Midvaal Local Municipality

(Registration number - GT422)
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Municipality Municipal demarcation code - GT 422 - Governed by the MFMA (Act 56 of 2003)
Nature of business and principal activities	The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land use management, economic and environmental development and supplying of the following services to the community. General Services - All types of services rendered by the municipality, excluding the supply of housing to the community. Waste Management Services - the collection and disposal of waste. Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers of the municipality in licensed areas. Waste Water Management - Collection and purification of waste water. Water Services - Supply of purified water.
Executive Mayor	BM Baloyi
Councillors	**Speaker:** FW Peters **Chief Whip:** PC Pretorius **Mayoral Committee:** P Hutcheson-Pretorius L Parsonson HP Oosthuysen PJ Teixira MI Motsamai **Councillors:** J Mazibuko (Chairperson of MPAC) M Myburgh MC Kruger WF Magagula ML Modikeng MB Tabo MS Schoeman MGI Ngcobo JM Dlangamandla WF de Agrella MM Ndebele A Tsukudu TC Sikhosana (upto 27/05/2021) SMA Janse van Rensburg MM Mahlangu TS Mofokeng (from 26/11/2020) MJ Mphasane CG Pypers S Muirhead B Hlengwa LTH Visser

General Information

	A Mclouglin (from 27/05/2021) J Mabaso (up to 06/08/2020)
Grading of local authority	Grade 4 Local Municipality - In terms of Remuneration of Public Office Bearers Act, Act 20 of 1998
Accounting Officer	NS Mhlanga
Chief Financial Officer (CFO)	A Lambat
Registered office	25 Mitchell Street Meyerton Gauteng 1961
Postal address	PO Box 9 Meyerton 1960
Bankers	ABSA Bank Limited
Auditors	The Auditor-General of South Africa Registered Auditors
Attorneys	Panel of attorneys appointed for cost effectiveness: Cliffe Dekker Hofmeyer / Chiba Attorneys / Brain Blignaut Attorneys / Lizel Venter Attorneys / Mkhabela Huntley Adekeye Inc / Strauss Daily Attorneys / Moodie & Robertson / Selomo Attorneys / Meise Nkeiseng & Conveyancers / Douglas Bennett Attorneys / LNP Attorneys / Nozuku Nxusani Incorporated / Malherbe Rigg & Ranwell / POSWA Incorporated / Cheadle Thompson & Haysom Inc

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The reports and statements set out below comprise the annual financial statements presented to the council.:

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DSACR	Department of Sports, Arts, Culture and Recreation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of the Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
SALGA	South African Local Government Association
SAPS	South African Police Service
SCM	Supply Chain Management

Accounting Officer's Responsibilities and Approval

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

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant 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 management judgements and estimates.

I, as the accounting officer acknowledge that I am 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 us to meet these responsibilities, we have set 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. In the year under review , the systems of internal control have been boosted by municipal ICT infrastructure upgrade and migration. The improved firewall protections, access protocols, encryptions and password complexities have enabled the accounting officer to fulfil this responsibility. 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 operational 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.

I am 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. This assurance is further supported by the fact that all MSCOA version and patch upgrades were implemented in line with National Treasury's requirements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. An assessment to this effect has been confirmed by Gauteng Provincial Treasury, as an independant structure and Ratings Afrika being a ratings agency that specialises in ratings and gauging financial soundness and governance.

The annual financial statements are prepared on the basis that the municipality is a going concern and that Midvaal Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's senior management team, external auditors and other oversight governance structures of Council.

I would like to bring to your attention the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 40 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Governments determination in accordance with the Act, that there was no recommendations for any increments by the Minister responsible for local government in light of the COVID19 pandemic.

The external auditor, being the Auditor General of South Africa, is 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 separately.

The annual financial statements were prepared in-house for the first time, with the intention of building internal capacity and skill, and reviewed by Internal Audit, Gauteng Provincial Treasury, two external parties, several internal parties, and the Audit Committee. The oversight role of the political executive has been consistent and they have ensured that the check and balances are in place to enforce internal legislative compliance.

Accounting Officer's Responsibilities and Approval

The annual financial statements set out on pages 11 to 110, which have been prepared on the going concern basis, were approved and signed by the accounting officer:

Accounting Officer
Ms. NS Mhlanga

Meyerton

Friday, 27 August 2021

Performance and Audit Committee Annual Report

The Chairperson of the Committee under section 4.3.2 of their charter is required to annually report to council by means of a report and /or in person summarising the activities, recommendations and decisions of the Committee during the previous financial year.

The Committee is delighted to table its annual report for the financial year ended 30 June 2021.

Performance and Audit Committee members' attendance of the meetings

The Committee consists of four external, non executive, members listed hereunder and they are required to meet a minimum of at least four times per financial year

Performance & Audit Committee Meetings held during the 2020/2021 financial year:

Members		12 Aug 2020	29 Sept 2020	15 Oct 2020	29 Oct 2020	19 Nov 2020	21 Jan 2021
Mr TN Ntho	Chairperson	Present	Present	Present	Present	Present	Present
Mrs MC Mokoena	Chairperson Risk Committee	Present	Present	Present	Present	Present	Present
Mr FT Mpofu	Member	Present	Present	Present	Present	Present	Present
Mr M Khendla	Member	Present	Present	Present	Present	Apology	Apology
Mr H Maritz	Member up to 10 Dec 2020	Apology	Present	Present	Apology	Present	Apology

Members		19 Feb 2021	1 Mar 2021	23 Apr 2021	23 Jul 2021	% attended
Nr TN Ntho	Chairperson	Present	Present	Present	Present	100
Mrs MC Mokoena	Chairperson Risk Committee	Present	Present	Present	Present	100
Mr FT Mpofu	Member	Present	Present	Present	Present	100
Mr M Khendla	Member	Present	Present	Present	Present	90
Mr H Maritz	Member up to 10 Dec 2020	N/A	N/A	N/A	N/A	50

Performance and Audit Committee responsibility

The Committee complied with its responsibility to play an oversight role and reviewed the following:

1. Internal financial control and internal audits.
2. Risk management.
3. The adequacy, reliability and accuracy of financial reporting and information.
4. Accounting policies.
5. Performance management.
6. Effective governance.
7. Compliance with the MFMA, and any other relevant legislation.
8. Performance evaluation and
9. Any other issues referred to it by the Council.

Performance and Audit Committee Annual Report

The Committee also reports that it has adopted appropriate terms of reference in the form of the Performance and Audit Committee Charter. The Committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control and information and communication technology governance:

In compliance with MFMA and the recommendation from King 4 report on corporate governance requirements, Internal Audit provided the Committee and management with assurance that the internal controls are adequate and effective. This is achieved by means of the risk management process, as well as the identification of corrective action and suggested enhancements to the controls and processes.

The Committee has observed that the overall control environment of the Municipality has shown a significant improvement during the year under review. However some deficiencies were identified in the Information and Communication Technology Department. The Committee was impressed by management to improve some areas in that department. The appointment of Director: ICT yielded the following results, namely the improved turn-around time in responding to queries and responding to requests of management, development of the risk register for ICT, reducing the number of findings as indicated by both Internal Audit and Auditor-General in the respective audits.

The Council and Management committed to implement an action plan to address previously reported Auditor General and internal audit findings. This plan (OPCA plan) yielded the positive results that the Committee experienced in the past and current financial year.

Internal Audit

The Committee is satisfied that the Internal Audit plan represented a clear alignment with the key risks, has adequate information systems coverage, and a good balance across the different categories of audits; namely risk based, compliance, performance and follow-up audits.

The Committee has noted considerable improvement in the communication between the Senior Management, the Auditor-General (SA) and Internal Audit which has strengthened the co-operative governance initiatives within Midvaal.

The Committee is satisfied with the content and quality of quarterly reports prepared and issued by Internal Audit Services for Midvaal during the year under review. The Committee is also impressed by the fact that under the difficult situation Internal Audit manages to do more follow-up audits in order to eliminate the recurrence of the repeated finding.

The Committee is also impressed by the report of Internal Audit that seeks to assist and make the work of both the Municipal Public Accounts Committee (MPAC) and Financial Disciplinary Board (FDB) easier in understanding the results of the forensic reports. The outlining of different acts that was supposed to have been complied with by officials and different policies and standard operating procedures that were ignored by officials, mentioned in the forensic reports was the effort that was significant to be noticed.

Risk Management

The Committee is proud to report the progress made on reviewing both strategic and operational risk registers, the follow-ups done on existing and emerging risks were on time and in most of the cases effective. The Committee can also attest to the existence of the functioning structures of the enterprise risk management, namely the appointed risk champions, the Ethics & Risk Management Committee under the chairmanship of an independent member of Performance and Audit Committee. The Ethics & Risk Committee meets quarterly and immediately thereafter reports to the Performance and Audit committee.

Once again, the Committee recommends that the following be prioritised in the 2021/2022 financial year:

1. The risk appetite and risk tolerance of the Municipality be approved by Council.
2. Management to formalise a combined assurance framework policy and implementation plan.
3. The Municipality should also consider capacitating the unit with two more personnel to further enhance its value contribution.

Midvaal should also consider capacitating the unit with two more personnel to further enhance its value contribution.

The Committee is impressed by the response of management in addressing the issue of both the Risk Tolerance and Risk Appetite of Midvaal and working towards formalizing a Combined Assurance Framework Policy and Implementation Plan.

Performance and Audit Committee Annual Report

Performance Management

The Committee did review and evaluate the implementation of the performance management system in order to determine if the system reflects Midvaal's Vision and Mission as well as the strategic objectives

The Committee reviewed some of the Key Performance Indicators and recommended that management should review all KPIs and KPI definitions to ensure it is clear as to what is measured by the KPI and the targets set.

The Committee can proudly say Midvaal is always in compliance with the performance management and reporting systems.

The Committee participated in the process of evaluating the performance of Senior Management through delegating it's Chairperson to form part of the evaluation Committee. The attainment of the seventh unqualified report from the Auditor-General (SA) is a reflection of the outstanding performance of the management team. The Committee feels honoured to play an oversight role with a team as dedicated as Midvaal Local Municipality, management and politicians.

The Committee believes that the departments performed absolutely well under the circumstance of adapting to the new norm of daily life. Midvaal refused to allow the situation to dictate terms and block their performance.

The following result by all five departments is an indication of dedication towards best performance:

1. Corporate Services	=	85%
2. Finance Services	=	100%
3. Development & Planning	=	80%
4. Community Services	=	87%
5. Engineering Services	=	75%

The overall 84% of the municipality is as a result of the above given input by the different departments.

The quality of quarterly reports submitted in terms of the MFMA and the Division of Revenue Acts

The Committee is satisfied with the content and quality of financial quarterly reports prepared and submitted by the Accounting Officer of the municipality during the year under review and confirms that the reports were in compliance with the statutory reporting framework.

Evaluation of the Annual Financial Statements

The Performance and Audit Committee has:

1. Reviewed and discussed the Audited Annual Financial Statements to be included in the Annual Report with the AGSA, the Municipal Manager, Internal Audit and COGTA.
2. Reviewed the audit report of the AGSA.
3. Reviewed the AGSA'S Management report and management's response thereto.
4. Reviewed the Municipality's compliance with legal and regulatory provisions and
5. Reviewed significant adjustments resulting from the audit.

The Committee concurs with and accepts the AGSA's conclusion on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the AGSA.

Anti-fraud and Anti-corruption sub-committee

The Municipality did well in trying to curb issues related to fraud and corruption by following the MFMA and its regulations which clearly stipulate that matters such as incurring unauthorised, irregular as well as fruitless and wasteful expenditure, possible abuse of SCM systems and allegations of financial misconduct should be investigated.

Performance and Audit Committee Annual Report

Midvaal had experienced more issues of maladministration and possible abuse of SCM systems during the financial year. The Committee was very impressed by the manner in which the Council took a decisive decision to bring the perpetrators to book. In some cases, Midvaal implemented recovery plans to recover the lost money during the processes.

One-on-One Meeting with the Municipal Manager

The Committee has met with the Municipal Manager of the Municipality to address unresolved issues emanating from Internal Audit reports, Forensic reports, shortcomings or deficiencies as outlined by both the Forensic Investigators and the Financial Disciplinary board, and the commitment to assist AGSA during the audit process.

One-on-One Meeting with the Executive Mayor

Both the chairperson of the Performance and Audit Committee as well as the Ethics & Risk Committee had standing meetings with the Executive Mayor to address issues related to political direction of Midvaal to direct the committees in the right direction. The two chairs also apprise the Executive Mayor on the performance of the Midvaal, and highlight the value adding issues.

Auditor General of South Africa (AGSA)

The Performance and Audit Committee has met with AGSA to ensure that there are no unresolved issues between them and the management and also tried to strengthen relationships between the two parties without compromising the independance of the AGSA.

Chairperson’s closing remarks

I would like to take this opportunity to thank Midvaal stakeholders who play an important role in the success of this Municipality. To the Council and all staff members for selfless sacrifices through the overtime and hard work they put in to attain clean audits, sincere gratitude. To my fellow Committee members for their ongoing support and commitment, I thank you. It is truly a pleasure to serve on a united Performance and Audit committee, who share the same values and objectives.

Progress is impossible without change and I believe that the changes in the past years have the basis for the future approach and better service delivery. You will continue to be the Municipality of choice and setting the benchmark in providing best service delivery and maintaining clean audits for all your communities.

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Mr T.N. Ntho
Chairperson of the Performance and Audit Committee

Date: ______________________

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2021.

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act, 1998 and operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in my opinion require any further comment.

Net surplus of the municipality was 207 313 855 (2020: surplus 76 562 256), being 2.81 times higher than the prior period.

2. Going concern

I draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of 2 371 322 542 and that the municipality's total assets exceed its liabilities.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. All impairments were measured and judged in line with past performances.

The municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far as possible, the municipality factored in the effect of the lockdown levels had on its own economic environment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdown levels. During the looting period and community unrest of July 2021, the municipality remained stable with no incidents of vandalism and looting as such the asset impairment policy did not require any adjustments moreover the municipality enjoys the benefit of civil unrest risk cover. The municipality has assessed that no going concern issues have been noted and that the municipality can continue in operational existence for the foreseeable future.

The municipality assessed the impact of the COVID-19 pandemic by comparing the financial indicators as follows:

	2020/21	2019/20
Current ratio (norm 2:1)	3.06:1	2.5:1
Cost coverage ratio (norm 3 months or more)	5.5 months	5.2 months
Creditors days (norm 30 days)	30 days	30 days
Debtors collection rate	94%	91%

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Annual Financial Statements.

The national state of disaster remains in force as and when announced by the President. The financial impact has been assessed and disclosed. As at the date of submission, other than the COVID-19 pandemic and the uncertainty regarding the 2021 Local Government Elections, the municipality had no other significant events after statement of financial position date to disclose.

4. Accounting policies

The annual financial statements are prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board and the Accounting Standards Board as the prescribed framework by National Treasury.

5. Integrity management

Council has a very strong attitude towards legislative compliance, specifically supply chain management principles, and also the proper functioning of the Performance and Audit Committee, without councillor and/or political interference. Where required, the matters are reported to the relevant external authorities for further investigation. The appropriate and relevant consequence management is also instituted, as and when required. In implementing consequence management , a balance is often sought between reasonable remedial actions and punitive actions to entrench a culture of accountability.

The reviewed Integrity Management Policy has been approved by Council on 27 August 2020. The revision of the policy included the:

1. Disciplinary Regulations for Senior Managers, 2010

2. Public Administration Management Act, Act 11 of 2014 (C2168/10/2019 dated 31 Oct 2019)

Council's stance on fraud and corruption is zero tolerance and in line with this, the efficient application of instructions contained in the policies and procedures of Midvaal, is one of the most important duties to be applied by every employee in the execution of their daily tasks. The Midvaal fraud line is active and responsive, some of the Irregular, Fruitless and Wasteful expenditure disclosed is as a result of the effectiveness of these measures put in place.

