

MOGALE CITY LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021



City of Human Origin.

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structure Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business	Local government (Municipality). The principal activities of the city are to: provide democratic and accountable government to the local municipalities, ensure sustainable service delivery to communities, promote social and economic development, promote a safe and healthy environment and encourage the involvement of communities and community organisations in the matters of local government.
Legislation governing the municipality's operations	Municipal Finance Management Act (Act 56 of 2003) Municipal Systems Act (Act 32 of 2000) Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of South Africa (Act 108 of 1998) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 Of 2007) and various other acts and regulations
Members of Council	
Executive Mayor	Cllr F.M. Makgatho
Speaker	Cllr N.C. Mangole
Chief Whip	Cllr S.I. Dube
Municipal Public Accounts Committee	Cllr D.S. David
Members of Mayoral Committee	MMC LED and Rural Development: Cllr T.P. Moeketsi MMC Finance: Cllr N.M. Sedumedi MMC Utility Management Services: Cllr T.I. Nzwane MMC Public Works, Roads and Transport: Cllr M.B. Mdlane MMC Corporate Support Services & Strategic Management Services: Cllr M. Khuzwayo MMC Intergrated Environmental Management: Cllr M.F. Chohledi MMC Health and Social Development: Cllr N.E. Cindi MMC Sports, Recreation, Arts, Culture and Heritage: Cllr C.M. Ntlatlane-Nzwane MMC Community Safety: Cllr A.K. Setswalo-Moja MMC Human Settlement: Cllr B.E. Nkosi
Councillors	Cllr Mathapelo L. Agondo Cllr Farouk Bhayat Cllr Shabier A. Dabhelia Cllr Lwando G. Resha Cllr Peter Modise Cllr Gilbert K. Gaselebelwe Cllr Velile Khumalo Cllr Mathibe P.J. Madumo Cllr Isaac Mangole Cllr Pelesi J. Makokwe Cllr Lerato Modise Cllr Godfrey I. Moilwanyane Cllr Rabatho J. Mokotla Cllr Benard V. Molefe Cllr Azwindini G. Mutele Cllr Mlungisi Ndamase Cllr Batsheba N. Ngakane Cllr William Ngwako Cllr Paul T. Molapo

General Information

Cllr Mavhungu O. Ramadi
Cllr Molefi J. Selibo
Cllr Susan Silaule
Cllr Meshack D. Sithole
Cllr Komityi Mapetla
Cllr Kenewang A. Molosiwa
Cllr John Koboekae
Cllr Judas Makgopa
Cllr Rakwena B. Seemela
Cllr Maria L. Khoza
Cllr Livingstone Mruquli
Cllr Goitsemodimo A. Tsele
Cllr Wonderful Segolodi
Cllr Bobie S. Tlapu
Cllr Andries S. Eksteen
Cllr Sharon Govinsamy
Cllr Tyrone M. Gray
Cllr Jacobus J Holtzhausen
Cllr Jacques S. Hoon
Cllr Botshe A. Kubayi
Cllr Johannes N. Kotze
Cllr Ntombikayise T. Lebe
Cllr Kagiso E. Lekagane
Cllr Aletta Wentzel
Cllr Edwina Mahne
Cllr Lawrence B. Shabalala
Cllr Lesego L. Lekoto
Cllr Jade Miller
Cllr Ernest Modise
Cllr Margaret Mohube
Cllr Themba E. Mokoena
Cllr Louis W. Moleba
Cllr Maria C.G. Naude
Cllr Lynette E. Du Toit
Cllr Jaqueline L. Pannall
Cllr Pheasant C. Orpen-Reid
Cllr Zillah Wehinger-Maguire
Cllr Chris J. van der Westhuizen
Cllr Lynette W. Zwankhuizen
Cllr Tjaart Steenkamp
Cllr Helena H. Kruger
Cllr David S. Letsie
Cllr Oupa S.S. Moralo
Cllr Molebatsi J. Jim (Deceased)

In the course of the reporting period, the following councillor's ceased to be political office-bearers

Cllr Kelebogile Ngwenya (Deceased)
Cllr Christo A. Kotze (Resigned)

Grading of local authority

High Capacity (Grade 5)

Accounting Officer

Mr M.P. Raedani

Chief Finance Officer

Ms D.S. Diale

General Information

Registered office	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Business address	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Postal address	P.O Box 94 Krugersdorp
Telephone number	011 951 2000
Auditors	Auditor - General South Africa (AGSA) Registered Auditors
Audit Committee members	Mr Bashir Ahmed (Chair) (From July 2020 – June 2021) Mr Luvuyo Malinga (From July 2020 – June 2021) Mr Todani Nemadzhilili (From July 2020 – June 2021) Mr Luyanda Mangquku (From July 2020 - June 2021) Mr Percy Mongalo (From July 2020 - June 2021)
Bankers	Standard Bank of South Africa Limited

Index and Acronyms

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

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Index and Acronyms

AIDS	Acquired Immunodeficiency Syndrome
AGSA	Auditor General South Africa
COIDA	Compensation for Occupational Injuries and Diseases Act
COVID-19	Corona Virus Disease 2019
DBSA	Development Bank of South Africa
DMRE	Department of Mineral Resources
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
HDA	Housing Development Agency
HIV	Human Immunodeficiency Virus
HSDG	Human Settlement Development Grant
INEP	Integrated National Electrification Programme
IUDG	Integrated Urban Development Grant
MBRR	Municipal Budget and Reporting Regulations
MCLM	Mogale City Local Municipality
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
MWIG	Municipal Water Infrastructure Grant
NDPG	Neighbourhood Development Grant
NERSA	National Electricity Regulator of South Africa
SDBIP	Service Delivery and Budget Implementation Plan
SRAC	Sports, Recreation, Arts and Culture
VAT	Value Added Tax
WRDM	West Rand District Municipality
WSIG	Water Services Infrastructure Grant

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

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

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

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

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

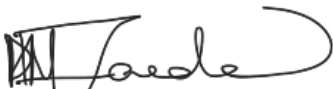
The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

I certify that the salaries, Allowances and benefits of councillors as disclosed in note 35 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 Government's determination in accordance with the Act.

The External Auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 9 to 106, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 31 August 2021.



Accounting Officer
M.P. Raedani

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	2	15 336 759	17 027 979
Receivables from non-exchange transactions	3	279 914 861	198 843 687
Receivables from exchange transactions	4	348 315 962	320 188 384
Cash and cash equivalents	5	64 924 661	98 336 387
Operating lease asset	7	84 604	96 044
VAT receivable	8	62 357 203	22 541 796
		770 934 050	657 034 277
Non-Current Assets			
Living resources	6	2 734 560	2 378 439
Investment property	9	698 725 521	692 045 241
Property, plant and equipment	10	5 660 828 901	5 716 792 516
Intangible assets	11	3 045 771	5 045 431
Heritage assets	12	2 450 275	2 450 275
Financial assets	13	598 971	575 254
		6 368 383 999	6 419 287 156
Total Assets		7 139 318 049	7 076 321 433
Liabilities			
Current Liabilities			
Operating lease liability	7	76	256 093
Employee benefit obligation	14	14 281 587	18 321 186
Finance lease obligation	15	12 852 428	22 008 858
Unspent conditional grants and receipts	16	37 408 013	6 488 097
Provisions	17	8 447 171	17 531 308
Payables from non-exchange transactions	18	101 998 774	81 631 512
Payables from exchange transactions	19	996 021 913	990 888 098
Financial liabilities	20	30 112 356	36 172 971
Sundry deposits	21	12 679 550	12 244 629
Consumer deposits	22	63 775 537	61 027 726
		1 277 577 405	1 246 570 478
Non-Current Liabilities			
Employee benefit obligation	14	231 342 680	202 043 939
Finance lease obligation	15	1 045 769	13 895 841
Provisions	17	106 649 024	75 268 345
Financial liabilities	20	219 078 232	249 190 588
		558 115 705	540 398 713
Total Liabilities		1 835 693 110	1 786 969 191
Net Assets		5 303 624 939	5 289 352 242
Social Responsibility		34 454 398	28 514 391
Accumulated surplus		5 269 170 541	5 260 837 851
Total Net Assets		5 303 624 939	5 289 352 242

* See Note 46

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	1 739 483 880	1 638 699 982
Rental of facilities and equipment	25	5 866 035	7 470 851
Income from agency services	26	26 986 584	20 178 045
Licences and permits		32 041	8 813
Operational revenue	27	40 753 787	81 523 992
Interest received - Outstanding debtors	28	33 440 418	46 723 223
Interest received - Investment	29	3 898 658	2 537 207
Dividends received	29	23 424	26 079
Total revenue from exchange transactions		1 850 484 827	1 797 168 192
Revenue from non-exchange transactions			
Taxation revenue			
Statutory income: Property rates	30	504 064 488	563 272 028
Transfer revenue			
Transfers & subsidies	31	755 688 833	652 791 495
Fines, Penalties and Forfeits	32	109 732 341	38 415 862
Fair value adjustments	33	6 703 997	40 103 599
Total revenue from non-exchange transactions		1 376 189 659	1 294 582 984
Total revenue		3 226 674 486	3 091 751 176
Expenditure			
Employee related costs	34	(857 225 008)	(833 426 867)
Remuneration of councillors	35	(34 492 007)	(33 585 528)
Depreciation and amortisation	36	(247 958 507)	(241 557 121)
(Impairment loss)/Reversal of impairments	37	(18 073)	(490 977)
Finance costs	38	(38 462 789)	(49 378 336)
Debt Impairment	39	(214 113 648)	(243 916 222)
Collection costs	40	(32 156 852)	(38 378 640)
Bulk purchases	41	(1 171 320 897)	(1 079 891 069)
Contracted services	42	(477 852 070)	(402 325 396)
Transfers and Subsidies		(346 246)	(1 700 867)
Operational costs	43	(141 827 838)	(158 627 815)
Total expenditure		(3 215 773 935)	(3 083 278 838)
Surplus for the year		10 900 551	8 472 338

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Social Responsibility	Accumulated surplus	Total net assets
Balance at 01 July 2019	23 871 526	5 284 024 223	5 307 895 749
Changes in net assets			
Surplus for the year	-	8 472 338	8 472 338
Social Responsibility	4 642 865	-	4 642 865
Total changes	4 642 865	8 472 338	13 115 203
Restated* Balance at 01 July 2020	28 514 391	5 260 837 851	5 289 352 242
Changes in net assets			
Surplus for the year	-	10 900 551	10 900 551
Social Responsibility	5 940 007	-	5 940 007
Total changes	5 940 007	10 900 551	16 840 558
Balance at 30 June 2021	34 454 398	5 269 170 541	5 303 624 939

Note(s)

Mogale City Local Municipality established a 1% Corporate Social Responsibility (CSR) levy during the financial year that ended on 30 June 2010. All Suppliers/Service Providers that are situated outside the borders of the Municipality that are awarded a tender through the Supply Chain Management processes, are obliged to contribute a 1% levy of all the payments that the Municipality makes to them throughout the tender tenure to the Municipality's CSR Fund.

* See Note 46

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 858 264 988	1 688 166 196
Property rates		504 064 488	563 272 028
Interest income		37 339 076	49 260 430
Dividends received		23 424	26 079
Grants		786 608 749	659 140 763
		3 186 300 725	2 959 865 496
Payments			
Employee costs		(866 457 873)	(898 923 321)
Suppliers		(1 635 120 168)	(1 260 821 815)
Finance costs		(38 462 789)	(49 378 336)
Other payments		(432 483 618)	(474 704 591)
		(2 972 524 448)	(2 683 828 063)
Net cash flows from operating activities	44	213 776 277	276 037 433
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(191 963 856)	(192 971 429)
Derecognition of property, plant and equipment	10	3 303 152	978 241
Purchase of intangible assets	11	(347 826)	(5 246 217)
Derecognition of heritage assets	12	-	49 260
Investment Property- Derecognition		-	9 121 024
Net cash flows from investing activities		(189 008 530)	(188 069 121)
Cash flows from financing activities			
Repayment of financial liabilities		(36 172 971)	(15 496 950)
Finance lease receipts		(22 006 502)	(34 809 261)
Net cash flows from financing activities		(58 179 473)	(50 306 211)
Net increase/(decrease) in cash and cash equivalents		(33 411 726)	37 662 101
Cash and cash equivalents at the beginning of the year		98 336 387	60 674 286
Cash and cash equivalents at the end of the year	5	64 924 661	98 336 387

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 940 900 272	(235 834 526)	1 705 065 746	1 739 483 880	34 418 134	
Rental of facilities and equipment	9 274 999	(3 981 827)	5 293 172	5 866 035	572 863	
Interest received (Outstanding debtors)	67 850 165	(21 126 942)	46 723 223	33 440 418	(13 282 805)	45.1
Income from agency services	30 567 449	-	30 567 449	26 986 584	(3 580 865)	45.2
Licences and permits	48 671	(16 055)	32 616	32 041	(575)	
Operational revenue	111 578 345	95 534 147	207 112 492	40 753 787	(166 358 705)	45.3
Interest received - investment	7 833 302	(5 102 291)	2 731 011	3 898 658	1 167 647	
Dividends received	-	-	-	23 424	23 424	
Total revenue from exchange transactions	2 168 053 203	(170 527 494)	1 997 525 709	1 850 484 827	(147 040 882)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	578 156 378	(68 019 492)	510 136 886	504 064 488	(6 072 398)	
Transfer revenue						
Transfers and subsidies	726 906 000	65 152 652	792 058 652	755 688 833	(36 369 819)	
Fines, Penalties and Forfeits	59 604 225	(21 188 372)	38 415 853	109 732 341	71 316 488	
Fair value adjustments	-	-	-	6 703 997	6 703 997	
Total revenue from non-exchange transactions	1 364 666 603	(24 055 212)	1 340 611 391	1 376 189 659	35 578 268	
Total revenue	3 532 719 806	(194 582 706)	3 338 137 100	3 226 674 486	(111 462 614)	
Expenditure						
Employee related costs	(910 616 151)	53 391 143	(857 225 008)	(857 225 008)	-	
Remuneration of councillors	(36 126 051)	-	(36 126 051)	(34 492 007)	1 634 044	
Depreciation and amortisation	(306 585 170)	57 374 865	(249 210 305)	(247 958 507)	1 251 798	
Impairment loss/ Reversal of impairments	-	(18 073)	(18 073)	(18 073)	-	
Finance costs	(52 249 364)	13 786 575	(38 462 789)	(38 462 789)	-	
Debt Impairment	(182 299 251)	(32 478 545)	(214 777 796)	(214 113 648)	664 148	
Collection costs	(36 261 927)	4 105 075	(32 156 852)	(32 156 852)	-	
Bulk purchases	(1 216 585 396)	45 264 499	(1 171 320 897)	(1 171 320 897)	-	
Contracted Services	(335 665 470)	(142 186 600)	(477 852 070)	(477 852 070)	-	
Transfers and Subsidies (operational expenditure)	(5 376 268)	2 456 694	(2 919 574)	(346 246)	2 573 328	
Operational costs	(208 356 576)	59 616 612	(148 739 964)	(141 827 838)	6 912 126	
Total expenditure	(3 290 121 624)	61 312 245	(3 228 809 379)	(3 215 773 935)	13 035 444	
Surplus/(deficit)	242 598 182	(133 270 461)	109 327 721	10 900 551	(98 427 170)	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	16 633 847	3 191 190	19 825 037	15 336 759	(4 488 278)	
Receivables from non-exchange transactions	-	-	-	279 914 861	279 914 861	
Receivables from exchange transactions	478 331 252	128 538 775	606 870 027	348 315 962	(258 554 065)	
Cash and cash equivalents	484 338 863	(426 981 963)	57 356 900	64 924 661	7 567 761	
Operating lease asset	-	-	-	84 604	84 604	
VAT receivable	-	25 228 071	25 228 071	62 357 203	37 129 132	
	979 303 962	(270 023 927)	709 280 035	770 934 050	61 654 015	
Non-Current Assets						
Investment property	506 131 485	170 290 458	676 421 943	698 725 521	22 303 578	
Property, plant and equipment	5 850 559 530	83 732 311	5 934 291 841	5 660 828 901	(273 462 940)	
Living resources	-	-	-	2 734 560	2 734 560	
Intangible assets	1 993 489	4 862 840	6 856 329	3 045 771	(3 810 558)	
Heritage assets	-	-	-	2 450 275	2 450 275	
Financial assets	-	724 245	724 245	598 971	(125 274)	
	6 358 684 504	259 609 854	6 618 294 358	6 368 383 999	(249 910 359)	
Total Assets	7 337 988 466	(10 414 073)	7 327 574 393	7 139 318 049	(188 256 344)	
Liabilities						
Current Liabilities						
Employee benefit obligation	-	-	-	14 281 587	14 281 587	
Finance lease obligation	-	-	-	12 852 428	12 852 428	
Unspent conditional grants and receipts	-	-	-	37 408 013	37 408 013	
Provisions	28 816 522	(21 715 554)	7 100 968	8 447 171	1 346 203	
Payables from non-exchange transactions	-	-	-	101 998 774	101 998 774	
Payables from exchange transactions	448 603 667	542 363 600	990 967 267	996 021 913	5 054 646	
Financial liabilities	34 809 261	1 363 709	36 172 970	30 112 356	(6 060 614)	
Sundry deposits	-	-	-	12 679 550	12 679 550	
Consumer deposits	68 921 700	6 279 228	75 200 928	63 775 537	(11 425 391)	
Operating lease liability	-	-	-	76	76	
	581 151 150	528 290 983	1 109 442 133	1 277 577 405	168 135 272	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	231 342 680	231 342 680	
Finance lease obligation	-	-	-	1 045 769	1 045 769	
Provisions	247 501 142	99 800 153	347 301 295	106 649 024	(240 652 271)	
Financial liabilities	313 854 044	(34 967 709)	278 886 335	219 078 232	(59 808 103)	
	561 355 186	64 832 444	626 187 630	558 115 705	(68 071 925)	
Total Liabilities	1 142 506 336	593 123 427	1 735 629 763	1 835 693 110	100 063 347	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets	6 195 482 130	(603 537 500)	5 591 944 630	5 303 624 939	(288 319 691)	
Net Assets						
Reserves						
Social Responsibility Fund	18 130 021	(18 130 021)	-	34 454 398	34 454 398	
Accumulated surplus	6 177 352 109	(585 407 479)	5 591 944 630	5 269 170 541	(322 774 089)	
Total Net Assets	6 195 482 130	(603 537 500)	5 591 944 630	5 303 624 939	(288 319 691)	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	502 996 049	(38 771 483)	464 224 566	504 064 488	39 839 922	
Services charges	1 688 583 237	(136 973 408)	1 551 609 829	1 858 264 988	306 655 159	
Other Revenue	435 716 677	(25 186 254)	410 530 423	-	(410 530 423)	
Government - Operating	540 205 075	11 522 384	551 727 459	786 608 749	234 881 290	
Government - capital	186 700 925	53 630 268	240 331 193	-	(240 331 193)	
Interest	68 573 019	(19 118 784)	49 454 235	37 339 076	(12 115 159)	
Dividend income	-	-	-	23 424	23 424	
	3 422 774 982	(154 897 277)	3 267 877 705	3 186 300 725	(81 576 980)	
Payments						
Suppliers and employee costs	(3 151 523 862)	14 727 877	(3 136 795 985)	2 501 578 041)	635 217 944	
Finance costs	(52 249 364)	(1 940 044)	(54 189 408)	(38 462 789)	15 726 619	
Other payments	(5 376 268)	2 456 694	(2 919 574)	(432 483 618)	(429 564 044)	
	(3 209 149 494)	15 244 527	(3 193 904 967)	(2 972 524 448)	221 380 519	
Net cash flows from operating activities	213 625 488	(139 652 750)	73 972 738	213 776 277	139 803 539	
Cash flows from investing activities						
Derecognition of property, plant and equipment	-	180 000 000	180 000 000	3 303 152	(176 696 848)	
Capital Assets	(199 255 785)	(59 523 469)	(258 779 254)	-	258 779 254	
Purchase of property, plant and equipment	-	-	-	(191 963 856)	(191 963 856)	
Purchases of intangible assets	-	-	-	(347 826)	(347 826)	
Net cash flows from investing activities	(199 255 785)	120 476 531	(78 779 254)	(189 008 530)	(110 229 276)	
Cash flows from financing activities						
Finance lease receipts	-	-	-	(22 006 502)	(22 006 502)	
Repayment of borrowing	(36 172 971)	-	(36 172 971)	(36 172 971)	-	
Net cash flows from financing activities	(36 172 971)	-	(36 172 971)	(58 179 473)	(22 006 502)	
Net increase/ decrease in cash held	(21 803 268)	(19 176 219)	(40 979 487)	(33 411 726)	7 567 761	
Cash/cash equivalents at the year begin	60 674 095	37 662 292	98 336 387	98 336 387	-	
Cash and cash equivalents at the end of the year	38 870 827	18 486 073	57 356 900	64 924 661	7 567 761	

Accounting Policies

1. Presentation of Annual Financial Statements

1.1 General Information

The address of Mogale City Local Municipality's registered office, principal place of business, legal form of entity, nature of business and principal activities are disclosed under 'General Information' of these annual financial statements.

