



Rustenburg Local Municipality

**Rustenburg Local Municipality  
Consolidated Annual Financial Statements  
for the year ended 30 June 2021**

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## General Information

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<b>Legal form of entity</b>	Municipality (MFMA) : Category B
<b>Mayoral committee</b>	
Executive Mayor	Khunou, M (Executive Mayor) Mabale-Huma, S (Speaker) Mokwele, L (Single-Whip)
Mayoral Committee Members	Xatasi, M (MMC: Community Development) Mashishi-Ntsime, J (MMC: Corporate Support Services) Kombe, O (MMC: Local Economic Development) Mhlungu, M (MMC: Technical and Infrastructure Services) Molubi, J (MMC: Planning and Human Settlement) Wolmarans, S (MMC: Integrated Development Planning) Babe, N (MMC: Special Projects) Kgaladi, L (MMC: Roads and Transport) Makhaula, V (MMC: Public Safety) Lekoro, B (MMC: Budget and Treasury)
<b>Capacity</b>	High Capacity
<b>Accounting Officer</b>	Makona, V
<b>Chief Finance Officer (CFO)</b>	Ditsele, G
<b>Registered office</b>	Missionary Mpheni House Cnr, Nelson Mandela & Beyers Naude Drives Rustenburg 0299
<b>Postal address</b>	P O Box 16 Rustenburg 0300
<b>Bankers</b>	ABSA BANK (Primary Bank)
<b>Auditors</b>	Auditor-General of South Africa (AGSA)

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

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

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

# **Rustenburg Local Municipality**

Consolidated Annual Financial Statements for the year ended 30 June 2021

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

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated 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 consolidated annual financial statements and was given unrestricted access to all financial records and related data.

The consolidated 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 consolidated 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 economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 consolidated 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 economic entity'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 economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently reviewing and reporting on the economic entity's consolidated annual financial statements. The consolidated annual financial statements will be examined by the economic entity's external auditors and their report will be presented on the page following this report.

The consolidated annual financial statements set out on pages 4 to 109, which have been prepared on the going concern basis, were approved by the accounting officer on 19 October 2021.



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**Mr. Victor Makona**  
**Municipal Manager**

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Position as at 30 June 2021

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2021	2020 Restated*	2021	2020 Restated*
<b>Assets</b>					
Current Assets					
Inventories	12	35 129	30 395	35 129	30 395
Finance lease receivables	8	-	-	303	251
Operating lease asset	9	50	65	50	65
Receivables from exchange transactions	13&15	682 926	455 929	662 285	434 343
Receivables from non-exchange transactions	14&15	46 390	23 561	46 390	23 561
Cash and cash equivalents	16	506 025	622 220	411 333	552 189
		<b>1 270 520</b>	<b>1 132 170</b>	<b>1 155 490</b>	<b>1 040 804</b>
Non-Current Assets					
Investment property	3	146 733	157 159	146 733	157 159
Property, plant and equipment	4	8 945 415	8 957 149	8 372 097	8 357 959
Intangible assets	5	21	26	21	26
Heritage assets	6	1 374	1 374	1 374	1 374
Investments	7	814	775	815	776
Finance lease receivables	8	-	-	1 290	1 593
		<b>9 094 357</b>	<b>9 116 483</b>	<b>8 522 330</b>	<b>8 518 887</b>
<b>Total Assets</b>		<b>10 364 877</b>	<b>10 248 653</b>	<b>9 677 820</b>	<b>9 559 691</b>
<b>Liabilities</b>					
Current Liabilities					
Other financial liabilities	20	38 655	107 125	38 655	71 836
Finance lease obligation	18	-	4 871	-	4 871
Payables from exchange transactions	22	1 342 752	1 359 430	1 591 510	1 594 931
VAT payable	23	186 692	172 944	184 736	149 171
Consumer deposits	24	54 733	51 103	54 733	51 103
Employee benefit obligation	10	5 633	5 855	5 633	5 855
Unspent conditional grants and receipts	19	52 725	169 394	52 725	169 394
Provisions	21	129 245	127 428	129 245	127 428
		<b>1 810 435</b>	<b>1 998 150</b>	<b>2 057 237</b>	<b>2 174 589</b>
Non-Current Liabilities					
Other financial liabilities	20	312 965	367 715	312 965	348 253
Employee benefit obligation	10	148 962	136 780	148 962	136 780
Provisions	21	66 082	77 192	66 082	77 192
		<b>528 009</b>	<b>581 687</b>	<b>528 009</b>	<b>562 225</b>
<b>Total Liabilities</b>		<b>2 338 444</b>	<b>2 579 837</b>	<b>2 585 246</b>	<b>2 736 814</b>
<b>Net Assets</b>		<b>8 026 433</b>	<b>7 668 816</b>	<b>7 092 574</b>	<b>6 822 877</b>
Reserves					
Revaluation reserve	17	264 761	265 353	-	-
Accumulated surplus		7 761 672	7 403 463	7 092 574	6 822 877
<b>Total Net Assets</b>		<b>8 026 433</b>	<b>7 668 816</b>	<b>7 092 574</b>	<b>6 822 877</b>