The main principles of this Plan includes the following:

1. Creating a culture which is ethical and intolerant to fraud and corruption;

2. Deterrence of fraud and corruption;

3. Preventing fraud and corruption which cannot be deterred;

4. Detection of fraud and corruption;

5. Investigating detected fraud and corruption;

6. Taking appropriate action in the event of such irregularities, e.g. disciplinary action (consequence management), recovery of losses, to the extent required, and prosecution; and

7. Applying sanctions, that includes blacklisting and prohibition from further employment.

The components of the Plan include:

1. Focus on the organisation;

2. Focus on employees;

3. Focus on other stakeholders;

4. Enforcement;

5. Implementation.

All staff, including senior management and councillors, are obliged to declare specific personal assets and private business interests on an annual basis, such as:

1. Shares and other financial interests (not bank accounts with financial institutions);

2. Directorships and partnerships (also those held by the spouse and close family members);

3. Remunerated work outside of the municipality;

4. Consultancies and retainerships;

5. Sponsorships;

Accounting Officer's Report

6. Gifts and hospitality from a source other than a family member (exceeding the value of R350 over a 12 month period);
7. Land and property registered in their name;
8. Vehicle(s) owned (registered) in their name;
9. Participation in elections.

The status of reported cases is as follows:

1. 2019/2020

   Total Number of Cases reported 31

   Total Number of Cases resolved 30

   Total Number of Cases pending 1

   (97% resolved)

2. 2020/2021

   Total Number of Cases reported 39

   Total Number of Cases resolved 26

   Total Number of Cases pending 12

   (67% resolved)

The primary transgressions are summarized as follows:

1. Transgression of the Code of Conduct for Municipal Staff Members;
2. Tampering/Illegal electricity connections;
3. Tender irregularities;
4. Intimidation & victimisation;
5. Theft & bribery;
6. Illegal land invasion;
7. Misuse/Abuse of council vehicles.

The relevant remedial actions, according to Council’s Policies, were initiated, i.e. disciplinary action and criminal prosecution. Management reviewed controls and internal audit tested the effectiveness of the controls in order to prevent recurrence. Matters reported to external authorities for further investigations in line with the MFMA are therefore removed from the control of the municipality.

The municipality through its fraud hotline takes all matters very seriously by means of it's integrity management strategy. As such the municipality often receives tip-offs regarding possible irregularities which are not always confined to the definition of unauthorised, irregular, fruitless and waisteful expenditure.

Accounting Officer's Report

6. Accounting Officer

The accounting officer of the municipality during the year and as at the date of this report is as follows:

Name	Nationality
NS Mhlanga	South African

Midvaal Local Municipality

(Registration number Midvaal Local Municipality - GT422)
Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	451 304 933	400 046 962
Receivables from exchange transactions	4&5	146 064 324	102 802 699
Receivables from non-exchange transactions	6&5	96 818 157	85 132 360
VAT receivable	7	15 804 936	15 345 602
Inventories	8	14 080 356	13 827 049
		724 072 706	**617 154 672**
Non-Current Assets			
Property, plant and equipment	9	2 074 806 844	1 961 881 064
Investment property	10	49 351 032	49 596 033
Intangible assets	11	5 150 990	3 428 951
Heritage assets	12	18 701	18 701
		2 129 327 567	**2 014 924 749**
Total Assets		**2 853 400 273**	**2 632 079 421**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	13	169 628 096	163 771 433
Long-term loans	14	27 977 256	26 602 361
Consumer deposits	15	19 778 405	18 530 508
Income received in advance for developer contribution	16	7 435 522	8 867 783
Finance lease obligation	17	7 158 272	6 978 651
Unspent conditional grants	18	5 015 752	19 886 001
		236 993 303	**244 636 737**
Non-Current Liabilities			
Long-term loans	14	131 907 381	138 432 256
Provisions	19	77 758 465	53 196 555
Employee benefit obligation	!0&21&2;	19 333 876	17 386 000
Finance lease obligation	17	16 084 706	14 419 188
		245 084 428	**223 433 999**
Total Liabilities		**482 077 731**	**468 070 736**
		2 371 322 542	**2 164 008 685**
Accumulated surplus		2 371 322 542	2 164 008 685
Total Net Assets		**2 371 322 542**	**2 164 008 685**

* See Note 49

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	739 146 188	669 531 001
Interest income	24	30 456 264	34 702 573
Operational revenue	25	3 190 735	6 426 695
Sale of goods and rendering of services	26	6 452 755	4 720 077
Rental of facilities and equipment		1 014 402	1 213 813
Total revenue from exchange transactions		**780 260 344**	**716 594 159**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	253 451 915	242 116 838
Interest income from non-exchange transactions	28	6 557 426	5 982 961
Transfer revenue			
Government grants & subsidies	29	260 909 048	218 600 197
Fines, penalties and forfeits	31	64 370 624	38 077 588
Public contributions and donations	30	82 477 183	3 547 793
Total revenue from non-exchange transactions		**667 766 196**	**508 325 377**
Total revenue	32	**1 448 026 540**	**1 224 919 536**
Expenditure			
Bulk purchases	33	(460 451 839)	(432 679 400)
Employee related costs	34	(298 271 887)	(277 572 382)
Depreciation and amortisation	35	(134 535 350)	(130 384 886)
Contracted services	36	(106 681 118)	(107 575 781)
Debt Impairment	37	(120 600 490)	(86 917 754)
Operating cost	38	(49 789 607)	(46 592 702)
Finance costs	39	(29 898 027)	(23 491 488)
Consumables	40	(23 544 077)	(15 435 317)
Remuneration of councillors	41	(12 821 689)	(12 970 368)
Loss on disposal of assets		(2 886 675)	(13 233 613)
Transfers and subsidies	42	(1 212 142)	(1 301 437)
Inventories losses/write-downs		(19 784)	(202 152)
Total expenditure		**(1 240 712 685)**	**(1 148 357 280)**
Surplus for the year		**207 313 855**	**76 562 256**

* See Note 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019	**2 087 446 429**	**2 087 446 429**
Changes in net assets		
Surplus for the year	76 562 256	76 562 256
Total changes	76 562 256	76 562 256
Opening balance as previously reported	2 163 857 116	2 163 857 116
Adjustments		
Prior year adjustments (Note 49)	151 571	151 571
Restated* Balance at 01 July 2020 as restated*	**2 164 008 687**	**2 164 008 687**
Changes in net assets		
Surplus for the year	207 313 855	207 313 855
Total changes	207 313 855	207 313 855
Balance at 30 June 2021	**2 371 322 542**	**2 371 322 542**

Note(s)

* See Note 49

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		506 754 733	546 710 407
Cash receipts from services / charges		655 502 203	664 404 320
Interest income		17 193 719	21 721 257
		1 179 450 655	1 232 835 984
Payments			
Employee costs		(309 145 700)	(288 918 597)
Suppliers		(638 899 927)	(698 561 826)
Finance costs		(17 470 750)	(18 567 935)
		(965 516 377)	(1 006 048 358)
Net cash flows from operating activities	43	**213 934 278**	**226 787 626**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(158 671 976)	(117 384 042)
Proceeds from sale of property, plant and equipment	9	699 145	3 590 728
Proceeds from sale of investment property	10	333 500	2 188 338
Purchase of intangible assets	11	(1 732 134)	(397 478)
Net cash flows from investing activities		**(159 371 465)**	**(112 002 454)**
Cash flows from financing activities			
Long-term loans raised		21 500 000	21 500 000
Long-term loans repaid		(26 649 980)	(24 022 718)
Finance lease repayments		(7 440 989)	(8 209 902)
Finance lease raised		9 286 127	3 094 822
Net cash flows from financing activities		**(3 304 842)**	**(7 637 798)**
Net increase/(decrease) in cash and cash equivalents		**51 257 971**	**107 147 374**
Cash and cash equivalents at the beginning of the year		400 046 962	292 899 588
Cash and cash equivalents at the end of the year	3	**451 304 933**	**400 046 962**

* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	5 194 554	384 496	**5 579 050**	6 452 755	**873 705**	
Service charges	757 688 322	(16 462 195)	**741 226 127**	739 146 188	**(2 079 939)**	
Rental of facilities and equipment	1 460 680	(335 310)	**1 125 370**	1 014 402	**(110 968)**	Facilities closed due to lockdown regulations
Operational revenue	5 888 599	(284 815)	**5 603 784**	3 190 735	**(2 413 049)**	Decline in economic activity
Interest income	35 456 432	2 016 091	**37 472 523**	37 013 690	**(458 833)**	
Total revenue from exchange transactions	**805 688 587**	**(14 681 733)**	**791 006 854**	**786 817 770**	**(4 189 084)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	259 585 185	(5 967 587)	**253 617 598**	253 451 915	**(165 683)**	
Transfer revenue						
Government grants & subsidies	222 879 566	49 514 368	**272 393 934**	260 909 048	**(11 484 886)**	
Public contributions and donations	1 500 000	80 126 195	**81 626 195**	82 477 183	**850 988**	
Fines, penalties and forfeits	46 955 587	157 154	**47 112 741**	64 370 624	**17 257 883**	Increased traffic on roads due to relaxation of hard lockdown regulations
Total revenue from non-exchange transactions	**530 920 338**	**123 830 130**	**654 750 468**	**661 208 770**	**6 458 302**	
Total revenue	**1 336 608 925**	**109 148 397**	**1 445 757 322**	**1 448 026 540**	**2 269 218**	
Expenditure						
Personnel	(333 712 430)	(4 451 237)	**(338 163 667)**	(298 271 887)	**39 891 780**	Vacant positions not filled
Remuneration of councillors	(13 656 304)	-	**(13 656 304)**	(12 821 689)	**834 615**	
Depreciation and amortisation	(127 714 001)	(1 048 549)	**(128 762 550)**	(134 535 350)	**(5 772 800)**	
Finance costs	(18 873 572)	1 257 141	**(17 616 431)**	(29 898 027)	**(12 281 596)**	Reallocation on landfill site interest cost
Debt Impairment	(100 619 970)	(6 469 676)	**(107 089 646)**	(120 600 490)	**(13 510 844)**	Increase in traffic fine income
Bulk purchases	(489 373 569)	14 020 226	**(475 353 343)**	(460 451 839)	**14 901 504**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Contracted services	(136 795 994)	4 628 129	**(132 167 865)**	(106 681 118)	**25 486 747**	Strict perfomance monitoring of cantractors
Transfers and subsidies	(1 132 020)	(80 122)	**(1 212 142)**	(1 212 142)	**-**	
Consumables	(23 416 745)	(2 775 686)	**(26 192 431)**	(23 544 077)	**2 648 354**	Cost containment measures
Operating cost	(79 915 089)	8 485 135	**(71 429 954)**	(49 789 607)	**21 640 347**	Cost containment measures
Total expenditure	**(1 325 209 694)**	**13 565 361**	**(1 311 644 333)**	**(1 237 806 226)**	**73 838 107**	
Operating surplus	**11 399 231**	**122 713 758**	**134 112 989**	**210 220 314**	**76 107 325**	
Loss on disposal of assets	-	-	**-**	(2 886 675)	**(2 886 675)**	Assets no longer in use
Inventories losses/write-downs	-	-	**-**	(19 784)	**(19 784)**	Immaterial difference
	-	**-**	**-**	**(2 906 459)**	**(2 906 459)**	
Surplus before taxation	**11 399 231**	**122 713 758**	**134 112 989**	**207 313 855**	**73 200 866**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**11 399 231**	**122 713 758**	**134 112 989**	**207 313 855**	**73 200 866**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	18 514 812	(3 305 058)	**15 209 754**	14 080 356	**(1 129 398)**	
Receivables from exchange transactions	145 180 535	-	**145 180 535**	146 064 324	**883 789**	
Receivables from non-exchange transactions	105 415 758	(18 179 181)	**87 236 577**	96 818 157	**9 581 580**	
VAT receivable	36 435 502	(22 400 000)	**14 035 502**	15 804 936	**1 769 434**	Increase in input VAT due to grants received
Cash and cash equivalents	334 192 881	71 269 457	**405 462 338**	451 304 933	**45 842 595**	Cost containment measures
	639 739 488	**27 385 218**	**667 124 706**	**724 072 706**	**56 948 000**	
Non-Current Assets						
Investment property	48 991 192	(4 668 618)	**44 322 574**	49 351 032	**5 028 458**	Reclassification of assets
Property, plant and equipment	2 157 781 978	(54 791 647)	**2 102 990 331**	2 074 806 844	**(28 183 487)**	
Intangible assets	601 960	5 858 759	**6 460 719**	5 150 990	**(1 309 729)**	No control over the process to obtain servitudes
Heritage assets	19 673	(972)	**18 701**	18 701	**-**	
	2 207 394 803	**(53 602 478)**	**2 153 792 325**	**2 129 327 567**	**(24 464 758)**	
Total Assets	**2 847 134 291**	**(26 217 260)**	**2 820 917 031**	**2 853 400 273**	**32 483 242**	
Liabilities						
Current Liabilities						
Long-term loans	-	30 791 225	**30 791 225**	27 977 241	**(2 813 984)**	
Finance lease obligation	-	6 337 646	**6 337 646**	7 158 272	**820 626**	
Trade and other payables from exchange transactions	57 437 221	124 508 250	**181 945 471**	169 628 096	**(12 317 375)**	
Consumer deposits	19 682 234	-	**19 682 234**	19 778 405	**96 171**	
Unspent conditional grants	-	-	**-**	5 015 752	**5 015 752**	Spending affected due to lockdown
Income received in advance for developer contribution	-	(9 754 561)	**(9 754 561)**	7 435 522	**17 190 083**	Spending affected due to lockdown
	77 119 455	**151 882 560**	**229 002 015**	**236 993 288**	**7 991 273**	
Non-Current Liabilities						
Long-term loans	96 434 123	31 924 547	**128 358 670**	131 907 381	**3 548 711**	
Finance lease obligation	27 151 724	(14 183 833)	**12 967 891**	16 084 706	**3 116 815**	Previous years vehicles delivered
Employee benefit obligation	16 581 464	1 955 146	**18 536 610**	19 333 876	**797 266**	

Midvaal Local Municipality

(Registration number Midvaal Local Municipality - GT422)
Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Provisions	66 119 945	(7 196 555)	**58 923 390**	77 758 465	**18 835 075**	Increase in interest cost
	206 287 256	**12 499 305**	**218 786 561**	**245 084 428**	**26 297 867**	
Total Liabilities	**283 406 711**	**164 381 865**	**447 788 576**	**482 077 716**	**34 289 140**	
	2 563 727 580	**(190 599 125)**	**2 373 128 455**	**2 371 322 557**	**(1 805 898)**	
Reserves						
Accumulated surplus	2 563 727 580	(190 599 125)	**2 373 128 455**	2 371 322 557	**(1 805 898)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from ratepayers, government and other	448 446 710	11 392 372	**459 839 082**	506 754 733	**46 915 651**	
Cash receipts from services / charges	741 233 500	(13 507 194)	**727 726 306**	655 502 203	**(72 224 103)**	Due to Covid
Interest income	18 582 598	-	**18 582 598**	17 193 719	**(1 388 879)**	
	1 208 262 808	**(2 114 822)**	**1 206 147 986**	**1 179 450 655**	**(26 697 331)**	
Payments						
Employee costs	(347 368 734)	(4 451 237)	**(351 819 971)**	(309 145 700)	**42 674 271**	Vacancies
Suppliers	(730 633 417)	24 277 682	**(706 355 735)**	(638 899 927)	**67 455 808**	Cost containment
Finance costs	(18 873 572)	1 257 141	**(17 616 431)**	(17 470 750)	**145 681**	
	(1 096 875 723)	**21 083 586**	**(1 075 792 137)**	**(965 516 377)**	**110 275 760**	
Net cash flows from operating activities	**111 387 085**	**18 968 764**	**130 355 849**	**213 934 278**	**83 578 429**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(136 454 739)	(58 378 224)	**(194 832 963)**	(158 671 976)	**36 160 987**	Due to covid
Proceeds from sale of property, plant and equipment	-	-	**-**	699 145	**699 145**	Immaterial
Purchase of investment property	-	-	**-**	333 500	**333 500**	Immaterial
Purchase of other intangible assets	-	-	**-**	(1 732 134)	**(1 732 134)**	Immaterial
Net cash flows from investing activities	**(136 454 739)**	**(58 378 224)**	**(194 832 963)**	**(159 371 465)**	**35 461 498**	
Cash flows from financing activities						
Long term loans raised	33 365 000	-	**33 365 000**	30 786 127	**(2 578 873)**	
Repayment of long-term loans	(35 027 418)	3 605 385	**(31 422 033)**	(34 090 969)	**(2 668 936)**	
Net cash flows from financing activities	**(1 662 418)**	**3 605 385**	**1 942 967**	**(3 304 842)**	**(5 247 809)**	
Net increase/(decrease) in cash and cash equivalents	(26 730 072)	(35 804 075)	**(62 534 147)**	51 257 971	**113 792 118**	
Cash and cash equivalents at the beginning of the year	-	-	**-**	400 046 962	**400 046 962**	
Cash and cash equivalents at the end of the year	**(26 730 072)**	**(35 804 075)**	**(62 534 147)**	**451 304 933**	**513 839 080**	

Reconciliation

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.