1.2 Basis of preparation

The annual financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The cash flow statement has been prepared in accordance with the direct method. The amount and nature of any restrictions on the cash balance are disclosed.

1.3 Basis of measurement

These annual financial statements were prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

1.4 Functional and presentation currency

The annual financial statements are presented in South African Rand, which is Mogale City's functional currency. All financial information presented in Rand has been rounded to the nearest rand.

1.5 Going Concern

The financial statements were prepared on a going-concern basis. The assumption is that Mogale City will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations and objectives.

1.6 GRAP Standards effective for the current financial year

During the current financial year, the following newly effective standards were adopted in the preparation of the financial statements:

Amended Standards	Effective date	Expected impact:
GRAP 18 Segment reporting	1 April 2020	Material
GRAP 110 Living and Non-Living Resources	Effective 1 April 2020	Material

1.7 Standards approved not yet effective

The following standards were amended and will be implemented for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 25 Employee Benefits	Not yet effective	Material
GRAP 104 Financial Instruments	Not yet effective	Material

1.8 Standards not implemented

The following approved and effective Standards of GRAP have not been implemented in the preparation of the annual financial statements, as they are not applicable to the business operations of Mogale City.

GRAP 4	The effects of changes in foreign exchange rates
GRAP 6	Consolidated and separate financial instruments
GRAP 7	Investments in associates
GRAP 8	Interest in joint ventures
GRAP 10	Financial reporting in hyperinflationary economies
GRAP 11	Construction contracts
GRAP 27	Agriculture
GRAP 107	Mergers
GRAP 105	Transfer of functions between entities under common control
GRAP 106	Transfer of functions between entities not under common control
iGRAP 19	Liabilities to pay Levies
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements

Accounting Policies

(continued)

GRAP 38	Disclosure of Interests in Other Entities
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1.9 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

In the process of applying Mogale City's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

1.9.1 .Classification of leases

All arrangements that are classified as leases are evaluated as Operating and Finance leases. These are then accounted for in the annual financial statements in terms of the relevant GRAP standard.

1.9.2 Employee benefits including pension and other post-employment benefits

The cost of defined-contribution plans and other employment medical aid benefits are determined by using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, health care cost inflation rate, net of health care cost inflation discount rate, maximum subsidy inflation rate, and net of maximum subsidy inflation discount rate, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. We value the liability by using the Projected Unit Credit Method.

1.9.3 Impairment of receivables

A comprehensive methodology for impairment of receivables is utilised by the municipality in assessing receivables for impairment and for determining the extent to which receivables are impaired in line with GRAP 104. Management's estimates and judgement are utilised in the analysis of receivables and calculation of impairment.

The Municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

The following accounts are specifically excluded from impairment testing:

Receivable accounts with a credit balance at reporting date;

Receivable accounts where the balance at reporting date is zero;

Receivable accounts where the Municipality is the owner;

Receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due (with the exception of handed over accounts).

Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.

Accounts handed over to debt collectors for collection.

Accounts identified as section 118(3) historical debts.

Accounts wherein the accountholder is indicated to be or will be under debt review, subject to liquidation, sequestration or any similar arrangement.

Accounts where the accountholder has a current repayment arrangement as at the reporting date.

All accounts indicated as in-active accounts on the system;

Accounts that have been formally presented to Council for write off.

Accounts with balances outstanding for 30 days and longer as these account holders have defaulted and the accounts are considered to be past due date.

Accounts where the account holder is an approved indigent at reporting date.

Accounts where the last payment date by the account holder was more than 2 months before the end of the reporting period.

Accounts other than the above which in Management's view could be impaired taking any other factors at management's disposal into consideration.

The impairment loss is calculated as the difference between the carrying values of the receivable at reporting date less the present value of expected future cash flows. Expected future cash flows will be calculated based on management's experienced judgment.

Receivables will not be discounted when calculating the estimated impairment allowance as account holders within a municipality are granted normal credit terms that are applicable in the public sector. Accounts where a formal debt repayment arrangement has been entered into with the customer will however be discounted at the prime lending rate as the municipality

Accounting Policies

(continued)

does not charge interest on accounts wherein an arrangement has been entered into.

A provision for impairment of traffic fines is raised based on the average percentage of uncollected fines in the preceding 3 years, fines older than 3 years are considered to be impaired and are written off.

1.9.4 Impairment of property, plant and equipment, heritage assets and intangible assets

The Municipality tests for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment, heritage assets, intangible assets and investment property is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount), an impairment loss is charged to the Statement of Financial Performance and the carrying value is adjusted accordingly by the loss.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.9.5 Provisions, landfill rehabilitation provision and contingent liabilities

Management's judgement is required when recognising and measuring provisions, landfill rehabilitation provision and contingent liabilities. Provisions are discounted where the effect of discounting is material.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. The amount of the provision is recognised at the present value of the expenditure expected to settle the obligation using an appropriate discounting rate, representing the time value of money and is carried at amortised cost.

1.9.6 Useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate.

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

1.10 Budget information

Mogale City is typically subject to budgetary limits in the form of budget authorisations (or equivalent), which is given effect through MFMA and the appropriate budget regulations.

The approved budget:

- Is presented by economic classification linked to performance outcome objectives; and
- Covers the fiscal period from 01 July to 30 June, annually.

The annual financial statements and the budget are prepared on the same basis of accounting. A comparison with the budgeted amounts for the reporting period was included in the Statement of Comparison of Budget and Actual Amounts. Variances between budget and actual amounts are regarded as material when a variance exist of 10% in the statement of financial position, financial performance, cash flow statement and capital expenditure.

All material differences are explained in the notes to the annual financial statements.

1.11 Consistency of policies

The accounting policies are in all material respects consistent with those applied in the previous year.

1.12 Corresponding figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Reclassifications of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (mSCOA). The reclassifications have no impact on the net asset value of the municipality.

Where accounting errors/change in accounting policy have been identified in the current year, the correction/adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.13 Corporate Social Responsibility levy

Mogale City Local Municipality established a 1% Corporate Social Responsibility (CSR) levy during the financial year that ended on 30 June 2010. All Suppliers/Service Providers that are situated outside the borders of the Municipality that are awarded a tender through the Supply Chain Management processes, are obliged to contribute a 1% levy of all the payments that the Municipality makes to them throughout the tender tenure to the Municipality's CSR Fund.

1.14 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficits. Prior

Accounting Policies

(continued)

year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus when retrospective adjustments are made.

2 FINANCIAL REPORTING TERMS

2.1 Assets acquired at no costs/nominal cost

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

2.2 Cash generating assets

Cash generating assets are those assets held by Mogale City 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.

2.3 Carrying Amount

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

2.4 Cash generating unit

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

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, Mogale City uses management's best estimate of future price(s) that could be achieved at 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 outflow used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing.

2.5 Costs of disposal

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

2.6 Cost of inventories

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.

2.7 Current replacement cost

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

2.8 Depreciation (Amortisation)

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

2.9 Exchange transactions for non-monetary assets

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

2.10 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 risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

2.11 Fair value

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

2.12 Impairment Loss

Accounting Policies

(continued)

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).

2.13 Net realisable value

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.

2.14 Non-cash generating assets

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

At initial recognition the Municipality shall designate:

- An asset as non cash generating or
- An asset or cash generating unit as cash generating

The designation is made on the basis of the Municipality's objective of using the asset.

2.15 Recognition criteria for assets

Assets are recognised if it is probable that future economic benefits or service potential will flow to Mogale City from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets: Property, plant and equipment; Investment property; Intangible asset; and Heritage assets.

2.16 Recoverable amount

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

2.17 Recoverable service amount

Recoverable service amount is the higher of non-cash generating asset's fair value less costs to sell and its value in use.

2.18 Useful life

Useful life is either:

The period of time over which an asset is expected to be used by Mogale City; or

The number of production or similar units expected to be obtained from the asset by Mogale City.

2.19 Value in use of cash generating assets

The following elements shall be reflected in the calculation of an asset's value in use:

An estimate of the future cash flows the Municipality expects to derive from the asset;

Expectations about possible variations in the amount or timing of those future cash flows;

The time value of money, represented by the current market risk-free rate of interest

The price for bearing the uncertainty inherent in the asset and

Other factors, such as liquidity, that market participants would reflect in pricing the future cash flows expected to be derived from the asset.

Cash-generating units are those 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.

2.20 Value in use of non-cash generating assets

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 depreciated replacement cost approach.

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 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 Mogale City 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.

Accounting Policies

(continued)

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.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 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. This is the criteria that the Municipality used to distinguish between Property Plant and Equipment and Investment Property. Mogale City maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain.

Property, plant and equipment is initially measured at cost, including all directly attributable costs necessary to bring the asset to its required working condition for its intended use. Subsequently property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

3.1.1 Assets under construction

Costs capitalised for work in progress in respect of activities to develop, enhance, or expand items of property, plant and equipment are classified as part of assets under construction. Assets under construction are capitalised once they are ready for use, that is, 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. Assets under construction are carried at historical costs net of any impairment losses. Finance expenditure, net of finance income, are capitalised on qualifying asset. Depreciation only commences once the asset is ready for use.

Mogale City discloses information relating to assets under construction or development of Investment Property, Property, Plant and Equipment, Intangible Asset and Heritage Asset in the note of the relevant asset.

3.1.2 Significant components

Significant components, major spare parts and standby equipment's that have different useful lives or can be used in more than one period, are accounted for as separate items (major components) of property, plant and equipment. Spare parts and stand by equipment which can only be used in connection with a specific item of property, plant and equipment are accounted for as part of that item. Componentization of assets is based on part of an asset significant cost in relation to the total cost.

3.1.3 Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed. 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.

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

3.1.4 Derecognition of items of property, plant and equipment

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. Gains or losses arising from derecognition of items of property, plant and equipment are included in surplus or deficit when the item is derecognised. This is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Derecognition of Land

When to recognise and derecognise land is based on control, not only legal title.

3.1.5 Reclassification of items of Property, Plant and Equipment

Assets which Mogale City holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available for sale. Proceeds from sales of these assets are recognised as revenue.

Accounting Policies

(continued)

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly.

Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in statement of financial position and presented in the revaluation reserve. Any loss is recognised in surplus or deficit.

3.1.6 Depreciation

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The depreciation charge for each period is recognised in surplus or deficit in the financial performance. Land is not depreciated as it is deemed to have an indefinite life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. Changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

As Mogale City maintains and acquires assets to provide a social service to the community, the useful lives and economic lives of these assets are equal. Consequently, no residual values are determined.

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

Asset Type	Component Type	Estimated Useful Life
Building	Air conditioning	20
	Electrical installation	30
	Finishes, fixtures & fittings	15
	Fire protection	20
	Floor	50
	Lifts	10
	Plumbing	20
	Roof	40
	Security system	20
	Walls	30-60
Civil Structure	Carports	7
	Earth Structure	50
	Erosion Protection	50
	Filter media	10
	Leachate drainage system	50
	Lining - landfill	50
	Masonry structure	30
	RC Structure	50-80
	Retaining wall	60
	Well	30
Communal sanitation	Septic Tank	40
	Channel	5
Drainage	Culvert	60
	Grid Inlet	30
	Kerb	20
	Kerb Inlet	20
	Sub-soil drain	60
	Landfill restoration	20-40
Earthworks	Earthworks	100
	Control Cable	50
Electrical equipment	Isolator	30
	MV Cable	50
	Telemetry	15
External facilities	Bin / Container	10
	External furniture	20
	External lighting	30
	Irrigation	10
	Landscaping	30
	Perimeter Protection	8-30

Accounting Policies

(continued)		
	Small building / enclosure	20
	Tank	15
Footpath / Paving	Paving	20
HV Conductor	HV Cable	50
	HV Overhead line	50
HV Substation	Batteries	20
	Current transformer	45
	HV Power Transformer	45
	HV Switchgear - Circuit Breaker	50
	HV Switchgear - Isolating Link	50
	HV Switchgear - Isolators	50
	Transformer NEC	45
	Transformer NER	45
	Voltage Transformer	45
LV Conductor	LV Cable	50
Mechanical equipment	Aerator	20
	Blower	20
	Bowser	10
	Compressor	10
	Conveyor	20
	Doser	15
	Dosing Plant	15
	Engine	15
	Gas control equipment	15
	Gearbox	15
	Generator	20
	Grit Classifier	30
	Mixer	20
	Motor	15
	Pump - sewer	15
	Pump - submersible	8-15
	Pump - water	15
	Rotating scraper assembly	20
	Trickling Filter	20
	Wash water system	15
	Weigh bridge	15
Metal work	Fabricated Steel	20-30
	Guard rail	15
Municipal Service Connection	Electrical service connection	50
	Electricity Meter	10-20
	Load Shed Relay	20
	Sanitation Connection	50
	Water Connection	50
	Water Meter	10
MV Conductors	MV Overhead line	50
MV Mini-sub	Mini-Sub	45
	Transformer	45
MV Primary substation	MV Switchgear - Circuit Breaker	50
MV Substation	Battery Charger	10
	Control panel	50
	Load Control Set	20
	MV Switchgear - Isolating Link	50
	MV Switchgear - Isolators	50
	MV Transformer	45
	Panel_switchgear	50
	Power factor equipment	30-50
MV Transformer	Pole Transformer	45
Pavement	Road structural layer	30
	Road surface	3
Pedestrian bridge	Pedestrian bridge substructure	100
	Pedestrian bridge superstructure	100

Accounting Policies

(continued)		
Pipe work	Communal standpipe - Pedestal	10
	Hydrant	20
	Pipe - sewer	40
	Pipe - stormwater	50
	Pipe - water	40
	Valve	20
Public Lighting	High mast	45
	Street Light	45
Road Bridge	Road bridge sub-structure	100
	Road bridge super-structure	100
Road Furniture	Advertisement Signs	7
	Billboards	7
	Cat eyes	3
	Commuter shelter	15
	Footpath / Paving	20
	Mini round-about	20
	Road marking: Guidance	5
	Road marking: Regulatory	5
	Road marking: Warning	5
	Sign - general	20
	Sign - regulatory	7
	Speed hump	20
	Street rubbish bin	10-30
	Street sign	20
	Traffic island	20
	Traffic signal	15
Service connection on site	LV Overhead Line	45
	Pipe - sewer (incl manholes)	40-60
Sports facilities	Bowling green	20
	Sports field	15-50
	Stadium	50
	Swimming pool	20
	Tennis court	15
Moveable assets	Office Equipment	3-10
	Furniture and Fittings	7-10
	Motor Vehicles	3-20
	Plant and Equipment	2-15
	Emergency Equipment	5-15
	Bins and containers	5-10
	Books	5-10
	Animals	20-80

3.2 Living and Non-living resources

Living resources are those resources that undergo biological transformation. Living resources include living organisms, for example animals and plants that are used or held for:

- the delivery or provision of goods and services;
- research;
- conservation;
- recreation;
- agricultural activities;
- education or training; and
- rehabilitation or breeding purposes.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Living resources are accounted for by the Municipality at cost less accumulated depreciation and impairment.

3.3 Investment property

Accounting Policies

(continued)

Investment property includes property (land or a building or part of a building or both land and buildings held under finance lease) held to earn rentals or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or sale of assets in the ordinary course of operations. This is the criteria that the Municipality used to distinguish between Property Plant and Equipment and Investment Property.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in surplus or deficit.

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

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

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

3.4 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance. An asset is identifiable if it either:

separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licenced, rented or exchanged, either individually or together with a related contract, identifiable asset 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 entity or from other rights and obligations.

Intangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where intangible assets are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

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.

Mogale City does not have intangible assets with an indefinite useful life.

Intangible assets with a finite useful life are amortised on a straight line basis over their estimated useful life. The amortisation charge for each period is recognised in the Statement of Financial Performance.

Development expenditure relating to the production of new or substantially improved products or processes is capitalised if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and Mogale City intends to and has sufficient resources to complete development and to use or sell the asset.

All remaining development expenditure is charged to the Statement of Financial Performance. Cost includes expenditure on materials, direct labour and an allocated proportion of project overheads.

The amortisation methods, assumption and estimated remaining useful life are reviewed annually. Any changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

Item	Useful Life
Computer Software	3 - 5 years

3.5 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations. Some heritage assets have more than one purpose, e.g. an historical building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. The municipality must use its judgement to make such an assessment. The asset should be accounted for as a heritage asset if, and only if, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. If a significant portion is used for production, administrative purposes or supply of services or goods, the asset shall be accounted for in accordance with the Standard of GRAP on PPE.

Heritage assets are stated at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Information on heritage assets that could not be reliably measured on initial recognition is disclosed in the notes to the annual financial statements.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.

Mogale City does not depreciate heritage assets. At each reporting date, Mogale City assesses whether there is an indication that it may be impaired. If any such indication exists, Mogale City estimates the recoverable amount or the recoverable service amount of the heritage asset. Any impairment losses are recognised in surplus or deficit.

Improvements to heritage assets are considered as sub-assets and are capitalised if it meets the definition of a heritage asset.

Accounting Policies

(continued)

Compensation from third parties for items of heritage assets that were impaired, lost or given up is included in surplus or deficit.

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses arising from derecognition of a heritage asset are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

3.6 Inventories

Inventories that qualify for recognition are initially measured at cost. Where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition. Subsequent to initial recognition inventories are measured at the lower of cost and net realisable value.

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

Distribution at no charge or for a nominal charge; or

Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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. An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value 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 the surplus or deficit.

