	360 829
Cellphone Allowance	19 200	19 200
	<b>996 445</b>	<b>996 445</b>

### Remuneration of the Acting Director: Community Services - GN Loeto

Annual Remuneration	911 040	880 230
Travel Allowance	184 128	177 901
Cellphone Allowance	9 990	9 990
Acting Allowance	113 584	101 565
Other	14 574	138 902
	<b>1 233 316</b>	<b>1 308 588</b>

Mr G.N Loeto has been acting since May 2018 to date.

### Remuneration of Acting Chief Finance Officer - S Letshabo

Annual Remuneration	-	462 868
Travel Allowance	-	88 951
Cellphone Allowance	-	4 995
Acting Allowance	-	49 593
Other	-	5 787
	-	<b>612 194</b>

Mr K.S. Letshabo acted for the period, March 2020 to December 2020.

### 39. Remuneration of councillors

Councillors	3 866 567	3 582 217
Company Contributions to UIF, Medical and Pension Funds	-	720
Other Allowances (Cellular Phones, Housing, Transport, etc.)	1 874 547	1 767 573
	<b>5 741 114</b>	<b>5 350 510</b>

### 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.

### 40. Depreciation and amortisation

Property, plant and equipment	55 051 418	62 231 164
Intangible assets	103 751	304 207
	<b>55 155 169</b>	<b>62 535 371</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>41. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	2 349 795	930 396
<b>The main classes of assets affected by impairment losses are:</b>		
Infrastructure		
Furniture and office equipment		
<b>The main classes of assets affected by reversals of impairment losses are:</b>		
Infrastructure		
<b>The main events and circumstances that led to the recognition of these impairment losses are as follows:</b>		
Condition assessment of assets		
<b>The main events and circumstances that led to the reversals of these impairment losses are as follows:</b>		
Disposal of assets		
<b>42. Finance costs</b>		
Non-current borrowings	5 116 525	4 479 453
Trade and other payables	15 106 475	9 947 182
Current borrowings	5 399 000	4 271 000
Landfill site	420 716	1 511 770
	<b>26 042 716</b>	<b>20 209 405</b>
<b>43. Lease rentals on operating lease</b>		
<b>Equipment</b>		
Contractual amounts	6 933 812	7 065 536
<b>44. Debt impairment</b>		
Contributions to debt impairment provision	8 056 754	40 579 225
<b>45. Bulk purchases</b>		
Electricity - Eskom	149 968 357	131 969 274
Water	6 048 726	6 366 788
	<b>156 017 083</b>	<b>138 336 062</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>46. General expenses</b>		
Advertising	64 743	381 585
Auditors remuneration	5 485 113	4 624 188
Bank charges	1 245 799	1 049 612
Cleaning	7 647 782	586 965
Computer expenses	-	219 830
Consulting and professional fees	31 317 003	33 771 856
Consumables	4 983 473	6 754 730
Legal expenses	575 041	783 043
Entertainment	-	925
Hire	10 312 323	1 260 720
Insurance	2 348 819	2 158 854
IT expenses	20 099	1 074 340
Motor vehicle expenses	620 217	849 626
Fuel and oil	4 838 373	3 634 256
Printing and stationery	841 640	592 394
Gardening services	6 425	-
Protective clothing	1 994 052	978 415
Security (Guarding of municipal property)	12 217 806	8 736 556
Software expenses	3 431 487	122 052
Subscriptions and membership fees	2 050 779	1 856 637
Telephone and communication	9 489 882	7 506 605
Training	1 955 983	746 700
Subsistence and Travelling	1 510 651	716 020
Catering services	85 762	37 426
Commission paid: Prepaid Water and Electricity	7 111 839	6 359 965
Meter management services	2 679 961	1 652 517
Fire protection services	-	1 206 051
Sundries	3 755 059	3 139 198
	<b>116 590 111</b>	<b>90 801 066</b>
<b>47. Fair value adjustments</b>		
Investment property (Fair value model)	30 296 571	14 968 782
<b>48. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	492 380	346 302
<b>49. Auditors' remuneration</b>		
Fees	5 485 113	4 624 188

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 50. Related parties

Relationships	Ward	Surname	Initials
Councillor	1	du Plessis	H
Councillor	2	Dithupa	K.V
Councillor	3	Jafta	M.L
Councillor	4	Motsoare	T.M
Councillor	5	Magagane	N.S
Councillor	6	Caetano	A.M
Councillor	7	Tironyane	E.T
Councillor	8	Roman	J.J.T
Mayor		Hantise	O.E
Councillor	Proportional	Lekgadi	B.P
Councillor	Proportional	Sebego	B.I
Councillor	Proportional	Sekgobi	G.M
Councillor	Proportional	Dikolanyane	E
Councillor	Proportional	Koikoi	N.M
Councillor	Proportional	Morwe	A.J
Councillor	Term ended	Seetile	D.P
Councillor	Term ended	Booyesen	A
Councillor	Term ended	Skeiman	M.C
Councillor	Term ended	Nqume	M.F
Councillor	Term ended	Orpen	M.K
Councillor	Term ended	Fourie	H.J
Councillor	Deceased	Joseph	C.V
Councillor	Resigned	Esau	G.J
<b>Director:</b>			
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

The municipality rendered municipal services and rates to Related parties charged at approved tariffs that were advertised to the public. No Bad debts were written off or recognised in respect of amounts owed by the Related Parties. All transactions with the Related Parties were at arms length. Furthermore, there were no commitments between the municipality and the Related parties in accordance with MFMA

The municipality does not provide any benefits; Post-employment benefits or any other long-term benefits to any class of management except for termination benefits (gratuity cheque) paid to councillors at the end of their term

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

Sapphire Dawn	(7 691)	(7 691)
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### Awards to close family members of person/(s) in service of the State.