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All figures are rounded to the nearest Rand, unless specified otherwise.

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 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is considered first for individually significant receivables and then calculated on a portfolio basis, for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probabillity that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

For receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable the government bond rate is used as the risk-free rate and adjusted for any risks specific to the receivables.

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value or current replacement cost, where applicable, of inventory at the end of each reporting period. A write down of inventory to the lower of cost or current replacement cost, where applicable, is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in surplus or deficit.

Fair value estimation

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

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

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

Impairment testing

The municipality reviews and tests the carrying value of cash generating assets when events 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. 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 discounted cash-flow projection assumption may change, which may then impact our estimations, and may then require a material adjustment to the carrying value of assets.

Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors such as exchange rates, inflation and interest.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 19 - Provisions - (refer also to accounting policy 1.18)

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment will be terminated.

Prepaid electricity

Pre-paid electricity is only recognised as income as electricity is consumed. The estimate is based on pre-paid electricity sold at year-end, but still unused.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. The municipality considers all the facts and circumstances estimating the useful lives of assets, which included the consideration of financial, technical and other facts. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than the previously estimated useful lives.

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

Post-retirement benefits

The present value of the post-retirement and other long term benefit 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 post retirement and long term benefit obligations. In determining the appropriate discount rate, the municipality considers the marktet yields at the reporting date on government bonds. Where there is no deep market in the government bonds with a sufficiently long maturity to match the estimated maturity of all the benefits paid, the municipality uses current market rates of the appropriate term to discount shorter payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 20, 22 and note 22.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Other

Judgements are made by management in applying the criteria to designate assets as non-cash-generating units or cash-generating units. The designation is made on the basis as described in accounting policy 1.15 - Impairment of non-cash-generating assets.

1.5 Investment property

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

- use in the production or supply of goods or services or for
- administrative purposes, or

1.5 Investment property (continued)

- 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.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset are depreciated separately.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite

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

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future econmic benefits or service potential are expected from it's disposal.

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.The measurement and recognition of and impairment loss is indicated in accounting policies 1.14 and 1.15.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Machinery and equipment		
* Office equipment	Straight-line	3 - 10
* Bins and containers	Straight-line	5 - 10
Furniture and fixtures	Straight-line	10
Motor vehicles		
* Specialised vehicles	Straight-line	10 - 30
* Other vehicles	Straight-line	5
* Vehicles	Straight-line	5
IT equipment	Straight-line	3 - 10
Infrastructure		
* Buildings	Straight-line	30
* Roads and paving	Straight-line	3 - 50
* Electricity	Straight-line	3 - 60
* Water	Straight-line	5 - 55
* Sewerage	Straight-line	10 - 60
* Landfill site	Straight-line	17
Community		
* Buildings	Straight-line	30
* Recreational facilities	Straight-line	20 - 30
* Security	Straight-line	5
Other assets		
* Buildings	Straight-line	30

1.6 Property, plant and equipment (continued)

Motor vehicles leased	Straight-line	5

The asset management policy contains the details of the components and their specific useful life estimates.

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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

At each reporting date all items of property, plant and equipment are reviewed for any indication that it mat be impaired. An impairment exists when an asset's carrying amount is greater than its recoverable amount or recoverable service amount. 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 36).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

Compensation from third parties for an item of property, plant and equiment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

Accounting Policies

1.8 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future ecomonic benefits or service potential. The municipality has classified computer software and servitudes as intangible assets as disclosed in note 11.

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.

An intangible asset is measured initially at cost. 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.

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

The municipality does not have internally generated intangible assets.

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

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values. The amortisation charge for each period is recognised in surplus or deficit. Amortisation begins when the asset is available for use.

An intangible asset with an indefinite useful lif shall not be amortised.

The municipality assessed at each reporting date whether there is any indication that the municipality's expectation about the residual value and the useful life of an intangible asset has changed since the preeding reporting date. If any such indication exists, the municipaliry revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The estimated useful lives are as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 - 5 yers
Servitudes		Indefinite

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is determined as the difference between the sales proceeds and the carrying value and is included in surplus or deficit when the asset is derecognised.

1.9 Heritage assets

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

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

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannt be reliably measured, information of such heritage asset is disclosed in note 12 - 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.

The municipality has classified the mayoral chain as a heritage asset.

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. The measurement and recognition of an impairment loss is indicated in accounting policy 1.15

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a 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 determined as the difference between the net disposal proceeds, if any, and the carruing amount of the heritage asset and is included in surplus or deficit when the item is derecognised

Compensation from third parties for a heritage asset that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.10 Financial instruments

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

1.10 Financial instruments (continued)

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Classification

The municipality 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	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality 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	Category
Long-term liabilities / external loans	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.11 Statutory receivables

Identification

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

Statutory receivables of the municipality includes items such as:
- Property rates
- Traffic fines
- Value Added Tax

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

1.11 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.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

1.11 Statutory receivables (continued)

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 municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.12 Leases

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

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately. The leased assets are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

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 municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

Operating leases - lessee

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

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

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

1.13 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their costs are their fair value as at the date of acquisition.

1.13 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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 carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned using the first-in, first-out (FIFO) formula, except for water which is determined at cost at the reporting date due to it being measured at the lower of cost and current replacement cost.

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.

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/write offf, but for which a council resolution to authorise the write down/write off, has not yet been obtained, are provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise.

1.14 Impairment of cash-generating assets

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

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

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

1.14 Impairment of cash-generating assets (continued)

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.

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current prime rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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

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

* Assets acquired by the municipality are mainly used as per the municipality's mandate for service delivery purposes to customers that pay for the services but also to indigents. As the assets that are used for service delivery are similar, assets that generate cash flows cannot be distinguished from the non-cash generating assets and therefor are distinguished as non-cash generating.
* In the event that the assets that generate cash flows can be clearly identified the assets will be designated as cash-generating.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

Impairment is a loss in the 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).

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

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

1.16 Disclosure in terms of Section 45 of the Municipal Supply Chain Management Regulations

The notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child, or parent of such a person in the service of the state, or has been in the service of the state in the previous twelve months.

1.17 Employee benefits

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

1.17 Employee benefits (continued)

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

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality’s informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Accounting Policies

1.17 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

The municipality provides post-retirement health care benefits upon retirement to some retirees. The entitlement to postretirement 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.

Accounting Policies

1.17 Employee benefits (continued)

Other long term employee benefits

Other long-term employee benefits are employee benefits (other that post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

The municipality has an obligation to provide long term service allowance benefits to all of its employees.

The municipality's liabilit is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.18 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

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.

1.18 Provisions and contingencies (continued)

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

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

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.

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.

Contingent assets and contingent liabilities are not recognised. Where applicable, contingencies are disclosed in the notes to the Annual Financial Statements.

A contingent liability is:

* a possible obligation that arises from past events, and whose existence will be confirmed only by the occurance or non-occurance of one or more uncertain future events not wholly within the control of the municipality; or
* a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability

1.18 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the municipality consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.20 Revenue from exchange transactions

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

1.20 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjusments are recognised as revenue in the invoicing period. There are areas within the municipality where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Interest

Revenue arising from the use by others of municipality assets yielding interest or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.21 Revenue from non-exchange transactions

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

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

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

All uncliamed deposits are initially recognised as a liability until 36 months expires. After this period, all unclaimed deposits are treated as revenue. This policy is in line with prescribed debt principles as enforced by the law.

Recognition

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

Payments received from third parties like insurance refunds are recognised as revenue.

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

Reenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.21 Revenue from non-exchange transactions (continued)

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Transfers (including grants)

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

The municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Accounting Policies

1.22 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.23 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.

1.24 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for reclassification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as it is practicable and the prior year comparatives are restated accordingly.

Additional disclosure for the comparative figures is disclosed in note 49.

1.25 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 wit hthe nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 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 preformance 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.

Additional disclosure for fruitless and wasteful expenditure is disclosed in note 53.

1.27 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 municipality's supply chain management policy.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the financial statements, is recorded in the register and disclosed in the notes to the financial statements..

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited a year-end, is recorded in the register and disclosed in the notes 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 diclosure note to the financial statements are updated with the amount condoned.

1.27 Irregular expenditure (continued)

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 is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter 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 fianncial statements. The register is also updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant programme/expenditure item, disclosed as such in the note to the financial statements and updated accordingly in the register.

Additional disclosure for irregular expenditure is disclosed in note 54.

1.28 Segment information

A segment is an activity of a municiality:
- 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.

1.29 Budget information

The municipality is 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.

1.29 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.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:
- the approved and final amounts;
- actual amounts and final budget amounts.

1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Related parties include key management personnel, close members of family of key management and councillors.

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

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

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

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

Key management personnel include all heads of department or members of the municipal council of the reporting municipality where that council has jusridiction. The Council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives.

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

Only transactions with related parties not at arm's lenght or not in the ordinary course of business are disclosed.

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

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

1.31 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

1.31 Events after reporting date (continued)

- 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.

The municipality has considered the impact of COVID-19 on its operations during the year and its future operations. Full details are provided in the Accounting Officer's report.

1.32 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for Value Added Tax (VAT) on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.33 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surplus realised during a specific financial year is credited against the accumulated surplus.

Prior year adjustments, relating to income and expenditure are credited.debited against accumulated surplus/(deficit) when retrospective adjustents are made.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 18 - Segment Reporting	1 April 2020	Unlikely to have material impact
iGRAP 1 (Revised) - Probability test on initial recognition	1 April 2020	No material impact
iGRAP 20 - Accounting for adjustments to revenue	1 April 2020	No material impact

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the standard is not yet set by the Minister of Finance.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Bank balances	348 026 192	399 683 742
Cash on hand	2 720	33 220
Short-term deposits	102 946 021	-
Other cash and cash equivalents	330 000	330 000
	451 304 933	**400 046 962**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

The municipality had the following bank accounts

Name of institution	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA Bank Ltd - 4053203845	346 242 991	421 302 926	216 282 740	346 868 582	399 121 049	216 452 547
ABSA Bank Ltd - 4091943582	1 157 610	562 693	330 660	1 157 610	562 693	330 660
Total	**347 400 601**	**421 865 619**	**216 613 400**	**348 026 192**	**399 683 742**	**216 783 207**

The difference between the cashbook and bank statement is R625 591. A reconciling list is available for inspection, made up of transactions which could not be processed on 30 June 2021.

The carrying value approximates the fair value of the asset.

Guarantees held in lieu of electricity and water deposits:

	2021	2020
Ontec Systems (Pty) Ltd	8 000 000	8 000 000
Sedibeng Brewery Pty Ltd / Heineken	7 109 000	7 109 000
Bhawan Family Holdings	1 199 326	1 199 326
Other	120 000	120 000
	16 428 326	**16 428 326**

No changes in guarantees held for the period under review.

4. Receivables from exchange transactions

	2021	2020
Consumer debtors - Water	75 916 363	44 257 739
Consumer debtors - Other	18 915 970	15 752 281
Consumer debtors - Electricity	18 882 951	19 461 299
Consumer debtors - Refuse	12 836 548	10 687 908
Consumer debtors - Sewerage	11 110 713	9 164 195
Sundry debtors	4 263 672	1 774 002
Deposits received on sale of properties	623 949	1 105 949
Debtor - purchase of property	-	308 000
Rental of properties	-	154 238
Prepaid expenses	3 514 158	137 088
	146 064 324	**102 802 699**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Receivables from exchange transactions (continued)

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

The carrying value approximates the fair value of the asset.

Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Trade and other receivables impaired

The impairment provision for the receivables from exchange transactions was R 107 294 475 as of 30 June 2021 (2020: R 142 120 531).

The ageing of the provision for the receivables from exchange transactions is set out in note 5 - Consumer debtors disclosure.

5. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	156 521 544	138 856 622
Consumer debtors - Water	128 443 705	132 952 930
Consumer debtors - Other	41 321 573	39 627 881
Consumer debtors - Electricity	27 360 429	27 607 212
Consumer debtors - Refuse	26 402 660	22 451 153
Consumer debtors - Sewerage	21 428 653	18 804 777
	401 478 564	**380 300 575**
Less: Allowance for impairment		
Consumer debtors - Rates	(74 049 972)	(67 035 822)
Consumer debtors - Water	(52 527 342)	(88 695 191)
Consumer debtors - Other	(22 405 603)	(23 875 600)
Consumer debtors - Electricity	(8 477 478)	(8 145 913)
Consumer debtors - Refuse	(13 566 112)	(11 763 245)
Consumer debtors - Sewerage	(10 317 940)	(9 640 582)
	(181 344 447)	**(209 156 353)**
Net balance		
Consumer debtors - Rates	82 471 572	71 820 800
Consumer debtors - Water	75 916 363	44 257 739
Consumer debtors - Other	18 915 970	15 752 281
Consumer debtors - Electricity	18 882 951	19 461 299
Consumer debtors - Refuse	12 836 548	10 687 908
Consumer debtors - Sewerage	11 110 713	9 164 195
	220 134 117	**171 144 222**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Consumer debtors disclosure (continued)

Rates

Current (0 -30 days)	19 599 302	19 695 228
31 - 60 days	4 535 236	4 230 828
61 - 90 days	3 062 778	3 509 557
91 - 120 days	2 665 871	3 373 163
121 - 365 days	15 439 858	16 565 368
> 365 days	37 168 527	24 446 656
	82 471 572	**71 820 800**

Electricity

Current (0 -30 days)	12 356 046	14 678 977
31 - 60 days	594 707	522 943
61 - 90 days	1 831 672	776 693
91 - 120 days	358 987	237 758
121 - 365 days	1 140 628	1 169 124
> 365 days	2 600 911	2 075 804
	18 882 951	**19 461 299**

Water

Current (0 -30 days)	28 060 920	12 674 771
31 - 60 days	2 229 528	1 722 142
61 - 90 days	2 471 050	1 374 643
91 - 120 days	2 472 181	1 405 084
121 - 365 days	12 287 144	10 188 241
> 365 days	28 395 540	16 892 858
	75 916 363	**44 257 739**

Sewerage

Current (0 -30 days)	3 520 696	3 193 971
31 - 60 days	648 455	616 908
61 - 90 days	443 874	519 503
91 - 120 days	387 759	384 602
121 - 365 days	2 213 876	1 802 842
> 365 days	3 896 053	2 646 369
	11 110 713	**9 164 195**

Refuse

Current (0 -30 days)	3 374 372	3 128 745
31 - 60 days	602 792	643 854
61 - 90 days	474 898	541 383
91 - 120 days	428 585	426 908
121 - 365 days	2 539 499	2 161 004
> 365 days	5 416 402	3 786 014
	12 836 548	**10 687 908**

Figures in Rand	2021	2020

5. Consumer debtors disclosure (continued)

Other

Current (0 -30 days)	3 956 206	738 876
31 - 60 days	525 708	284 187
61 - 90 days	443 346	562 380
91 - 120 days	324 255	443 418
121 - 365 days	2 124 278	3 010 254
> 365 days	11 542 177	10 713 166
	18 915 970	**15 752 281**

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	59 854 714	54 489 344
31 - 60 days	11 600 500	12 477 204
61 - 90 days	10 290 544	12 346 419
91 - 120 days	9 811 226	12 488 274
121 - 365 days	58 206 452	73 010 355
> 365 days	182 538 771	156 518 264
	332 302 207	321 329 860
Less: Allowance for impairment	(170 477 135)	(197 735 539)
	161 825 072	**123 594 321**

Industrial/ commercial

Current (0 -30 days)	19 370 737	16 734 966
31 - 60 days	1 490 173	1 352 436
61 - 90 days	1 296 398	871 825
91 - 120 days	914 354	742 923
121 - 365 days	4 135 256	5 273 833
> 365 days	12 404 323	12 503 581
	39 611 241	37 479 564
Less: Allowance for impairment	(10 859 769)	(11 413 764)
	28 751 472	**26 065 800**

National and provincial government

Current (0 -30 days)	3 257 320	2 532 576
31 - 60 days	730 359	717 944
61 - 90 days	1 936 275	737 196
91 - 120 days	563 900	696 470
121 - 365 days	5 407 755	5 955 194
> 365 days	17 669 507	10 851 771
	29 565 116	21 491 151
Less: Allowance for impairment	(7 543)	(7 050)
	29 557 573	**21 484 101**

Figures in Rand	2021	2020

5. Consumer debtors disclosure (continued)

Total debtors by customer classification

	2021	2020
Current (0 -30 days)	82 482 773	73 756 886
31 - 60 days	13 821 031	14 547 584
61 - 90 days	13 523 216	13 955 440
91 - 120 days	11 289 480	13 927 667
121 - 365 days	67 749 463	84 239 382
> 365 days	212 612 601	179 873 616
	401 478 564	380 300 575
Less: Allowance for impairment	(181 344 447)	(209 156 353)
	220 134 117	**171 144 222**

Ageing of allowance for impairment

	2021	2020
Current (0 -30 days)	11 615 231	19 646 318
31 - 60 days	4 684 606	6 526 722
61 - 90 days	4 795 598	6 671 280
91 - 120 days	4 651 840	7 656 735
121 - 365 days	32 004 181	49 342 549
> 365 days	123 592 991	119 312 749
	181 344 447	**209 156 353**

Reconciliation of gross consumer debtors and debtors by customer classification

	2021	2020
Gross consumer debtors	401 478 564	380 300 575
Debtors by customer classification	(401 478 564)	(380 300 575)
	-	-

Receivables general information

Reconciliation of provision for impairment for receivables

	2021	2020
Opening balance	(209 156 353)	(159 373 337)
Provision for impairment	(60 418 949)	(50 688 801)
Amounts written off as uncollectible	88 230 855	905 785
	(181 344 447)	**(209 156 353)**

6. Receivables from non-exchange transactions

	2021	2020
Consumer debtors - rates	82 471 572	71 820 800
Fines	10 715 286	10 271 422
Government grants and subsidies	3 620 299	3 029 138
Other receivables from non-exchange revenue	11 000	11 000
	96 818 157	**85 132 360**

Statutory receivables included in receivables from non-exchange transactions above are as follows:

	2021	2020
Taxes - Rates	82 471 572	71 820 800
Fines	10 715 286	10 271 422
Grants	3 620 299	3 029 138
	96 807 157	**85 121 360**
Financial asset receivables included in receivables from non-exchange transactions above	**88 852 166**	**85 121 360**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

6. Receivables from non-exchange transactions (continued)

Total receivables from non-exchange transactions	96 818 157	85 132 360

Statutory receivables general information

Transaction(s) arising from statute

Rates - Municipal Property Rates Act (MPR Act) section 2 states that a local municipality may levy a rate on property in it's area.

Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

Determination of transaction amount

Rates - Rates amounts are determined in terms of section 11 of the MPR Act and the approved policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

Interest or other charges levied/charged

Rates - interest is raised on past due balances at the prime interest rate.

Fines - No interest or other charges are raised on outstanding fines.

Statutory receivables impaired and past due not impaired

Rates - Payment percentage of receivables is used to assess whether the receivable is impaired. Refer to note 5 for more detail on the impairment provision and ageing of statutory past due not impaired.

Fines - Payment percentage of fines is used to assess whether fines are impaired.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions

Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Receivables from non-exchange transactions impaired

Property rates

The amount of the provision for the impairment of receivables from non-exchange transactions (property rates) as at 30 June 2021 was R74 049 972 - (2020: R67 035 822).

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

6. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

Traffic fines

Other receivables from non-exchange transactions (traffic fines) of R57 623 586 (2020: R34 620 013) were impaired and provided for.

The amount of the provision for the impairment of receivables from non-exchange transactions (traffic fines) was R117 116 859 as of 30 June 2021 (2020: R 71 361 303).

An amount of R2 557 955 (2020: R 1 608 940) for traffic fines has been reduced or cancelled and written off by Council during the year in line with the Traffic Management Act.

Traffic fines outstanding for the period July 2013 to June 2017 to the amount of R11 868 030 was written off as per Council Resolutions C1346/06/2015 and C2595/06/2021.

The ageing of the net traffic fine debtors that is deemed to be collectable is as follows::

< 365 days	1 980 464	817 882
> 365 days	8 734 822	9 453 540

7. VAT receivable

VAT	15 804 936	15 345 602

VAT is received and paid as required per the Value Added Tax Act No. 89 of 1991 (VAT Act).

VAT is applied to all relevant goods and services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act.

VAT is submitted and paid on a monthly basis. Interest is charges on outstanding VAT amounts.

VAT receivable from SARS is not impaired as the South AFrican Revenue Services has sufficient funds to pay any outstanding amounts. VAT on output provision is assessed with the debtors impairment provision and included therein. Refer to note 5 for more detail on the impairment provision.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

8. Inventories

Maintenance materials - electricity	10 267 974	10 041 585
Maintenance materials - water	2 728 797	3 124 716
Fuel (Diesel, Petrol)	236 695	193 616
Water for distribution	846 890	467 132
	14 080 356	**13 827 049**

Systems are in place to control and monitor inventories during the year and year end counts are preformed and verified.

Water for distribution		
Opening balance	467 132	493 525
System input volume - kl purchased	127 048 576	132 057 693
Authorised consumption - kl sold	(78 845 276)	(91 471 024)
Water losses	(47 882 610)	(40 636 394)
Revaluation adjustment	59 068	23 332
	846 890	**467 132**

Inventory pledged as security

No portion of inventory has been pledged as securities.

Inventory consumed

The amount of inventory recognised as an expense during the period is disclosed in Note 39

Inventory losses and write-downs amounted to R19 784 for the year (2020: R202 152)

9. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	116 464 619	-	116 464 619	116 464 619	-	116 464 619
Plant and machinery	37 984 131	(20 425 467)	17 558 664	29 080 248	(16 998 837)	12 081 411
Furniture and fixtures	16 093 674	(8 159 120)	7 934 554	12 300 346	(7 104 673)	5 195 673
Motor vehicles	31 053 077	(21 444 757)	9 608 320	30 495 894	(22 117 202)	8 378 692
IT equipment	20 979 641	(10 760 081)	10 219 560	13 134 665	(8 897 457)	4 237 208
Infrastructure	3 106 171 743	(1 329 866 065)	1 776 305 678	2 928 593 754	(1 220 612 763)	1 707 980 991
Community	148 472 652	(58 674 832)	89 797 820	124 475 973	(53 651 800)	70 824 173
Other property, plant and equipment	48 382 084	(34 558 286)	13 823 798	36 247 451	(30 096 427)	6 151 024
Motor vehicles leased	67 994 166	(34 900 335)	33 093 831	60 770 262	(30 202 989)	30 567 273
Total	**3 593 595 787**	**(1 518 788 943)**	**2 074 806 844**	**3 351 563 212**	**(1 389 682 148)**	**1 961 881 064**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land	116 464 619	-	-	-	-	116 464 619
Plant and machinery	12 081 411	9 065 381	(4 438)	-	(3 583 690)	17 558 664
Furniture and fixtures	5 195 673	3 961 979	(24 359)	-	(1 198 739)	7 934 554
Motor vehicles	8 378 692	2 905 938	(58 466)	-	(1 617 844)	9 608 320
IT equipment	4 237 208	8 159 510	(34 195)	-	(2 142 963)	10 219 560
Infrastructure	1 707 980 991	180 820 281	(1 521 200)	182 354	(111 156 748)	1 776 305 678
Community	70 824 173	24 715 449	(602 769)	-	(5 139 033)	89 797 820
Other property, plant and equipment	6 151 024	12 134 633	-	-	(4 461 859)	13 823 798
Motor vehicles leased	30 567 273	8 147 201	(396 265)	-	(5 224 378)	33 093 831
	1 961 881 064	**249 910 372**	**(2 641 692)**	**182 354**	**(134 525 254)**	**2 074 806 844**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land	118 555 620	23 000	(2 114 001)	-	-	116 464 619
Plant and machinery	11 127 902	2 909 189	(26 604)	1 295 270	(3 224 346)	12 081 411
Furniture and fixtures	7 095 770	911 459	(23 878)	(1 576 884)	(1 210 794)	5 195 673
Motor vehicles	9 934 794	316 163	(233 756)	976 241	(2 614 750)	8 378 692
IT equipment	4 736 548	1 247 379	(29 351)	15 346	(1 732 714)	4 237 208
Infrastructure	1 689 259 617	103 096 507	(5 566 137)	27 665 652	(106 474 648)	1 707 980 991
Community	90 332 121	6 325 183	(1 921 891)	(18 240 611)	(5 670 629)	70 824 173
Other property, plant and equipment	33 684 175	-	(14 578 657)	(10 173 765)	(2 780 729)	6 151 024
Motor vehicles leased	35 939 133	2 729 734	(1 708 280)	277 318	(6 670 632)	30 567 273
	2 000 665 680	**117 558 614**	**(26 202 555)**	**238 567**	**(130 379 242)**	**1 961 881 064**

Pledged as security

No portion of property, plant and equipment has been pledged as security for liabilities, other than obligations under finance leases that are secured by the lessor's right over the leased assets.

During the year reclassification of categories of property, plant and equipment were included in the above due to the implementation of mSCOA. A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

In addition to the property, plant and equipment above, the municipality has land on which RDP houses have been built. The land is still registered in the deeds office in the name of the municipality. The municipality does not have control over these properties and it is therefore not recognised as assets as it does not comply with the definition of assets as per GRAP 17. Total value: R 5 660 000 (2020: R5 810 000)

Compensation received from third parties is disclosed in notes 25 and 26.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Opening balance	Additions	Transferred to completed items	Total
Community	20 450 331	1 043 632	-	21 493 963
Infrastructure	143 969 723	162 261 540	(146 033 814)	160 197 449
IT Equipment	-	1 883 237	-	1 883 237
Intangible assets	231 767	71 864	-	303 631
Motor Vehicles	-	2 224 137	-	2 224 137
	164 651 821	**167 484 410**	**(146 033 814)**	**186 102 417**

Reconciliation of Work-in-Progress 2020

	Opening balance	Additions	Transferred to completed items	Total
Community	14 111 386	6 371 775	(32 830)	20 450 331
Infrastructure	117 855 479	95 903 473	(69 789 229)	143 969 723
Other assets	14 026 904	-	(14 026 904)	-
Intangible assets	-	231 767	-	231 767
	145 993 769	**102 507 015**	**(83 848 963)**	**164 651 821**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Employee related costs	65 948 882	64 545 517
Contracted services	37 169 295	44 969 787
Sale of goods/Inventory	149 612	52 591
Hire charges	2 132 170	3 130 474
	105 399 959	**112 698 369**

The municipality has no development or construction that has been halted during the 2020/2021 financial year.

There was no carrying value of property, plant and equipment that took a longer period of time to complete than expected.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Property, plant and equipment (continued)

Funding of property, plant and equipment acquisitions

Additions to property, plant and equipment was funded from the following sources:

Land and Buildings		
Developers contribution	-	23 000
Infrastructure Assets		
Accumulated surplus	12 153 479	3 174 272
Annuity loans	15 189 036	20 369 503
Developers contribution	80 477 183	2 779 976
WSIG	14 216 032	13 430 981
INEP	17 292 706	37 228 649
MIG	41 436 387	25 961 555
DAC	55 460	-
Community Assets		
Accumulated surplus	7 322 964	541 392
Annuity loans	1 814 921	-
MIG	10 732 801	5 364 903
DAC	2 871 387	418 887
Donation	1 973 377	-
Motor vehicles leased		
Finance leases	8 147 202	2 729 734
Motor vehicles		
Accumulated surplus	1 837 376	316 163
Functional Fire and Rescue grant	1 626 821	-
IT Equipment		
Accumulated surplus	7 031 475	1 154 382
DAC	1 101 976	-
MIG	26 059	92 997
Furniture and equipment		
Accumulated surplus	2 628 511	605 881
DAC	1 275 106	285 129
MIG	31 740	20 450
Donation	26 623	-
Plant and machinery		
Accumulated surplus	6 693 679	899 303
DAC	1 813 441	2 009 886
Other Assets		
Accumulated surplus	12 134 633	-
	249 910 373	**117 407 043**

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.

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	49 351 032	-	49 351 032	49 596 033	-	49 596 033

Reconciliation of investment property - 2021

	Opening balance	Disposals	Total
Land	49 596 033	(245 001)	49 351 032

Reconciliation of investment property - 2020

	Opening balance	Disposals	Total
Land	51 224 033	(1 628 000)	49 596 033

Pledged as security

No portion of investment property has been pledged as security for liabilities.

Details of property

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.

Land amounting to R355 000 was taken over, and council resolved that the property be transferred. However, the property has not yet been transferred as at 30 June 2021.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Investment property (continued)

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 016 772	(947 989)	2 068 783	1 356 502	(937 894)	418 608
Servitudes	3 082 207	-	3 082 207	3 010 343	-	3 010 343
Total	**6 098 979**	**(947 989)**	**5 150 990**	**4 366 845**	**(937 894)**	**3 428 951**

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	418 608	1 660 270	(10 095)	2 068 783
Servitudes	3 010 343	71 864	-	3 082 207
	3 428 951	**1 732 134**	**(10 095)**	**5 150 990**

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	377 241	165 710	(118 696)	(5 647)	418 608
Servitudes	1 854 160	1 156 183	-	-	3 010 343
	2 231 401	**1 321 893**	**(118 696)**	**(5 647)**	**3 428 951**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

11. Intangible assets (continued)

Pledged as security

No portion of intangible assets has been pledged as security for liabilities.