3.7 Receivables

Receivables are recognised initially at fair value, plus transaction costs. Receivables are subsequently recognised at amortised cost, using an effective interest rate less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. An estimate for impairment of receivables is determined based on the impairment methodology for receivables using management's judgement and reasonable estimates.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. The average credit period on services rendered is 30 days from date of invoice.

An impairment allowance for impairment of receivables is established when there is objective evidence that Mogale City will not be able to collect all amounts due according to the original terms of receivables. Accordingly the carrying amount of the receivables is reduced through the use of an impairment allowance for impairment of debtors account. The impairment loss or gain is recognised in surplus or deficit.

An impairment allowance is decreased if the decrease can be related objectively to an event occurring after the impairment was recognised. The impairment is reversed by adjusting the allowance account. The reversal does not result in a carrying amount that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

3.8 Statutory receivables

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

Accounting Policies

(continued)

Mogale City recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate. Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;

Accounting Policies

(continued)

- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

-derecognise the receivable; and

-recognise separately any rights and obligations created or retained in the transfer.

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

3.9 Cash and cash equivalents

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Bank overdrafts are offset against cash and cash equivalents in the Cash Flow Statement.

Cash which is subject to restrictions on its use is stated separately at carrying amount in the statement of financial position.

3.10 Trade and other payables

3.10.1 Payables from exchange transactions

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost.

3.10.2 Payables from Non-exchange transactions.

(a) Any funds which must revert to the National Revenue Fund which have not been approved by the National Treasury to be retained, must be repaid to the National Revenue Fund.

(b) A receiving officer must ensure that all funds referred to in paragraph (a) are repaid to the National Revenue Fund.

The National treasury may offset any funds which must be repaid to the National Revenue Fund but which have not been repaid— in the case of a municipality, against future advances for the equitable share or conditional allocations to that municipality.

Grants which have not been approved by the National Treasury to be retained and need to be surrendered to National Treasury are reclassified as payables from non-exchange transactions to enhance the usefulness of the financial statements and more fairly reflect the nature of the liability at reporting date.

3.11 Financial instruments

Financial instruments are recognised when Mogale City becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as appropriate on initial recognition.

3.11.1 Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition. Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Mogale City has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

3.11.2 Financial assets at fair value

Financial assets that are held for trading or non-derivate financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

3.11.3 Financial assets at amortised cost

Accounting Policies

(continued)

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which Mogale City has positive intent and ability to hold to maturity are stated at amortised cost using the effective interest method less any impairment.

3.11.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are stated at cost, less any impairment.

3.11.5 Financial liabilities

After initial recognition, Mogale City measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

3.11.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.11.7 Classification

The municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial assets	Financial assets measured at fair value
Receivables from non-exchange transactions	Financial assets measured at amortised costs
Receivables from exchange transactions	Financial assets measured at amortised costs
Call Accounts money market accounts	Financial assets measured at amortised costs
Cash and cash equivalents	Financial assets measured at amortised costs

The municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial liabilities	Financial liabilities measured at amortised costs
Payables from non-exchange transactions	Financial liabilities measured at amortised costs
Payables from exchange transactions	Financial liabilities measured at amortised costs
Consumer deposits	Financial liabilities measured at amortised costs
Sundry deposits	Financial liabilities measured at amortised costs
Finance lease obligation	Financial liabilities measured at amortised costs

3.12 Impairment of cash generating assets

Cash generating assets are those assets held by Mogale City with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

3.13 Impairment of non-cash generating assets

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

3.13.1 Measurement and recognition

At the end of each reporting period, carrying amounts of non-cash-generating assets or cash generating assets are reviewed

Accounting Policies

(continued)

to determine whether there is any indication of impairment or reversal of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the recoverable service amount is less than the 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 the Statement of Financial Performance.

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

3.13.2 Recoverable service amount

The recoverable service amount of a non-cash-generating asset or cash generating asset is the higher of fair value less costs to sell, and value-in-use. The value-in-use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

3.13.3 Reversal of an impairment loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance.

3.13.4 Depreciation/Amortisation

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

3.13.5 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.

3.14 Leases

At inception of an arrangement, Mogale City determines whether the arrangement is or contains a lease agreement.

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

When a lease includes land and buildings elements, Mogale City assesses the classification of each element separately. The land and the buildings elements of a lease are considered separately for the purpose of lease classification as finance or an operating lease.

3.14.1 Finance Lease – Mogale City as lessor

The municipality recognises finance lease receivables as assets on the Statement of Financial Position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

3.14.2 Operating leases – Mogale City as lessor

Mogale City presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Mogale City's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

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

3.14.3 Finance leases – Mogale City as lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease-term and asset's useful life unless it is reasonably certain

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that Mogale City will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life. Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

3.14.4 Operating leases – Mogale City as lessee

Operating leases are leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor and are classified as operating leases.

Lease payments under an operating lease are charged to the Statement of Financial Performance over the lease term on a straight-line basis unless another basis is more representative of the pattern of use. Contingent rentals are charged as expenses in the periods in which they are incurred.

3.15 Employee benefits

3.15.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

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.

A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Mogale City has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

3.15.2 Defined contribution pension plan and defined benefit pension plans

Mogale City contributes to a defined contribution pension plans for its employees as determined by annual actuarial calculations. This plan is generally funded through payments on a monthly basis to a trustee-administering the funds on behalf of the employees.

3.15.3 Retirement benefits

Defined contribution plans are a post-employment benefit plans under which Mogale City pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

3.15.4 Defined benefit plans - Post-retirement health care benefits

Mogale City provides post-retirement benefits by subsidising the medical aid contributions of certain of its retirees and their spouses. The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation. The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

3.15.5 Other long-term employee benefits

Long-term benefits are those that are provided to employees more than 12 months after the reporting date. Currently Mogale City provides the following additional payments to employees based on certain criteria:

Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute to a Pension Fund retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement age) of the employee multiplied by the number of years that the employee was not allowed to contribute to the Pension Fund retirement benefit plans.

Long service awards

Accounting Policies

(continued)

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Mogale City's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance. The projected unit credit method was used to value the obligation. The present value of the obligation is recognised on the Statement of Financial Position.

3.16 Provisions

A provision is a liability of uncertain timing or amount.

Mogale City recognises a provision when it has a present legal or constructive obligation arising from a past event that will probably be settled, and a reliable estimate of the amount can be made. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

3.17 Landfill rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on Mogale City's policy, taking into account current technological, environmental and regulatory requirements.

The value of the provisions is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital. Costs include the initial estimate of the cost to rehabilitate the land, restoring the land, restoring the site, current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. These provisions are reviewed at least annually. Subsequent changes in the obligation are 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. Where the decrease in the obligation exceeds the carrying amount of the asset, the excess is recognised immediately in Statement of Financial Performance.

Where the adjustment results in an addition to the cost of an asset, Mogale City evaluates whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, Mogale City tests the asset for impairment by estimating its recoverable amount or recoverable service amount and account for any impairment loss in accordance with the relevant impairment policy

Any unwinding of discount is charged to the statement of financial performance. The discount rate has not been risk adjusted.

3.18 Contingent liabilities

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

It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

The amount of the obligation cannot be measured with sufficient reliability.

Mogale City does not recognise contingent liabilities. Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Annually Mogale City evaluates the possibility of the outflow of resources or service potential.

3.19 Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Mogale City.

Mogale City does not recognise contingent assets. Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

Mogale City continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements. Where it does become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

3.20 Value-Added Tax

Mogale City accounts for value-added tax (VAT) on the Cash/Payment basis and submissions to SARS are being done on a

Accounting Policies

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monthly basis.

3.21 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

3.22 Revenue

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

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Mogale City, and when these benefits can be reliably measured.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, service charges, rentals, interest received, grants from national and provincial government and other services rendered.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Mogale City and the purchaser or user of the asset or service.

Where the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services. The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Mogale City derives revenue from exchange and non-exchange transactions.

Accounting Policies

(continued)

3.22.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Rendering of services

Mogale City recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, 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 Mogale City.

The stage of completion of the transaction at the reporting date can be measured reliably.

The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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.

Sale of goods

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

The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.

The entity 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 entity.

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tariffs (Services):

Revenue arising from the provisioning of the services which is based on the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when billed. Adjustments to provisional estimates of consumption are made in the billing period when meters have been read. These adjustments are recognised as revenue in the billing period. An accrual on the basis of a determined consumption factor is made for consumption not billed as at the end of each reporting period. Residential sanitation service charges are charged based on the applicable tariffs for financial year or period. Business and other consumers' sanitation service charges are based on the average of previous financial year's consumption to the applicable tariff. Basic Sewerages is charged based on the area size of the property multiplied by the applicable tariff. Service charges relating to refuse removal are recognised on a monthly basis based on frequency of collection, type of disposal method used and the approved tariff is then applied thereto.

Prepaid water and electricity:

Revenue from the sale of prepayment water and electricity is recognised at the point of sale.

Income from agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Interest revenue

Interest earned on: Investments are recognised on a time proportionate basis that takes into account the effective yield on the investments. Outstanding debtors are recognised on a time proportionate basis.

Rental of facilities and equipment

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement.

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 and includes the issuing of licences and permits.

Collection charges are recognised when such amounts are legally enforceable and billed.

Penalty interest on unpaid services is recognised on a time proportion basis.

Accounting Policies

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Dividends

Dividends are recognised when the municipality's right to receive payment is established.

3.22.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where Mogale City received revenue from another entity or individual without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when billed. Property rates are charged based on the market value of a property multiplied by the tariff applicable to that property category. Exemptions, rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Transfers and Subsidies

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued. Traffic fines are measured at fair value, which is based on the value of the fines issued, excluding the value of any discounts, reductions, withdrawals that are given by the municipality and the courts. Interest is not levied on overdue fines. Subsequently, Mogale City evaluates the probability of recovering these fines based on historical collection on fines issued taking into account any discounts, reductions in the amount payable, past history in terms of the successful prosecution and recovery of the fines.

Donations

Donations are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Municipality. Donations are measured at fair value.

Services in-kind

Service in kind is recognised if significant to operations and if not significant then the nature and type is disclosed. Mogale City does not recognise services in-kind as assets or revenue.

3.23 Operating expenses

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

Under the accrual basis of accounting, operating expenditures are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions, other events or conditions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

3.24 Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs are capitalised over the period during which the asset is being acquired or constructed. Borrowing costs are capitalised net of any investment income received from the temporary investment of those borrowings.

Mogale City capitalises borrowing costs commences when: Borrowing costs have been incurred; expenditure have been incurred; and it undertakes activities that are necessary to prepare the asset for its intended use or sale. Where Mogale City applies general borrowed funds to obtain a qualifying asset, Mogale City applies a capitalisation rate that reflects the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period. This excludes borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised does not exceed the amount of borrowing costs it incurred during that period.

Mogale City suspends capitalisations of borrowing costs during extended periods in which it suspends active development of a qualifying asset. Where the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, Mogale City ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale. Capitalisation ceases when construction of the

Accounting Policies

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asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

3.25 Unauthorised expenditure

Unauthorised expenditure is expenditure: which has not been budgeted for; that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or in the form of a grant that is not permitted in terms of the MFMA (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

3.26 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); the Public Office Bearers Act (Act No. 20 of 1998); or is in contravention of the Mogale City's Supply Chain Management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.27 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should Council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.28 Related parties

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

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

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 ventures).

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

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

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

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

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

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

Accounting Policies

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Mogale City regards a related party as a person or an entity with the ability to control the other party individually or jointly, or the ability to exercise significant influence over the other party, or vice versa. While Mogale City is part of Government of South Africa, it is a separate sphere of government. As such the other spheres of government are not considered related parties to Mogale City.

Management is regarded as a related party. Management of Mogale City comprises of all political Office Bearers of Mogale City and the Executive Management team. Political Office Bearers comprises of the Executive Mayor, Members of Mayoral Committee, Speaker and other Councillors. The Executive Management team consists of the Municipal Manager, Chief Financial Officer, Chief Operating Officer, Chief Audit Executive and other Executive Managers.

Related party relationships where control exists is disclosed, irrespective of whether there have been transactions between the related parties. In the event that the municipality discloses related party transactions, the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments is disclosed. All transactions during the reporting period and balances at the end of the reporting period with related parties are disclosed.

3.29 Grants-in-aid

Mogale City transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, Mogale City does not:

Receive any goods or services directly in return as would be expected in a purchase or sale transaction; Expect to be repaid in future; or

Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period during which the events giving rise to the transfer occurred.

3.30 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability, but are included in the disclosure notes in the following cases:

Approved and contracted commitments;

Where the expenditure has been approved and the contract has been awarded at the reporting date; and where disclosure is required by a specific standard of GRAP. Where the expenditure can be reliably measured for disclosure requirements, both the operational and capital expenditure relating to the commitment is disclosed in the notes.

As and when contracts;

While the municipality may have a budget attached to the contract, there is no commitment/obligation to spend the allocated budget due the nature of the contract. Spending on these contracts will only materialise on circumstances, which may arise in the future over which management has no control. As such, the commitments in terms of these contracts cannot be reliably measured and is disclosed in terms of a narration paragraph.

3.31 Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the financial statements are authorised for issue. Mogale City classifies these events as adjusting or non-adjusting events.

An adjusting event provides further evidence of conditions that existed at the reporting date and includes an event that indicates that the going concern assumption in relation to the whole or part of Mogale City is not appropriate. These events were accounted for in the financial statements.

A non-adjusting event is an event that is indicative of a condition that arose after the reporting date. Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements

3.32 Repairs and Maintenance

Repairs and maintenance are generally charged to expenses during the financial period in which they occurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

The municipality discloses expenditure relating to repairs and maintenance of Property, Plant & Equipment in the notes to the Annual Financial Statements.

3.33 Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a

Accounting Policies

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distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
2. Inventories		
Consumable stores	7 351 968	9 283 199
Water for distribution	738 485	498 474
Unsold Properties Held for Resale	7 246 306	7 246 306
	15 336 759	17 027 979

Council item number. K(II)3(08/2021)

During the year under review inventory to the amount of R9 781.23 was written off during the annual stock taking, some of the inventory items were declared obsolete and others were not found during the stock count.

No portion of inventory was pledged as security. Inventory is recognised at cost.

3. Receivables from non-exchange transactions

	2021			2020		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
Statutory receivables: Property rates	484 704 132	(395 334 236)	89 369 896	470 272 718	(375 608 318)	94 664 400
Statutory receivables: Traffic fines and SARS	139 630 924	(51 084 733)	88 546 191	81 389 060	(57 880 487)	23 508 573
Credit balances transferred to payables from non exchange transactions	101 998 774	-	101 998 774	80 670 714	-	80 670 714
	726 333 830	(446 418 969)	279 914 861	632 332 492	(433 488 805)	198 843 687

Age Analysis (Statutory receivables: Property rates)

Current (0 - 30 days)	(7 811 965)	6 267 040
31 - 60 days	9 450 217	12 601 672
61 - 90 days	6 440 286	15 066 007
91 - 120 days	7 661 997	12 347 870
+ 120 days	468 963 597	423 990 129
	484 704 132	470 272 718

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

3. Receivables from non-exchange transactions (continued)

Age Analysis (statutory receivables: Traffic Fines & SARS)

Current (0 - 30 days)	54 297 836	51 189 311
61 - 90 days	1 826 935	-
91 - 120 days	-	7 441 783
+ 120 days	-	22 757 966
	56 124 771	81 389 060

Credit balance transferred to creditors

Current (0 - 30 days)	8 434 240	6 107 157
31 - 60 days	6 005 694	1 875 690
61 - 90 days	3 585 350	1 578 468
91 - 120 days	5 029 397	2 066 042
+ 120 days	78 944 093	69 043 357
	101 998 774	80 670 714

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for overdraft facilities.

Receivables from non-exchange transactions past due date but not impaired

Statutory Receivables: Rates	63 566 864	40 590 872
Statutory Receivables: Traffic Fines and SARS	88 546 191	23 508 573
	152 113 055	64 099 445

Receivables from non-exchange transactions past due date but not impaired are receivables past 30 days which are not impaired in terms of the impairment methodology.

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	433 488 805	334 823 713
Current year contribution	37 402 132	116 439 678
Bad debts	(24 471 969)	(17 774 586)
	446 418 968	433 488 805

As at 30 June 2021, total receivables from non exchange transactions were R 726 333 830 (2020: R 632 332 492).

The amount of the provision for impairment was R 446 418 969 as at 30 June 2021 (2020: R 433 488 805).The percentage of the provision against total receivables from non exchange transactions was 61,46 % as at 30 June 2021 (2020: 68,55 %).

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4. Receivables from exchange transactions

Receivables per category	Gross balance	2021		Gross balance	2020	
		Allowance for impairment	Net balance		Allowance for impairment	Net balance
Electricity	211 007 270	(172 101 685)	38 905 585	184 550 287	(147 400 902)	37 149 385
Water	278 785 617	(227 383 040)	51 402 577	247 850 593	(197 959 059)	49 891 534
Sundry debtors and loans	94 689 215	(57 359 894)	37 329 321	78 024 965	(55 143 089)	22 881 876
Sewerage	328 872 965	(268 235 268)	60 637 697	271 500 852	(216 848 596)	54 652 256
Refuse	304 969 224	(248 738 906)	56 230 318	268 313 765	(214 303 059)	54 010 706
Other(Output VAT, Rentals ,interest,disconnection & reconnection fees ,etc)	496 505 859	(404 959 957)	91 545 902	459 949 165	(367 362 864)	92 586 301
Subtotal	1 714 830 150	(1 378 778 750)	336 051 400	1 510 189 627	(1 199 017 569)	311 172 058
Sundry staff leave, Personal interim advances & Insurance	275 608	-	275 608	284 389	-	284 389
Credit balances transferred to payables from exchange transactions	11 988 954	-	11 988 954	8 731 937	-	8 731 937
	12 264 562	-	12 264 562	9 016 326	-	9 016 326
	1 727 094 712	(1 378 778 750)	348 315 962	1 519 205 953	(1 199 017 569)	320 188 384

Electricity

Current (0 -30 days)	56 415 669	54 053 100
31 - 60 days	11 628 611	15 042 061
61 - 90 days	11 390 036	5 758 771
91 - 120 days	7 573 850	9 098 553
121 - 365 days	123 999 104	100 597 802
	211 007 270	184 550 287

Water

Current (0 -30 days)	10 202 292	13 309 758
31 - 60 days	3 166 787	15 012 260
61 - 90 days	15 307 007	7 037 822
91 - 120 days	7 604 352	6 847 831
121 - 365 days	242 505 179	205 642 923
	278 785 617	247 850 594

Sewerage

Current (0 -30 days)	4 753 649	11 293 024
31 - 60 days	18 517 817	5 234 350
61 - 90 days	8 347 853	6 200 060
91 - 120 days	7 995 973	9 702 940
121 - 365 days	289 257 673	239 070 479
	328 872 965	271 500 853

Refuse

Current (0 -30 days)	6 836 442	7 373 110
31 - 60 days	5 274 412	5 252 083
61 - 90 days	4 418 807	4 501 642
91 - 120 days	4 507 287	4 005 383
121 - 365 days	283 932 276	247 181 546
	304 969 224	268 313 764

Notes to the Annual Financial Statements

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4. Receivables from exchange transactions (continued)

Sundry Debtors and Loans

Current (0 -30 days)	42 831 284	28 052 700
31 - 60 days	285 526	409 286
61 - 90 days	70 238	225 337
91 - 120 days	116 574	5 138 299
121 - 365 days	51 382 991	48 900 570
	94 686 613	82 726 192

Other (Including Statutory Receivables)

Current (0 -30 days)	12 043 011	13 153 525
31 - 60 days	8 012 188	8 131 278
61 - 90 days	9 086 969	4 926 515
91 - 120 days	6 586 078	6 296 274
121 - 365 days	460 777 613	427 441 573
	496 505 859	459 949 165

Receivables from exchange transactions as at 30 June 2021, were R1 727 094 712 (2020: R1 519 205 953).