Contracted Supplier	Name of Spouse	Organ of State	Position held	2022	2021
Sapphire Dawn	Chris Engelbrecht	Gamagara Local Municipality	Millwright	61 088	27 391

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand			2022	2021	
<b>50. Related parties (continued)</b>					
Moyahi & Associates	Kelebogile Pamela Moyahi	Department of Safety and Liason	Assistant Director	1	737 546
Phatsimisa Setshaba	Jeanette Dipuo Masiane	Department of Education (Maremane Primary School)	School Principal	8 487 230	-
Setlatlapi Business Enterprise	Patheka .C harmaine Lerefolo	Eskom	Assistant	931 300	-
				<b>9 479 619</b>	<b>764 937</b>
Services rendered to related parties	Rates charges	Service charges	Sundry charges	Outstanding balances	Provision for Debt Impairment
<b>Year ended 30 June 2022</b>					
Councillors	139 592	111 746	76 031	327 374	56 359
Section 57 Personnel	7 712	44 000	379	52 090	-
		<b>147 304</b>	<b>155 746</b>	<b>76 410</b>	<b>379 464</b>
				<b>379 464</b>	<b>56 359</b>
	Rates charges	Service charges	Sundry charges	Outstanding balances	Provision for Debt Impairment
<b>Councillors</b>					
Cllr. O.E. Hantise	-	12 945	5 728	18 673	6 358
Cllr. N.S. Magagane	-	-	-	-	-
Cllr. H. du Plessis	2 117	701	2 184	5 003	-
Cllr. B.P. Lekgadi	-	-	-	-	-
Cllr. B.I. Sebego	-	-	-	-	-
Cllr. T.M. Motsoare	-	-	-	-	-
Cllr. K.V. Dithupa	-	-	-	-	-
Cllr. M.L. Jafta	-	-	-	-	-
Cllr. E.T. Tiroyame	1 847	16 204	1 948	19 999	1 517
Cllr. G.M. Sekgopi	-	-	-	-	-
Cllr. J.J.T. Roman	9 416	17 705	7 878	35 000	2 919
Cllr. A.M. Caetano	1 132	4 389	-	5 521	15
Cllr. E. Dikolanyane	-	-	-	-	-
Cllr D.P. Seetile (Term ended Oct 2021)	-	3 846	145	3 992	112
Cllr. A. Booyesen (Term ended Oct 2021)	833	11 227	3 443	15 504	1 623
Cllr. M.K. Orpen (Term ended Oct 2021)	4 837	4 866	1 935	11 638	663
Cllr. C.V. Joseph (Term ended Oct 2021)	-	(9)	-	(9)	-
Cllr. H.J. Fourie (Term ended Oct 2021)	119 411	39 871	52 770	212 053	43 152
		<b>139 592</b>	<b>111 746</b>	<b>76 031</b>	<b>327 374</b>
				<b>327 374</b>	<b>56 359</b>



# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022		2021		
50. Related parties (continued)					
	Rates charges	Service charges	Sundry charges	Outstanding balances	Provision for Debt Impairment
Section 57 Personnel					
Municipal Manager: K.P. Leserwane	-	8 544	77	8 621	-
Chief Financial Officer: A. Makoku	-	4 688	-	4 688	-
Director Corporate Services: L. Seetile	329	1 824	-	2 152	-
Director Infrastructure: K.N. Ositang	1 686	714	-	2 399	-
Director Development and Town Planning: T.P. Rapelang	2 209	3 093	34	5 337	-
Acting Director: Community Services: G.N. Loeto	3 488	25 138	267	28 893	-
	7 712	44 000	379	52 090	-
Services rendered to related parties					
	Rates charges	Service charges	Sundry charges	Outstanding balances	Provision for Debt Impairment
Year ended 30 June 2021					
Councillors	116 747	29 366	38 170	184 282	48 902
Section 57 Personnel	12 249	1 632	15 884	29 723	4 381
	128 996	30 998	54 054	214 005	53 283
	Rates charges	Service charges	Sundry charges	Outstanding balances	Provision for Debt Impairment
Councillors					
Executive Mayor: O.E. Hantise	-	12 929	3 807	16 735	5 178
Councillor: Ward 1: D.P. Seetile	-	570	-	570	2
Councillor: Ward 1: A.J. Morwe	-	-	-	-	-
Councillor: Ward 1: M.C. Skeiman	-	-	-	-	-
Councillor: Ward 1: G.J. Esau	-	-	-	-	-
Councillor: Ward 1: M.F. Nqume	-	-	-	-	-
Councillor: PR: H. du Plessis	-	-	-	-	-
Councillor: PR: A. Booysen	491	6 299	2 073	8 863	2 447
Councillor: PR: M.K. Orpen	4 837	-	840	5 676	373
Councillor: PR: B.P. Lekgadi	-	-	-	-	-
Councillor: PR: N.S. Magagane	-	-	-	-	-
Councillor: PR: C.V. Joseph	661	-	-	661	2
Councillor: PR: H.J. Fourie	110 758	9 568	31 450	151 777	40 900
	116 747	29 366	38 170	184 282	48 902

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 50. Related parties (continued)

	Rates charges	Service charges	Sundry charges	Outstanding balances	Provision for Debt Impairment
<b>Section 57 Personnel</b>					
Municipal Manager: K.P. Leserwane	-	-	(115)	(115)	-
Chief Financial Officer: A. Makoku	-	-	20 167	20 167	4 003
Director Corporate Services: L. Seetile	-	-	-	-	-
Director Infrastructure: K.N. Ositang	1 623	285	-	1 907	8
Director Development and Town Planning: T.P. Rapelang	2 135	1 347	176	3 657	26
Acting Chief Financial Officer: K.S. Letshabo	-	-	(2)	(2)	-
Acting Director: Community Services	8 491	-	(4 382)	4 109	344
	<b>12 249</b>	<b>1 632</b>	<b>15 844</b>	<b>29 723</b>	<b>4 381</b>

### Remuneration of management

#### Councillors/Mayoral committee members

#### 2022

Name	Basic salary	Other short-term employee benefits	Total
Cllr. O.E. Hantise	618 898	250 699	869 597
Cllr. N.S. Magagane	261 529	131 576	393 105
Cllr. H. du Plessis	242 719	125 306	368 025
Cllr. B.P. Lekgadi	386 435	173 212	559 647
Cllr. B.I. Sebego	204 323	112 508	316 830
Cllr. T.M. Motsoare	131 571	107 136	238 708
Cllr. K.V. Dithupa	169 967	85 247	255 214
Cllr. M.L. Jafta	131 571	72 448	204 019
Cllr. E.T. Tiroyame	162 654	77 933	240 587
Cllr. G.M. Sekgopi	151 466	52 554	204 019
Cllr. J.J.T. Roman	131 571	72 448	204 019
Cllr. A.M. Caetano	131 571	72 448	204 019
Cllr. E. Dikolanyane	131 571	72 448	204 019
Cllr. N.M. Koikoi	131 571	72 448	204 019
Cllr. A.J. Morwe (Re-appointed Apr 2022)	134 927	74 240	209 167
Cllr. M.C. Skeiman (Term ended Oct 2021)	73 011	40 146	113 157
Cllr. M.F. Nqume (Term ended Oct 2021)	73 011	40 146	113 157
Cllr D.P. Seetile (Term ended Oct 2021)	184 568	77 332	261 900
Cllr. A. Booysen (Term ended Oct 2021)	93 364	46 930	140 294
Cllr. M.K. Orpen (Term ended Oct 2021)	73 011	40 146	113 157
Cllr. C.V. Joseph (Term ended Oct 2021)	139 529	71 764	211 293
Cllr. H.J. Fourie (Term ended Oct 2021)	73 011	40 146	113 157
	<b>3 831 852</b>	<b>1 909 262</b>	<b>5 741 109</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 50. Related parties (continued)