A register containing informatin required by section 63 of MFMA is available for inspection at the registered office of the municipality.

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Funding of intangible asset additions

Additions to intangible assets were funded from the following sources:

Computer Software		
Accumulated surplus	1 660 270	165 710
Servitudes		
Accumulated surplus	71 864	231 768
Developers contribution	-	924 415
	1 732 134	**1 321 893**

Notes to the Annual Financial Statements

Figures in Rand

12. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	18 701	-	18 701	18 701	-	18 701

Reconciliation of heritage assets 2021

	Opening balance	Total
Mayoral chain	18 701	18 701

Reconciliation of heritage assets 2020

	Opening balance	Total
Mayoral chain	18 701	18 701

Pledged as security

No portion of heritage assets has been pledged as security for liabilities.

A register containing information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

13. Trade and other payables from exchange transactions

Trade payables	91 688 301	102 322 740
Payments received in advance	46 713 728	31 558 098
Retention	11 129 091	9 425 588
Other payables	1 716 107	1 700 541
Accrued leave pay	18 380 869	18 764 466
	169 628 096	**163 771 433**

Trade payables are recognised net of trade discounts.

The carrying value of payables approximates their fair value.

Trade payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practises and legislation.

14. Long term loans

At amortised cost - Non current liabilities		
Standard Bank	97 589 803	93 419 335
DBSA	27 041 584	36 718 370
ABSA	7 275 994	8 294 551
	131 907 381	**138 432 256**
At amortised cost - Current liabilities		
Standard Bank	17 281 917	15 788 525
DBSA	9 676 783	9 795 285
ABSA	1 018 556	1 018 551
	27 977 256	**26 602 361**
Total other financial liabilities	**159 884 637**	**165 034 617**
Non-current liabilities		
At amortised cost	131 907 381	138 432 256
Current liabilities		
At amortised cost	27 977 256	26 602 361

14. Long term loans (continued)

Loan Number	Redeemable	Balance at 30 June 2020	Received during the period	Redeemed during the period	Balance at 30 June 2021
S/B-22054588-1	20 000 000	8 044 351	-	2 443 598	5 600 753
S/B-22054588-2	34 000 000	13 009 952	-	3 951 977	9 057 975
S/B-22054588-3	26 000 000	10 277 861	-	3 122 061	7 155 800
L-032-M-103600/4	13 100 000	4 404 625	-	1 319 263	3 085 362
L-031-M-103600/3	38 150 000	12 812 610	-	3 837 605	8 975 005
L-030-M-103600/2	4 950 000	1 677 152	-	502 337	1 174 815
L-029-M-103600/1	13 800 000	4 636 955	-	1 388 850	3 248 105
L-028-M-103047/4	15 700 000	7 922 924	-	1 381 561	6 541 363
L-027M-103047/3	12 650 000	9 270 324	-	572 280	8 698 044
L-026-M-103047/2	1 500 000	1 349 370	-	20 210	1 329 160
L-025-M-103047/1	8 800 000	3 580 476	-	706 050	2 874 426
L-023-M-103600/5	1 350 000	859 220	-	67 134	792 086
ABSA-0387231331	12 000 000	9 313 101	-	1 018 550	8 294 551
S/B-22044108	43 700 000	35 829 862	-	3 393 380	32 436 482
S/B-000538397	21 900 000	20 545 834	-	1 508 646	19 037 188
S/B-000595165	21 500 000	21 500 000	-	1 416 479	20 083 521
S/B-009733924	21 500 000	-	21 500 000	-	21 500 000
	310 600 000	**165 034 617**	**21 500 000**	**26 649 979**	**159 884 636**

All loans were obtained in terms of section 45 and 46 of the MFMA.

15. Consumer deposits

	2021	2020
Consumer deposits	19 778 405	18 530 508

Consumer deposits raised over time are invested in a ring-fenced account.

The carrying value of consumer deposits approximates their fair value.

Guarantees held in lieu of electricity and water deposits is disclosed in note 3.

16. Income received in advance for developers' contributions

	2021	2020
Unspent developer contribution	7 435 522	8 867 783

The amount represents developer contributions that have been received, but has not been spent yet.

17. Finance lease obligation

	2021	2020
Minimum lease payments due		
- within one year	8 812 407	8 554 340
- in second to fifth year inclusive	17 560 180	16 227 018
	26 372 587	24 781 358
less: future finance charges	(3 129 609)	(3 383 519)
Present value of minimum lease payments	**23 242 978**	**21 397 839**

	2021	2020
Present value of minimum lease payments due		
- within one year	7 158 272	6 978 651
- in second to fifth year inclusive	16 084 706	14 419 188
	23 242 978	**21 397 839**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

17. Finance lease obligation (continued)

Non-current liabilities	16 084 706	14 419 188
Current liabilities	7 158 272	6 978 651
	23 242 978	**21 397 839**

It is municipality's policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was between 6% - 10.75% (2020: 6% - 10.75%). Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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

Lease number	Redeemable	Balance at 30 June 2020	Received during the period	Redeemed during the period	Balance at 30 June 2021
SB19977492-0029	175 150	18 230	-	18 230	-
SB19977492-0030	119 126	12 399	-	12 399	-
SB19977492-0031	119 126	12 399	-	12 399	-
SB19977492-0032	354 248	36 872	-	36 872	-
SB19977492-0033	354 248	36 872	-	36 872	-
SB19977492-0034	354 248	36 872	-	36 872	-
SB19977492-0035	354 248	36 872	-	36 872	-
SB19977492-0036	354 248	36 872	-	36 872	-
SB19977492-0037	354 248	36 872	-	36 872	-
SB19977492-0038	354 248	36 872	-	36 872	-
SB19977492-0039	354 248	36 872	-	36 872	-
SB19977492-0040	119 126	12 389	-	12 389	-
SB19977492-0041	147 609	15 351	-	15 351	-
SB19977492-0043	183 669	19 101	-	19 101	-
SB19977492-0045	274 890	28 588	-	28 588	-
SB19977492-0046	244 995	25 458	-	25 458	-
SB19977492-0047	119 126	12 379	-	12 379	-
SB19977492-0048	147 609	15 339	-	15 339	-
SB19977492-0049	197 157	20 454	-	20 454	-
SB19977492-0050	1 088 505	112 927	-	112 927	-
SB19977492-0051	192 679	20 038	-	20 038	-
SB19977492-0052	1 062 326	131 975	-	131 975	-
SB19977492-0053	959 323	120 276	-	120 276	-
SB19977492-0054	261 645	42 841	-	42 841	-
SB19977492-0055	261 645	42 841	-	42 841	-
SB19977492-0056	387 771	71 535	-	71 535	-
SB19977492-0057	747 210	151 317	-	151 317	-
SB19977492-0058	1 297 354	289 429	-	289 429	-
SB19977492-0059	1 258 248	280 704	-	280 704	-
NED1727061-0001	681 336	289 953	-	151 255	138 698
NED1727061-0002	260 719	110 954	-	57 880	53 074
NED1727061-0003	260 719	110 954	-	57 880	53 074
NED1727061-0004	2 050 723	872 716	-	455 254	417 462
ABSA 90361142	3 504 100	1 795 261	-	658 834	1 136 427
ABSA 90360537	1 046 400	536 514	-	196 892	339 622
ABSA 90716668	1 150 738	630 072	-	209 036	421 036
ABSA 90720541	1 150 738	630 072	-	209 036	421 036
ABSA 91008969	581 349	343 890	-	100 355	243 535
ABSA 91009191	581 349	343 890	-	100 355	243 535
ABSA 91052780	492 716	298 411	-	87 083	211 328
ABSA 91053034	191 139	129 035	-	37 655	91 380
ABSA 91053190	155 403	104 910	-	30 615	74 295

17. Finance lease obligation (continued)

ABSA 91053271	155 403	104 910	-	30 615	74 295
ABSA 91053379	355 633	240 082	-	70 061	170 021
ABSA 91053492	143 966	97 189	-	28 362	68 827
ABSA 91694455	184 848	118 341	-	30 634	87 707
ABSA 91610230	184 848	118 123	-	30 577	87 546
ABSA 91693939	135 278	86 606	-	22 418	64 188
ABSA 91693459	455 489	291 606	-	75 484	216 122
ABSA 91694170	455 489	291 606	-	75 484	216 122
ABSA 91693076	754 381	500 310	-	122 424	377 886
ABSA 91692355	126 286	80 849	-	20 928	59 921
SB19977492-0060	1 173 575	916 082	-	217 658	698 424
SB19977492-0061	1 173 575	916 082	-	217 658	698 424
SB19977492-0062	278 564	221 189	-	51 160	170 029
SB19977492-0063	146 116	116 210	-	26 879	89 331
SB19977492-0064	146 116	116 210	-	26 879	89 331
SB19977492-0065	146 116	116 210	-	26 879	89 331
SB19977492-0066	600 928	477 805	-	110 514	367 291
SB19977492-0067	600 928	477 805	-	110 514	367 291
SB19977492-0068	306 467	247 951	-	55 857	192 094
SB19977492-0069	306 467	247 951	-	55 857	192 094
SB19977492-0070	212 465	181 401	-	37 857	143 544
SB19977492-0071	202 024	172 487	-	35 997	136 490
SB19977492-0072	202 024	172 487	-	35 997	136 490
SB19977492-0073	652 042	575 731	-	114 423	461 308
SB19977492-0074	198 479	169 460	-	35 366	134 094
SB19977492-0076	316 222	269 769	-	56 299	213 470
SB19977492-0077	341 831	262 457	-	52 162	210 295
ABSA 91952667	2 331 625	1 591 976	-	379 057	1 212 919
SB19977492-0080	1 309 645	1 176 557	-	228 321	948 236
NED1727061/0006	162 950	162 950	-	26 290	136 660
NED1727061/0007	278 270	278 270	-	44 895	233 375
NED1727061/0008	278 270	278 270	-	44 895	233 375
NED1727061/0009	1 009 438	1 009 438	-	159 236	850 202
NED1727061/0011	373 652	373 652	-	60 284	313 368
NED1727061/0012	178 642	178 642	-	28 822	149 820
NED1727061/0013	162 950	162 950	-	26 290	136 660
NED1727061/0014	161 800	161 800	-	26 104	135 696
NED1727061/0015	162 950	162 950	-	26 290	136 660
NED1727061/0016	162 950	162 950	-	26 290	136 660
NED1727061/0017	162 950	162 950	-	26 290	136 660
NED1727061/0018	265 198	-	265 198	30 960	234 238
NED1727061/0019	265 198	-	265 198	30 960	234 238
NED1727061/0020	771 018	-	771 018	75 791	695 227
NED1727061/0021	265 198	-	265 198	26 069	239 129
NED1727061/0022	413 483	-	413 483	41 805	371 677
NED1727061/0023	1 848 738	-	1 848 738	186 915	1 661 823
NED1727061/0024	784 141	-	784 141	67 406	716 735
NED1727061/0025	232 366	-	232 519	-	232 519
NED1727061/0026	980 188	-	980 188	-	980 188
NED1727061/0027	232 519	-	232 519	-	232 519
NED1727061/0028	780 188	-	780 188	-	780 188
NED1727061/0029	705 512	-	705 512	-	705 512
NED1727061/0030	358 933	-	358 933	-	358 933
NED1727061/0031	334 407	-	334 407	-	334 407
NED1727061/0032	397 615	-	397 615	-	397 615
NED1727061/0033	325 636	-	325 636	-	325 636
NED1727061/0034	325 636	-	325 636	-	325 636
	50 283 328	**21 397 842**	**9 286 127**	**7 440 989**	**23 242 979**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

18. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of sports, arts, culture and recreation grant	3 052 238	6 976 493
Municipal infrastructure Grant	-	10 326 467
Integrated national electrification programme	890 335	2 583 041
Functional fire and rescue grant	1 073 179	-
	5 015 752	**19 886 001**

Movement during the year

Balance at the beginning of the year	19 886 001	11 852 513
Additions during the year	4 328 548	20 037 572
Income recognition during the year (including approved roll-overs)	(19 198 797)	(12 004 084)
	5 015 752	**19 886 001**

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, these remain a libility and only gets recognised when the conditions are fulfilled.

See note 29 for reconciliation of grants from National/Provincial Government.

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

19. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Adjustment for passage of time	Adjusted for the change in discount rate	Total
Landfill rehabilitation	53 196 555	12 427 377	12 134 533	77 758 465

Reconciliation of provisions - 2020

	Opening Balance	Adjustment for passage of time	Adjustment for the change in discount rate	Total
Landfill rehabilitation	62 851 659	4 923 553	(14 578 657)	53 196 555

Non-current liabilities	77 758 465	53 196 555

The landfill rehabilitation provision is intended for the rehabilitation of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Henley-on-Klip, Vaal Marina and Walkerville landfill sites. The valuation for the landfill site was performed by Mr Rofhiwa Khaukanani BEng (Hons) Technology Management from Infratec. Mr Khaukanani is a registered member of the Engineering Council of South Africa (ECSA), World Partner in Asset Management (WPiAM) as well as The Association of Energy Engineers (AEE).

19. Provisions (continued)

Key financial assumptions used in this calculation were as follows:

	Henley-on-Klip landfill	Vaal Marina landfill	Walkerville landfill
CPI	4.9%	4.9%	4.9%
Discount rate	9.1%	9.1%	9.1%
Nett effective discount rate	4.2%	4.2%	4.2%

The 2021 amount of the discounted landfill closure provision of R77 758 464 (2020: R53 196 555) represents a increase of R24 561 910 (2020: decrease of R9 355 104). Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R12 427 377 (2020: R4 923 553). The 2021 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2021. The size of the landfill sites used up until now and estimated remaining useful lives are as follows:

	Henley-on-Klip landfill	Vaal Marina landfill	Walkerville landfill
Approximate size used until 30 June 2021	1 043 153 cubm	42 706 cubm	251 560 cubm
Remaining useful lives	2 years	6 years	5 years

20. Post retirement medical aid plan

Eligible employees aged 55 or older on 1 January 2005 will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. Eligible employees aged 50 or older on 1 January 2005 will receive a post-employment subsidy of 50% of the contribution payable should they be a member of a medical scheme at retirement. The post-employment subsidy is subject to atleast 25 years of continuous service at the municipality. Council resolution C1078/3/2014.

The plan is wholly unfunded.

An actuarial valuation has been performed of the liability in respect of the post-employment medical aid subsidy to retirees of Midvaal Local Municipality and to their registered dependants.

The projected unit cost method has been used to value the liabilities.

Key assumptions used:

	2021	2020
Discount rates used	8.97 %	8.70 %
Consumer price inflation	5.20 %	- %
Health care cost inflation	6.70 %	5.02 %
Net of health care cost inflation discount rate	2.27 %	3.50 %
Maximum subsidy inflation rate	2.13 %	3.39 %
Net of maximum subsidy inflation discount rate	6.84 %	5.14 %

The rates were determined by using the Johannesburg Stock Exchange as at 30 June 2021.

It is fairly common to expect a pensioner's income to be lower than the income earned just prior to retirement. The difference between the income after retirement and the income just prior to retirement is referred to as the Net Replacement Ratio. The Net Replacement Ratio is used to reduce the expected salary on retirement. We have assumed a Net Replacement Ratio on retirement of 75%. A salary inflation assumption is used to adjust the salary from the current date to the date of retirement. This assumption should be considered in conjunction with the assumed CPI rate.