The provision for impairment was R1 378 778 750 as at 30 June 2021 (2020: R1 199 017 569). The percentage of the provision against total receivables from exchange transactions was 79,83 % as at 30 June 2021 (2020: 78,92 %)

Receivables from exchange transactions past due but not impaired:

Electricity	27 672 697	15 929 176
Water	36 561 536	21 392 846
Sewerage	43 130 276	23 434 182
Refuse	39 995 403	23 159 093
Other	65 114 610	58 559 032
Sundry debtors and loans	146 430	122 011
	212 620 952	142 596 340

Receivables from exchange transactions past due date but not impaired are receivables past 30 days which are not impaired in terms of the impairment methodology.

Reconciliation of allowance for impairment

Balance at beginning of the year	1 199 017 569	1 100 869 257
Contributions to provision	197 252 843	113 709 884
Bad debts	(17 491 662)	(15 561 572)
	1 378 778 750	1 199 017 569

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	29 977	29 227
Bank balances	56 445 323	87 899 894
Short-term deposits	8 449 361	10 407 266
	64 924 661	98 336 387

Notes to the Annual Financial Statements

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5. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for south African Post Office Guarantee held at Standard Bank call account no : 728430118-001 has been binded as guarantor to South African Post Office for payment of all amounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment guarantee shall not exceed in aggregate the sum of R500 000

500 000

500 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Standard Bank - 021307482	597 678	12 528 279	988 743	597 845	12 529 044	989 675
Standard Bank - 021307474	531 472	5 504 336	5 049 923	531 472	5 504 336	5 050 000
Standard Bank - 021307385	36 453 700	5 504 336	5 049 923	36 453 700	5 504 416	5 050 000
Standard Bank - 021307172	229 119	993 550	382 317	228 922	975 399	382 394
Standard Bank - 021307105	115 718	10 208 813	3 098 784	115 718	10 427 701	3 099 347
Standard Bank - 021306958	1 161 201	4 286 619	3 095 905	92 371	3 968 393	2 762 101
Standard Bank - 021306532	18 383 821	47 308 957	24 297 409	18 376 877	47 301 292	24 299 063
Standard Bank - 021457654	48 319	1 689 133	1 549 828	48 419	1 689 313	1 550 000
Call Accounts	8 449 361	10 407 266	17 464 479	8 449 361	10 407 266	17 464 479
Petty Cash	29 977	29 227	27 227	29 977	29 227	27 227
Total	66 000 366	98 460 516	61 004 538	64 924 662	98 336 387	60 674 286

2021

The differences between bank statement balances and cash book balances amounting to R1 075 704 relates to transactions that are received after the cut-off time for the day and are captured the next calendar day, under the retrospective date.

These transactions, which are termed as "held overs", are processed under retrospective date of June, in line with proper accounting procedures. Transactions attributing to the above difference of R1 075 704 are deposits processed via Cash in transit Companies (for Auto safes) and bank charges.

2020

The differences between bank statement balances and cash book balances amounting to R 124 129 relates to transactions that are received after the cut-off time for the day and are captured the next calendar day, under the retrospective date.

These transactions, which are termed as "held overs", are processed under retrospective date of June, in line with proper accounting procedures. Transactions attributing to the above difference of R124 129 are deposits processed via Cash in transit Companies (for Auto safes) and bank charges.

Notes to the Annual Financial Statements

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6. Living resources

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Water Buck	303 988	(84 292)	219 696	190 108	(75 589)	114 519
Springbok	569 224	(256 014)	313 210	453 311	(238 757)	214 554
Red Hartebeest	511 425	(164 699)	346 726	328 498	(149 160)	179 338
Ostrich	31 861	(7 854)	24 007	31 861	(7 455)	24 406
Mountain Reedbuck	-	-	-	16 592	(10 959)	5 633
Impala	250 094	(122 014)	128 080	323 891	(153 969)	169 922
Giraffe	116 637	(57 766)	58 871	99 803	(55 871)	43 932
Gemsbuck	39 850	(14 618)	25 232	32 225	(13 834)	18 391
Eland	236 439	(62 851)	173 588	262 000	(66 370)	195 630
Bles Buck	447 237	(208 694)	238 543	597 523	(271 353)	326 170
Muscovey/Makoue	2 948	(2 168)	780	4 269	(3 086)	1 183
Black Wildebeest	1 129 528	(388 280)	741 248	859 072	(360 638)	498 434
Hippo	60 007	(20 167)	39 840	60 007	(18 834)	41 173
Zebra	80 195	(35 957)	44 238	75 987	(34 816)	41 171
Cattle	179 300	(133 788)	45 512	158 700	(129 744)	28 956
Sheep	82 919	(46 635)	36 284	110 558	(60 798)	49 760
Goat	1 450	(1 450)	-	1 450	(1 450)	-
Lion	404 559	(105 854)	298 705	566 383	(141 116)	425 267
Total	4 447 661	(1 713 101)	2 734 560	4 172 238	(1 793 799)	2 378 439

Reconciliation of living resources - 2021

	Opening balance	Write off	Transfers	Accumulated depreciation write off	Depreciation	Total
Water Buck	114 519	-	113 880	-	(8 703)	219 696
Springbok	214 554	-	115 913	-	(17 257)	313 210
Red Hartebees	179 338	-	182 927	-	(15 539)	346 726
Ostrich	24 406	-	-	-	(399)	24 007
Mountain Reedbuck	5 633	(16 592)	-	11 166	(207)	-
Impala	169 922	(73 798)	-	36 005	(4 049)	128 080
Giraffe	43 932	-	16 834	-	(1 895)	58 871
Gemsbuck	18 391	-	7 625	-	(784)	25 232
Eland	195 630	(25 561)	-	6 794	(3 275)	173 588
Bles Buck	326 170	(150 286)	-	70 128	(7 469)	238 543
Muscovey/Makoue	1 183	(1 321)	-	972	(54)	780
Black Wildebeest	498 434	-	270 456	-	(27 642)	741 248
Hippo	41 173	-	-	-	(1 333)	39 840
Zebra	41 171	-	4 208	-	(1 141)	44 238
Cattle	28 956	-	20 600	-	(4 044)	45 512
Sheep	49 760	(27 640)	-	15 546	(1 382)	36 284
Lion	425 267	(161 824)	-	42 342	(7 080)	298 705
	2 378 439	(457 022)	732 443	182 953	(102 253)	2 734 560

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Reconciliation of living resources - 2020

	Opening balance	Write off	Transfer in	Depreciation	Accumulated depreciation write off	Total
Water Buck	84 340	-	34 020	(3 841)	-	114 519
Springbok	270 551	(103 108)	-	(6 955)	54 066	214 554
Red Hartebees	100 908	-	86 880	(8 450)	-	179 338
Ostrich	14 676	-	10 256	(526)	-	24 406
Mountain Reedbuck	5 840	-	-	(207)	-	5 633
Impala	137 222	-	39 550	(6 850)	-	169 922
Giraffe	34 952	-	10 500	(1 520)	-	43 932
Gemsbuck	18 794	-	-	(403)	-	18 391
Eland	137 628	-	63 010	(5 008)	-	195 630
Bles Buck	130 083	-	220 875	(24 788)	-	326 170
Muscovey/Wildebeest	596	-	840	(253)	-	1 183
Black Wildebeest	337 935	-	180 250	(19 751)	-	498 434
Hippo	42 736	-	-	(1 334)	(229)	41 173
Zebra	26 111	-	16 555	(1 495)	-	41 171
Cattle	27 381	-	3 900	(2 325)	-	28 956
Sheep	43 953	-	8 100	(2 293)	-	49 760
Lion	117 194	-	320 909	(12 836)	-	425 267
	1 530 900	(103 108)	995 645	(98 835)	53 837	2 378 439

7. Operating lease asset and liability

Current assets	84 604	96 044
Current liabilities	(76)	(256 093)
	84 528	(160 049)

Leases of assets where all the risks and rewards of ownership are effectively retained by lessor are classified as operating leases. Monies received under operating leases are recognised to the Statement of Financial Performance on a straight-line basis over period of the lease. Operating lease receipts represent rental receivables by the municipality for properties leased. The terms are negotiated ranging from 6 months to 25 years. The rentals escalate on average of 10% per annum.

8. VAT receivable

VAT	62 357 203	22 541 796
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Notes to the Annual Financial Statements

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9. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	698 725 521	-	698 725 521	692 045 241	-	692 045 241

Reconciliation of investment property - 2021

	Opening balance	Provision/ Fair value adjustments	Total
Investment property	692 045 241	6 680 280	698 725 521

Reconciliation of investment property - 2020

	Opening balance	Derecognition	Fair value adjustments	Total
Investment property	660 875 080	(9 121 024)	40 291 185	692 045 241

Notes to the Annual Financial Statements

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10. 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	37 923 172	-	37 923 172	37 923 172	-	37 923 172
Buildings	559 864 411	(378 384 884)	181 479 527	557 752 436	(370 260 210)	187 492 226
Other Assets	158 104 155	(127 973 147)	30 131 008	154 859 966	(118 396 690)	36 463 276
Infrastructure Assets	9 585 525 405	(5 282 561 840)	4 302 963 565	9 469 973 806	(5 104 878 930)	4 365 094 876
Community	1 641 344 033	(543 351 862)	1 097 992 171	1 573 591 093	(516 455 144)	1 057 135 949
Leased Assets	212 547 866	(202 208 408)	10 339 458	212 547 866	(179 864 849)	32 683 017
Total	12 195 309 042	(6 534 480 141)	5 660 828 901	12 006 648 339	(6 289 855 823)	5 716 792 516

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions (Capitalized costs)	Derecognition	Depreciation	Impairment loss	Total
Land	37 923 172	-	-	-	-	37 923 172
Buildings	187 492 226	4 348 458	(2 236 483)	(8 124 674)	-	181 479 527
Other Assets	36 463 276	3 739 028	(494 839)	(9 558 384)	(18 073)	30 131 008
Infrastructure Assets	4 365 094 876	115 554 284	(2 685)	(177 682 910)	-	4 302 963 565
Community	1 057 135 949	68 322 086	(569 145)	(26 896 719)	-	1 097 992 171
Leased Assets	32 683 017	-	-	(22 343 559)	-	10 339 458
	5 716 792 516	191 963 856	(3 303 152)	(244 606 246)	(18 073)	5 660 828 901

Included in the additions are Work In Progress expenditure incurred during the current financial year amounting to R 682 335 397 .

Repairs and maintenance

All repairs and maintenance for the 2021 financial year amounting to R 301 591 877 were incurred in respect of property, plant and equipment.

Repairs and maintenance per asset class - 2021

	Employee costs	Contracted services	Other materials	Other expenditure	Total
Infrastructure Assets	88 652 394	131 824 803	166 713	9 466 874	230 110 784
Community Assets	47 627 094	8 764 987	69 930	1 183 152	57 645 163
Other Assets	10 502 902	3 047 968	27 123	257 937	13 835 930
	146 782 390	143 637 758	263 766	10 907 963	301 591 877

Repairs and maintenance per asset class - 2020

	Employee costs	Contracted services	Other materials	Other expenditure	Total
Infrastructure Assets	87 374 126	106 508 684	1 048 451	10 334 940	205 266 201
Community Assets	46 122 309	4 227 111	222 735	1 496 361	52 068 516
Other Assets	10 649 770	4 206 878	4 858	1 905 123	16 766 629
	144 146 205	114 942 673	1 276 044	13 736 424	274 101 346

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions (Capitalized costs)	Derecognition	Depreciation	Impairment loss	Total
Land	37 923 172	-	-	-	-	37 923 172
Buildings	191 550 970	3 972 829	(3 116)	(8 028 457)	-	187 492 226
Other Assets	39 630 899	10 328 635	(13 377)	(13 482 881)	-	36 463 276
Infrastructure Assets	4 439 940 923	98 261 640	(934 971)	(172 172 716)	-	4 365 094 876
Community	1 001 383 047	78 630 613	(26 778)	(22 359 957)	(490 976)	1 057 135 949
Leased assets	53 377 699	1 801 966	-	(22 496 648)	-	32 683 017
	5 763 806 710	192 995 683	(978 242)	(238 540 659)	(490 976)	5 716 792 516

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

10. Property, plant and equipment (continued)

Included in the above property, plant and equipment are the following capital WIP amounts

WIP Accounts

Capital WIP - Building Property	4 169 132	4 169 132
Capital WIP - Community	420 255 202	408 990 660
Capital WIP - Infrastructure Assets	257 143 553	234 210 044
Capital WIP - Other Assets	767 510	767 510
	682 335 397	648 137 346

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.

Work in progress with no movement

Asset Class	Capital Cost Opening	Capital Cost Year	Closing Cost
Community Assets	131 939 621	-	131 939 621
Infrastructure Assets			
Electricity Network	11 125 196	-	11 125 196
Water Supply Network	18 750 117	-	18 750 117
	161 814 934	-	161 814 934

Community Assets

The projects with no movement include the following: Kagiso Ext 13 housing development and Munsieville industrial park. There was no movement due to the unavailability of funds.

Electricity Assets

The projects with no movement under electricity network relate to professional fees and also due to projects being put on hold as a result of budget constraints.

Water Supply Network

The projects with no movement include the following but not limited to: Pongoville extension of bulk pipeline, Rural emergency water supply infrastructure. Projects were put on hold due to budget constraints.

Notes to the Annual Financial Statements

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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	40 730 261	(37 684 490)	3 045 771	40 382 435	(35 337 004)	5 045 431

Reconciliation of intangible assets - 2021

	Opening balance	Additions (Capitalized costs)	Amortisation	Total
Computer software	5 045 431	347 826	(2 347 486)	3 045 771

Reconciliation of intangible assets - 2020

	Opening balance	Additions (Capitalized costs)	Amortisation	Total
Computer software	2 764 638	5 246 217	(2 965 424)	5 045 431

12. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Library Books, Chief Mogale Statue & Concentration Camp Graves	2 450 275	-	2 450 275	2 450 275	-	2 450 275

Notes to the Annual Financial Statements

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12. Financial assets (continued)

Reconciliation of heritage assets 2021

	Opening balance	Total
Library Books, Chief Mogale Statue & Concentration Camp Graves	2 450 275	2 450 275

Reconciliation of heritage assets 2020

	Opening balance	Derecognition	Total
Library books, Chief Mogale Statue & Concentration camp graves	2 499 535	(49 260)	2 450 275

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
13. Financial assets		
Residual interest at cost		
Listed shares	598 971	575 254
Listed shares (9760 interest in ordinary shares) These listed shares held by Sanlam Pty Ltd and were valued at a market value of R61.37 (2020: R58.94) per share (level 1)		
Non-current assets		
Residual interest at cost	598 971	575 254

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

Financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1

Listed shares (9670 interest in ordinary shares)	598 971	575 254
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14. Employee benefit obligations

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

Carrying value		
Medical aid fund	(183 921 582)	(157 753 595)
Long service awards	(61 024 849)	(61 954 061)
Ex-gratia benefits	(677 836)	(657 469)
	(245 624 267)	(220 365 125)
Non-current liabilities	(231 342 680)	(202 043 939)
Current liabilities	(14 281 587)	(18 321 186)
	(245 624 267)	(220 365 125)

The employee benefit obligations were calculated by One Pangaea Expertise and Solutions from employee information compiled and submitted by the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
14. Employee benefit obligations (continued)		
Changes in the present value of the defined benefit obligation are as follows:Medical aid subsidy		
Opening balance	157 753 595	183 455 583
Net expense recognised in the statement of financial performance	26 167 987	(25 701 988)
	183 921 582	157 753 595
Changes in the present value of the defined benefit obligation are as follows:Long service award		
Opening balance	61 954 061	68 067 106
Net expense recognised in the statement of financial performance	(929 212)	(6 113 045)
	61 024 849	61 954 061
Changes in the present value of the defined benefit obligation are as follows:Ex-gratia benefits		
Opening balance	657 469	753 362
Net expense recognised in the statement of financial performance	20 367	(95 893)
	677 836	657 469
Net expense recognised in the statement of financial performance:Medical aid subsidy		
Current service cost	8 020 985	7 352 454
Past service cost	(7 155 321)	(6 542 977)
Interest cost	20 758 151	16 963 250
Actuarial (gains) losses	4 544 172	(43 474 715)
	26 167 987	(25 701 988)
Net expense recognised in the statement of financial performance:Long service award		
Current service cost	4 484 406	5 674 293
Past service cost	(12 967 475)	(8 453 373)
Interest cost	4 406 430	5 254 845
Actuarial (gains) losses	3 147 427	(8 588 810)
	(929 212)	(6 113 045)
Net expense recognised in the statement of financial performance:Ex-gratia benefits		
Past service cost	-	(150 664)
Interest cost	24 314	37 379
Actuarial (gains) losses	(3 947)	17 392
	20 367	(95 893)

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

14. Employee benefit obligations (continued)

Key assumptions used: Medical aid subsidy

Assumptions used at the reporting date:

Discount rates used	10,86 %	13,45 %
Health care cost inflation	7,56 %	9,16 %
Net discount rate	3,07 %	3,93 %

The basis used to determine the discount rate

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2020 the duration of liabilities was 11.08 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 is 10.86% per annum, and the yield on the inflation linked bonds of a similar term was about 4.05% per annum, implying an underlying expectation of inflation of 6.06% per annum $([1 + 10.86\% - 0.50\%] / [1 + 4.05\%] - 1)$.

Health Care Cost Inflation Rate

A healthcare cost inflation rate of 7.56% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. Thus an assumed net discount factor of 3.07% per annum $([1 + 10.86\%] / [1 + 7.56\%] - 1)$. This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

Sensitivity Analysis

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

Medical inflation and discount rate	1% decrease R	30 June 2021 Valuation basis R	1% increase R
Medical Inflation Rate			
Employer's accrued liability	162 942 762	183 921 582	209 078 958
Employer's service cost (year following)	7 311 108	8 686 340	10 401 484
Employer's interest cost (year following)	17 291 806	19 568 192	22 298 377
Discount Rate			
Employer's accrued liability	207 509 709	183 921 582	164 419 546
Employer's service cost (year following)	10 218 836	8 686 340	7 457 103
Employer's interest cost (year following)	20 092 122	19 568 192	19 057 109

As per the table above, a 1% increase in the medical inflation rate results in a 13.68% increase in the accrued liability whilst a 1% decrease in the medical inflation rate will result in an 11.41% decrease in the accrued liability. Inversely, a 1% increase in the discount rate results in a 10.60% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 12.83% increase in the accrued liability.

The table below shows the impact of reducing the average retirement age by one (1) year.

Average retirement age	30 June 2021 Valuation basis R	Ave. Ret. Age 1 year R
Employer's accrued liability	183 921 582	193 918 114
Employer's service cost (year following)	8 686 340	9 191 365
Employer's interest cost (year following)	19 568 192	20 653 815

Notes to the Annual Financial Statements

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14. Employee benefit obligations (continued)

Therefore, the above change of lowering the average retirement age by one (1) year results in an 5.44% increase in the accrued liability.