#### 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. Sebego	51 081	28 127	79 208
	<b>3 712 993</b>	<b>1 767 576</b>	<b>5 480 569</b>

#### 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.

#### Management class: Executive management

#### 2022

Name	Basic salary	Other short-term employee benefits	Acting allowances	Total
KP Leserwane	984 276	595 362	-	1 579 637
A Makoku	550 561	386 240	-	936 801
L Seetile	616 416	380 029	134 583	1 131 028
KN Ositang	616 416	380 029	-	996 445
TP Rapelang	616 416	380 029	-	996 445
G Loeto	911 040	208 692	113 584	1 233 316
	<b>4 295 125</b>	<b>2 330 381</b>	<b>248 166</b>	<b>6 873 672</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 50. Related parties (continued)

#### 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
	<b>3 972 515</b>	<b>479 387</b>	<b>2 668 876</b>	<b>173 170</b>	<b>7 293 948</b>

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 51. Prior period errors

## Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Reference
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	3	1 280 479	-	-	1 280 479	
Operating lease asset	4	14 671	-	-	14 671	
Other trade receivables from exchange transactions	5&7	8 097 400	(3 573 477)	-	4 523 923	[1]
Statutory receivables from non-exchange transactions	6&7	81 838 790	8 536 054	-	90 374 844	[2]
Statutory receivables from exchange transactions	8	31 843 616	883 936	-	32 727 552	[3]
Receivables from exchange transactions	9	175 606 128	22 241 821	-	197 847 949	[4]
Other trade receivables from non-exchange transactions	12	-	2 675 094	-	2 675 094	[5]
Cash and cash equivalents	14	29 598 137	-	-	29 598 137	
		<b>328 279 221</b>	<b>30 763 428</b>	-	<b>359 042 649</b>	
<b>Non-Current Assets</b>						
Investment property	15	308 824 640	5 962 105	-	314 786 745	[6]
Property, plant and equipment	16	1 192 346 364	149 628	-	1 192 495 992	[7]
Intangible assets	17	534 746	-	-	534 746	
Heritage assets	18	74 581	-	-	74 581	
Other trade receivables from exchange transactions	10	-	3 589 781	-	3 589 781	[8]
Other trade receivables from non-exchange transactions	11	-	1 156 682	-	1 156 682	[9]
		<b>1 501 780 331</b>	<b>10 858 196</b>	-	<b>1 512 638 527</b>	
<b>Total Assets</b>		<b>1 830 059 552</b>	<b>41 621 624</b>	-	<b>1 871 681 176</b>	

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 51. Prior period errors (continued)

### Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Reference
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	19	42 669 410	-	-	42 669 410	
Payables from exchange transactions	20	444 634 048	(6 249 099)	-	438 384 949	[10]
Payables from non-exchange	21	45 599 149	(3 617 785)	-	41 981 364	[11]
Consumer deposits	22	5 914 379	-	-	5 914 379	
Employee benefit obligation	23	2 227 000	-	-	2 227 000	
Unspent conditional grants and receipts	24	21 361 219	-	-	21 361 219	
Provisions	25	64 485 448	(64 485 448)	-	-	
		<b>626 890 653</b>	<b>(74 352 332)</b>	-	<b>552 538 321</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	23	52 285 000	-	-	52 285 000	
Provisions	25	-	64 485 448	-	64 485 448	
		<b>52 285 000</b>	<b>64 485 448</b>	-	<b>116 770 448</b>	
<b>Total Liabilities</b>		<b>679 175 653</b>	<b>(9 866 884)</b>	-	<b>669 308 769</b>	
<b>Net Assets</b>		<b>1 150 883 899</b>	<b>51 488 508</b>	-	<b>1 202 372 407</b>	
Accumulated surplus		1 150 883 899	51 488 508	-	1 202 372 407	[12]

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 51. Prior period errors (continued)

### Statement of Financial Performance

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Reference
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	27	245 374 889	-	-	245 374 889	
Rental of facilities and equipment	28	1 627 885	-	-	1 627 885	
Interest received (trading)		11 885 769	18 183 934	-	30 069 703	[13]
Agency services		470 427	-	-	470 427	
Other income	32	8 257 076	-	-	8 257 076	
Interest received - investment	48	346 302	-	-	346 302	
<b>Total revenue from exchange transactions</b>		<b>267 962 348</b>	<b>18 183 934</b>		<b>- 286 146 282</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	33	122 996 700	-	-	122 996 700	
Licences and Permits (Non-exchange)		1 147 203	-	-	1 147 203	
Interest		2 681 815	4 102 885	-	6 784 700	[14]
<b>Transfer revenue</b>						
Government grants & subsidies	35	109 866 186	-	-	109 866 186	
Public contributions and donations	36	10 306 173	1	-	10 306 174	
Fines, Penalties and Forfeits		891 240	-	-	891 240	
<b>Total revenue from non-exchange transactions</b>		<b>247 889 317</b>	<b>4 102 886</b>		<b>- 251 992 203</b>	
<b>Total revenue</b>	26	<b>515 851 665</b>	<b>22 286 820</b>		<b>- 538 138 485</b>	
<b>Expenditure</b>						
Employee related costs	38	(189 891 760)	-	-	(189 891 760)	
Remuneration of councillors	39	(5 350 510)	-	-	(5 350 510)	
Depreciation and amortisation	40	(60 192 113)	(2 343 258)	-	(62 535 371)	[15]
Impairment loss/ Reversal of impairments	41	(910 303)	(20 093)	-	(930 396)	[16]
Finance costs	42	(20 209 405)	-	-	(20 209 405)	
Lease rentals on operating lease		(7 065 536)	-	-	(7 065 536)	
Debt Impairment	44	18 628 516	(59 207 741)	-	(40 579 225)	[17]
Bad debts written off	44	(11 941 373)	-	-	(11 941 373)	
Repairs and maintenance		(4 581 641)	(117 147)	-	(4 698 788)	[18]
Bulk purchases	45	(138 336 062)	-	-	(138 336 062)	
Transfers and Subsidies		-	-	-	-	
General Expenses	46	(90 918 213)	117 147	-	(90 801 066)	[19]
<b>Total expenditure</b>		<b>(510 768 400)</b>	<b>(61 571 092)</b>		<b>- (572 339 492)</b>	
<b>Operating deficit</b>		<b>5 083 265</b>	<b>(39 284 272)</b>		<b>- (34 201 007)</b>	
Loss on disposal of assets and liabilities		(378 908)	-	-	(378 908)	
Fair value adjustments	47	14 976 863	(8 081)	-	14 968 782	[20]
Actuarial gains/losses	23	(6 542 553)	-	-	(6 542 553)	
		<b>8 055 402</b>	<b>(8 081)</b>		<b>- 8 047 321</b>	
<b>Deficit for the year</b>		<b>13 138 667</b>	<b>(39 292 353)</b>		<b>- (26 153 686)</b>	

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
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### 51. Prior period errors (continued)

[ 1 ] An adjustment of -3 589 781 was processed to correctly disclose arrangements from exchange transactions separately under current and non-current assets.