\* See Note 48

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2021	2020 Restated*	2021	2020 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	25	3 200 276	2 830 036	3 134 083	2 766 037
Rental of facilities and equipment	26	10 010	8 921	10 010	8 921
Interest received (trading)		352 927	375 330	352 927	375 330
Agency services		26 858	15 568	26 858	15 568
Licences and permits		2 760	6 678	2 760	6 678
Other income	27	40 311	14 100	16 516	14 100
Interest received - investment	28	19 809	30 633	17 250	24 495
<b>Total revenue from exchange transactions</b>		<b>3 652 951</b>	<b>3 281 266</b>	<b>3 560 404</b>	<b>3 211 129</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	29	412 887	372 909	412 887	372 909
<b>Transfer revenue</b>					
Government grants & subsidies	31	1 308 925	1 218 705	1 308 925	1 218 705
Public contributions and donations		-	188 413	-	188 413
Fines, Penalties and Forfeits		16 284	11 140	16 284	11 140
<b>Total revenue from non-exchange transactions</b>		<b>1 738 096</b>	<b>1 791 167</b>	<b>1 738 096</b>	<b>1 791 167</b>
<b>Total revenue</b>		<b>5 391 047</b>	<b>5 072 433</b>	<b>5 298 500</b>	<b>5 002 296</b>
<b>Expenditure</b>					
Employee related costs	32	(774 567)	(767 890)	(769 951)	(762 142)
Remuneration of councillors	33	(60 406)	(55 957)	(60 406)	(55 957)
Depreciation and amortisation	34	(386 765)	(379 806)	(347 719)	(347 298)
Finance costs	36	(65 598)	(99 463)	(60 224)	(89 507)
Lease rentals on operating lease		(9 098)	(12 298)	(9 098)	(12 298)
Bulk purchases	37	(2 462 358)	(2 053 386)	(2 622 596)	(2 189 958)
Contracted services	38	(170 762)	(222 613)	(170 762)	(222 613)
Transfers and Subsidies	30	(742)	(3 659)	(742)	(20 256)
General Expenses	39	(365 728)	(423 447)	(250 762)	(324 041)
<b>Total expenditure</b>		<b>(4 296 024)</b>	<b>(4 018 519)</b>	<b>(4 292 260)</b>	<b>(4 024 070)</b>
<b>Operating surplus</b>		<b>1 095 023</b>	<b>1 053 914</b>	<b>1 006 240</b>	<b>978 226</b>
Gain on disposal of assets and liabilities		10	6	-	-
Fair value adjustments	40	21	43	21	43
Actuarial gains/losses	10	19 519	(88 297)	19 519	(88 297)
Impairment loss	35	(756 693)	(451 038)	(756 082)	(450 773)
		<b>(737 143)</b>	<b>(539 286)</b>	<b>(736 542)</b>	<b>(539 027)</b>
<b>Surplus for the year</b>		<b>357 880</b>	<b>514 628</b>	<b>269 698</b>	<b>439 199</b>

\* See Note 48

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Statement of Changes in Net Assets

Figures in Rand Thousand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Economic entity</b>			
Opening balance as previously reported	266 138	7 147 807	7 413 945
Adjustments			
Correction of errors	-	(258 973)	(258 973)
<b>Balance at 01 July 2019 as restated*</b>	<b>266 138</b>	<b>6 888 834</b>	<b>7 154 972</b>
Changes in net assets			
Surplus for the year - Previously reported	-	632 650	632 650
Impairment adjustment for the year	(477)	-	(477)
Revaluation surplus	(308)	-	(308)
Total changes	(785)	632 650	631 865
Restated balance before adjustments	265 353	7 521 484	7 786 837
Adjustments			
Correction of errors	-	(117 692)	(117 692)
<b>Restated* Balance as at 01 July 2020 restated*</b>	<b>265 353</b>	<b>7 403 792</b>	<b>7 669 145</b>
Changes in net assets			
Surplus for the year	-	357 880	357 880
Impairment adjustment for the year	(260)	-	(260)
Revaluation surplus	(332)	-	(332)
Total changes	(592)	357 880	357 288
<b>Balance as at 30 June 2021</b>	<b>264 761</b>	<b>7 761 672</b>	<b>8 026 433</b>
Note(s)	17		
<b>Controlling entity</b>			
Opening balance as previously reported	-	6 642 650	6 642 650
Adjustments			
Correction of errors	-	(258 973)	(258 973)
<b>Balance as at 01 July 2019 restated*</b>	<b>-</b>	<b>6 383 677</b>	<b>6 383 677</b>
Changes in net assets			
Surplus for the year - Previously reported	-	557 221	557 221
Total changes	-	557 221	557 221
Restated balance before adjustments	-	6 940 898	6 940 898
Adjustments			
Correction of errors	-	(118 022)	(118 022)
<b>Balance as at 01 July 2018 restated*</b>	<b>-</b>	<b>6 822 876</b>	<b>6 822 876</b>
Changes in net assets			
Surplus for the year	-	269 698	269 698
Total changes	-	269 698	269 698
<b>Balance as at 30 June 2021</b>	<b>-</b>	<b>7 092 574</b>	<b>7 092 574</b>