The table below shows the impact of a change in the mortality assumption with a one year adjustment.

Mortality	30 June 2021 PA (90) -1 Valuation basis R	R
Employer's accrued liability	183 921 582	188 542 106
Employer's service cost (year following)	8 686 340	8 851 816
Employer's interest cost (year following)	19 568 192	20 069 166

Therefore, the above change in the mortality assumption would result in a 2.51% increase in the accrued liability.

The table below shows the impact of reducing the continuation, of medical aid, rate at retirement by ten percent (10%).

Continuation of Medical Aid at retirement	30 June 2021 Valuation basis R	Continuation Rate -10% R
Employer's accrued liability	183 921 582	172 966 179
Employer's service cost (year following)	8 686 340	7 817 706
Employer's interest cost (year following)	19 568 192	18 378 435

Therefore, the above change of lowering the continuation, of medical aid, rate at retirement from 85% to 75% results in an 5.96% reduction in the accrued liability.

Key assumptions used: Long service award

Assumptions used at the reporting date:

Discount rates used	7,72 %	7,82 %
Salary increase rate	5,33 %	3,86 %
Net discount rate	2,27 %	3,81 %

The basis used to determine the discount rate

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2020 the duration of liabilities was 5.37 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 is 7.72% per annum, and the yield on inflation-linked bonds of a similar term was about 2.77% per annum. This implies an underlying expectation of inflation of 4.33% per annum $([1 + 7.72\% - 0.5\%] / [1 + 2.77\%] - 1)$.

The actuaries have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 5.33% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. Thus assumed a net discount factor of 2.27% per annum $([1 + 7.72\%] / [1 + 5.33\%] - 1)$.

Sensitivity Results

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 2.27% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation and discount rates is as follows:

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14. Employee benefit obligations (continued)

Salary increase and discount rate	1% decrease R	30 June 2021 Valuation basis R	1% increase R
Salary increase rate			
Employer's accrued liability	57 407 501	61 024 849	64 997 951
Employer's current service cost	4 196 805	4 503 008	4 843 309
Employer's interest cost	4 183 829	4 463 088	4 769 811
Discount rate			
Employer's accrued liability	64 943 728	61 024 849	57 515 328
Employer's current service cost	4 838 638	4 503 008	4 205 880
Employer's interest cost	4 147 364	4 463 088	4 736 395

As per the table above, a 1% increase in the salary increase rate results in a 6.51% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 5.93% decrease in the accrued liability.

Inversely, a 1% increase in the discount rate results in a 5.75% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 6.42% increase in the accrued liability.

The table that follows shows the impact of a change in the withdrawal assumption as detailed in assumptions Section 4.2. The effect is illustrated by assuming that withdrawals are 50% lower than assumed.

Withdrawal Decrement	30 June 2021 Valuation basis R	50% decrease R
Employer's accrued liability	61 024 849	68 456 949
Employer's current service cost	4 503 008	5 226 020
Employer's expense cost	4 463 088	5 035 286

The above table highlights the effects of a 50% decrease in the withdrawal assumptions as at 30 June 2021. The adjustment would result in a 12.18% increase in the accrued liability respectively.

In the table below we highlight the effect of adjusting the average retirement age by two (2) years upwards and downwards from 62 years.

Average Retirement Age	2 year decrease R	30 June 2021 Valuation basis R	2 year increase R
Employer's accrued liability	53 131 671	61 024 849	69 403 457
Employer's current service cost	4 053 388	4 503 008	4 984 137
Employer's interest cost	3 867 271	4 463 088	5 102 266

The above table highlights the effects of a two (2) year decrease and increase in the average retirement age assumptions as at 30 June 2021. The adjustment would result in a 13.73% increase and 12.93% decrease in the accrued liability respectively.

Key assumptions used: Ex-gratia benefits

Assumptions used at the reporting date:

Discount rates used	4,15 %	4,67 %
Lumpsum increase rate	3,31 %	2,59 %

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
14. Employee benefit obligations (continued)		
Net discount rate	0,81 %	2,03 %

The basis used to determine the discount rate

The methodology for setting financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2020 the duration of liabilities was 0.34 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 is 4.15% per annum, and the yield on the inflation-linked bonds of a similar term was about 1.31% per annum, implying an underlying expectation of inflation of 2.31% per annum $([1 + 4.15\% - 0.5\%] / [1 + 1.31\%] - 1)$. The lumpsum increase was assumed to equal the long term CPI rate plus 1.00%, i.e. 3.31%.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 0.81% per annum $([1 + 4.15\%] / [1 + 3.31\%] - 1)$.

Sensitivity Analysis

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 0.81% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation and discount rates is as follows:

Salary Increase and discount rate	1% decrease	30 June 2021	1% increase
	R	Valuation basis R	R
Salary Increase rate			
Employer's accrued liability	676 388	677 836	679 307
Employers Interest cost	20 089	20 149	20 210
Discount Rate			
Employer's accrued liability	679 310	677 836	676 413
Employer's interest cost	20 211	20 149	20 090

As per the table above, a 1% increase in the salary increase rate results in a 0.22% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 0.21% decrease in the accrued liability.

Inversely, a 1% increase in the discount rate results in a 0.21% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 0.22% increase in the accrued liability.

In the table below we highlight the effect of adjusting the average retirement age by one (1) year downwards from 62 years.

Average Retirement Age	30 June 2021	1 year
	Valuation basis R	decrease R
Employer's accrued liability	677 836	680 780
Employer's expense cost	20 149	20 272

The above table highlights the effects of a one (1) decrease in the average retirement age assumption as at 30 June 2021. The adjustment would result in a 0.43% in the accrued liability respectively.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
15. Finance lease obligation		
Minimum lease payments due		
- within one year	14 898 316	30 934 895
- in second to fifth year inclusive	645 969	15 390 618
- later than five years	1 450 564	1 604 231
	16 994 849	47 929 744
less: future finance charges	(3 099 008)	(12 025 045)
Present value of minimum lease payments	13 895 841	35 904 699
Present value of minimum lease payments due		
- within one year	12 852 428	22 008 858
- in second to fifth year inclusive	131 772	12 955 882
- later than five years	911 641	939 959
	13 895 841	35 904 699
Non-current liabilities	1 045 769	13 895 841
Current liabilities	12 852 428	22 008 858
	13 898 197	35 904 699

The average lease term for buildings leased is 30 years at an effective borrowing rate of 13.50% . With fixed contract interest rates from inception. Repayment of leases are fixed, or may escalate and some may fluctuate with the prime lending rate depending on the terms agreed upon.

Assets acquired through finance leases - 2021	Carrying value at the beginning of the year	Additions	Depreciation	Carrying value at the end of the year
Buildings	127 910	-	(10 187)	117 723
Vehicles	31 815 200	-	(21 676 236)	10 138 964
Equipment	651 922	-	(651 922)	-
	32 595 032	-	(22 338 345)	10 256 687
Assets acquired through finance leases - 2020	Carrying value at the beginning of the year	Additions	Depreciation	Carrying value at the end of the year
Buildings	138 098	-	(10 188)	127 910
Vehicles	51 718 450	1 705 027	(21 608 277)	31 815 200
Equipment	1 521 152	-	(869 230)	651 922
	53 377 700	1 705 027	(22 487 695)	32 595 032

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Integrated Urban Development Grant (IUDG)	-	4 978 731
West Rand District Municipality (WRDM)	1 091 200	759 366
Performance Management Grant (PMG)	-	750 000
Neighbourhood Development Partnership Grant (NDPG)	274	-
Human Settlement Development Grant (HSDG)	31 747 907	-
Department of Sports, Arts, Culture and Recreation (SRAC)	959 507	-
Integrated National Electrification Programme (INEP)	9 125	-
Property Master & Valuation Management System	3 600 000	-
	37 408 013	6 488 097

The nature and extent of conditional grants and subsidies recognised in the annual financial statements and the Accounting treatment of conditional grants is explained below:

Conditional grants should only be treated as 'transfers' recognised to revenue when the grant revenue has been 'earned' by spending it in accordance with the conditions of the grant.

Any unfulfilled conditions and unspent conditional grants and subsidies will be addressed in terms of section 22 of the Division of Revenue Act and criteria for the roll-overs of unspent conditional grant funds.

See note 31 for reconciliation of grants from National/Provincial Government.

17. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Change in discount factor	Total
Luipaardsvlei Landfill site rehabilitation	75 268 345	-	27 643 110	102 911 455
Magalies Landfill Site rehabilitation	11 666 741	-	(7 636 706)	4 030 035
Provision for performance bonuses	5 864 567	2 290 138	-	8 154 705
	92 799 653	2 290 138	20 006 404	115 096 195

Reconciliation of provisions - 2020

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Luipaardsvlei Landfill site rehabilitation	72 327 595	-	-	2 940 750	75 268 345
Magalies Landfill Site rehabilitation	6 543 357	-	-	5 123 384	11 666 741
Provision for performance bonuses	6 231 356	2 128 255	(2 495 044)	-	5 864 567
	85 102 308	2 128 255	(2 495 044)	8 064 134	92 799 653

Non-current liabilities	106 649 024	75 268 345
Current liabilities	8 447 171	17 531 308
	115 096 195	92 799 653

In terms of the review performed by MSW Consortium provision required for restoration of the existing landfill sites is as follows:

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

17. Provisions (continued)

1. The Luipaardsvlei Landfill Site the current expected remaining life of the landfill is estimated at 5 years.
2. The Magaliesburg Landfill Site the current expected remaining life of the landfill is estimated at 0 years.
3. Based on the above, the provisions at 30 June 2021 are as follows:

	2021	2020
a. Luipaardsvlei Landfill Site	R102 911 455	R75 268 345
b. Magalies Landfill Site	R4 030 035	R11 666 741
Total Provision	R106 941 490	R86 935 086

18. Payables from non-exchange transactions

Grants transferred to payables from non-exchange transactions	-	960 798
Credit balance transferred from receivables from non-exchange transactions	101 998 774	80 670 714
	101 998 774	81 631 512

19. Payables from exchange transactions

Trade payables	731 984 725	742 538 967
Credit balance transferred from receivables from exchange transactions	11 988 954	8 731 937
Current lease liability	9 988 889	10 955 556
Unpresented payments	71 429 844	62 285 766
Third party payments	783 470	928 283
Unknown Deposits	28 257 684	21 232 179
Retention	30 515 027	35 561 981
Overtime accrual	2 779 633	5 227 523
Leave accrual	91 748 895	83 652 900
Bonus accrual	16 411 255	15 976 534
Salary accrual	133 537	3 796 472
	996 021 913	990 888 098

For the current financial year the cash flow constraints that the municipality experienced over the past years was aggravated by a decrease in revenue collection mainly due to the COVID-19 lockdown.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
20. Financial liabilities		
At amortised cost		
ABSA	697 008	8 621 799
An unsecured fixed-term loan bearing interest at a fixed rate of 10.16% per annum, repayable monthly in equal instalments. This loan will be fully paid on 2 August 2021.		
NEDBANK	113 014 403	125 166 046
An unsecured fixed-term loan bearing interest at a fixed rate of 9.21% per annum, repayable monthly in equal instalments. This loan will be fully paid on 31 December 2027.		
DBSA	135 479 178	151 575 713
L239DBSA2029		
An unsecured fixed-term loan bearing interest at a fixed rate of 9.875% per annum, repayable monthly for a period of 15 years.		
Financial liabilities	249 190 589	285 363 558
2021		
During the year under review Mogale City did not source loan financing.		
2020		
During the financial year, Mogale City did not source loan financing.		
Non-current liabilities		
At amortised cost	219 078 232	249 190 588
Current liabilities		
At amortised cost	30 112 356	36 172 971
21. Sundry deposits		
Sundry deposits	12 679 550	12 244 629
Sundry deposits consists of hall, kerb, builder's water and key deposits.		
22. Consumer deposits and guarantees		
Electricity	39 018 506	33 140 389
Water	24 757 031	27 887 337
	63 775 537	61 027 726

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

23. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions (refer to note 3)	-	279 914 861	279 914 861
Receivables from exchange transactions (refer to note 4)	-	348 315 962	348 315 962
Cash and cash equivalents (refer to note 5)	-	56 475 300	56 475 300
Call accounts money market accounts (refer to note 5)	-	8 449 361	8 449 361
Financial assets (refer to note 13)	598 971	-	598 971
	598 971	693 155 484	693 754 455

Financial liabilities

	At amortised cost	Total
Current and non-current finance lease obligation (refer to note 15)	13 898 197	13 898 197
Payables from non-exchange transactions (refer to note 18)	101 998 774	101 998 774
Payables from exchange transactions (refer to note 19)	996 021 913	996 021 913
Current financial liabilities (refer to note 20)	30 112 356	30 112 356
Non-Current financial liabilities (refer to note 20)	219 078 232	219 078 232
Sundry deposits (refer to note 21)	12 679 550	12 679 550
Consumer deposits (refer to note 22)	63 775 537	63 775 537
	1 437 564 559	1 437 564 559

2020

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions (refer to note 3)	-	198 843 687	198 843 687
Receivables from exchange transactions (refer to note 4)	-	320 188 384	320 188 384
Cash and cash equivalents (refer to note 5)	-	87 929 121	87 929 121
Call accounts money market accounts (refer to note 5)	-	10 407 266	10 407 266
Financial assets (refer to note 13)	575 254	-	575 254
	575 254	617 368 458	617 943 712

Financial liabilities

	At amortised cost	Total
Current and non-current finance lease obligation (refer to note 15)	35 904 699	35 904 699
Payables from non-exchange transactions (refer to note 18)	81 631 512	81 631 512
Payables from exchange transactions (refer to note 19)	990 888 098	990 888 098
Current financial liabilities (refer to note 20)	36 172 971	36 172 971
Non-Current financial liabilities (refer to note 20)	249 190 588	249 190 588
Sundry deposits (refer to note 21)	12 244 629	12 244 629
Consumer deposits (refer to note 22)	61 027 726	61 027 726
	1 467 060 223	1 467 060 223

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
24. Service charges		
Sale of electricity	1 029 047 317	951 331 437
Sale of water	388 582 482	379 528 907
Sewerage and sanitation charges	231 439 987	221 891 458
Refuse removal	127 835 247	122 413 155
Less: Income foregone Rebates & Indigent subsidies)	(37 421 153)	(36 464 975)
	1 739 483 880	1 638 699 982
25. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	5 538 061	7 082 656
Rental of laps and carports	79 928	82 883
Rental of halls	176 302	244 200
Other rentals	71 744	61 112
	5 866 035	7 470 851
26. Income from agency services		
Agency Services	26 986 584	20 178 045
27. Operational revenue		
Administration fees	161 189	223 959
Advertising	167 110	370 461
Application fees	783 683	639 102
Building plan fees	4 328 762	3 032 227
Bulk service connections	1 723 852	992 899
Cemetery fees	3 577 006	2 586 000
Contributions Developers	5 210 257	1 232 400
Insurance claims	153 741	1 198 648
Other income	12 425 878	3 229 727
Service connections	10 812 485	9 272 348
Donations/Assets transferred (Assets aquired at no cost)	732 494	6 682 696
Training grant	673 383	-
Actuarial gains	3 947	52 063 525
	40 753 787	81 523 992
2020		
Assets acquired at no cost/donations		
The revenue from assets acquired at no cost is attributable to an increase in animals due to new births.		
28. Interest received - Outstanding debtors		
Interest received	33 440 418	46 723 223

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
29. Investment revenue		
Dividend revenue		
Dividends	23 424	26 079
Interest revenue		
Interest on investment	2 099 958	1 621 339
Interest on favourable balances	1 798 700	915 868
	3 898 658	2 537 207
Total revenue from investments	3 922 082	2 563 286
30. Statutory income: Property rates		
Rates received		
Residential	479 706 898	540 063 550
Commercial & Educational Institutions	318 901 061	320 853 658
Small holdings and farms	34 015 928	34 122 099
Less: Income foregone (Rebates & subsidies)	(328 559 399)	(331 767 279)
	504 064 488	563 272 028

The reduction of income from property rates is attributed to a special Covid-19 rebate of 10% which was given to all rates payers in the year under review.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
31. Transfers and subsidies		
Operating grants		
Equitable share	511 573 001	408 060 992
Municipal Infrastructure Grant (MIG)/ Integrated Urban Development Grant (IUDG)	13 853 553	14 237 268
Expanded public works programme (EPWP)	6 897 000	4 481 000
Provincial Disaster Management Grant - COGTA	-	1 251 000
Performance Management Grant (PMG)	750 000	-
WRDM: HIV/AIDS Grant	3 846 920	2 688 298
Sport, Art, Culture and Recreation (SRAC)	12 500 000	12 271 990
Finance Management Grant (FMG)	1 306 985	823 032
Expanded Public Works Programme (EPWP) COGTA	1 000 000	-
	551 727 459	443 813 580
Capital grants		
Integrated National Electrification Programme (INEP)	23 840 875	17 501 591
Water Services Infrastructure grant (WSIG)	42 200 000	40 020 860
Municipal Infrastructure Grant (MIG)/ Integrated Urban Development Grant (IUDG)	109 418 177	101 383 034
Human Settlement Development Grant (HSDG)	16 699 088	31 111 000
Expanded Public Work Programme (EPWP)	120 000	-
Property Master and Valuation Management System - COGTA	400 000	-
Sport, Art, Culture and Recreation (SRAC)	6 040 493	8 234 462
Neighbourhood Development Partnership Grant (NDPG)	4 999 726	10 000 000
Finance Management Grant (FMG)	243 015	726 968
	203 961 374	208 977 915
	755 688 833	652 791 495
32. Fines, Penalties and Forfeits		
Statutory income: Traffic fines	108 724 238	28 170 040
Penalties imposed	1 006 894	10 241 715
Library Fines	1 209	4 107
	109 732 341	38 415 862

Revenue from traffic fines is recognised on the accrual basis. The municipality has procured a contract for speed cameras in order to issue traffic fines.

Revenue received from penalties imposed relates to income received from reconnections of water and electricity which is disconnected due to non payment.

The reduction of income received during the year under review was due to non-implementation of Credit Control during the COVID-19 lockdown period.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. Fair value adjustments		
Investment property & Shares fair value adjustments	6 703 997	40 103 599

2021

Fair value adjustment

The shares held by Sanlam Pty Ltd on behalf of the municipality at a market value of R61.37 has appreciated.

2020

Fair value adjustment

The Investment Property was evaluated by an independent valuer, MSW Consortium. The direct comparison method was utilised to value Investment Property as it is a preferred approach to value and is accepted by the SA Courts. When utilising the direct comparison method, a comparison is drawn between sales from prior year and comparing to it to current year sales, thus calculating the percentage adjustment for specific areas.