[2] An adjustment of 8 536 054 was processed to account for the change in impairment loss and advance payments due to the interest reversal. Further, interest from non-exchange transactions was allocated to the correct account

[3 ] An adjustment of 883 936 was processed to account for VAT that was erroneously omitted from the retentions payable balance.

[ 4 ] An adjustment of 22 241 824 was processed to reinstate interest that was reversed in the prior year and account for the change in impairment loss and advance payments due to the interest reversal. Further, interest from non-exchange transactions was allocated to the correct account

[5 ] An adjustment of 2 675 094 was processed to correctly disclose arrangements from non-exchange transactions separately under current and non-current assets.

[6] An adjustment of 5 962 105 was processed to reclassify investment property incorrectly classified as PPE.

[7] An adjustment of 149 628 was processed to reclassify investment property incorrectly classified as PPE, to account for new found asset and disposals erroneously omitted and to disclose PPE based on the function

[8] An adjustment of 3 589 781 was processed to correctly disclose arrangements from exchange transactions separately under current and non-current assets.

[9] An adjustment of 1 156 682 was processed to correctly disclose arrangements from non-exchange transactions separately under current and non-current assets.

[10] An adjustment of -6 249 099 was processed to correct advance payments that were increased in the prior year and account for VAT that was erroneously omitted from the retentions payable balance.

[11] An adjustment of -3 617 785 was processed to correct advance payments that were increased in the prior year due to the interest reversal.

[13] An adjustment of 18 183 934 was processed to reinstate interest that was reversed in the prior year

[14] An adjustment of 4 102 885 was processed to reinstate interest that was reversed in the prior year

[15] An adjustment of -2 343 258 was processed to account for the effect on depreciation due to reclassifying investment property incorrectly classified as PPE, accounting for new found asset and disposals erroneously omitted and to disclose PPE based on the function.

[16] An adjustment of -20 093 was processed to account for the effect on impairment loss/reversal due to reclassifying investment property incorrectly classified as PPE, accounting for new found asset and disposals erroneously omitted and to disclose PPE based on the function

[17] An adjustment of -59 207 741 was processed to account for the effect on impairment due to the reinstatement of interest. Further, the adjustment was to also correct a calculation error in the movement of impairment loss

[18] An adjustment of -117 147 was due to the remapping of consumables from Repairs and maintenance to general expenses

[19] An adjustment of 117 147 was due to the remapping of consumables from Repairs and maintenance to general expenses

[20] An adjustment of -80 81 was processed to account for the impact of the fair value adjustments on disposed assets erroneously accounted for.

\* See Note 51



# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
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### 52. 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.

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 (177 793 490)
- Creditors days in 2022 are (291) and in 2021 are (280)
- Debtors days in 2022 are 278 and in 2021 are 252

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

These events may cast significant doubt on the municipality's ability to continue as a going concern.

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 2021/22 to 2023/24.

	2021/2022	2022/2023	2023/2024	Total
Finance Management Grant (FMG)	2 000 000	2 100 000	2 100 000	6 200 000
Expanded Public Works Program (EPWP)	-	1 073 000	-	1 073 000
Municipal Infrastructure Grant (MIG)	12 441 000	12 908 000	13 287 000	38 636 000
Energy Efficiency and Demand Side Management	3 000 000	4 000 000	4 000 000	11 000 000
Integrated National Electrification Programme Grant (INEP)	24 139 000	18 500 000	20 000 000	62 639 000
Water Service Infrastructure Grant (WSIG)	15 000 000	5 000 000	24 125 000	44 125 000
Regional Bulk Infrastructure Grant (RBIG)	79 804 000	-	20 037 000	99 841 000
Municipal Disaster Relief Grant	-	7 000 000	-	7 000 000
Equitable Share	47 584 000	53 715 000	60 588 000	161 887 000
	<b>183 968 000</b>	<b>104 296 000</b>	<b>144 137 000</b>	<b>432 401 000</b>

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.

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
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### 52. Going concern (continued)

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.

### 53. Unauthorised expenditure

Opening balance as previously reported	633 136 403	583 340 333
<b>Opening balance as restated</b>	<b>633 136 403</b>	<b>583 340 333</b>
Add: Unauthorised Expenditure - current year	112 547 200	49 796 070
<b>Closing balance</b>	<b>745 683 603</b>	<b>633 136 403</b>

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	52 999 332	101 017 583
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#### Analysed as follows: non-cash

Depreciation and amortisation	55 155 169	62 535 371
Fair value adjustment	(30 296 571)	(14 968 782)
Impairment of assets	2 349 795	930 396
Debt Impairment	8 056 754	40 579 225
Bad debts	17 734 185	11 941 373
	<b>52 999 332</b>	<b>101 017 583</b>

### 54. Fruitless and wasteful expenditure

Opening balance as previously reported	56 929 954	56 929 954
<b>Opening balance as restated</b>	<b>56 929 954</b>	<b>56 929 954</b>
Add: Fruitless and Wasteful Expenditure - current year	20 771 237	-
<b>Closing balance</b>	<b>77 701 191</b>	<b>56 929 954</b>

This is due to overpayments and penalties charged.

### 55. Irregular expenditure

Opening balance as previously reported	302 354 253	624 700 661
Correction of prior period error	-	(2 541 261)
<b>Opening balance as restated</b>	<b>302 354 253</b>	<b>622 159 400</b>
Add: Irregular Expenditure - current year	126 191 273	127 045 046
Less: Amount written off by council- prior years	-	(446 850 193)
<b>Closing balance</b>	<b>428 545 526</b>	<b>302 354 253</b>

Irregular expenditure is always calculated inclusive of VAT, while the 2021 amounts and the opening balance disclosed in the comparative figures have been presented in the annual financial statement exclusive of VAT.