\* See Note 48

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand Thousand	Note(s)	2021	2020 Restated*	2021	2020 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Sale of goods and services		2 612 615	2 268 274	2 545 728	2 214 271
Grants		1 308 925	1 218 705	1 308 925	1 218 705
Interest income		372 736	405 963	370 177	399 825
Other receipts		59 355	220 331	35 560	220 331
		4 353 631	4 113 273	4 260 390	4 053 132
<b>Payments</b>					
Employee costs		(832 844)	(828 407)	(828 228)	(822 659)
Suppliers		(3 086 598)	(2 224 123)	(3 096 796)	(2 203 105)
Finance costs		(2 115)	(19 005)	(2 115)	(19 005)
Other payments		(16 017)	(64 279)	(16 024)	(80 882)
		(3 937 574)	(3 135 814)	(3 943 163)	(3 125 651)
<b>Net cash flows from operating activities</b>	42	<b>416 057</b>	<b>977 459</b>	<b>317 227</b>	<b>927 481</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	4	(367 182)	(558 069)	(353 137)	(530 491)
Proceeds from sale of property, plant and equipment	4	6 465	1 679	6 465	1 679
<b>Net cash flows from investing activities</b>		<b>(360 717)</b>	<b>(556 390)</b>	<b>(346 672)</b>	<b>(528 812)</b>
<b>Cash flows from financing activities</b>					
Repayment of other financial liabilities		(123 220)	(30 688)	(68 469)	-
Realisation from other financial liabilities		-	-	-	502
Interest paid		(43 426)	(70 180)	(38 052)	(60 224)
Finance lease payments		(4 871)	(7 719)	(4 871)	(7 719)
Realisation / (Withdrawal) of financial assets		(18)	305	(19)	305
<b>Net cash flows from financing activities</b>		<b>(171 535)</b>	<b>(108 282)</b>	<b>(111 411)</b>	<b>(67 136)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(116 195)</b>	<b>312 787</b>	<b>(140 856)</b>	<b>331 533</b>
Cash and cash equivalents at the beginning of the year		622 220	309 433	552 189	220 656
<b>Cash and cash equivalents at the end of the year</b>	16	<b>506 025</b>	<b>622 220</b>	<b>411 333</b>	<b>552 189</b>