34. Employee related costs

Basic salaries	535 869 813	513 729 067
Bonus	37 587 595	35 757 751
Medical aid - company contributions	36 201 625	34 470 531
UIF	3 092 268	3 128 118
Industrial council levy	168 216	171 735
Employee Benefit Obligation - Interest	25 188 895	22 255 474
Leave provision and payments	9 413 704	16 714 833
Actuarial losses	7 691 599	17 392
Skills Development Levy	5 259 671	5 047 364
Defined contribution plans	93 144 365	89 446 462
Overtime payments	31 019 229	37 671 854
Acting allowances	231 154	1 747 051
Car allowance	52 108 988	50 098 532
Housing subsidy	3 948 025	3 790 832
Section 57 Salaries	16 299 861	15 790 047
COVID-19 Incentive Allowance	-	3 589 824
	857 225 008	833 426 867

35. Remuneration of councillors

Executive Mayor	1 062 705	922 639
Chief Whip	805 366	805 366
Speaker	856 207	856 222
Municipal Public Accounts Committee (MPAC)	783 178	631 723
Mayoral Committee Members	8 054 038	6 597 405
Part time councillors	22 930 513	23 772 173
	34 492 007	33 585 528

36. Depreciation and amortisation

Property, plant and equipment	247 958 507	241 557 121
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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
37. Impairment of assets		
Impairments Property, plant and equipment	18 073	490 977
38. Finance costs		
Interest paid	38 462 789	49 378 336

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
39. Debt impairment		
Debt impairment	214 113 648	243 916 222
40. Collection cost		
Collection cost	32 156 852	38 378 640
41. Bulk purchases		
Electricity - Eskom	804 318 063	734 152 621
Water - Rand Water	356 535 197	339 703 909
Wastewater sewer discharge: Johannesburg Water	10 467 637	6 034 539
	1 171 320 897	1 079 891 069

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

41. Bulk purchases (continued)

2021

Electricity Losses

During the year under review Mogale City Local Municipality had unaccounted electricity of 11.94% which amounts to 82,081,133.20kwh (8.33%: 2020, 55,061,552.65kwh). The total rand value of these losses was R 104,980,671.14 (R 58,999,948.69: 2020). The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses. This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NER Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

The electricity losses in the 2020/21 financial year were due to unmetered supplies, faulty meters, dysfunctional and old technology meters measuring inaccurate usage, tampered meters for electricity theft, illegal connections, heat losses due to distribution and reticulation of electricity.

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

41. Bulk purchases (continued)

Mitigations:

Replacement of old analogue induction meters with digital meters to reduce measurement errors.

Continuous inspection of meter installations to identify and resolve faulty and tampered meters.

Expanding electrification programmes to eradicate illegal electricity connections to the extent of INEP support.

2020

Electricity Losses

During the previous financial year Mogale City Local Municipality had unaccounted electricity of 8.33% which amounts to 55,061,552.65kwh (9.74%: 2019, 67,262,492.95kwh). The total rand value of these losses was R 58,999,948.69 (R 46,499,852.68: 2019). The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses. This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NER Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

The electricity losses in the 2019/20 financial year were due to unmetered supplies, faulty meters, dysfunctional and old technology meters measuring inaccurate usage, tampered meters for electricity theft, illegal connections, heat losses due to distribution and reticulation of electricity.

Mitigations:

Replacement of old analogue induction meters with digital meters to reduce measurement errors

Continuous inspection of meter installations to identify and resolve faulty and tampered meters

Expanding Electrification programmes to eradicate illegal electricity connections to the extent of INEP support.

2021

Water Losses

During the year under consideration Mogale City Local Municipality had unaccounted water of 15.77% (non-technical losses), 5,425,562.04 kl. The total rand value of these non-technical losses were R 54,747,317.61.

Identified causes of water losses:

1. Unmetered facilities
2. Non-functional bulk water meters
3. Leaking reservoirs
4. Aged Asbestos Pipe Infrastructure, which frequently collapse due to high pressure in the system as well as age of the pipeline system
5. Faulty and leaking water meters
6. Frequent Burst Pipes contributing to high water loss
7. High Pressure in the Distribution System

Planned corrective measures:

1. Metering of informal settlements and all unmetered areas
2. Replacement/Installation/Metering of 316 Businesses/Industrial Bulk Water Meters
3. Reservoirs Leakage Investigation and Repairs
4. Aged Water Pipeline Infrastructure Asset Replacement Plan/Programme to be developed. Priority Approach to Aged Water Pipe Replacement has been developed.
5. Audit of prepaid water meters where non-purchase has been conducted
6. Fleet and personnel resources to be increased to improve on a turn-around time for burst pipe repairs to reduce wastage of water
7. Pressure Management Infrastructure Maintenance Plan to be developed and implemented

During the year under review the technical losses which the municipality does not have control over was determined as 15%, 5,164,796.40 kl amounting to R52,116,058.74.

2020

Water Losses

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

41. Bulk purchases (continued)

During the previous financial year Mogale City Local Municipality had unaccounted water of 10.54% (non-technical losses), 3,523,216.46 kl. The total rand value of these non-technical losses were R 35,507,829.62.

Identified causes of water losses:

1. Unmetered facilities
2. Non-functional bulk water meters
3. Leaking reservoirs
4. Aged Asbestos Pipe Infrastructure, which frequently collapse due to high pressure in the system as well as age of the pipeline system
5. Faulty and leaking water meters
6. Frequent Burst Pipes contributing to high water loss
7. High Pressure in the Distribution System

Planned corrective measures:

1. Metering of informal settlements and all unmetered areas
2. Replacement/Installation/Metering of 316 Businesses/Industrial Bulk Water Meters
3. Reservoirs Leakage Investigation and Repairs
4. Aged Water Pipeline Infrastructure Asset Replacement Plan/Programme to be developed. Priority Approach to Aged Water Pipe Replacement has been developed.
5. Audit of prepaid water meters where non-purchase has been conducted
6. Fleet and personnel resources to be increased to improve on a turn-around time for burst pipe repairs to reduce wastage of water
7. Pressure Management Infrastructure Maintenance Plan to be developed and implemented

During the previous financial year the technical losses which the municipality does not have control over was determined as 15%, 5,010,278.55 kl amounting to R50,553,972.48.

42. Contracted services

Presented previously

Information Technology Services	662 966	700 200
Fleet Services	37 266 834	30 692 980
Operating Leases	7 406 375	14 127 221
Specialist Services	5 647 191	5 579 023
Repairs and maintenance	146 155 709	121 775 815
COVID-19 - Emergency maintenance of Krugersdorp game reserve	3 382 295	2 063 073
Other Contractors	277 330 700	227 387 084
	477 852 070	402 325 396

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
43. Operational costs		
Advertising	624 363	695 475
Audit and Risk committee remuneration	290 891	277 599
Bank charges	2 897 258	3 606 298
Bursary scheme internal and external	334 147	1 299 558
Compensation Occupational Injuries and Diseases Act	3 861 740	3 852 651
Conferences and seminars	6 000	205 004
Consumables	548 148	747 987
Fuel and oil	10 956 243	11 700 058
Insurance	3 889 960	4 969 971
Internet fees	2 553 114	2 093 313
Magazines, books and periodicals	54 809	30 867
Other expenses	69 837 027	73 398 147
Pest control	2 827	-
Postage and courier	4 082 273	3 055 063
Printing and stationery	849 822	1 523 099
Electricity purchases for consumption	6 889 623	9 010 237
Refreshments general and meetings	37 911	334 940
Royalties and license fees	7 051 806	4 407 336
Safety equipment/Protective clothing	912 494	2 203 551
Settlement and legal fees	9 880 870	13 153 575
Stores and materials (inventory items)	1 091 352	2 758 989
Subscriptions and membership fees	9 063 040	8 672 365
Telephone and fax	5 731 437	6 284 840
Training	266 636	506 520
Travel - local	198 061	662 601
COVID-19 Expenses	(84 014)	3 177 771
	141 827 838	158 627 815

Other expenses represent consolidated small expenditure items.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
44. Cash generated from operations		
Surplus	10 900 551	8 472 338
Adjustments for:		
Depreciation and amortisation	247 055 985	241 580 665
Fair value adjustments	(6 703 997)	(40 103 597)
Impairment loss/reversal	18 073	490 976
Debt impairment	234 654 975	230 149 562
Movements in operating lease assets and accruals	(244 577)	35 758
Movements in retirement benefit assets and liabilities	25 259 142	(31 910 926)
Movements in provisions	22 296 542	7 697 345
Other non-cash items	(458 374)	(946 374)
Changes in working capital:		
Inventories	1 691 220	2 465 304
Receivables from exchange transactions	(225 380 421)	(202 153 347)
Receivables from non-exchange transactions	(118 473 306)	(160 841 737)
Payables from exchange transactions	8 505 961	192 973 435
VAT	(39 815 407)	13 194 788
Unspent conditional grants and receipts	30 919 916	6 349 268
Consumer deposits	2 747 811	3 331 673
Sundry deposits	434 921	247 828
Payables from non-exchange transactions	20 367 262	5 004 474
	213 776 277	276 037 433

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

45. Budget differences

Material differences between budget and actual amounts

The differences between the approved and final budget is as a result of reallocation of funds in line with the virement policy. Management considers 10% or more of variance as material. A detailed description of the variance is provided below. The current financial year has material differences on revenue, expenditure has no material differences with a variance of more than 10%.

Statement of financial performance

Revenue

45.1 Interest received on outstanding debtors

Interest revenue on outstanding debtors decreased as a result of the handing over of a significant part of the outstanding debtors balance during the financial year to debt collectors which resulted in the interest that had been previously levied on the balances that were handed over ceasing to attract interest per the Credit Control policy.

45.2 Income from agency services

Due to COVID-19 lockdown regulations, motorists were granted an extension to renew their vehicle registration licenses, as a result revenue collection was negatively impacted.

45.3 Operational revenue

The disposal of land will continue in the next financial year

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

46. Prior period errors

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Inventories	17 027 979	-	-	17 027 979
Receivables from non-exchange transactions	198 843 687	-	-	198 843 687
Receivables from exchange transactions	320 138 333	50 051	-	320 188 384
Cash and cash equivalents	98 336 387	-	-	98 336 387
Operating lease asset	96 044	-	-	96 044
VAT receivable	22 549 231	(7 435)	-	22 541 796
	656 991 661	42 616	-	657 034 277
Non-Current Assets				
Investment property	704 209 638	(12 164 397)	-	692 045 241
Property, plant and equipment	5 717 935 231	1 235 724	(2 378 439)	5 716 792 516
Intangible assets	1 346 326	3 699 105	-	5 045 431
Heritage assets	2 445 480	4 795	-	2 450 275
Financial assets	575 254	-	-	575 254
Living resources	-	-	2 378 439	2 378 439
	6 426 511 929	(7 224 773)	-	6 419 287 156
Total Assets	7 083 503 590	(7 182 157)	-	7 076 321 433
Liabilities				
Current Liabilities				
Employee benefit obligation	18 321 186	-	-	18 321 186
Finance lease obligation	22 008 858	-	-	22 008 858
Unspent conditional grants and receipts	6 488 097	-	-	6 488 097
Provisions	17 531 308	-	-	17 531 308
Payables from non-exchange transactions	81 631 512	-	-	81 631 512
Payables from exchange transactions	990 854 817	33 281	-	990 888 098
Financial liabilities	36 172 971	-	-	36 172 971
Sundry deposits	12 244 629	-	-	12 244 629
Consumer deposits	61 027 726	-	-	61 027 726
Operating lease liability	256 093	-	-	256 093
	1 246 537 197	33 281	-	1 246 570 478
Non-Current Liabilities				
Employee benefit obligation	202 043 939	-	-	202 043 939
Finance lease obligation	13 895 841	-	-	13 895 841
Provisions	75 268 345	-	-	75 268 345
Financial liabilities	249 190 588	-	-	249 190 588
	540 398 713	-	-	540 398 713
Total Liabilities	1 786 935 910	33 281	-	1 786 969 191
Net Assets	5 296 567 680	(7 215 438)	-	5 289 352 242

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
46. Prior period errors (continued)		
Social Responsibility Fund	28 514 391	-
Accumulated surplus	5 268 053 289	(7 215 438)
Total Net Assets	5 296 567 680	1 218 075
		- 5 289 352 242

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

46. Prior period errors (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	1 638 650 416	-	-	- 1 638 699 982
Rental of facilities and equipment	7 470 851	-	-	- 7 470 851
Income from agency services	20 178 045	-	-	- 20 178 045
Licences and permits	8 813	-	-	- 8 813
Operational revenue	75 516 135	6 007 857	-	- 81 523 992
Interest received - Outstanding debtors	46 723 223	-	-	- 46 723 223
Interest received - Investment	2 537 207	-	-	- 2 537 207
Dividends received	26 079	-	-	- 26 079
Total revenue from exchange transactions	1 791 110 769	6 007 857		- 1 797 168 192
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	563 272 028	-	-	- 563 272 028
Transfer revenue				
Transfers & subsidies	652 791 495	-	-	- 652 791 495
Fines, Penalties and Forfeits	38 415 862	-	-	- 38 415 862
Fair value adjustments investment property	40 103 599	-	-	- 40 103 599
Total revenue from non-exchange transactions	1 294 582 984		-	- 1 294 582 984
Total revenue	3 085 693 753	6 007 857		- 3 091 751 176
Expenditure				
Employee related costs	(833 393 586)	-	-	- (833 426 867)
Remuneration of councillors	(33 585 528)	-	-	- (33 585 528)
Depreciation and amortisation	(237 284 896)	(4 272 225)	-	- (241 557 121)
Impairment loss/Reversal of impairments	(490 977)	-	-	- (490 977)
Finance costs	(49 378 336)	-	-	- (49 378 336)
Debt impairment	(243 916 222)	-	-	- (243 916 222)
Collection costs	(38 378 640)	-	-	- (38 378 640)
Bulk purchases	(1 079 891 069)	-	-	- (1 079 891 069)
Contracted services	(402 325 396)	-	-	- (402 325 396)
Transfers and subsidies (operational expenditure)	(1 700 867)	-	-	- (1 700 867)
Operational costs	(149 617 035)	(9 010 780)	-	- (158 627 815)
Total expenditure	(3 069 962 552)	(13 283 005)		- (3 083 278 838)
Surplus for the year	15 731 201	(7 275 148)		- 8 472 338

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

46. Prior period errors (continued)

46.1 Prior period error

Reasons for prior year changes

1. Animals PPE reclassified to Living resources as per GRAP 110.
2. Prepaid water amounting to R57 000 was issued from the vending system however the sale was not recorded on the financial system.
3. Two employees who worked during the lockdown were paid late..
4. Movable were fully depreciated and still in use were revalued. Software supporting documentation was received late.
5. Donation acquired at no costs.
6. Accounting for a photocopier repair expense per insurance claim.
7. Assets derecognition.

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

47. Commitments

Authorised capital expenditure

Already contracted for

• Infrastructure	46 878 446	108 539 828
• Community	793 431 747	841 263 800
	840 310 193	949 803 628

Authorised operational expenditure

Approved

• Operational expenditure	229 548 473	345 210 480
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Capital commitments represents future capital expenditure. The municipality has committed to utilise to spend these amount due to signed contracts with suppliers and approval per the Medium Term Revenue and Expenditure Framework. The commitments disclosed above include obligations that the municipality has for more than one year.

The commitments disclosed above exclude the 1% increase in VAT for tenders awarded before 1 April 2018.

As and when contracts

The municipality has 16 contracts that are on an as and when required basis. The contracts expenditure amount to R160 756 887: 2021, R176 083 572: 2020 and R91 506 038: 2019. The contracts remain valid as at the end of the financial year. The values of these contracts cannot be reliably measured as the obligation to the service provider is realised when the need for their service is required by the municipality thus the obligations and their related expenditures cannot be fairly presented due to the nature of the contracts.

Unable to quantify

The municipality has 34 contracts that are unquantifiable due to the nature of the contracts. The expenditure of these contracts from inception to the current financial year amounts to R 383 520 738.

Deviations

During the year under review Mogale City Local Municipality deviated with a total amount of R 787 706 .

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	25 156	6 207 042
- in second to fifth year inclusive	-	25 156
	25 156	6 232 198

Operating lease payments represent rentals payable by the municipality for certain of its offices, trucks, motor vehicles and cellphones. Leases are negotiated for an average term of 36-120 months. Most of the rentals in terms of these operating lease arrangements are fixed while some rentals escalate on average by 10% or at prime lending rate per annum . No restrictions have been imposed on the municipality in terms of the operating lease agreements. .

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	246 044	766 569
- in second to fifth year inclusive	252 725	1 484 126
	498 769	2 250 695

Certain of the municipality's property is held to generate rental income. The Lease terms are negotiated ranging from 6 months to 30 years. The rental levied escalates at 10% on average per annum.

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Figures in Rand	2021	2020
48. Contingencies		
Contingent liabilities		
Category A		
Karel Du Plessis Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118	147 072	147 072
C Venter Traffic Vehicle of the Municipality collided with the plaintiff's vehicle and he is claiming for damages	22 000	22 000
Chabano Trading Consultant The Plaintiff alleges that the Municipality has unlawfully terminated the contract.	1 167 770	1 167 770
Ndumo Group Resources CC The service provider is suing the municipality for services rendered.	1 340 217	1 340 217
Khalipha Entertainment MCLM sued service provider for failing to give proper account of the organised jazz festival and payment made in terms of the contract and Khalipha made a counter claim against MCLM of the same amount.	1 799 490	1 799 490
Madelein van Rooyen The Plaintiff alleges that the municipality was partly negligent in ensuring that the Bungee jumping is safe.	122 365	122 365
Lefatshe Security Services (PTY) LTD The service provider is suing the Municipality for breach of contract.	7 938 183	7 938 183
Camel friends CC Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.	50 244	50 244
Annemarie Cronje Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.	22 446	22 445
Gerhad Human Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.	29 552	29 551
Palmetto Gate Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.	111 585	111 584
Yolande Strydom Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.	124 180	124 180
Annemarie Cronje Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.	243 852	243 852
Dumisani Amos Mnis Summons issued against the municipality for vicarious liability.	654 000	654 000
Alfa Transportation Summons issued against the municipality for overpayment of services.	15 275	15 275
Mvuyisi Mfebe Summons issued against the municipality for alleged infringement of copyrights.	10 000 000	10 000 000
Ngwekana Advisory Summons issued against the municipality for alleged breach of contract. The contractual amount was R1 800 000 entered into between the parties over a three years period. However they issued summons of R48 244 798.95 which does not derive from any contractual relationship between the parties.	488 868	488 868
Phambane Mokone Inc. Summons issued against the municipality for non-payment of invoices for services rendered.	1 052 798	1 052 798
Dartingo Trading 356 (Pty) Ltd	2 400 000	2 400 000

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Figures in Rand	2021	2020
48. (continued)		
The municipality is being sue for damages as they alleged that a potential purchaser cancelled an offer to purchase their property after the municipality relocated people to a property adjacent to their property.		
Nzambi Aubin Biasua & Nzambi Makala Biausua	499 633	499 633
The municipality is being sued for damages as the plaintiff alleges that the municipality failed to ensure that they were safe during the riots.		
Ncobo Edith	10 000 000	10 000 000
The municipality is being sued for damages as the plaintiff alleges that the municipality acted negligent by leaving a sewerage drain open which led to a minor child's falling in the drainage.		
C & G Engineering Services CC	1 809 477	1 809 477
Summons issued against the municipality for alleged non-payment of invoices for services rendered.		
Red Ant Security Relocation and Eviction Services (PTY) LTD	6 050 031	6 050 031
Summons issued against the municipality for alleged non-payment of invoices for services rendered		
Category B		
Labour Matters		
Henk Spamer	1 387 658	1 387 658
Notice of motion received for the alleged salary discrepancies between the employee and permanently employed managers.		
	47 476 696	47 476 693
Contingent assets		
Outstanding Legal Matters		
Khalipha Entertainment	3 685 212	3 685 212
MCLM sued service provider for failing to give proper accounts of the organised jazz festival and make payment in terms of the contract.		
Lefatshe Security Services (PTY) LTD	8 062 493	8 062 493
The Municipality is being sued for outstanding contractual amount however the Municipality has a counter claim against the plaintiff.		
Erbacon	-	2 252 132
The municipality sued the service provider for breach of contract and enforcing the penalty clause.		
	11 747 705	13 999 837