The effect of a one percent increase and decrease in the health care cost inflation rate is as follows:

Figures in Rand	2021	2020

20. Post retirement medical aid plan (continued)

	1% decrease R's	Valuation basis R's	1% increase R's
Employer's accrued liability	5 368 827	5 818 890	6 332 381
Employee's interest cost *	458 239	498 389	544 228

A 1% increase in the health care cost inflation assumption results in a 7% increase in the accrued liability.

The present value of the post retirement medical aid obligation for the current and previous four years is as follows:

	2021	2020	2019	2018	2017
Post retirement medical aid	5 818 890	4 761 000	3 893 270	4 851 648	6 301 603

According to the mutli-employer plan management indicated that there are no assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

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

	2021	2020
Opening balance	(4 761 000)	(3 893 270)
Benefits paid	492 437	462 595
Net income / (expense) recognised in the statement of financial performance	(1 550 327)	(1 330 325)
	(5 818 890)	**(4 761 000)**

The impact of COVID-19 - It is very difficult to estimate what impact the pandemic is likely to have. There is much uncertainty as to how it will affect mortality. Medical scheme contributions are also likely to increase by more than expected. Long term government bond yields increased dramatically since the early stages of the pandemic. This pushed up the net discount rate which in turn reduces the liability

Net expense recognised in the statement of financial performance

	2021	2020
Interest cost	(393 000)	(311 134)
Actuarial (gains) losses	(1 157 327)	(1 019 191)
	(1 550 327)	**(1 330 325)**

The net expense relating to employee benefit obligations recognised in the statement of financial performance is included within employee remuneration.

21. Long service awards

An actuarial valuation has been performed on Midvaal Local Municipality's unfunded liability in respect of the entitlement of employees to Long Service Awards. The Projected Unit Credit Method has been used to determine the liabilities. The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. These variations emerge at each valuation as actuarial gains or losses.

Key asumptions used:

	2021	2020
Discount rates used	8.49 %	7.42 %
Consumer price inflation	4.85 %	- %
Salary increase rate	5.85 %	4.03 %
Net discount rate	2.49 %	3.26 %

The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	1% decrease R's	Valuation basis R's	1% increase R's
Employer's accrued liability	12 690 786	13 514 986	14 443 918
Employer's current service cost *	1 334 139	1 457 291	1 578 910
Employer's interest cost *	1 017 776	1 087 750	1 166 616

The above table illustrates that for the 30 June 2021 financial year, a 1% increase in the salary cost inflation assumption will result in a 6.87% increase in the accrued liability. Similarly, a 1% decrease in the salary inflation assumption will result in roughly a 6.10% decrease in the accrued liability.

* The total movement on the service and interest charges was used in the table.

The present value of the long service awards for the current and previous four years is as follows:

	2021	2020	2019	2018	2017
Long service awards	13 514 986	12 625 000	11 868 577	10 673 074	9 840 320

Management indicated that there are no assets set aside for long service awards funding that qualify as plan assets.

Changes in the present value of the long service awards are as follows:

	2021	2020
Opening balance	12 625 000	11 868 577
Benefits paid	(1 160 603)	(831 050)
Net income / (expense) recognised in the statement of financial performance	2 050 589	1 587 473
	13 514 986	**12 625 000**

Net expense recognised in the statement of financial performance

	2021	2020
Current service cost	1 431 000	1 215 991
Interest cost	888 000	850 261
Actuarial (gains) losses	(268 411)	(478 779)
	2 050 589	**1 587 473**

The net expense relating to employee benefit obligations recognised in the statement of financial performance is included within employee remuneration.

22. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Midvaal Local Municipality operates on 5 accredited medical aid schemes, namely Hosmed, Key Health, SAMWU Med, Bonitas and LA Health.

The municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, which the municipality is associated with, a member (subject to the applicable conditions of service) on retirment, is entitled to remain a continued member of such medical fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

Pension benefits

Council and employees contribute towards the under-mentioned pension funds whose operations are subject to the Pension Fund Act, 1956.

- Employees Pension Fund
- Germiston Retirement Fund
- Municipal Gratuity Fund
- Joint Municipal Pension Fund
- NFMW Pension Fund
- Old Mutual Sala Pension Fund
- SAMWU National Provident Fund
- Municipal Councillors Pension Fund

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

	2021	2020
Carrying value		
Present value of the defined benefit obligation-post retirement medical aid plan	(5 818 890)	(4 761 000)
Present value of long service awards	(13 514 986)	(12 625 000)
	(19 333 876)	**(17 386 000)**

The fair value of plan assets includes:

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

	2021	2020
Opening balance	(4 761 000)	(3 893 270)
Benefits paid	492 437	462 595
Net expense recognised in the statement of financial performance	(1 550 327)	(1 330 325)
	(5 818 890)	**(4 761 000)**

Net expense recognised in the statement of financial performance

	2021	2020
Interest cost	(393 000)	(311 134)
Actuarial (gains) losses	(1 157 327)	(1 019 191)
	(1 550 327)	**(1 330 325)**

Figures in Rand	2021	2020

22. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.97 %	8.70 %
Consumer price inflation	5.20 %	3.52 %
Health care cost inflation	6.70 %	5.02 %
Maximum subsidy inflation rate	2.13 %	3.50 %

The discount rate was determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021. The difference between the discount rate and the yield on inflation-linked bonds of similar term indicates the consumer price inflation rate.

The net expense (gain) related to employee benefit obligations recognised in the statement of financial performance is included within employee remuneration.

23. Service charges

Sale of electricity	390 518 750	357 487 707
Sale of water	251 893 698	224 522 360
Sewerage and sanitation charges	49 841 376	45 600 817
Solid waste	46 892 364	41 920 117
	739 146 188	**669 531 001**

24. Investment income

Interest income		
Interest received - investment & bank	17 193 719	21 721 257
Interest charged on exchange receivables	13 262 545	12 981 316
	30 456 264	**34 702 573**

25. Operational revenue

Sundry income	884 542	-
Sale of property	840 663	4 102 338
Administrative handling fees	571 774	254 037
Insurance refund	504 805	1 536 092
SETA refunds	358 562	464 432
Staff recoveries	19 159	45 793
Plan printing and duplicates	9 908	17 238
Surplus cash	1 322	6 765
	3 190 735	**6 426 695**

Sundry income arose from the recognition of historical unclaimed receipts as income, as prescribed by the applicable municipal policies, as prescribed by the applicable municipal policies.

Figures in Rand	2021	2020

26. Sale of goods and rendering of services

Town planning fees	2 503 959	976 036
Cemetery income	1 027 756	659 951
Fire services	1 024 829	885 901
Sale of scrap	607 950	175 484
Building plan income	606 491	1 270 100
Cleaning and removal	278 711	-
Clearance / valuation certificates / valuation	188 234	135 527
Tender documents	111 960	200 728
Entrance and membership income	68 489	192 798
Advertising income	26 758	26 539
Traffic escourt income	-	94 642
Photocopies	5 618	84 269
Legal fees	2 000	18 102
	6 452 755	**4 720 077**

2020/2021

The Midvaal Local Municipality registered a Public Private Partnership with National Treasury in terms of Sec 120 of the MFMA for the management and maintenance of electricity operations. As at 30 June 2021, the municipality still has to start the tender process and Treasury Views and Regulations (TVR II) processed.

Cemetery income increased due to Covid19 deaths.

The increase in Town planning fees is due to the multi year planning process in line with SPLUMA.

Income from sale of scrap arose from the sale of assets written off.

2019/2020
The Midvaal Local Municipality registered a Public Private Partnership with National Treasury in terms of Sec 120 of the MFMA for the management and maintenance of electricity operations. As at 30 June 2020, the municipality went out on request for qualification. The funding agreement with DBSA was also signed during the year.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

27. Property rates

Rates received

Residential	174 475 909	165 570 909
Commercial	65 176 119	64 034 276
State	9 167 157	8 449 770
Small holdings and farms	5 327 433	4 944 896
Less: Income forgone	(694 703)	(883 013)
	253 451 915	**242 116 838**

The valuation roll was compiled in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) which is used as a basis to levy property rates. The valuation came into effect on 1 July 2018. All objections were referred to the valuer for his comments and letters of outcome. Supplementary valuations are attended to in line with the MPRA. Reconciliations between the valuation roll and billing are completed on a monthly basis.

Valuations on land and buildings are performed every 5 years and supplementaries as and when required. The current valuation roll is effective until 30 June 2023.

Rates are levied on a monthly basis and interest is levied after due date.

Valuations

Residential	19 566 887	17 697 374
Commercial	3 995 510	3 963 482
Other	3 395 670	4 128 992
Small holdings and farms	3 232 012	3 173 587
State	516 106	504 924
Municipal	385 758	277 290
	31 091 943	**29 745 649**

28. Interest from non-exchange receivables

Interest - Past due property rates	6 557 426	5 982 961

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Transfers and subsidies

Operating grants		
Equitable Share	127 405 000	100 829 000
Environmental Subsidy Grant	3 624 989	3 082 949
Contribution towards Councillors (Equitable share)	6 218 000	6 218 000
Department of sports, arts, culture and recreation	9 800 000	10 000 000
Finance Management Grant	1 550 000	1 550 000
Municipal Infrastructure Grant	1 512 600	922 170
Expanded public works programme	1 708 000	1 564 000
Disaster management grant	-	718 000
Provincial health subsidy	3 752 238	3 853 213
Water services infrastructure grant	1 500 000	1 500 000
	157 070 827	**130 237 332**
Capital grants		
Municipal Infrastructure Grant	60 169 439	36 440 207
Water Services Infrastructure Grant	14 325 000	13 549 199
Integrated National Electrification Programme	17 292 706	37 228 649
Department of sports, arts, culture and recreation	10 424 255	1 144 810
Functional fire and rescue grant	1 626 821	-
	103 838 221	**88 362 865**
	260 909 048	**218 600 197**

The Municipal Infrastructure Grant increase is due to additional funding granted to the municipality.

The grant received for fire and rescue is a new grant for this year.

The Integrated National Electrification Programme grant has been reduced due to a programme of Government to redirect funds due to Covid19.

Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members, and to partially fund operational activities of the municipality.
All registered indigents are provided with free basic services which is funded from the equitable share.

Current-year receipts	133 623 000	107 047 000
Transferred to revenue	(133 623 000)	(107 047 000)
	-	-

Department Sport, Arts, Culture and Recreation Grant (vote - Community services)

Opening balance	6 976 493	246 780
Current year receipts	16 300 000	17 833 533
Conditions met - transfer to revenue	(20 224 255)	(11 103 820)
	3 052 238	**6 976 493**

Conditions still to be met - remain liabilities (see note 18).

Application for roll over submitted on the 31 July 2021 to Provincial Treasury. Funds are committed. For the 2019/2020 financial year, the application was partially approved and R687 203 has to be returned. It will be deducted from the 2021/2022 allocation.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Transfers and subsidies (continued)

Municipal Infrastructure Grant (vote - Engineering services)

Balance unspent at beginning of year	10 326 467	5 902 844
Current-year receipts	51 204 000	41 786 000
Conditions met - transferred to revenue	(61 530 467)	(37 362 377)
	-	**10 326 467**

Water Services Infrastructure Grant (vote - Engineering services)

Balance unspent at beginning of year	-	49 199
Current-year receipts	15 825 000	15 000 000
Conditions met - transferred to revenue	(15 825 000)	(15 049 199)
	-	-

Integrated National Electrification Programme (vote - Engineering services)

Balance unspent at beginning of year	2 583 041	5 653 690
Current-year receipts	15 600 000	34 158 000
Conditions met - transferred to revenue	(17 292 706)	(37 228 649)
	890 335	**2 583 041**

Conditions still to be met - remain liabilities (see note 18).

Application for roll over will be submitted on 31 August 2021 to National Treasury. Funds are committed.

Functional Fire and Rescue Grant

Current-year receipts	2 700 000	-
Transferred to revenue	(1 626 821)	-
	1 073 179	**-**

Conditions still to be met - remain liabilities (see note 18).

Application for roll over submitted on 31 July 2021 to Provincial Treasury. Funds are committed.

Environmental Subsidy (vote - Community services)

Current-year receipts	3 624 989	3 082 949
Transferred to revenue	(3 624 989)	(3 082 949)
	-	-

Provincial Health Subsidy

Current-year receipts	3 752 238	3 853 213
Conditions met - transferred to revenue	(3 752 238)	(3 853 213)
	-	-

Expanded Public Works Progamme (vote - Community services)

Current-year receipts	1 708 000	1 564 000
Transferred to revenue	(1 708 000)	(1 564 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Transfers and subsidies (continued)

Finance Management Grant (vote - Financial services)

Current-year receipts	1 550 000	1 550 000
Transferred to revenue	(1 550 000)	(1 550 000)
	-	-

Disaster management grant (COVID-19)

Current-year receipts	-	718 000
Conditions met - transferred to revenue	-	(718 000)
	-	-

Summary of conditional & unconditional grants & subsidies received

Unconditional grants received	140 638 928	117 097 162
Conditional grants: conditions met - transferred to revenue	117 516 169	101 351 463
	258 155 097	**218 448 625**

Unspent conditional grants - remain liabilities (see note 18).

The grants are utilised in accordance with the conditions outlined in the DORA..

Summary of unspent conditional grants

Municipal Infrastructure Grant	-	10 478 038
Department Sport, Arts, Culture and Recreation Grant	3 052 238	6 976 493
Integrated National Electrification Programme	890 335	2 583 041
Functional Fire & Rescue grant	1 073 179	-
	5 015 752	**20 037 572**

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act of 2020), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years. The conditions of the various conditional grants are prescribed in the Division of Revenue Act and by the funder.

30. Developers' contributions

Developers' contributions	80 477 183	3 547 793
Donations received	2 000 000	-
	82 477 183	**3 547 793**

Developer contributions increased due to take on of infrastructure at Savanna City during the financial year.

A donation was received from Gauteng Department of Sports, Arts, Culture and Recreation for the transfer of multi-purpose sport court and mobile containers at Bantu Bonke Sport Centre.

31. Fines, Penalties and Forfeits

Overdue books fines	59 771	149 612
Pound fees fines	12 403	5 926
Municipal traffic fines	64 298 450	37 922 050
	64 370 624	**38 077 588**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

31. Fines, Penalties and Forfeits (continued)

The procurement of traffic fine software plus the new mobile fine combi has assisted in increasing levied fines. Reduced covid lockdown levels resulted in increased traffic fine income, due to contraventions.