\* See Note 48



# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand Thousand				
<b>Economic entity</b>				
<b>Statement of Financial Performance</b>				
<b>Revenue</b>				
<b>Revenue from exchange transactions</b>				
Service charges	3 279 986	3 200 276	(79 710)	59
Rental of facilities and equipment	10 498	10 010	(488)	59
Interest received (trading)	395 409	352 927	(42 482)	59
Agency services	100 849	26 858	(73 991)	59
Licences and permits	11 913	2 760	(9 153)	59
Other income	15 001	40 311	25 310	59
Interest received - investment	27 312	19 809	(7 503)	59
<b>Total revenue from exchange transactions</b>	<b>3 840 968</b>	<b>3 652 951</b>	<b>(188 017)</b>	
<b>Revenue from non-exchange transactions</b>				
<b>Taxation revenue</b>				
Property rates	398 240	412 887	14 647	59
<b>Transfer revenue</b>				
Government grants & subsidies	1 394 859	1 308 925	(85 934)	59
Fines, Penalties and Forfeits	9 000	16 284	7 284	59
<b>Total revenue from non-exchange transactions</b>	<b>1 802 099</b>	<b>1 738 096</b>	<b>(64 003)</b>	
<b>Total revenue</b>	<b>5 643 067</b>	<b>5 391 047</b>	<b>(252 020)</b>	
<b>Expenditure</b>				
Employee related costs	(799 309)	(774 567)	24 742	59
Remuneration of councillors	(64 306)	(60 406)	3 900	59
Depreciation and amortisation	(507 217)	(386 765)	120 452	59
Impairment loss	(898 087)	(756 693)	141 394	59
Finance costs	(43 959)	(65 598)	(21 639)	59
Lease rentals on operating lease	-	(9 098)	(9 098)	59
Repairs and maintenance	(55 492)	(73 056)	(17 564)	59
Bulk purchases	(1 923 336)	(2 462 358)	(539 022)	59
Contracted Services	(439 462)	(170 762)	268 700	59
Transfers and Subsidies	(18 734)	(742)	17 992	59
General Expenses	(230 375)	(292 672)	(62 297)	59
<b>Total expenditure</b>	<b>(4 980 277)</b>	<b>(5 052 717)</b>	<b>(72 440)</b>	
<b>Operating surplus</b>	<b>662 790</b>	<b>338 330</b>	<b>(324 460)</b>	
Gain on disposal of assets	14 035	10	(14 025)	59
Fair value adjustments	-	21	21	59
Actuarial losses	-	19 519	19 519	59
	<b>14 035</b>	<b>19 550</b>	<b>5 515</b>	
<b>Surplus / (Deficit) before taxation</b>	<b>676 825</b>	<b>357 880</b>	<b>(318 945)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>676 825</b>	<b>357 880</b>	<b>(318 945)</b>	

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand				
<b>Controlling entity</b>				
<b>Statement of Financial Performance</b>				
<b>Revenue</b>				
<b>Revenue from exchange transactions</b>				
Service charges	3 072 121	3 134 083	61 962	59
Rental of facilities and equipment	10 498	10 010	(488)	59
Interest received (trading)	395 409	352 927	(42 482)	59
Agency services	100 849	26 858	(73 991)	59
Licences and permits	11 913	2 760	(9 153)	59
Other income	15 001	16 516	1 515	59
Interest received - investment	20 225	17 250	(2 975)	59
<b>Total revenue from exchange transactions</b>	<b>3 626 016</b>	<b>3 560 404</b>	<b>(65 612)</b>	
<b>Revenue from non-exchange transactions</b>				
<b>Taxation revenue</b>				
Property rates	398 240	412 887	14 647	59
<b>Transfer revenue</b>				
Government grants & subsidies	1 394 859	1 308 925	(85 934)	59
Fines, Penalties and Forfeits	9 000	16 284	7 284	59
<b>Total revenue from non-exchange transactions</b>	<b>1 802 099</b>	<b>1 738 096</b>	<b>(64 003)</b>	
<b>Total revenue</b>	<b>5 428 115</b>	<b>5 298 500</b>	<b>(129 615)</b>	
<b>Expenditure</b>				
Employee related costs	(799 309)	(769 951)	29 358	59
Remuneration of councillors	(64 306)	(60 406)	3 900	59
Depreciation and amortisation	(469 177)	(347 719)	121 458	59
Impairment loss	(898 087)	(756 082)	142 005	59
Finance costs	(33 283)	(60 224)	(26 941)	59
Lease rentals on operating lease	-	(9 098)	(9 098)	59
Repairs and maintenance	(55 492)	(63 060)	(7 568)	59
Bulk purchases	(1 923 336)	(2 622 596)	(699 260)	59
Contracted Services	(439 462)	(170 762)	268 700	59
Transfers and Subsidies	(18 734)	(742)	17 992	59
General Expenses	(113 843)	(187 702)	(73 859)	59
<b>Total expenditure</b>	<b>(4 815 029)</b>	<b>(5 048 342)</b>	<b>(233 313)</b>	
<b>Operating surplus</b>	<b>613 085</b>	<b>250 158</b>	<b>(362 927)</b>	
Gain on disposal of assets	14 035	-	(14 035)	59
Fair value adjustments	-	21	21	59
Actuarial losses	-	19 519	19 519	59
	<b>14 035</b>	<b>19 540</b>	<b>5 505</b>	
<b>Surplus / (Deficit) before taxation</b>	<b>627 120</b>	<b>269 698</b>	<b>(357 422)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>627 120</b>	<b>269 698</b>	<b>(357 422)</b>	

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Consolidated Annual Financial Statements

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

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

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

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

#### 1.1 Presentation currency

These consolidated annual financial statements are presented in South African Rand rounded off to the nearest thousand, which is the functional currency of the economic entity.

#### 1.2 Going concern assumption

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

#### 1.3 Consolidation

##### Basis of consolidation

consolidated annual financial statements are the consolidated annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements incorporate the consolidated annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity's net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

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Non-controlling interests in the surplus or deficit of the economic entity is separately disclosed.