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49. Related parties

Relationships

Political Office Bearers consist of:

Executive Mayor
Chief Whip
Speaker
MPAC
Councillors (MMC)

Cllr F.M. Makgatho
Cllr S.I. Dube
Cllr N.C. Mangole
Cllr D.S. David
Cllr N.M. Sedumedi
Cllr M.B. Mdlane
Cllr T.P. Moeketsi
Cllr M.F. Chohledi
Cllr E.N. Cindi
Cllr C.M. Ntlatlane-Zwane
Cllr A.K. Setswalo-Moja
Cllr M.T. Khuzwayo
Cllr T.I. Nzwane
Cllr B.E. Nkosi
Part time councillors (Full list detailed below)
Mr M.P. Raedani
Mrs D.S. Diale
Mr G. Ramorwesi
Mrs M. Boihang
Mr T.R.R. Ramathlape
Mr M.E. Monakedi
Adv A.R. Khuduge
Mr N.V. Bekwa (Acting)
Mr S.H. Mbanjwa
Mrs T.M. Matshego

Accounting Officer
Members of key management

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49. Related parties (continued)

Remuneration of management

Mayoral committee members

2021

	Annual Remuneration	Cellphone Allowance	Data card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
Executive Mayor						
F.M. Makgatho	644 711	40 800	3 600	251 682	121 912	1 062 705
Chief Whip						
S.I. Dube	477 395	40 800	3 600	188 761	94 810	805 366
Speaker						
N.C. Mangole	525 249	40 800	3 600	201 345	85 212	856 206
Section 79 Chair Person						
D.S. David	477 977	40 800	3 600	183 225	77 577	783 179
MMC: Corporate Support & Strategic Planning						
M. Khuzwayo	477 395	40 800	3 600	188 761	94 810	805 366
MMC: Community Safety						
A.K. Setswalo-Moja	477 395	40 800	3 600	188 761	94 810	805 366
MMC: Health & Social Development						
N.E. Cindi	477 395	40 800	3 600	188 761	94 810	805 366
MMC: Intergrated Environment Management						
M.F. Chohledi	492 421	40 800	3 600	188 761	79 910	805 492
MMC: Sports & Recreation						
C.M. Ntlatlane	492 421	40 800	3 600	188 761	79 910	805 492
MMC: Finance						
N.M. Sedumedi	477 395	40 800	3 600	188 761	94 810	805 366
MMC: Roads and Transport						
M.B. Mdlane	477 395	40 800	3 600	188 761	94 810	805 366
MMC: LED & Rural Development						
T.P. Moeketsi	492 421	40 800	3 600	188 761	79 910	805 492
MMC: Utilities						

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49. Related parties (continued)

I.T. Nzwane	477 395	40 800	3 600	188 761	94 810	805 366
MMC: Human Settlement						
B.E. Nkosi	477 395	40 800	3 600	188 761	94 810	805 366
	6 944 360	571 200	50 400	2 712 623	1 282 911	11 561 494

2020

	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
Executive Mayor						
P.N. Lipudi (Deceased 12 January 2020)	352 637	21 716	1 916	133 960	54 345	564 574
F.M. Makgatho	223 193	13 834	1 221	85 340	34 477	358 065
Chief Whip						
S.I. Dube	477 395	40 800	3 600	188 761	94 810	805 366
Heading						
N.C. Mangole	525 249	40 800	3 600	201 345	85 228	856 222
Section 79 Chair Person						
B.E. Nkosi	329 790	29 065	2 565	130 523	66 647	558 590
D.S. David	44 971	3 839	339	17 239	6 745	73 133
MMC: Energy, Water and Sanitation						
M. Khuzwayo	392 696	33 561	2 961	155 271	75 470	659 959
MMC: Human Settlement & Rural Development						
A.K. Setswalo-Moja	392 696	33 561	2 961	155 271	75 470	659 959
MMC: Health & Social Services						
N.E. Cindi	392 696	33 561	2 961	155 271	75 470	659 959
MMC: Intergrated Environment Management						
M.F. Chohledi	405 056	33 561	2 961	155 271	63 140	659 989
MMC: Sports and Recreation						
C.M. Ntlatlane	405 056	33 561	2 961	155 271	63 135	659 984
MMC: LED and Rural Development						
P.T. Molapo	254 097	21 716	1 916	100 470	48 784	426 983
MMC: Finance						

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49. Related parties (continued)

N.M. Sedumedi	392 696	33 561	2 961	155 271	75 477	659 966
MMC; Roads and Transport						
M.B. Mdlane	392 696	33 561	2 961	155 271	75 470	659 959
MMC; Corporate Services						
T.P. Moeketsi	405 056	33 561	2 961	155 271	63 135	659 984
MMC; Community Safety						
L.S Resha	254 097	21 716	1 916	100 470	48 784	426 983
MMC: Utilites						
I.T. Nzwane	138 598	11 845	1 045	54 802	26 537	232 827
MMC: Human Settlement						
B.E. Nkosi	137 315	11 735	1 035	54 294	26 477	230 856
	5 915 990	485 554	42 841	2 309 372	1 059 601	9 813 358

Councillors

2021

Name	Annual Remuneration	Cellphone	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
G.I. Moilwanyane	207 777	40 800	3 600	79 648	33 932	365 757
F.O. Bhayat	207 777	40 800	3 600	79 648	33 932	365 757
S.D. Letsie	192 751	40 800	3 600	79 648	48 833	365 632
E. Modise	192 751	40 800	3 600	79 648	48 833	365 632
T.J. Steenkamp	207 777	40 800	3 600	79 648	33 932	365 757
J.L. Pannall	192 751	40 800	3 600	79 648	48 833	365 632
M. Mohube	207 777	40 800	3 600	79 648	33 932	365 757
R.J. Mokotla	207 777	40 800	3 600	79 648	33 932	365 757
M.J. Selibo	207 777	40 800	3 600	79 648	33 932	365 757
M.P.J. Madumo	192 751	40 800	3 600	79 648	48 833	365 632
B.A. Kubayi	207 777	40 800	3 600	79 648	33 932	365 757
M.L. Agondo	201 516	40 800	3 600	79 648	40 155	365 719

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49. Related parties (continued)

M.D. Sithole	207 777	40 800	3 600	79 648	33 932	365 757
M.O. Ramadi	207 777	40 800	3 600	79 648	33 932	365 757
S. Silaule	207 777	40 800	3 600	79 648	33 932	365 757
J.S. Hoon	260 875	40 800	3 600	26 549	33 932	365 756
G.K. Gaselebelwe	192 751	40 800	3 600	79 648	48 833	365 632
B.N. Ngakane	192 751	40 800	3 600	79 648	48 833	365 632
J.N. Kotze	207 777	40 800	3 600	79 648	33 932	365 757
P.C. Orpen-Reid	207 777	40 800	3 600	79 648	33 932	365 757
J. Miller	207 777	40 800	3 600	79 648	33 932	365 757
B.V. Molefe	192 751	40 800	3 600	79 648	48 833	365 632
L. Modise	207 777	40 800	3 600	79 648	33 932	365 757
X.L. Mkruquli	207 777	40 800	3 600	79 648	33 932	365 757
W. Segolodi	207 777	40 800	3 600	79 648	33 932	365 757
W. Ngwako	207 777	40 800	3 600	79 648	33 932	365 757
L.W. Zwankhuizen	207 777	40 800	3 600	79 648	33 932	365 757
E. Mahne	207 777	40 800	3 600	79 648	33 932	365 757
A. Wentzel	207 777	40 800	3 600	79 648	33 932	365 757
J.J. Holtzhausen	207 777	40 800	3 600	79 648	33 932	365 757
M.J. Koboekae	207 777	40 800	3 600	79 648	33 932	365 757
V.B. Khumalo	192 751	40 800	3 600	79 648	48 833	365 632
T.E. Mokoena	207 777	40 800	3 600	79 648	33 932	365 757
T.M. Gray	207 777	40 800	3 600	79 648	33 932	365 757
P.J. Makokwe	207 777	40 800	3 600	79 648	33 932	365 757
I. Mangole	207 777	40 800	3 600	79 648	33 932	365 757
L.W. Moleba	207 777	40 800	3 600	79 648	33 932	365 757
C.J. van der Westhuizen	207 777	40 800	3 600	79 648	33 932	365 757
S. Govindasamy	192 751	40 800	3 600	79 648	48 833	365 632
M.T. Lebe	207 777	40 800	3 600	79 648	33 932	365 757
Z. Wehinger-Maguire	207 777	40 800	3 600	79 648	33 932	365 757
M.C.G. Naude	192 751	40 800	3 600	79 648	48 833	365 632
K.E. Lekagane	207 777	40 800	3 600	79 648	33 932	365 757
C.A. Kotze	207 777	40 800	3 600	79 648	33 932	365 757
M. Ndamase	207 777	40 800	3 600	79 648	33 932	365 757
A.G. Mutele	207 777	40 800	3 600	79 648	33 932	365 757
M.J. Jim	25 693	5 045	445	9 849	2 597	43 629

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49. Related parties (continued)

S.A. Dabhelia	207 777	40 800	3 600	79 648	33 932	365 757
L.L. Lekoto	207 777	40 800	3 600	79 648	33 932	365 757
K. Ngwenya	122 625	24 043	2 121	46 935	19 585	215 309
R.B. Seemela	207 777	40 800	3 600	79 648	33 932	365 757
M.L. Khoza	207 777	40 800	3 600	79 648	33 932	365 757
J. Makgopa	207 777	40 800	3 600	79 648	33 932	365 757
G.A. Tsele	207 777	40 800	3 600	79 648	33 932	365 757
B.S. Tlapu	207 777	40 800	3 600	79 648	33 932	365 757
O.S.S. Moralo	207 777	40 800	3 600	79 648	33 932	365 757
B.L. Shabalala	207 777	40 800	3 600	79 648	33 932	365 757
L.E. du Toit	207 777	40 800	3 600	79 648	33 932	365 757
A.S. Eksteen	207 777	40 800	3 600	79 648	33 932	365 757
K.E. Mapetla	207 777	40 800	3 600	79 648	33 932	365 757
H.H. Kruger	207 777	40 800	3 600	79 648	33 932	365 757
P.T. Molapo	192 751	40 800	3 600	79 648	48 833	365 632
P.K. Modise	132 746	26 067	2 300	50 886	22 898	234 897
A.K. Molosiwa	72 351	14 207	1 254	27 734	11 544	127 090
L.G. Resha	192 751	40 800	3 600	79 648	48 832	365 631
	12 894 321	2 558 162	225 720	4 940 817	2 311 492	22 930 512

2020

Name	Annual Remuneration	Cellphone	Data Crd Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
G.I. Moilwanyane	207 777	40 800	3 600	79 648	33 932	365 757
F.O. Bhayat	207 777	40 800	3 600	79 648	33 932	365 757
S.D. Letsie	192 751	40 800	3 600	79 648	48 833	365 632
E. Modise	192 751	40 800	3 600	79 648	48 833	365 632
T.J Steenkamp	207 777	40 800	3 600	79 648	33 932	365 757
J.L. Pannall	192 751	40 800	3 600	79 648	48 833	365 632
M. Mohube	207 777	40 800	3 600	79 648	33 932	365 757

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49. Related parties (continued)

I.T. Nzwane	136 791	28 955	2 555	56 524	35 179	260 004
D.S. David	188 228	36 961	3 261	72 154	30 999	331 603
R.J. Mokotla	207 777	40 800	3 600	79 648	33 932	365 757
M.J. Selibo	207 777	40 800	3 600	79 648	33 932	365 757
M.P.J. Madumo	192 751	40 800	3 600	79 648	48 833	365 632
B.A. Kubayi	207 777	40 800	3 600	79 648	33 932	365 757
M.L. Agondo	192 751	40 800	3 600	79 648	48 833	365 632
M.D. Sithole	207 777	40 800	3 600	79 648	33 932	365 757
M.O. Ramadi	207 777	40 800	3 600	79 648	33 932	365 757
S. Silaule	207 777	40 800	3 600	79 648	33 932	365 757
J.S. Hoon	207 777	40 800	3 600	79 648	33 932	365 757
G.K. Gaselebelwe	192 751	40 800	3 600	79 648	48 833	365 632
B.N. Ngakane	192 751	40 800	3 600	79 648	48 833	365 632
J.N. Kotze	207 777	40 800	3 600	79 648	33 932	365 757
P.C. Orpen-Reid	207 777	40 800	3 600	79 648	33 932	365 757
J. Miller	207 777	40 800	3 600	79 648	33 932	365 757
B.V. Molefe	192 751	40 800	3 600	79 648	48 833	365 632
L. Modise	207 777	40 800	3 600	79 648	33 932	365 757
X.L. Mkruquli	207 777	40 800	3 600	79 648	33 932	365 757
W. Segolodi	207 777	40 800	3 600	79 648	33 932	365 757
W. Ngwako	207 777	40 800	3 600	79 648	33 932	365 757
L.W. Zwankhuizen	207 777	40 800	3 600	79 648	33 932	365 757
E. Mahne	207 777	40 800	3 600	79 648	33 932	365 757
A. Wentzel	207 777	40 800	3 600	79 648	33 932	365 757
J.J. Holtzhausen	207 777	40 800	3 600	79 648	33 932	365 757
M.J. Koboekae	207 777	40 800	3 600	79 648	33 932	365 757
V.B. Khumalo	192 751	40 800	3 600	79 648	48 833	365 632
T.E. Mokoena	207 777	40 800	3 600	79 648	33 932	365 757
T.M. Gray	207 777	40 800	3 600	79 648	33 932	365 757
P.J. Mokokwe	207 777	40 800	3 600	79 648	33 932	365 757
I. Mangole	207 777	40 800	3 600	79 648	33 932	365 757
L.W. Moleba	207 777	40 800	3 600	79 648	33 932	365 757
C.J. van der Westhuizen	207 777	40 800	3 600	79 648	33 932	365 757
S. Govindasamy	192 751	40 800	3 600	79 648	48 833	365 632
M.T. Lebe	207 777	40 800	3 600	79 648	33 932	365 757

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49. Related parties (continued)

Z. Wehinger-Maguire	207 777	40 800	3 600	79 648	33 932	365 757
M.C.G. Naude	192 751	40 800	3 600	79 648	48 833	365 632
K.E. Lekagane	207 777	40 800	3 600	79 648	33 932	365 757
C.A. Kotze	207 777	40 800	3 600	79 648	33 932	365 757
M. Ndamase	207 777	40 800	3 600	79 648	33 932	365 757
A.G. Mutele	207 777	40 800	3 600	79 648	33 932	365 757
M.J. Jim	207 777	40 800	3 600	79 648	33 932	365 757
S.A. Dabhelia	207 777	40 800	3 600	79 648	33 932	365 757
L.L. Lekoto	207 777	40 800	3 600	79 648	33 932	365 757
K. Ngwenya	207 777	40 800	3 600	79 648	33 932	365 757
R.B. Seemela	207 777	40 800	3 600	79 648	33 932	365 757
M.L. Khoza	207 777	40 800	3 600	79 648	33 932	365 757
J. Makgopa	207 777	40 800	3 600	79 648	33 932	365 757
G.A. Tsele	207 777	40 800	3 600	79 648	33 932	365 757
B.S. Tlapu	207 777	40 800	3 600	79 648	33 932	365 757
O.S.S. Moralo	207 777	40 800	3 600	79 648	33 932	365 757
B.L. Shabalala	207 777	40 800	3 600	79 648	33 932	365 757
L.E. du Toit	207 777	40 800	3 600	79 648	33 932	365 757
A.S. Eksteen	207 777	40 800	3 600	79 648	33 932	365 757
K.E. Mapetla	207 777	40 800	3 600	79 648	33 932	365 757
H.H. Kruger	207 777	40 800	3 600	79 648	33 932	365 757
M. Khuzwayo	34 198	7 239	639	14 131	9 690	65 897
A.S. Setswalo-Moja	34 198	7 239	639	14 131	9 690	65 897
M.F. Chohledi	36 864	7 239	639	14 131	7 124	65 997
N.E. Cindi	34 198	7 239	639	14 131	9 690	65 897
C.M. Ntlatlane	36 864	7 239	639	14 131	7 124	65 997
P.T. Molapo	90 158	19 084	1 684	37 255	23 493	171 674
N.M. Sedumedi	34 198	7 239	639	14 131	9 690	65 897
M.B. Mdlane	34 198	7 239	639	14 131	9 690	65 897
T.P. Moeketsi	36 864	7 239	639	14 131	7 124	65 997
L.G. Resha	90 158	19 084	1 684	37 255	23 493	171 674
	13 296 008	2 650 794	233 894	5 174 747	2 416 730	23 772 173

Executive management

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49. Related parties (continued)

2021

	Annual Remuneration	Performance Bonus	Car Allowance	Contribution to UIF, Medical, Salgabc & Pension	Total
Municipal Manager					
M.P. Readani	1 421 686	-	150 000	432 041	2 003 727
Chief Finance Officer					
D.S. Diale	1 356 747	-	240 000	15 203	1 611 950
Corporate Support Services					
T.R.R Ramatlhape	1 401 002	-	162 000	48 835	1 611 837
Chief Audit Executive					
M.K.G.Ramorwesi	1 437 072	-	159 675	15 203	1 611 950
Utilities Management Services					
S.H. Mbanjwa	1 438 260	-	-	172 369	1 610 629
Public works, Roads & Transportation					
M.E. Monakedi	1 447 076	-	120 000	44 626	1 611 702
Community Development Services					
A.R. Khuduge	1 546 129	-	-	65 399	1 611 528
Intergrated Environmental Management					
T.M. Matshego	1 331 685	-	132 000	13 714	1 477 399
Strategic Management Services					
M. Boihang	1 416 282	-	-	194 162	1 610 444
Acting: Local Economic Services					
N.V. Bekwa	1 171 896	-	120 000	246 798	1 538 694
	13 967 835	-	1 083 675	1 248 350	16 299 860

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49. Related parties (continued)

	Annual Remuneration	Performance Bonus	Other short- term employee benefits	Post- employment benefits	Total
Municipal Manager					
M.P. Raedani	1 421 686	-	150 000	432 041	2 003 727
Chief Financial Officer					
D.S. Diale	1 268 419	-	181 500	14 051	1 463 970
Corporate Support Services					
T.R.R. Ramathhape	1 238 247	-	162 000	64 071	1 464 318
Chief Audit Executive					
M.K.G. Ramorwesi	1 437 072	-	159 675	15 203	1 611 950
Economic Services					
M.A. Msezana	382 528	310 073	57 916	4 879	755 396
Utilities Management Services					
S.H. Mbanjwa	1 303 579	-	-	158 876	1 462 455
Public works, Roads & Transportation					
M.E. Monakedi	1 301 519	-	120 000	41 907	1 463 426
Community Development Services					
A.R. Khuduge	1 546 129	-	-	65 409	1 611 538
Integrated Environmental Management					
T.M. Matshego	1 305 919	-	144 000	13 749	1 463 668
Strategic Management Services					
M. Boihang	1 292 759	-	-	176 289	1 469 048
Acting Chief Audit Executive					
A. Thalane	786 120	-	80 000	154 432	1 020 552
	13 283 977	310 073	1 055 091	1 140 907	15 790 048

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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50. Unauthorised expenditure

Opening balance	166 303 172	166 303 172
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2021

During the year under review the municipality had no unauthorised expenditure.