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
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### 55. Irregular expenditure (continued)

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

Competitive bidding not invited	12 234 411	14 838 253
Three written quotations not invited	76 393	74 102
Non-compliance with legislation on contracts/Non-compliance with procurement processes	113 880 469	112 132 691
	<b>126 191 273</b>	<b>127 045 046</b>

### Particulars of irregular expenditure written off

No criminal or disciplinary action was taken against any individual or official of the municipality for irregular expenditure incurred in the current financial year. The process to investigate the irregular expenditure incurred in the current year has not commenced.

Administrative errors/ommissions	-	258 821 272
Internal control deficiencies	-	59 067 785
Failure to comply with laws and regulations	-	101 197 840
Inadequate design of tender documents	-	6 228 726
Human error	-	68 400
Weaknesses in contract management	-	21 466 170
	-	<b>446 850 193</b>

### 56. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government - SALGA

Current year subscription / fee	1 957 254	1 623 368
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\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>56. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>			
<b>Audit fees</b>			
Opening balance		3 642	-
Current year subscription / fee		5 485 113	4 624 188
Amount paid - current year		(4 672 866)	(4 620 546)
		<b>815 889</b>	<b>3 642</b>
<b>PAYE and UIF</b>			
Opening balance		2 232 905	2 214 866
Current year subscription / fee		31 671 016	29 838 413
Amount paid - current year		(31 373 474)	(29 820 375)
		<b>2 530 447</b>	<b>2 232 904</b>
<b>Pension and Medical Aid Deductions</b>			
Opening balance		3 962 899	3 253 260
Current year subscription / fee		49 036 024	45 515 552
Amount paid - current year		(48 793 745)	(44 805 913)
		<b>4 205 177</b>	<b>3 962 899</b>
<b>VAT</b>			
VAT receivable		31 011 861	32 727 552

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
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### 56. 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 2022	Unaccounted Electricity Losses	17 110 390	24 618 069
30 June 2021	Unaccounted Electricity Losses	15 092 681	18 262 144

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	104 449 667	106 356 633
Billed Consumption	(87 339 277)	(91 263 952)
<b>Distribution Loss</b>	<b>17 110 390</b>	<b>15 092 681</b>

Percentage Distribution Loss	16,38 %	14,19 %
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Loss (R):	24 618 069	18 262 144
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##### Water

		Lost Units	Value
30 June 2022	Unaccounted Water Losses	3 124 005	18 958 562
30 June 2021	Unaccounted Water Losses	3 231 995	18 562 735

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	32 102	36 536
System Input Volume	5 614 720	5 768 130
Billed Consumption	(2 490 264)	(2 540 569)
Closing Balance Water Stock	(32 554)	(32 102)
<b>Distribution Loss</b>	<b>3 124 004</b>	<b>3 231 995</b>

Percentage Distribution Loss	55,64 %	56,03 %
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Loss	18 958 562	18 562 735
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VAT output payables and VAT input receivables are shown in note .

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

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
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### 56. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. O.E. Hantise	911	17 762	18 673
Cllr. H. du Plessis	5 003	-	5 003
Cllr. E.T. Tiroyame	2 121	17 878	19 999
Cllr. J.J.T. Roman	3 259	31 740	35 000
Cllr. A.M. Caetano	5 521	-	5 521
Cllr D.P. Seetile (Term ended Oct 2021)	1 878	2 113	3 991
Cllr. A. Booysen (Term ended Oct 2021)	1 736	13 768	15 504
Cllr. M.K. Orpen (Term ended Oct 2021)	1 561	10 077	11 638
Cllr. C.V. Joseph (Term ended Oct 2021)	(9)	-	(9)
Cllr. H.J. Fourie (Term ended Oct 2021)	14 437	197 616	212 053
	<b>36 418</b>	<b>290 954</b>	<b>327 373</b>

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Hantise OE	1 048	15 687	16 735
Seetile PD	570	-	570
Booyesen A	346	8 518	8 864
Orpen MK	187	5 489	5 676
Joseph CV	661	-	661
Fourie HJ	15 145	137 854	152 999
	<b>17 957</b>	<b>167 548</b>	<b>185 505</b>

#### 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 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 57. 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 or Service render	External payment reference	Discovery Date	Amount Excl VAT	Amount Incl VAT
STRONGS PEST CONTROL A	Disinfection of municipal o	13358,00	2021/08/06	2 655,00	3 053,25
ORANJE MEGANIES	Service of ud Truck	13724,00	2021/09/21	20 264,95	23 304,69
	Compactor body				
	CXL475NC				
SEKOKODI ENGINEERING A	Replacement of	14044,00	2021/11/04	7 561,50	7 561,50
	Propshaft for Nissan				
	Hardbody 2L BWJ 247 NC				
FRAQUR 143	Municipal support -	14256,00	2021/11/26	3 000,00	3 000,00
	Indigent funeral				
Government Printing Work	Advert in Provincial	14701,00	2022/01/21	877,22	1008,80
	Gazette no.2462				
ACORN PROJECTS 51	Emergency repairs of two	14755,00	2022/01/28	45 580,00	52 417,00
	submersible pumps for				
	the wastewater treatment				
	works plant				
PRAYSA TRADE 1094	Emergency repairs of	14221,00	2021/11/23	150 233,00	172 767,95
	borehole 5 & 6 and				
	replacement of electrical				
	cable at Khai Appel				
	borehole				

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 57. Deviation from supply chain management regulations (continued)

TRENTYRE	Emergency repairs of a damaged truck tire	14265,00	2021/11/26	2 522,00	2 900,30
KURARA FM	Advertising of the new council promo advert and the live broadcasting of the inuguration of council	14966,00	2022/02/17	15 860,00	18 239,00
SELENANE	Pumping of Sewer Water from Various Pump Stations	15263,00	2022/03/24	55 708,00	64 064,20
ACORN PROJECTS 51	Emergency repairs of Dibeng pump station 1	15432,00	2022/04/11	28 000,00	32 200,00
TRENTYRE	Emergency repairs of a damaged truck tire	14959,00	2022/02/16	1 431,00	1 645,65
ACORN PROJECTS 51	Emergency repairs of Siyathemba pump station implellers	15543,00	2022/04/29	40 968,00	47 113,20
ACORN PROJECTS 51	Emergency repairs of EX 6p Station Motor	15781,00	2022/05/20	7 795,00	8 964,25
WALKER INDUSTRIA	Towing Fire Truck NP116685 to Iveco Upington	15779,00	2022/05/18	5 568,00	6 403,20
MOTOMERGE	Repairs of Nissan 1400 with registration BPP905NC	15838,00	2022/06/03	12 528,26	14 407,50
SPATH INVESTMENTS	Maintenance and Repairs of Fire Fighting Pump	16222,00	2022/06/30	83 195,35	95 674,65
KABO TRANSPORT AND SU	Full Repair of rear box	16025,00	2022/06/06	45 790,00	45 790,00