32. Revenue

Service charges	739 146 188	669 531 001
Property rates	253 451 915	242 116 838
Government grants & subsidies	260 909 048	218 600 197
Developers'contributions	82 477 183	3 547 793
Fines, penalties and forfeits	64 370 624	38 077 588
Investment income	30 456 264	34 702 573
Sale of goods and rendering of services	6 452 755	4 720 077
Operational revenue	3 190 735	6 426 695
Rental of facilities and equipment	1 014 402	1 213 813
	1 441 469 114	**1 218 936 575**

The amount included in revenue arising from exchanges of goods or services disclosed in the statement of financial performance are as follows:		
Service charges	739 146 188	669 531 001
Investment income	30 456 264	34 702 573
Sale of goods and rendering of services	6 452 755	4 720 077
Operational revenue	3 190 735	6 426 695
Rental of facilities and equipment	1 014 402	1 213 813
	780 260 344	**716 594 159**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Government grants & subsidies	260 909 048	218 600 197
Property rates	253 451 915	242 116 838
Transfer revenue		
Developers' contributions	82 477 183	3 547 793
Fines, penalties and forfeits	64 370 624	38 077 588
	661 208 770	**502 342 416**

33. Bulk purchases

Electricity	333 403 263	300 621 707
Water	127 048 576	132 057 693
	460 451 839	**432 679 400**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

33. Bulk purchases (continued)

Electricity losses

	Units 2021	Units 2020		
Units purchased	275 610 400	259 527 678	333 403 263	300 621 707
Units sold	(225 141 320)	(225 063 514)	(272 351 299)	(260 700 432)
Total loss	**50 469 080**	**34 464 164**	**61 051 964**	**39 921 275**
Comprising of:				
Technical losses	15 140 724	15 571 158	18 315 589	18 036 721
Non-technical losses	35 328 356	18 893 006	42 736 375	21 884 554
Total	**50 469 080**	**34 464 164**	**61 051 964**	**39 921 275**
Percentage Loss:				
Technical losses			5 %	6 %
Non-technical losses			13 %	7 %
Total			**18 %**	**13 %**

Figures in Rand			2021	2020

33. Bulk purchases (continued)

Water losses

	Units 2021	Units 2020		
Opening balance of water stock	47 185	53 644	467 132	493 525
Units purchased	13 018 780	12 983 585	127 048 576	132 057 694
Units sold	(8 079 345)	(8 993 204)	(78 845 276)	(91 471 024)
Revaluation adjustment on unit price of stock on hand	-	-	59 069	23 331
Closing balance of water stock	(80 046)	(47 185)	(846 890)	(467 132)
Total	**4 906 574**	**3 996 840**	**47 882 611**	**40 636 394**
Comprising of:				
Technical losses	4 072 456	2 000 504	39 742 567	20 345 126
Non-technical losses	834 117	1 996 336	8 140 044	20 291 268
Total	**4 906 573**	**3 996 840**	**47 882 611**	**40 636 394**
Percentage Loss:				
Technical losses			32 %	15 %
Non-technical losses			6 %	15 %
Total			**38 %**	**30 %**

Cost of free basic services		
Cost of free basic water	4 067 819	6 181 704
Cost of free basic electricity	1 545 621	637 899
	5 613 440	**6 819 603**

Electricity bulk purchases		
Cost of electricity billed	270 805 678	260 062 533
Electricity technical losses	18 315 589	18 036 721
Electricity non-technical losses	42 736 375	21 884 554
Free basic electricity	1 545 621	637 899
	333 403 263	**300 621 707**

Water bulk purchases		
Cost of water billed	74 777 457	85 239 596
Water technical losses	40 008 739	20 345 126
Water non-technical losses	8 194 561	20 291 268
Free basic water	4 067 819	6 181 704
	127 048 576	**132 057 694**

The Municipality is required to report on water losses in terms of MFMA Circular 71 issued by National Treasury, and has been reported accordingly.

The Municipality is of the view that the methodology outlined in MFMA Circular 71 is an over simplification and does not take into account various components in the calculation.

The Municipality has also disclosed the water loss calculation as outlined by the International Water Association (IWA) which is a more detailed and comphrehensive calculation. The calculations have been varified by expects in the field, in line with the IWA guideline which is a more reliable and accurate calculation:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

33. Bulk purchases (continued)

	2021	2020
• Water Loss (Based on IWA guidelines)	38.00%	27.48%

34. Employee related costs

	2021	2020
Basic	180 250 717	168 325 086
Pension	35 320 025	32 772 237
Medical aid - company contributions	17 906 252	16 204 850
Overtime payments	14 278 333	15 893 415
Bonus	14 253 503	13 496 855
Car allowance	11 484 150	10 291 723
Standby allowance	6 688 338	6 642 686
Redemption of leave	2 942 295	1 624 425
Telephone allowance	1 834 180	1 779 528
Housing benefits and allowances	1 659 167	1 536 500
UIF	1 324 914	1 313 527
Social contributions	268 550	276 939
Post retirement medical contribution	(75 517)	464 951
	288 134 907	**270 622 722**

Remuneration of Municipal Manager

	2021	2020
Annual Remuneration	780 704	1 730 441
Car Allowance	240 000	64 000
Contributions to UIF, Medical and Pension Funds	140 143	136 310
Other	30 000	15 700
Leave pay	-	119 904
	1 190 847	**2 066 355**

Remuneration of Chief Financial Officer

	2021	2020
Annual Remuneration	939 620	38 906
Contributions to UIF, Medical and Pension Funds	1 903	158
Other	24 960	-
Leave pay	15 368	-
	981 851	**39 064**

Remuneration of ED Community Services

	2021	2020
Annual Remuneration	1 365 923	1 275 726
Car Allowance	216 000	216 000
Contributions to UIF, Medical and Pension Funds	325 175	303 190
Other	24 000	24 000
	1 931 098	**1 818 916**

Remuneration of ED Engineering Services

	2021	2020
Annual Remuneration	599 434	-
Car Allowance	160 800	-
Contributions to UIF, Medical and Pension Funds	108 665	-
Other	21 440	-
	890 339	**-**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

34. Employee related costs (continued)

Remuneration of Deputy Municipal Manager

Annual Remuneration	4 106 258	2 002 781
Contributions to UIF, Medical and Pension Funds	1 894	1 896
Other	22 288	24 000
Leave pay	408 954	-
	4 539 394	**2 028 677**

Remuneration of ED Development & Planning

Annual Remuneration	678 005	686 413
Car Allowance	145 614	144 000
Contributions to UIF, Medical and Pension Funds	149 029	142 235
Other	24 000	24 000
	996 648	**996 648**

Acting allowances for Sec 56 appointments

Chief Financial Officer	-	184 716
Executive Director Engineering Services	-	144 850
Deputy Municipal Manager	27 608	199 773
	27 608	**529 339**

Related party disclosure: Executive Director Financial Services
- Property Rates R0 (2020: R1 927)
- Water R0 (2020: R1 286)

35. Depreciation and amortisation

Property, plant and equipment	134 525 255	130 379 239
Intangible assets	10 095	5 647
	134 535 350	**130 384 886**

36. Contracted services

Outsourced Services		
Security Services	20 494 525	17 313 992
Connection/Dis-connection services	12 259 995	12 327 824
Personnel and labour	5 821 442	4 722 348
Clearing and grass cutting services	2 562 432	2 418 290
Call centre	2 444 978	2 051 625
Removal of structures and illegal signs	2 283 442	2 219 621
Refuse Removal	851 660	-
Hygiene services	1 284 943	1 316 423
Business and advisory	1 264 339	904 921
Burial services	1 243 699	1 278 093
Meter management	1 075 805	1 011 309
Traffic fines management	387 640	196 480
Catering services	281 150	287 313
Litter picking and street cleaning	7 900	-
Transport services	8 400	4 250

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

36. Contracted services (continued)

Consultants and Professional Services		
Business and advisory	10 452 752	10 030 314
Legal	3 915 341	4 329 022
Infrastructure and planning	839 138	1 021 770
Contractors		
Maintenance of buildings and facilities	37 293 203	44 969 787
Tracing agents and debt collectors	1 714 146	851 722
Artists and performers	-	180 000
Catering services	51 464	19 013
Safeguard and security	37 271	5 374
Sports and recreation	27 204	-
Plants, flowers and other decorations	25 725	19 349
Pest control and fumigation	24 087	10 980
Stage and sound crew	12 000	5 000
Employee wellness	8 250	5 320
Fire services	3 813	5 720
Medical services	3 780	37 525
Transportation	-	32 396
Audio-visual Services	594	-
	106 681 118	**107 575 781**

37. Debt impairment

Contributions to debt impairment provision	120 600 490	86 917 754

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

38. Operating cost

IT expenses	7 246 414	5 602 268
Hire	6 607 219	9 092 533
Advertising	5 875 195	4 530 242
Insurance	5 089 699	5 002 300
Commissions	4 317 521	3 320 141
SALGA membership fees	3 370 695	3 160 863
Auditors remuneration	3 259 055	3 398 870
Protective clothing	3 036 487	2 569 829
Skills development levy	2 116 727	1 879 064
Workmen's compensation fund	1 344 903	1 255 764
Bank charges	1 142 814	1 109 826
Vehicle license fees	1 057 921	568 273
Consumables	1 041 965	1 070 456
Postage and courier	965 652	359 234
Employee bursary	879 505	181 101
Remuneration to ward committee	799 500	714 998
Vehicle tracking	383 665	753 321
Radio and TV transmissions	328 050	199 686
Delivery expenses	285 747	219 166
Printing and stationery	248 864	465 510
Telephone and fax	192 416	234 545
Travel - local	92 198	297 770
Membership and registration fees	37 456	92 670
Achievements and awards	22 032	21 093
Entertainment	18 157	13 795
Cleaning	12 544	6 616
Non capital assets expensed	1 446	14 256
Toll gate fees	15 760	4 259
Indigent relief	-	215 487
Travel - overseas	-	209 156
Valuation roll	-	29 610
	49 789 607	**46 592 702**

39. Finance costs

Long term loans	15 729 238	13 433 058
Finance leases	1 741 512	5 134 877
Interest cost on landfill site provision	12 427 277	4 923 553
	29 898 027	**23 491 488**

40. Consumables

Cost of goods consumed in operations	23 544 077	15 435 317

Consumables include materials and supplies, stores consumables, computer expenses, stationery and copy charges.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

41. Remuneration of councillors

Councillors and Section 79 Committee Members	7 123 564	7 320 919
Mayoral Committee Members	3 585 608	3 536 934
Executive Major	938 250	938 250
Speaker	755 879	755 877
Chief Whip	418 388	418 388
	12 821 689	**12 970 368**

Remuneration of the Executive Mayor:

Allowance	893 850	893 850
Telephone	44 401	44 401
	938 251	**938 251**

Remuneration of the Mayoral Committee Members:

Allowance	2 655 764	2 578 411
Travel	682 060	773 523
Telephone	247 783	185 000
	3 585 607	**3 536 934**

Remuneration of the Chief Whip:

Allowance	284 087	284 087
Travel	89 901	89 901
Telephone	40 400	44 400
	414 388	**418 388**

Remuneration of the Speaker:

Allowance	715 079	715 077
Telephone	40 800	40 800
	755 879	**755 877**

Remuneration of the Section 79 Committee Members:

Allowance	1 396 770	1 134 428
Travel	355 453	317 639
Telephone	224 713	173 900
	1 976 936	**1 625 967**

Remuneration of the Councillors:

Allowance	3 165 007	3 734 312
Travel	1 286 311	1 172 540
Telephone	695 310	788 100
	5 146 628	**5 694 952**

Figures in Rand	2021	2020

41. Employee related costs (continued)

Councillors are remunerated in terms of the Remuneration of the Public Office Bearers Act.

Related party disclosure
Balances outstanding by Councillors:

Cllr MM Magagula	R16 006
Cllr FW Peters	R 6 413

The information is disclosed in terms of sec 125 of MFMA and POPI. Requirements have been adhered to in terms of IB processing.

In-kind benefits

2021

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time.
Each is provided with an office and secretarial support at the cost of the Council.
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.
The Mayor has four full-time bodyguards. As per the 2016 security assessment, the Speaker has one bodyguard.

2020

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time.
Each is provided with an office and secretarial support at the cost of the Council.
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.
The Mayor has four full-time bodyguards. As per the 2016 security assessment, the Speaker has one bodyguard.

42. Transfers and subsidies

	2021	2020
Mayor's Charitable Fund		
Donations	1 212 142	1 301 437

Administered through the donations process. The Mayor donated R500 000 to Standard Bank for Sebenza Mbokodo. Records are held for this donation.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

43. Flows from operating activities

Surplus	207 313 855	76 562 256
Adjustments for:		
Depreciation and amortisation	134 352 996	130 384 886
Loss on sale of assets	1 854 050	7 439 799
Donations of PPE	(79 103 764)	(6 937 200)
Donations of intangibles	-	(924 415)
Debt impairment	17 943 652	63 622 663
Movements in retirement benefit assets and liabilities	1 947 876	1 624 153
Movements in provisions	12 427 277	4 923 552
Inventory write down	19 784	202 152
Changes in working capital:		
Inventories	(273 091)	230 929
Receivables from exchange transactions	(8 435 569)	(51 508 713)
Receivables from non-exchange transactions	(64 455 502)	(19 157 243)
Trade and other payables from exchange transactions	5 856 663	(8 290 364)
VAT	(459 334)	3 671 618
Unspent conditional grants	(14 870 249)	8 033 488
Consumer deposits	1 247 897	1 214 916
Income received in advance for developer contribution	(1 432 261)	8 867 783
	213 934 280	**219 960 260**

44. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	146 064 324	146 064 324
Other receivables from non-exchange transactions	96 818 157	96 818 157
Cash and cash equivalents	451 304 933	451 304 933
	694 187 414	**694 187 414**

Financial liabilities

	At amortised cost	Total
Loans	159 884 637	159 884 637
Lease obligation	23 242 978	23 242 978
Trade and other payables from exchange transactions	169 628 096	169 628 096
Consumer deposits	19 778 405	19 778 405
	372 534 116	**372 534 116**

2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	102 802 699	102 802 699
Other receivables from non-exchange transactions	85 132 360	85 132 360
Cash and cash equivalents	400 046 962	400 046 962

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

44. Financial instruments disclosure (continued)

	587 982 021	**587 982 021**

Financial liabilities

	At amortised cost	Total
Loans	165 034 617	165 034 617
Lease obligations	21 397 839	21 397 839
Trade and other payables from exchange transactions	163 771 433	163 771 433
Consumer deposits	18 530 508	18 530 508
	368 734 397	**368 734 397**

Financial instruments in Statement of financial performance

2021

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	37 013 690	37 013 690
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(29 898 027)	(29 898 027)
Impairment loss	(120 600 490)	(120 600 490)
	(113 484 827)	**(113 484 827)**

2020

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	40 685 534	40 685 534
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(23 491 488)	(23 491 488)
Debt impairment	(86 917 754)	(86 917 754)
	(69 723 708)	**(69 723 708)**

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	45 105 054	79 215 211

Total capital commitments		
Already contracted for but not provided for	45 105 054	79 215 211

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

45. Commitments (continued)

Authorised operational expenditure

Already contracted for but not provided for		
• Expenditure	93 907 123	22 900 743
Total operational commitments		
Already contracted for but not provided for	93 907 123	22 900 743

Total commitments

Total commitments		
Authorised capital expenditure	45 105 054	79 215 211
Authorised operational expenditure	93 907 123	22 900 743
	139 012 177	**102 115 954**

This committed expenditure relates to property, plant and equipment and will be financed by cash backed accumulated surplus, grant funding, developer contributions and loans.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

46. Contingencies

Contingent liabilities arising from third party claims and litigation

Name	Case no		2021	2020
TW Peeters	144656	Defamation case	-	10 000 000
* RJ Du Toit & A Barzan Boederye CC	28803/2016 0813-12238	Stolen electrical cable resulting in house burnt down	-	4 500 000
MA Ramaoka	38281/2010	Minister of Police and MM defending an unlawful arrest claim as the second defendant	642 389	500 000
PL Khadebe/Ncube	29665/15	Applied for rescission of judgement regarding transfer of property back into her name	525 000	525 000
Mr and Mrs Ferreira Erf 702 Golf Park	158465-842641	Property damages by a broken sewerage pipe	9 250 917	-
Luigi Giacomozzi	158465-842641	Property damages as a result of leaking sewerage pipe / sinkholes	-	1
AN Jwili: DK76BHGP	145110	Former employee injured in a car accident	300 000	300 000
P Venter	123004	Lack of stop sign or warning of the imminent crossing	71 337	71 337
OUTsurance/ C Bosschieter	875/2021	Car damaged as a result of a ditch/pothole	78 967	-
King Price Insurance / MA Makhananise	166791-850230	Car damaged as a result of a pothole	102 675	-
M Jardine/ Pet Kingdom	CLCBP-167858	Fallen branch damaged palisade and electrical fence	-	1
OUTsurance/ L Bodemer	168680-851884	Car damaged by ditches	247 647	-
Johan Els	169103-852215	Car damaged by potholes	-	1
ESKOM - ESA24:F15kom	18234/2011	Supply area dispute - amount unknown	-	-
King Price Insurance: W Bezuidenhout	711/2020	Claim for damage as a result of alleged pothole	42 874	100 000
IW Chase & de Beer	148118	Third party property damaged by veld fire	92 800	92 800
M Gouws	154473	Injury due to extraction of tooth at the clinic	-	501 000
A Tsukudu	144656	Defamation case	26 000 000	26 000 000
King Price Insurance: MW Ellis	CLCBP-150302	Vehicle damaged due to pothole	-	43 520
			37 354 606	**42 633 660**

* The Midvaal Local Municipality potentially has no financial exposure to R4 500 000 (2018 - R9 788 719) of the above contingent liabilities, as a claim was submitted in terms of the municipality's insurance portfolio.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

47. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note 6
Councillors	Refer to note 41
Members of key management	Refer to note 33
Close family member of key management	There were no transactions between close family members of key management
Joint venture of key management	None
Associate of close family member of key management	None
Post employment benefit plan for employees of entity and/or other related parties	Refer to note 19

48. 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.