### 1.4 Significant judgements and sources of estimation uncertainty

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

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

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

The impairment for trade receivables is calculated on an assessment of the extent to which trade receivables have been defaulted on payments already due, and an assessment of their ability to make payments based on the history of payments made for municipal services over the last twelve months. This is performed per significant trade receivables first and then for all classes of trade receivables.

#### Allowance for slow moving, damaged and obsolete stock

An allowance / provision to write down stock to the lower of cost or net realisable value is made. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions. Provisions are discounted where the effect of discounting is material using actuarial valuations.

#### Useful lives

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their conditions will be at that time. It is a subjective estimate based on management's experience.

#### Post employment medical benefits

The cost of post - employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future medical fund contributions increases and mortality rates. Due to the long - term nature of these plans, such estimates are subject to significant uncertainty.

### 1.5 Investment property

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

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

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

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

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

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

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

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

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

Item	Expected useful life range
Property - land	Indefinite
Property - buildings	7 - 80 years

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

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

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

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

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation).
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality) and a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of investment property and shall be classified as property, plant and equipment, inventory or non-current assets held for sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale.
- Property being constructed or developed on behalf of third parties.
- Property that is being constructed or developed for future use as investment property.
- Property that is leased to another entity under a finance lease.
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income facilities, etc.
- Property held for strategic purposes or service delivery.
- Property being constructed or developed on behalf of third parties.
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owneroccupied property awaiting disposal.

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

### 1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment whenever it is possible to reliably differentiate between the different components.

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets and commences when an asset is ready for its intended use.

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

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Item	Depreciation method	Expected useful life range
Infrastructure Roads and Transport	Straight line	5 - 100
Infrastructure Electricity	Straight line	5 - 50
Infrastructure Water	Straight line	5 - 70
Infrastructure Sewerage	Straight line	5 - 70
Buildings	Straight line	7 - 80
Motor Vehicles	Straight line	5 - 15
Office equipment	Straight line	3 - 10
Specialised vehicles	Straight line	7 - 20
Furniture & fittings	Straight line	5 - 15
Bins & Containers	Straight line	10
Other	Straight line	7 - 8
Landfill sites	Straight line	20 - 25

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Plant and machinery	Straight line	2 - 15
Emergency equipment	Straight line	3 - 12
Land	Straight line	Indefinite

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

The useful life and residual value of assets are assessed annually to determine the appropriateness of management's initial estimate. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

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

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

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

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

Bulk water assets - Rustenburg Water Services Trust.

The Trust maintains and acquires assets to provide a social service to the community, as well as to sell water to the surrounding mines. The useful lives and economic useful lives of these assets are equal. After the loan have been paid up, all assets will revert back to the parent municipality.

The Trust depreciate separately each part of an item of Property, Plant and Equipment that has a cost that is significant in relation to the total cost of the item. Cost of replacing a part are capitalised and the existing parts being replaced are derecognised. The assets were revalued on 30 June 2012 by an independent party. Fair values were determined by obtaining quotations for the different asset types and determining Depreciated Replacement Cost.

Depreciation on Bulk water assets - Rustenburg Service Trust is recorded by a charge to the income statement computed on a straight-line method to write off the cost of the assets over their remaining useful lives or the remaining period of the lease, to their residual values. The expected useful lives are as follows for this group of assets:

Land and Buildings : 5 - 80 years  
Plant and Machinery : 5 - 100 years  
Movable assets: 5 - 50 years

### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

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The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

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

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

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

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Item	Depreciation method	Expected useful life range
Licenses and franchises	Straight line	2 - 3 Years
Computer software, other	Straight line	2 - 3 Years

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Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Heritage assets have an indefinite useful life.

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

#### Impairment

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



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### Derecognition

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

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

### 1.9 Investments in controlled entities

#### Controlling entity consolidated annual financial statements

In the municipality's separate consolidated annual financial statements, investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

### 1.10 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

Guarantees are disclosed in the notes to the financial statements and they are measured at fair value. Companies are granted the option of providing a guarantee instead of a consumer deposit when opening a new consumer account.

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

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

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

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### Classification

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

#### Class

Receivables from Exchange Transactions  
Receivables from Non-exchange Transactions  
Cash and Cash Equivalents  
Investments  
Guarantees

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at fair value  
Financial asset measured at fair value and cost  
Financial asset measured at fair value

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

#### Class

Consumer Deposits  
Payables from Exchange and Non-exchange Transactions  
Long-term Liabilities

#### Category

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

### Initial recognition

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

The entity recognises financial assets using trade date accounting.