\* See Note 51



# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 57. Deviation from supply chain management regulations (continued)

WALKER INDUSTRIA	Repair of IVECO Fire Fighting Truck	16079,00	2022/05/30	51 785,61	59 553,45
ACORN PROJECTS 51	Repair of 2xT4 Gorman Rupp Pumps for 247 Pump Station	16047,00	2022/06/08	69 840,00	80 316,00
FRAQUR 143	Municipal support - Indigent funeral	16248,00	2022/05/24	3 000,00	3 000,00
WORKSHOP ELECTRONICS	Repairs- Vehicle testing machine (VTS)	16282,00	2022/06/14	60 302,82	68 218,47
<b>TOTAL</b>				<b>711 810,71</b>	<b>808 549,81</b>

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>58. Contingencies</b>		
<b>Contingent liabilities incurred relating to interests in other entities</b>		
Curro Holdings [1]	120 000	120 000
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]	1 100 000	-
Case No: 2667/18 Amadwala Constuction Trading 363 CC [6]	4 900 000	4 555 824
De Almeida [7]	100 000	100 000
Minister of Water and Sanitation [8]	100 000	100 000
Rural Metro Emergency Management Services (57/201800554) [9]	-	4 425 175
Unlawful Occupiers Erf 1424 (Next to Engen) [10]	100 000	-
Unlawful Occupiers Erf 1425 & 1336 (Landfill Site) [11]	100 000	-
Unlawful Occupiers Erf 3036 [12]	100 000	-
Unlawful Occupiers- Olifantshoek- Erf 1264 [13]	100 000	-
Unlawful Occupiers - Khoisan Eviction [14]	100 000	-
Rosma Beleggings [15]	300 000	-
Motsemme [16]	2 000 000	-
	<b>10 740 000</b>	<b>10 920 999</b>

[1] Curro Holdings - A dispute is referred in terms of the Credit Control and Debt Collection Policy regarding the municipal account of approximately R548 201,91 is in dispute. Should the Municipality dismiss the dispute..

[2] Resilient Properties (Pty) Ltd - Relief seeked for declaratory order and mandamus.

[3]Imatu obo Muzaza - Claim for restrospective increase.

[4] SAMWU obo Dorfling - Labour Court dispute

[5] Dorfling CH & A Enrichment claim.

[6] Claim for services rendered by the plaintiff in the sum of R3 400 000. Matter is defended and exchange of pleadings has closed. Estimate of R4 900 000 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..

[8] Minister of Water & Sanitation - The minister has a claim of approximately R2 000 000,00. The parties are busy with the IOF act to exchange documents to determine whether the municipality has any accountability in the matter.

[9] Rural Metro Emergency Managent Services(57/201800554)/2 is a claim for services rendered in the sum of R4,425,174,66. The matter was amicably resolved between the parties involved as it was settled out of court, leading to the absorption of the employees of Rural Metro Emergency Managent Services to the municipality workforce.

[10] Unlawful Occupiers Erf 1424 (Next to Engen) - Eviction for unlawful occupation of land, various occupiers invaded land which belongs to the Municipality. The land in question is registered in municipal name and respondents have invaded the land. The municipality has launched an application to evict the illegal occupants.

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 58. Contingencies (continued)

[11] Unlawful Occupiers Erf 1425 & 1336 (Landfill Site) - Eviction for unlawful occupation of land, various occupiers invaded land which belongs to the Municipality. The landfill site is registered in municipal name and respondents have invaded the land. The municipality has launched an application to evict the illegal occupants.

[12] Unlawful Occupiers Erf 3036 - Eviction for unlawful occupation of land, various occupiers invaded land which belongs to the Municipality. The respondents have invaded land which is registered in the name of the municipality. The municipality has launched an application to evict the illegal occupants.

[13] Unlawful Occupiers- Olifantshoek- Erf 1424 - Eviction for unlawful occupation of land, various occupiers invaded land which belongs to the Municipality. The Olifantshoek land is registered in municipal name and respondents have invaded the land. The municipality has launched an application to evict the illegal occupants.

[14] Unlawful Occupiers - Khoisan Eviction - Eviction for unlawful occupation of land, various occupiers invaded land which belongs to the Municipality. The property is registered in municipal name and respondents have invaded the land. The municipality has launched an application to evict the illegal occupants

[15] Rosma Beleggings - An application was launched against the Municipality to interdict the Municipality to reconnect the electricity supply.

[16] Motsemme - Claim in the amount of R1 700 000,00 for damages, past and future medical expenses and past and future loss of earnings due to accident.]

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 59. Accounting by principals and agents

#### Entity as agent

#### Revenue received for agency activities

Agency Service - third party	601 554	470 427
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#### Reconciliation of movement of funds between principal and agent

2022	Total principal-agency arrangements funds transferred	Expenditure incurred against funds	Resources (assets and liabilities) under custodianship of agent	Fees paid to agent
Department of Transport	5 088 613	-	-	601 554

2021	Total principal-agency arrangements funds transferred	Expenditure incurred against funds	Resources (assets and liabilities) under custodianship of agent	Fees paid to agent
Department of Transport	3 903 472	-	-	470 427

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	26 671 372	25 354 933
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#### Entity as principal

#### Resources (including assets and liabilities) of the municipality under the custodianship of the agent

Opening balance Cash held by Agent	24 889 806	9 348 908
Cash received by Agent	126 171 535	112 412 733
Cash Paid by Agent	(110 185 891)	(96 871 835)
	<b>40 875 450</b>	<b>24 889 806</b>

#### Fee paid

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 59. Segment information (continued)

Commission paid as compensation to the agent	7 075 506	6 332 197
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The municipality is a party to a principal-agent arrangement. Judgement is applied in assessing whether the municipality is the principal or agent. The Municipality is a principal to an agreement with Ntlangani Group of Companies (Pty) Ltd (NGC) to sell prepaid water and electricity to customers on behalf of the municipality. NGC ensures that sale proceeds are deposited to the Municipality's nominated bank account not later than 24 hour, and in the event that the next day is a weekend or public holiday, the deposit should be processed on the next business day. The total commission paid is reflected as commission paid-prepaid water and electricity in the face of the statement of financial performance. There has not been any significant changes to the arrangement during the current financial year.

### Risks to the municipality if the principal-agent arrangement is terminated

There is a risk transferred to the municipality in this arrangement as Ntlangani has custody of the municipality's funds after collecting. In the event that the service is terminated, there is a risk of failure to collect the cash held by Ntlangani, if Ntlangani does not promptly pay this cash held after termination.