The majority of items mentioned had to be addressed to emergency circumstances. The balance of items were due to circumstances where it was impractical or impossible to follow a competetive bidding process.

Class	2021	2020
Emergency	2 819 174	4 924 621
Sole providers/Accredited agents	1 824 731	87 822
Impractical or impossible to follow the process	3 588 689	3 997 371
	8 232 594	**9 009 814**

49. Prior period adjustments

The correction of the error(s) results in adjustments due to assets capitalised in incorrect periods, as follows:

Statement of financial position

Non-current assets	Audited balance 2020	Prior period error	Reclassification	Total
Propery, plant and equipment	1 967 002 951	30 783	(5 273 459)	1 961 760 275
Investment properties	44 322 574	-	5 273 459	49 596 033
	2 011 325 525	**30 783**	**-**	**2 011 356 308**

Current liabilities	Audited balance 2020	Prior period error	Reclassification	Total
Trade and other payables from exchange transactions	163 619 861	151 571	-	163 771 432
Unspent conditional grants and receipts	20 037 572	(151 571)	-	19 886 001
	183 657 433	**-**	**-**	**183 657 433**

49. Prior period adjustments (continued)

Net Assets	Audited balance 2019	Prior period error	Reclassification	Total
Accumulated surplus	-	182 354	-	182 354

Statement of financial performance

Revenue from non-exchange transactions	Audited balance 2020		Prior year error	Total
Transfers and subsidies	218 448 626	-	151 571	218 600 197

50. Comparative figures

Certain comparative figures have been reclassified. (Total remains the same):

	Audited balance 2020	Reclassification	Total
Interest income - revenue from exchange transactions	40 685 534	(3 356 381)	37 329 153
Interest income - revenue from non-exchange transactions	-	3 356 381	3 356 381
Operating cost	51 516 255	(4 923 553)	46 592 702
Finance cost	18 567 935	4 923 553	23 491 488
	110 769 724	**-**	**110 769 724**

Interest income was reclassified between interest from exchange and non-exchange transactions.

Finance cost on the landfill site rehabilitation cost has been reallocated from operating cost to finance cost in line with IGRAP2.

51. Risk management

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

The table below analyses the municipality’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2021	Less than 1 year	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	169 628 096	-	-
Long term loans	27 977 256	74 247 241	57 660 140
Consumer deposits	19 778 405	-	-
Finance lease obligations	7 158 272	16 084 706	-

At 30 June 2020	Less than 1 year	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	163 619 861	-	-
Long term loans	26 602 361	88 571 765	49 860 490
Consumer deposits	18 530 508	-	-
Finance lease obligations	6 978 651	14 419 188	-

51. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating,risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality.

Financial instrument	2021	2020
Cash and cash equivalents	451 304 933	400 046 962
Receivables from exchange transactions	146 064 324	102 802 699
Receivables from non-exchange transactions	96 818 157	85 132 360

Market risk

Interest rate risk

As the municipality carries a significant amount of cash invested throughout the year. An increase or decrease in the prime interest rate will have an impact on the interest income.

52. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 2 371 322 542 and that the municipality's total assets exceed its liabilities by R 2 371 322 542.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is based on liquidity factors in the absence of any other factors that pose a threat to the municipality's going concern.

As at 30 June 2021, the following liquidity ratio's were measured in terms of MFMA Circular 71 and it was concluded that there are no indications that negates the going concern principle:

Current ratio: 3.06 (2020: 2.5)
Cost coverage: 5.51 (2020: 5.2 months)

53. Events after the reporting date

As at 30 June 2021, and post the statement of financial position date, the National Disaster Act remains in force, resulting in a level 3 national lockdown of movement of people and restrictions placed on trading by businesses.

Post statement of financial position date, the lockdown level has been adjusted and stands at an adjusted level 3.

The negative impact on trading operations is expected to continue albeit to a much lesser extent due to Govenrment's current vaccination roll-out program. It remains uncertain as to when the state of National Disaster will be completely lifted, amongst speculation of a more waves of the COVID-19 pandemic.

It should be noted that the Municipal Manager resigned the 27 August 2021 and the position is currently vacant.

Subsequent to the municipal elections which was held on 1 November 2021, the newly elected governance structure is as follows:

Executive Mayor PJ Teixira

53. Events after the reporting date (continued)

Speaker	A McLoughlin
Chief Whip	PC Pretorius
Mayoral Committee	C Gomes (MMC: Corporate)
	T Modiba (MMC: Community)
	JG Viljoen (MMC: Engineering)
	M Motsamai (MMC: Development & Planning)
	PD Hutcheson-Pretorius (MMC: Finance)
Councillors	FW Peters
	J Mazibuko (PR Cllr)
	M Myburgh (PR Cllr)
	MC Kruger
	ML Modikeng (PR Cllr/ANC Whip)
	MM Ndebele
	SMA Janse van Rensburg
	TS Mofokeng
	CG Pypers (PR Cllr)
	LTH Visser
	G Nkoe
	A Maimane
	L Kolisang
	T Dickinson
	E Jordaan
	ST Molakeng
	T Mokhomo
	C Mboweni
	S Hoyane
	O Brits
	P Lehloka

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

54. Fruitless and wasteful expenditure

Opening balance as previously reported	54 376	26 000
Opening balance as restated	**54 376**	**26 000**
Add: Expenditure identified - current	65 230	54 376
Add: Expenditure identified - prior period	4 233 521	-
Less: Amounts recoverable - current	(43 934)	-
Less: Amounts recoverable - prior period	(8 776)	(26 000)
Less: Amount written off - current	(21 296)	-
Less: Amount written off - prior period	(2 963 248)	-
Closing balance	**1 315 873**	**54 376**

2020/2021

1. The interest amount of R8776 was recovered from ABSA as a result of their negligence in processing a cheque. Internal controls have improved including the cancellation of cheques.

2. Firearms to the value of R45 600 were not received. This amount was investigated through the Section 32 MFMA processes and applicable policies. MPAC resolved on writing off the amount as irrecoverable.

3. Resurfacing of Meyer Street: R43 934 - Section 32 of MFMA processes were followed and consequences management effected. This resulted in a resignation and recoupment of R43 934

4. An erroneous payment amounting to R21 296 was made. The municipality tried to recoup the monies from the service provider. This amount was investigated through the Section 32 MFMA processes and applicable policies. MPAC resolved on writing off the amount as irrecoverable.

5. Duplicate advertising relating to a position R37 355.

6. Pump repairs totalling R900 873 were done and paid for, while the product was still under warranty. A macerator motor to the value of R415 000 was missing and could not be found. The amount of R1 315 873 was investigated in terms of Section 32 MFMA processes and applicable Municipal Policies.This Fruitless and Wasteful is alleged to be a result of poor supplier management.

   The Disciplinary Processes is currently underway in line with applicable SALGBA process.

   This note is a disclosure requirement and not a confirmation of a guilty verdict on any party by Management.

7. An amount of R2 880 293 relates to the expenditure of the previous contract for Meyer Street. It was concluded that this amount should be written off.

2019/2020

Interest of R8,776 was paid to SARS for late payment of PAYE, and R45,600 was in respect of firearms which was paid upfront in order to be registered, however, the firearms were not received. No criminal or disciplinary steps were taken against any employees in this regard as non of the expenditure could be attributed to gross negligence. The municipality has after year end recovered the interest of R8,776.

Figures in Rand	2021	2020

55. Irregular expenditure

	2021	2020
Opening balance as previously reported	4 965 959	1 833 099
Opening balance as restated	**4 965 959**	**1 833 099**
Add: Irregular Expenditure - current	68 165	4 965 958
Add: Irregular Expenditure - prior period	5 393 435	-
Less: Amount written off - current	(68 165)	(1 690 072)
Less: Amount written off - prior period	(10 359 394)	(143 026)
Closing balance	**-**	**4 965 959**

2020/2021

This expenditure relates to the Meyer Street rehabilitation from 2018/2019 & 2019/2020. Investigations were undertaken as per Section 32 of the MFMA and applicable policies. The irregular expenditure disclosure is due to the fact that even though the Municipality did not suffer a financial loss, no value was derived as another contractor had to correct the previous work.

The amount of R4 965 959 disclosed in the prior year was as a result of a preliminary investigation which was underway at the time of preparing the disclosure.

The investigation has since been completed and it was concluded that the total amount should be, R10 359 435, and be written off as irrecoverable, the additional R5 393 435 relates to the current year disclosure.

The UIFW Disclosure is evidence of the effectiveness of the Municipal System of Internal Controls and stance on Anti-corruption. The awards disclosed herein relates to prior year awards, discovered in current year.

An amount of R68 165 relates to a contract which had expired, however, the service was still rendered.This amount was investigated through the Section 32 MFMA processes and applicable policies. MPAC resolved on writing off the amount as irrecoverable.

2019/2020

A single contract was exceeded by R4,965,958 from the total awarded amount. The preliminary investigation is still underway and the section 32 processes of the MFMA will follow.Thereafter criminal charges or disciplinary processes will unfold.

In terms of section 32 of the MFMA, Internal audit and MPAC have investigated the regulation 32 appointment of 2018/2019 and determined the amount not to have benefited any individuals. No loss suffered by the municipality, therefore the amount is irrecovereable and must be wirtten off.

56. In-kind donations and assistance

2020/2021

A container including furniture totalling R2 000 000 was received from at the Bantu Bonke Sports facility for the year under review.

2019/2020

The municipality received the following items to assist during COVID-19 lockdown:

COMPANY	ITEM SPONSORED	QUANTITY
Top Paints	Sanitisers	335 litres
RMI Bearings	Hand sanitizers	19 x 1l bottles
Sci Chem	Sanitisers	80 litres
Fire Fly Rotary Club (Linda)	Material masks	350

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

56. In-kind donations and assistance (continued)

Pietria Hardware	Cornish crystals	5 kg
Pietria Hardware	Formalin	20 litres

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

	2021	2020
Current year fee	3 370 695	3 160 863
Amount paid - current year	(3 370 695)	(3 160 863)
	-	-

Audit fees

	2021	2020
Current year subscription / fee	3 259 055	3 398 870
Amount paid - current year	(3 259 055)	(3 398 870)
	-	-

PAYE and UIF

	2021	2020
Amount paid - current year	45 766 468	41 647 403

Pension and Medical Aid Deductions

	2021	2020
Amount paid - current year - pension	46 389 937	46 763 248
Amount paid - current year - medical	28 422 869	26 798 735
	74 812 806	**73 561 983**

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor MM Magagula	-	16 006	16 006
Councillor FW Peters	5 390	6 413	11 803
	5 390	**22 419**	**27 809**

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor ML Modikeng	2 220	4 718	6 938

58. Utilisation of Long-term liabilities reconciliation

	2021	2020
Long-term liabilities raised	183 127 615	186 432 456
Used to finance property, plant and equipment	(167 348 233)	(176 644 247)
	15 779 382	**9 788 209**

58. Utilisation of Long-term liabilities reconciliation (continued)

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

59. Disclosure in terms of Section 45 of the Municipal Supply Chain Management Regulations

No awards of more that R2 000 to close family members of persons in the service of the state have been made during the year under review.

60. Budget differences

Material differences between budget and actual amounts

The total expenditure for the year was less that the approved expenditure budget. Refer to the statement of comparison of budget and actual amounts for additional information.. The municipality managed cost containment diligently.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

61. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

62. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Governance and Administration, Community and Public Safety, Economic and Environmental Services and Trading Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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.

Aggregated segments

The municipality operates in Midvaal and surrounding areas in Gauteng Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Gauteng were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	**Goods and/or services**
Governance and administration	Governance and administration and financial services
Community and Public Safety	Community and social services, sport and recreation, public safety and health
Economic and Environmental Services	Planning and development, road transport, environmental protection
Trading Services	Water ane electricity supply, waste management, sanitation and waste management

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

62. Segment information (continued)

Segment surplus or deficit, assets and liabilities

By function

2021

	Statement of Financial Performance			Statement of financial position
	Total segment revenue	Total segment expenditure	Total segment surplus/ (Deficit)	Total segment capital expenditure
Governance and administration				
Executive and council	6 218 000	31 247 150	(25 029 150)	344 753
Finance and administration	458 355 567	168 059 897	290 295 670	9 367 651
Community and public safety				
Community and social services	21 313 363	19 327 664	1 985 699	26 843 448
Sport and recreation	12 337 447	24 653 485	(12 316 038)	13 497 554
Public safety	66 999 425	124 204 934	(57 205 509)	6 326 788
Health	3 752 238	4 129 877	(377 639)	-
Economic and environmental services				
Planning and development	2 893 859	30 914 945	(28 021 086)	48 841
Road transport	6 072 238	58 561 761	(52 489 523)	40 642 721
Environmental protection	3 624 989	3 773 234	(148 245)	-

Notes to the Annual Financial Statements

Figures in Rand			2021	2020

62. Segment information (continued)

Trading services				
Energy sources	402 670 624	432 743 673	(30 073 049)	24 397 958
Water management	329 084 700	223 985 525	105 099 175	94 075 817
Waste water managment	83 302 241	54 023 838	29 278 403	453 763
Waste managment	51 401 849	65 086 702	(13 684 853)	23 583 226
Total	**1 448 026 540**	**1 240 712 685**	**207 313 855**	**239 582 520**

Reportable Segments for the year ended 30 June 2021

2021

	Community and public safety	Economic and environmental services	Trading services	Unallocated	Total
Segment revenue					
External revenue from non-exchange transactions	101 964 185	9 697 227	142 767 380	413 337 404	667 766 196
External revenue from exchange transactions	2 435 124	2 893 859	723 461 895	21 013 202	749 804 080
Interest revenue	-	-	-	30 456 264	30 456 264
Total	**104 399 309**	**12 591 086**	**866 229 275**	**464 806 870**	**1 448 026 540**
Segment expenses					
Total segment expenses	(164 015 958)	(53 006 224)	(666 466 847)	(192 790 279)	(1 076 279 308)
Depreciation and amortisation	(8 581 260)	(34 728 287)	(83 349 605)	(7 876 198)	(134 535 350)
Interest expense	(122 000)	(5 515 430)	(21 281 305)	(2 979 292)	(29 898 027)
Total	**(172 719 218)**	**(93 249 941)**	**(771 097 757)**	**(203 645 769)**	**(1 240 712 685)**
Surplus for the year	**(68 319 909)**	**(80 658 855)**	**95 131 518**	**261 161 101**	**207 313 855**