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### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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### Subsequent measurement of financial assets and financial liabilities

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

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

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

### Fair value measurement considerations

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

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

### Reclassification

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

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

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

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

### Gains and losses

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

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

### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

### Derecognition

#### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

#### Financial liabilities

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

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

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

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### Presentation

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

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

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

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

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

### 1.11 VAT

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15 of the Value-Added Tax Act. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position.

### 1.12 Leases

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

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

#### Finance leases - lessor

The economic entity 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 economic entity's net investment in the finance lease.

#### Finance leases - lessee

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

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

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

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

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### Operating leases - lessor

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

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

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

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

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

### Operating leases - lessee

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

### 1.13 Inventories

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

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

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

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

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

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.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

The cost of inventories (consumable stores, raw materials, work-in-progress and finished goods) is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.



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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.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Water is regarded as inventory when the municipality purchase water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water are valued by using the weighted average method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end.

### 1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

# Rustenburg Local Municipality

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## Accounting Policies

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### Identification

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

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

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

### Value in use

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

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

### Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

### 1.15 Impairment of non-cash-generating assets

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

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

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## Accounting Policies

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

### Identification

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

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

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

# Rustenburg Local Municipality

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### Value in use

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

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

### Depreciated replacement cost approach

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

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

### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### Reversal of an impairment loss

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

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

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

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

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

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### Redesignation

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

### 1.16 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

# Rustenburg Local Municipality

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### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity 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.

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

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

# Rustenburg Local Municipality

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## Accounting Policies

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### Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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

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

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

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

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

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

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



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### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

### Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

### 1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

# Rustenburg Local Municipality

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The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the management of the entity, supplemented by the experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this is unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45 to enable users to determine the risk involved.

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A Contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

### 1.18 Capital Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of resources/cash.

Capital 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.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

### 1.19 Revenue from exchange transactions

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

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

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

### Measurement

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

# Rustenburg Local Municipality

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### Sale of goods

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

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic 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 economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

### Rendering of services

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly..

### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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.

### 1.20 Revenue from non-exchange transactions

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

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

# Rustenburg Local Municipality

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## Accounting Policies

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

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### Recognition

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

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

### Measurement

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

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

# Rustenburg Local Municipality

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### Taxes

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

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

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Collection charges are recognised when such amounts are legally enforceable (property rates). Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable.

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

### Fines

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

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

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

The municipality has two types of fines, spot fines and summonses. The municipality recognise the full amount of revenue at the transaction date. Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognise an impairment loss.

### Government Grants and other grants

Equitable share allocation are recognised in revenue at the start of the financial year if no time-based restrictions exist.

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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

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

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### Gifts and donations, including goods in-kind

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

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.21 Accounting by principals and agents

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.

Identifying whether an entity is a principal or an agent

The assessment of whether an 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.

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.

### 1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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 recognised as an expense in the period in which they are incurred.

### 1.23 Other income

Other income represents income from activities other than normal Municipal ordinary operations. These are recognised in surplus when they accrue to the Municipality, that is when the right to receive payment is established. Other income is measured as fair value of the consideration receivable.

### 1.24 Licenses and permits

Licenses and permits are recognised in surplus when the municipality's right to receive payment has been established. These are measured by applying the relevant gazetted tariff.

### 1.25 Comparative figures

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

### 1.26 Unauthorised expenditure

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# Rustenburg Local Municipality

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## Accounting Policies

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### 1.27 Fruitless and wasteful expenditure

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

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

### 1.28 Irregular expenditure

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

### 1.29 Segment information

A segment is an activity of an entity:

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

Reportable segments are the actual segments which are reported on in the segment report.

### 1.30 Budget information

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

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

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

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

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

### 1.31 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 venturers).

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

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



# Rustenburg Local Municipality

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## Accounting Policies

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Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity 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 economic entity.

The economic entity 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 economic entity 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 economic entity is exempt from the disclosures in accordance with the above, the economic entity 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 consolidated annual financial statements.

### 1.32 Events after reporting date

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

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

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

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

### 1.33 Service concession arrangements: Entity as grantor

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

#### Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

#### Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

# Rustenburg Local Municipality

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## Accounting Policies

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The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

### 1.34 Transitional provisions

#### Transitional provision for GRAP 108 Statutory Receivables

GRAP 108: Statutory receivables became effective in the current financial year. The Standard defines statutory receivables as receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The municipality has two classes of receivables that meet the criteria of statutory receivables, being property rates which are levied in terms of the Municipal Property Rates Act and traffic fines imposed in terms of the Criminal Procedure Act. Property rates and traffic fines are currently disclosed as part of receivables from non-exchange transactions. These statutory receivables are initially and subsequently measured using the principles of GRAP 104: Financial instruments, which are consistent in all material respects with the measurement principles in GRAP 108.