### 60. Cash generated from operations

Surplus (deficit)	33 095 896	(26 153 686)
<b>Adjustments for:</b>		
Depreciation and amortisation	55 155 284	62 535 371
Gain on sale of assets and liabilities	2 162 658	378 908
Fair value adjustments	(30 296 571)	(14 968 782)
Impairment deficit	2 349 792	930 396
Debt impairment	8 056 754	40 579 225
Bad debts written off	17 734 185	11 941 373
Movements in operating lease assets and accruals	12 335	20 636
Movements in retirement benefit assets and liabilities	5 468 000	11 155 000
Movements in provisions	(10 151 588)	28 280 873
Movement in other financial liabilities	5 116 524	4 479 453
Other non-cash items		
Change in provision obligation	10 572 305	(26 769 103)
Donated assets	(16 681 292)	(9 290 884)
Property, plant and equipment	4 790 550	29 101 446
Investment property	(5 970 186)	5 954 026
Inventory	-	117 138
Service charges	-	6 444 494
Receivables	36 495 285	(31 349)
Payables	(29 454 782)	(918 061)
<b>Changes in working capital:</b>		
Inventories	320 931	(535 931)
Other trade receivables from exchange transactions	(12 313 886)	(10 097 770)
Consumer debtors	(97 944 665)	(74 675 501)
Payables from exchange transactions	44 804 023	49 252 110
VAT	1 715 691	(9 085 130)
Taxes and transfers payable (non-exchange)	288 761	(9 302 814)
Unspent conditional grants and receipts	(10 107 195)	(13 621 110)
Consumer deposits	618 325	207 951
	<b>15 837 134</b>	<b>55 928 279</b>

### 61. Financial instruments disclosure

#### Categories of financial instruments

#### 2022

#### Financial assets

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 61. Financial instruments disclosure (continued)

	At amortised cost	Total
Trade receivables	3 946 292	3 946 292
Receivables from non-exchange transactions	103 021 362	103 021 362
Receivables from exchange transactions	255 981 276	255 981 276
Cash and cash equivalents	19 253 258	19 253 258
	<b>382 202 188</b>	<b>382 202 188</b>

#### Financial liabilities

	At amortised cost	At cost	Total
Other financial liabilities	47 785 934	-	47 785 934
Payables from exchange transactions	483 188 963	-	483 188 963
Payables from non-exchange	-	42 270 125	42 270 125
	<b>530 974 897</b>	<b>42 270 125</b>	<b>573 245 022</b>

### 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
	<b>295 140 455</b>	<b>295 140 455</b>

#### Financial liabilities

	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
	<b>487 303 458</b>	<b>45 599 149</b>	<b>532 902 607</b>

### 62. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Infrastructure	25 741 750	22 991 251
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##### Total capital commitments

Already contracted for but not provided for	25 741 750	22 991 251
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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 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 63. 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.

At 30 June 2022	Less than 1 year	Greater than 1 year
Payables from exchange transactions	483 188 963	-
Payables from non-exchange transactions	42 270 125	-
Other financial liabilities	47 785 934	-
Consumer deposits	6 532 704	-
Employee benefit obligation	3 473 000	56 507 000
Unspent conditional grants	11 254 024	-

At 30 June 2021	Less than 1 year	Greater than 1 year
Payables from exchange transactions	438 384 949	-
Payables from non-exchange transactions	41 981 364	-
Other financial liabilities	5 914 379	-
Consumer deposits	5 914 379	-
Employee benefit obligation	2 227 000	522 285 000
Unspent conditional grants	21 361 219	-

#### 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	2022	2021
Receivables from exchange	308 317 014	241 001 254
Impairment on receivables from exchange transactions	(52 335 738)	(43 153 305)
Receivables from non-exchange transactions	123 608 131	112 276 363
Impairment on receivables from non-exchange transactions	(21 293 745)	(22 419 424)
Cash and cash equivalents	19 253 258	29 598 137

#### Market risk

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 63. Risk management (continued)

#### 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.

The municipality does not have any financial assets and financial liabilities on a variable interest rate and therefore there is currently no exposure to the interest rate risk.

### 64. Segment information

#### General information

##### Identification of segments

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

##### Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
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.

\* See Note 51



# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 64. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2022

	Community and social services	Energy sources	Environment al protection	Executive and council	Finance and Planning and administraticdevelopment n	Road transport	Sport and recreation	Waste water management	Waste management	Water management	Total
<b>Revenue</b>											
<b>Revenue from non-exchange transactions</b>											
Property rates	-	-	-	-	149 209 577	-	-	-	-	-	149 209 577
Government grants and subsidies	725 373	4 840 819	-	45 435 000	2 454 812	3 263 654	-	-	-	7 907 992	64 627 650
Licences and permits	-	-	2 299	-	-	1 375 027	-	-	-	-	1 377 326
Public contributions and donations	563 206	-	-	-	1 529 790	16 118 087	-	-	-	-	18 211 083
Fines, penalties and forfeits	281	203 105	-	-	-	556 472	-	-	-	-	765 143
Availability charges	-	13 657 787	-	-	-	-	-	11 869 577	13 252 566	-	38 779 930
<b>Revenue from exchange transactions</b>											
Rendering of services	-	181 246 640	-	-	-	-	-	31 084 168	37 453 329	47 176 450	296 960 587
Rental of facilities and equipment	-	-	-	771 334	1 232 265	-	-	-	-	-	2 003 599
Interest received	-	-	-	29 436 971	-	-	-	-	-	-	29 436 971
Agency fees	-	-	-	-	-	601 554	-	-	-	-	601 554
Interest received - investment	-	-	-	-	492 380	-	-	-	-	-	492 380
Other income	66 612	603 947	-	-	766 516	3 007 188	-	-	14 652	1 573 769	6 032 684
<b>Total segment revenue</b>	<b>1 355 472</b>	<b>200 552 298</b>	<b>2 299</b>	<b>75 643 305</b>	<b>155 685 340</b>	<b>3 012 473</b>	<b>21 914 794</b>	<b>- 42 953 745</b>	<b>50 720 547</b>	<b>56 658 211</b>	<b>608 498 484</b>