2020

During the year under review the municipality had no unauthorised expenditure.

51. Irregular expenditure

Opening balance	538 600 824	422 168 628
Add: Irregular Expenditure - current year	84 644 079	103 507 401
Add: Irregular Expenditure - (Identified by AGSA during Audit process)	-	12 924 795
	623 244 903	538 600 824

2021

During the year under review the municipality incurred irregular expenditure of R84 644 079

Council item number: L(i) 3(10/2020)

The Council sought legal opinion on the legitimacy of naming or specifying the alleged transgressor in the 2017/2018 Unauthorised, Irregular, Fruitless and Wasteful Expenditure Hearing Report.

2020

During the previous financial year the municipality incurred irregular expenditure of R 116 432 196

Council item number: L(i) 3(10/2020)

The Council sought legal opinion on the legitimacy of naming or specifying the alleged transgressor in the 2017/2018 Unauthorised, Irregular, Fruitless and Wasteful Expenditure Hearing Report.

52. Fruitless and wasteful expenditure

Opening balance	27 866 260	13 585 302
Fruitless and wasteful expenditure - current year	22 940 652	14 280 958
	50 806 912	27 866 260

2021

The municipality incurred fruitless and wasteful expenditure during the year under review for interest paid on bulk purchases (Eskom and Rand Water). Eskom charged interest of R22 608 182.43 and Rand Water charged interest of R332 469.27; totaling to R22 940 652. The delay in these payments was due to the unfavourable payment terms of Eskom; the current instability of the South African economy.

2020

The municipality incurred fruitless and wasteful expenditure during the year under review for interest paid on bulk purchases (Eskom and Rand Water). Eskom charged interest of R14 227 689 and Rand Water charged interest of R78 326; totaling to R 14 280 958. The delay in these payments was due to the unfavourable payment terms of Eskom; the current instability of the South African economy.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
53. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to South African Local Government Association		
Opening balance	149 661	-
Current year subscription / fee	8 883 033	8 459 891
Amount paid - current year	(9 032 694)	(8 310 230)
	-	149 661

Audit fees

Current year subscription / fee	6 322 344	6 281 161
Amount paid - current year	(6 178 870)	(6 281 161)
	143 474	-

PAYE and UIF

Opening balance	11 197 604	10 267 359
Current year subscription / fee	135 554 933	129 094 062
Amount paid - current year	(124 565 374)	(117 896 458)
Amount paid - previous years	(11 197 604)	(10 267 359)
	10 989 559	11 197 604

Pension and Medical Aid Deductions

Opening balance	16 929 646	15 867 829
Current year subscription / fee	127 839 012	183 328 019
Amount paid - current year	(132 801 747)	(182 266 202)
	11 966 911	16 929 646

Councillors' arrear consumer accounts

During 2020/21 financial year the Councillors had no arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
N.T. Lebe	-	3 927	3 927
F.M. Makgatho	-	67 140	67 140
K.E. Lekagane	-	4 957	4 957
K.E. Mapetla	-	6 429	6 429
P. Makgopa	-	1 782	1 782
	-	84 235	84 235

54. Audit committee remuneration

Fees	290 891	277 599
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55. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	249 190 588	285 363 559
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

Notes to the Annual Financial Statements

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56. Supply Chain Management Regulations

Bids awarded to family of employees in service of the State

In terms of section 45 of the Municipal SCM regulation, any award above R2 000 to the family of the employees in the service of the state must be disclosed in the annual financial statements.

1. Noxolo Lungu Lesiela

Deviations from and ratification of minor breaches of procurement process

In accordance with paragraph 4.36 (a) of Supply Chain Management Policy the deviations from and ratifications of minor breaches of procurement per directive are listed below:

Incidents

Section 36(1)a(i): Emergency	65 918
Section 36(1)a(ii); Sole Service Provider	199 825
Section 36(1)a(v); Impractical to follow the normal SCM process	521 963
Section 36(1)(b) Ratify minor breaches	-
	787 706

Council Item no:	Description	Awarded to	Section	Contract/ order amount
K(II)3(08/2021)	Indigent Burial Services	JB Funerals Services	Section 36(1)a(i): Emergency	12 000
K(II)(11)2(01/21)	Youth Heritage, Arts & culture Carnival	Leoba Connections	Section 36(1)a(ii): Impractical	161 000
K(II)(11)2(01/21)	Indigent Burial Services	Tihapane Funeral Homes	Section 36(1)a(i): Emergency	44 597
K(II)3(08/2021)	Indigent burial Services	Tihapane Funeral homes	Section 36(1)a(i): Emergency	9 321
K(II)3(04/2021)	Live Broadcasts	West side FM	Section 36(1)a(ii); Sole supplier	144 275
K(II)3(04/2021)	Repair Transformer	Roshqott (Pty) Ltd	Section 36(1)(a)(i) Impractical	360 963
K(II)3(04/2021)	Live Broadcasts	West side FM	Section 36(1)(a)(ii): Sole supplier	55 550
				787 706

57. Risk management

In rendering service delivery Mogale City Local Municipality is exposed to a wide range of risks and also opportunities. Risk Management is a process of managing risk exposures with the objective of preventing a loss from occurring or minimising the effect should an event occur.

The municipality has exposure to the following financial risks:

Capital Risk Management
 Financial Risk Management
 Liquidity Risk Management
 Interest Rate Risk
 Credit Risk

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 20, cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement of changes in net assets.

Notes to the Annual Financial Statements

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57. Risk management (continued)

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total assets. Net debt is calculated as total borrowings (including 'current and non-current borrowings and finance liabilities' as shown in the statement of financial position). Total assets is calculated as 'total assests' as shown in the statement of financial position.

The municipality's strategy is to maintain a gearing ratio of between 5% to 10%.

The gearing ratio for the 2020/21 financial year is 4%

The results of the gearing ratio as calculated in the 2020/21 financial year indicates that the municipality is within the municipality's strategy. The municipality is still able to pay off its borrowings timeously, as and when required by the financial service providers.

The municipality has put the following measures in place to improve the gearing ratio:

1. Review of long financial plan.
2. Implementation of revenue enhancement strategy
3. Review of the credit control and debt management policy of the municipality to ensure enhanced debt collection
4. The municipality has ensured that all capital repayments that were due for payment during the financial year were paid timeously.
5. Implementation of the financial turnaround strategy

The only externally imposed capital requirement from the borrowings that the municipality currently has is for the timeous payment of all the debt that the municipality has as per the terms outlined in the borrowings terms.

There have been no changes to the way that the municipality manages its capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Notes to the Annual Financial Statements

Figures in Rand		2021	2020
57. Risk management (continued)			
Total borrowings			
Finance lease obligation	15	13 898 197	51 401 649
Financial liabilities	20	249 190 588	355 096 691
		263 088 785	406 498 340
Less: Cash and cash equivalents	5	64 924 661	60 674 286
Net debt		198 164 124	345 824 054
Total equity		5 303 624 939	5 289 352 242
Total capital		5 501 789 063	5 635 176 296

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Notes to the Annual Financial Statements

Figures in Rand

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57. Risk management (continued)

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 forecast are prepared and adequate utilised borrowing facilities are monitored.

Management is ensuring that the debts of the municipality are paid timeously as required by the financial institutions.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments as per the approved borrowings policy. The municipality currently has 3 loans, all of which are at fixed interest rates.

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer/counterparty to a financial instrument fails to meet its contracted obligations. Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivable from non exchange transactions and consumer 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. 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. The utilisation of credit limits is regularly monitored.

Financial instrument

	2021	2020
Financial assets (note 13)	598 971	575 254
Receivables from non-exchange transactions (note 3)	279 914 861	198 843 687
Receivables from exchange transactions (note 4)	348 315 962	320 188 384
Call accounts money market accounts (note 5)	8 449 361	10 407 266
Cash and cash equivalents (note 5)	56 475 300	87 929 121

58. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

58. Accounting by principals and agents (continued)

Municipality as agent

Resources (assets/liabilities) recognised by the municipality that are held/incurred on behalf of a principal	7 344 293	12 037 727
Revenue recognised as compensation for the transactions carried out on behalf of the principal	26 986 583	20 178 045
Expenditure paid or incurred on behalf of the principal	-	61 479 271
Receivables held on behalf of the principal		
Payables held on behalf of the principal		
Opening balance	12 037 727	27 743 584
Expenses incurred	74 855 099	61 479 271
Cash paid	(79 548 533)	(77 185 128)
Closing balance	7 344 293	12 037 727

Principal - Department of Roads and Transport in the Gauteng Provincial Government (Department)

Agent - Mogale City Local Municipality

The expected timing of the remittance of the resources from the municipality to the principal is on a monthly basis. The municipality receives a variable commission on revenue collected based on the rate stipulated by the Gauteng Provincial Treasury.

Description of the arrangement

In terms of the agreement, the municipality is assigned the Registering and Testing authority functions which includes the functions of Motor Vehicle Registration and Licensing and related functions, Driving license test centre functions and vehicle testing as a principal agent on behalf of the Department of Roads and Transport in the Gauteng Provincial Government

Significant Terms and Conditions

The obligations of the municipality with respect to the collection of fees and the paying over of fees to the Provincial Government shall be in accordance with the Act (i.e. the Road Traffic Act No 29 of 1997, and the Provincial Road Traffic Circulars as may be amended from time to time), the Natis Financial Manual, Annex E to the Service Level Agreement and the Public Finance Management Act 1 of 1999 and in accordance with the Municipal Finance Management Act 56 of 2003.

Purpose of the relationship and significant risks

The purpose of the agreement is to enable the Department to provide greater access to clients to registering and testing functions through-out Mogale City in collaboration with the Municipality. The significant risks are fraud and corruption in the process.

Municipality as principal

Easy Pay Pty Ltd, Afican Utility Solutions Pty Ltd (AUS) and South African Post Office (SAPO)

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

58. Accounting by principals and agents (continued)

Resources (assets and liabilities) of the municipality that are under the custodianship of the agent

Fee paid as commission to the agent - Prepaid Electricity Vending (Inclusive of VAT)	4 280 486	3 767 033
Fee paid as commission to the agent - Bill payments receipting (Inclusive of VAT)	6 192 077	6 134 447
Fee paid as commission to the agent - Prepaid Water Vending (Inclusive of VAT)	2 139 244	2 559 854
Fee paid as commission to the agent - Bill payment receipting (Inclusive of VAT)	280 850	324 059
	12 892 657	12 785 393

Description of the arrangement

The Municipality has a contractual arrangement with Easypay Pty Ltd in terms of which Easypay acts as an agent of the municipality by receiving payments of municipal account payments as well as vending of prepaid electricity to municipal customers.

The Municipality has a contractual arrangement with African Utility Solutions Pty Ltd (AUS) in terms of which AUS acts as an agent of the municipality by receiving payments for vending of prepaid water to municipal customers.

The Municipality has an arrangement with the South African Post Office (SAPO) in terms of which SAPO acts as an agent of the municipality by receiving payments of municipal accounts from municipal customers.

Significant terms and conditions

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and to then pay over the monies collected to the municipality. (Easypay Pty Ltd)

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and to then pay over the monies collected to the municipality. (AUS)

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and to then pay over the monies collected to the municipality. (SAPO)

Purpose, significant risks and benefits of arrangement

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal bills and to also buy prepaid electricity. (Easypay Pty Ltd)

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to buy prepaid water. (AUS)

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal accounts. (SAPO)

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

Notes to the Annual Financial Statements

Figures in Rand

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59. Going concern

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.

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.

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 5 269 170 541 and that the municipality's total liabilities exceed its assets by R 5 303 624 939.

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 Municipality has the authority to levy rates or taxes these will enable the Municipality to be considered as a going concern even though Municipality is operating with the negative net assets for extended periods. During the 2020/21 financial year the municipality billed rates and service charges amounting to R 2 243 548 368

At 30 June 2021, the following liquidity ratios were measured in terms of MFMA circular 71. The norm on these liquidity ratios is 1.5:2.1. Management has concluded that the ability of the municipality to continue as a going concern is not at risk.

Current ratio	2021: 0,60	2020: 0,53
Cost coverage months	2021: 0,12 months	2020: 0,42 months

60. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Community and public safety, Economic and environmental services, Trading service and others. 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.

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
Segment 1	Community and public safety
Segment 2	Economic and environmental services
Segment 3	Trading services
Segment 4	Other

Notes to the Annual Financial Statements

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60. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Community and public safety	Economic and environmental services	Trading Services	Other	Total
Revenue					
Revenue from non-exchange transactions	338 480 625	81 122 140	399 326 246	519 921 570	1 338 850 581
Revenue from exchange transactions	20 003 971	6 390 537	1 822 843 858	1 246 463	1 850 484 829
Interest revenue	-	-	-	37 339 076	37 339 076
Total segment revenue	358 484 596	87 512 677	2 222 170 104	558 507 109	3 226 674 486
Total segment revenue					3 226 674 486
Expenditure					
Total Segment Expenses	289 737 337	171 099 068	1 820 910 283	647 587 880	2 929 334 568
Depreciation and Amortisation	61 064 519	42 721 888	67 805 392	76 384 778	247 976 577
Interest Expenses	2 630 428	1 333 662	4 558 799	29 939 902	38 462 791
Total segment expenditure	353 432 284	215 154 618	1 893 274 474	753 912 560	3 215 773 936
Total segmental surplus/(deficit)					10 900 550

2020

	Community and public safety	Economic and environmental services	Trading Services	Other	Total
Revenue					
Revenue from non-exchange transactions	248 478 824	60 326 293	325 183 912	624 128 975	1 258 118 004
Revenue from exchange transactions	(7 485 253)	23 550 839	1 716 624 877	51 656 200	1 784 346 663
Interest revenue	-	-	-	49 286 509	49 286 509
Total segment revenue	240 993 571	83 877 132	2 041 808 789	725 071 684	3 091 751 176

Notes to the Annual Financial Statements

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60. Segment information (continued)

Total Segment revenue					3 091 751 176
Expenditure					
Total segment expenses	284 090 347	178 651 379	1 621 133 290	707 977 360	2 791 852 376
Depreciation and amortisation	30 413 617	69 198 278	126 835 815	15 600 390	242 048 100
Interest expenses	4 710 255	1 443 449	6 349 358	36 875 299	49 378 361
Total segment expenditure	319 214 219	249 293 106	1 754 318 463	760 453 049	3 083 278 837
Total segmental surplus/(deficit)					8 472 339

Appendixes

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	578 156 378	(68 019 492)	510 136 886	-	-	510 136 886	504 064 488	-	(6 072 398)	99 %	87 %
Service charges	1 940 900 272	(235 834 526)	1 705 065 746	-	-	1 705 065 746	1 739 483 880	-	34 418 134	102 %	90 %
Investment revenue	7 833 302	(5 102 291)	2 731 011	-	-	2 731 011	3 922 082	-	1 191 071	144 %	50 %
Transfers recognised - operational	540 205 075	11 522 384	551 727 459	-	-	551 727 459	551 727 459	-	-	100 %	102 %
Operational income	278 923 854	49 220 951	328 144 805	-	-	328 144 805	223 515 203	-	(104 629 602)	68 %	80 %
Total revenue (excluding capital transfers and contributions)	3 346 018 881	(248 212 974)	3 097 805 907	-	-	3 097 805 907	3 022 713 112	-	(75 092 795)	98 %	90 %
Employee costs	(910 616 151)	2 346 668	(908 269 483)	-	41 217 864	(867 051 619)	(857 225 008)	-	9 826 611	99 %	94 %
Remuneration of councillors	(36 126 051)	-	(36 126 051)	-	-	(36 126 051)	(34 492 007)	-	1 634 044	95 %	95 %
Debt impairment	(182 299 251)	(28 745 084)	(211 044 335)	-	(4 410 453)	(215 454 788)	(214 113 648)	-	1 341 140	99 %	117 %
Depreciation and asset impairment	(306 585 170)	57 982 544	(248 602 626)	-	(3)	(248 602 629)	(247 976 580)	-	626 049	100 %	81 %
Finance charges	(52 249 364)	(1 940 044)	(54 189 408)	-	12 592 422	(41 596 986)	(38 462 789)	-	3 134 197	92 %	74 %
Materials and bulk purchases	(1 225 585 782)	73 334 019	(1 152 251 763)	-	(39 345 225)	(1 191 596 988)	(1 171 320 897)	-	20 276 091	98 %	96 %
Transfers and grants	(5 376 268)	2 456 694	(2 919 574)	-	-	(2 919 574)	(346 246)	-	2 573 328	12 %	6 %
Operational expenditure	(571 283 587)	(44 122 553)	(615 406 140)	-	(10 054 696)	(625 460 836)	(651 836 760)	-	(26 375 924)	104 %	114 %
Total expenditure	(3 290 121 624)	61 312 244	(3 228 809 380)	-	(91)	(3 228 809 471)	(3 215 773 935)	-	13 035 536	100 %	98 %
Surplus/(Deficit)	55 897 257	(186 900 730)	(131 003 473)	-	-	(131 003 564)	(193 060 823)	-	(62 057 259)	147 %	(345)%

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Appropriation Statement

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	186 700 925	53 630 268	240 331 193	-		240 331 193	203 961 376		(36 369 817)	85 %	109 %
Surplus (Deficit) after capital transfers and contributions	242 598 182	(133 270 462)	109 327 720	-		109 327 629	10 900 553		(98 427 076)	10 %	4 %
Surplus/(Deficit) for the year	242 598 182	(133 270 462)	109 327 720	-		109 327 629	10 900 553		(98 427 076)	10 %	4 %
Capital expenditure and funds sources											
Total capital expenditure	199 325 785	59 453 469	258 779 254	-		258 779 254	222 694 677		(36 084 577)	86 %	112 %
Sources of capital funds											
Transfers recognised - capital	186 700 925	53 630 268	240 331 193	-		240 331 193	203 961 376		(36 369 817)	85 %	109 %
Internally generated funds	12 624 860	5 823 201	18 448 061	-		18 448 061	18 733 301		285 240	102 %	148 %
Total sources of capital funds	199 325 785	59 453 469	258 779 254	-		258 779 254	222 694 677		(36 084 577)	86 %	112 %

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Appropriation Statement

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	538 728 972	(331 148 460)	207 580 512	-		207 580 512	213 776 277		6 195 765	103 %	40 %
Net cash from (used) investing	(323 330 505)	92 803 119	(230 527 386)	-		(230 527 386)	(189 008 530)		41 518 856	82 %	58 %
Net cash from (used) financing	-	-	-	-		-	(58 179 473)		(58 179 473)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	215 398 467	(238 345 341)	(22 946 874)	-		(22 946 874)	(33 411 726)		(10 464 852)	146 %	(16)%
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	98 336 387		98 336 387	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	215 398 467	(238 345 341)	(22 946 874)	-		(22 946 874)	64 924 661		(87 871 535)	(283)%	30 %