The accounting policy on debtors has not been changed in respect of the classification and measurement of statutory receivables since the municipality has opted to apply the transitional provisions of Directive 3 in terms of not changing the classification and measurement of the debtors while the full implications of compliance with GRAP 108 is still under review. There are currently no statutory receivables classified and measured in accordance with GRAP 108.

The municipality will develop an accounting policy for statutory receivables, which we intend implementing during the 2022/23 financial year after having reviewed the impact of the classification, measurement and disclosure in terms of the information currently provided to stakeholders.

The exemption from applying the measurement requirements of the associated Standard of GRAP implies that any associated presentation and disclosure requirements need not be complied with.

#### Transitional provision for GRAP 110 Living Resources

GRAP 110: Living and Non-Living Resources became effective in the current financial year. The transitional provisions apply only to living resources. The Standard defines living resources as those resources that undergo biological transformation and includes living organisms 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

The municipality will develop an accounting policy for living resources, which we intend implementing during the 2022/23 financial year after having reviewed the impact of the classification, measurement and disclosure in terms of the information currently provided to stakeholders.

The exemption from applying the measurement requirements of the associated Standard of GRAP implies that any associated presentation and disclosure requirements need not be complied with.

### 1.35 Expenditure

Expenditure includes bulk purchases, contracted services, general expenses and lease rentals. Expenses 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, other than those relating to distributions to owners.

Expenses are recognised in the period in which they are incurred.

### 1.36 Non living resources

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Nonliving resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the annual financial statements.

# Rustenburg Local Municipality

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## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact

### 3. Investment property

Economic entity	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	166 517	(19 784)	146 733	166 239	(9 080)	157 159

Controlling entity	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	166 517	(19 784)	146 733	166 239	(9 080)	157 159

#### Reconciliation of investment property - Economic entity - 2021

	Opening balance	Depreciation	Total
Investment property	157 159	(10 426)	146 733

#### Reconciliation of investment property - Economic entity - 2020

	Opening balance	Depreciation	Total
Investment property	166 239	(9 080)	157 159

#### Reconciliation of investment property - Controlling entity - 2021

	Opening balance	Depreciation	Total
Investment property	157 159	(10 426)	146 733

## Rustenburg Local Municipality

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### Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

#### 3. Investment property (continued)

##### Reconciliation of investment property - Controlling entity - 2020

	Opening balance	Depreciation	Total
Investment property	166 239	(9 080)	157 159

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.

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

# Rustenburg Local Municipality

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## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 4. Property, plant and equipment

Economic entity	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 610 384	-	1 610 384	1 612 012	-	1 612 012
Buildings	1 475 413	(1 205 047)	270 366	1 471 131	(1 152 797)	318 334
Plant and machinery	63 005	(52 008)	10 997	62 462	(48 598)	13 864
Furniture and fixtures	21 562	(19 005)	2 557	20 000	(18 221)	1 779
Motor vehicles	151 417	(65 006)	86 411	150 723	(53 017)	97 706
Office equipment	63 138	(40 986)	22 152	61 597	(36 448)	25 149
Bins and containers	1 838	(1 611)	227	1 838	(1 516)	322
Other	2 815	(2 775)	40	2 815	(2 678)	137
Electrical Equipment	16 662	-	16 662	11 322	-	11 322
Emergency Equipment	3 668	(3 573)	95	3 668	(3 523)	145
Specialised vehicles	88 943	(32 951)	55 992	88 943	(29 217)	59 726
Infrastructure - Sewerage	1 037 873	(607 241)	430 632	1 028 588	(579 649)	448 939
Infrastructure - Electricity	1 394 744	(693 110)	701 634	1 385 988	(655 197)	730 791
Infrastructure - Roads and Transport	6 480 224	(2 670 655)	3 809 569	6 439 863	(2 535 628)	3 904 235
Infrastructure - Water	1 413 932	(962 348)	451 584	1 369 567	(907 291)	462 276
Infrastructure - Work in progress	902 795	-	902 795	671 222	-	671 222
Rustenburg Water Services Trust Bulk Water Assets	1 252 899	(679 581)	573 318	1 243 174	(643 984)	599 190
<b>Total</b>	<b>15 981 312</b>	<b>(7 035 897)</b>	<b>8 945 415</b>	<b>15 624 913</b>	<b>(6 667 764)</b>	<b>8 957 149</b>