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Community and social services	Energy sources	Environment al protection	Executive and council	Finance and Planning and administrative development	Road transport	Sport and recreation	Waste water management	Waste management	Water management	Total
64. Segment information (continued)											
Expenditure											
Employee costs	(18 336 685)	(10 513 844)	-	(7 787 727)	(61 835 438)	(14 166 044)	(16 198 548)	(28 121 078)	(17 456 241)	(11 183 988)	(17 629 709)203 229 302)
Remuneration of councillors	-	-	-	(5 741 114)	-	-	-	-	-	-	(5 741 114)
Depreciation, amortisation and impairment	-	(12 163 801)	-	-	(9 143 943)	-	(9 960 378)	(4 855 862)	-	(9 376 567)	(12 004 414)(57 504 965)
Finance costs	-	(19 887 011)	-	-	(5 734 989)	-	-	-	(420 716)	-	(26 042 716)
Bulk purchases	-	149 968 357)	-	-	-	-	-	-	-	-	(6 048 726)156 017 083)
Repairs and maintenance	(15 425)	(3 085 633)	-	-	(1 543 004)	-	(1 593 156)	(49 405)	-	(527 111)	(1 216 294)(8 030 028)
Bad debts written off	-	(581 057)	-	-	(7 128 825)	-	-	-	(4 617 813)	(1 828 305)	(3 578 184)(17 734 184)
General expenses	(19 568 204)	(482 368)	-	(3 261 360)	(77 029 087)	(492 179)	(1 049 974)	(206 493)	(59 225)	(172 117)	(14 269 105)116 590 112)
Lease rentals on operating lease	-	-	-	-	(6 933 812)	-	-	-	-	-	(6 933 812)
Loss on disposal of assets and liabilities	-	-	-	-	(2 162 658)	-	-	-	-	-	(2 162 658)
Fair value adjustments	-	-	-	-	30 296 571	-	-	-	-	-	30 296 571
Actuarial gains/losses	-	-	-	-	2 343 566	-	-	-	-	-	2 343 566
Debt impairment	-	-	-	-	(8 056 754)	-	-	-	-	-	(8 056 754)
Total segment expenditure	(37 920 314)	196 682 071)	-	(16 790 201)	146 928 373)	(14 658 223)	(28 802 056)	(33 232 838)	(22 553 995)	(23 088 088)	(54 746 432)575 402 591)
Surplus for the year	(36 564 842)	3 870 227	2 299	58 853 104	8 756 967	(11 645 750)	(6 887 262)	(33 232 838)	20 399 750	27 632 459	1 911 779 33 095 891

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 64. Segment information (continued)

2021

	Community and social services	Energy sources	Environment protection	Executive and council	Finance and administration	Planning and development	Road transport	Sport and recreation	Waste water management	Waste management	Water management	Water management	Total
<b>Revenue</b>													
<b>Revenue from non-exchange transactions</b>													
Property rates		-	-	2 372	-	121 857 994	-	1 136 334	-	-	-	-	122 996 700
Government grants and subsidies	897	30 969 761		-	45 276 061	2 532 901	-	184 850	1 116 612	-	-	29 785 104	109 866 186
Licences and permits	-	-	-	-	-	-	-	1 147 203	-	-	-	-	1 147 203
Interest received from non-exchange transactions	-	-	-	-	-	6 784 700	-	-	-	-	-	-	6 784 700
Public contributions and donations	-	-	-	-	-	10 306 173	-	-	-	-	-	-	10 306 173
Fines, penalties and forfeits	-	-	-	-	-	-	-	891 240	-	-	-	-	891 240
<b>Revenue from exchange transactions</b>													
Rendering of services	-	157 546 948		-	-	280 445	-	-	-	10 619 448	43 321 613	33 606 435	245 374 889
Rental of facilities and equipment	-	-	-	-	759 607	868 278	-	-	-	-	-	-	1 627 885
Interest received	-	-	-	-	30 069 703	-	-	-	-	-	-	-	30 069 703
Agency fees	-	-	-	-	-	-	-	470 427	-	-	-	-	470 427
Interest received - investment	-	-	-	-	-	346 302	-	-	-	-	-	-	346 302
Other income	63 301	243 568		410	395 459	482 414	6 061 085	-	-	-	-	1 010 839	8 257 076
<b>Total segment revenue</b>	<b>64 198</b>	<b>188 760 277</b>		<b>2 782</b>	<b>76 500 830</b>	<b>143 459 207</b>	<b>6 061 085</b>	<b>3 830 054</b>	<b>1 116 612</b>	<b>10 619 448</b>	<b>43 321 613</b>	<b>64 402 378</b>	<b>538 138 484</b>

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\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 64. Segment information (continued)

	Community and social services	Energy sources	Environmental protection	Executive and council	Finance and administration	Planning and development	Road transport	Sports and recreation	Waste water management	Water management	Water management	Total
<b>Expenditure</b>												
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)	-	(28 323 639)	(62 535 371)
Finance costs	-	(9 573 109)	-	(284 399)	(10 351 897)	-	-	-	-	-	-	(20 209 405)
Bulk purchases	-	(132 970 344)	-	-	-	-	-	-	-	-	(5 365 718)	(138 336 062)
Lease rentals on operating lease	-	-	-	-	(7 065 536)	-	-	-	-	-	-	(7 065 536)
Bad debts written off	-	-	-	-	(11 941 373)	-	-	-	-	-	-	(11 941 373)
Debt impairment	-	-	-	-	(40 579 225)	-	-	-	-	-	-	(40 579 225)
Repairs and maintenance	(923 185)	(1 174 605)	-	-	(979 932)	-	(42 633)	(11 520)	(953 488)	-	(613 425)	(4 698 788)
General expenses	(8 708 663)	(1 668 716)	(464 270)	(10 472 619)	(56 018 922)	(876 697)	(757 962)	(238 014)	(1 453 738)	(2 721 795)	(7 419 670)	(90 801 066)
Loss on disposal of assets and liabilities	-	-	-	-	(378 908)	-	-	-	-	-	-	(378 908)
Fair value adjustments	-	-	-	-	14 968 782	-	-	-	-	-	-	14 968 782
Actuarial gains/losses	-	-	-	-	(6 542 553)	-	-	-	-	-	-	(6 542 553)
Impairment loss	-	-	-	-	(930 396)	-	-	-	-	-	-	(930 396)
<b>Total segment expenditure</b>	<b>(28 481 140)</b>	<b>(162 274 041)</b>	<b>(464 270)</b>	<b>(20 768 695)</b>	<b>(179 954 664)</b>	<b>(15 486 484)</b>	<b>(23 949 485)</b>	<b>(25 260 100)</b>	<b>(26 034 892)</b>	<b>(25 436 090)</b>	<b>(56 182 310)</b>	<b>(564 292 171)</b>
<b>(Deficit)/Surplus for the year</b>	<b>(28 416 942)</b>	<b>26 486 236</b>	<b>(461 488)</b>	<b>55 732 135</b>	<b>(36 495 457)</b>	<b>(9 425 399)</b>	<b>(20 119 431)</b>	<b>(24 143 488)</b>	<b>(15 415 444)</b>	<b>17 885 523</b>	<b>8 220 068</b>	<b>(26 153 687)</b>

### 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

\* See Note 51

# Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 64. Segment information (continued)

be disclosed

#### 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

\* See Note 51