Controlling entity	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 610 384	-	1 610 384	1 612 012	-	1 612 012
Buildings	1 475 413	(1 205 047)	270 366	1 471 131	(1 152 797)	318 334
Plant and machinery	63 005	(52 008)	10 997	62 462	(48 598)	13 864
Furniture and fixtures	21 562	(19 005)	2 557	20 000	(18 221)	1 779
Motor vehicles	151 417	(65 006)	86 411	150 723	(53 017)	97 706
Office equipment	63 138	(40 986)	22 152	61 597	(36 448)	25 149
Bins and containers	1 838	(1 611)	227	1 838	(1 516)	322
Other	2 815	(2 775)	40	2 815	(2 678)	137
Electrical Equipment	16 662	-	16 662	11 322	-	11 322
Emergency Equipment	3 668	(3 573)	95	3 668	(3 523)	145
Specialised vehicles	88 943	(32 951)	55 992	88 943	(29 217)	59 726
Infrastructure - Sewerage	1 037 873	(607 241)	430 632	1 028 588	(579 649)	448 939
Infrastructure - Electricity	1 394 744	(693 110)	701 634	1 385 988	(655 197)	730 791
Infrastructure - Roads and Transport	6 480 224	(2 670 655)	3 809 569	6 439 863	(2 535 628)	3 904 235
Infrastructure - Water	1 413 932	(962 348)	451 584	1 369 567	(907 291)	462 276
Infrastructure - Work in progress	902 795	-	902 795	671 222	-	671 222
<b>Total</b>	<b>14 728 413</b>	<b>(6 356 316)</b>	<b>8 372 097</b>	<b>14 381 739</b>	<b>(6 023 780)</b>	<b>8 357 959</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1 612 012	4 340	(5 968)	-	-	-	-	1 610 384
Buildings	318 334	4 282	-	-	-	(52 250)	-	270 366
Plant and machinery	13 864	543	-	-	-	(3 410)	-	10 997
Furniture and fixtures	1 779	1 562	-	-	-	(784)	-	2 557
Motor vehicles	97 706	1 089	(396)	-	-	(11 988)	-	86 411
Office equipment	25 149	1 641	(101)	-	-	(4 537)	-	22 152
Bins and containers	322	-	-	-	-	(95)	-	227
Other	137	-	-	-	-	(97)	-	40
Electrical Equipment	11 322	-	-	-	5 340	-	-	16 662
Emergency Equipment	145	-	-	-	-	(50)	-	95
Specialised vehicles	59 726	-	-	-	-	(3 734)	-	55 992
Infrastructure - Sewerage	448 939	9 285	-	-	-	(27 592)	-	430 632
Infrastructure - Electricity	730 791	8 756	-	-	-	(37 913)	-	701 634
Infrastructure - Roads and Transport	3 904 235	40 361	-	-	-	(135 027)	-	3 809 569
Infrastructure - Water	462 276	44 365	-	-	-	(55 057)	-	451 584
Work in progress	671 222	339 456	-	(107 883)	-	-	-	902 795
Rustenburg Water Trust Bulk Water Assets	599 190	14 045	-	-	-	(39 046)	(871)	573 318
	<b>8 957 149</b>	<b>469 725</b>	<b>(6 465)</b>	<b>(107 883)</b>	<b>5 340</b>	<b>(371 580)</b>	<b>(871)</b>	<b>8 945 415</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - Economic entity - 2020

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1 424 029	188 413	(430)	-	-	-	-	1 612 012
Buildings	363 191	15 895	-	-	-	(60 752)	-	318 334
Plant and machinery	17 160	533	(23)	-	-	(3 806)	-	13 864
Furniture and fixtures	2 748	-	-	-	-	(969)	-	1 779
Motor vehicles	110 318	-	(525)	-	-	(12 087)	-	97 706
Office equipment	27 236	2 404	(125)	-	-	(4 366)	-	25 149
Bins and containers	438	-	-	-	-	(116)	-	322
Other	285	-	-	-	-	(148)	-	137
Electrical Equipment	27 080	-	-	-	(15 758)	-	-	11 322
Emergency Equipment	201	-	-	-	-	(56)	-	145
Specialised vehicles	61 076	3 509	(576)	-	-	(4 283)	-	59 726
Infrastructure - Sewerage	463 836	12 420	-	-	-	(27 317)	-	448 939
Infrastructure - Electricity	719 940	48 536	-	-	-	(37 685)	-	730 791
Infrastructure - Roads and Transport	3 596 962	397 733	-	-	-	(90 460)	-	3 904 235
Infrastructure - Water	473 553	57 428	-	-	-	(68 705)	-	462 276
Work in progress	851 844	351 390	-	(532 012)	-	-	-	671 222
Rustenburg Water Trust Bulk Water Assets	605 169	27 272	-	-	-	(32 508)	(743)	599 190
	<b>8 745 066</b>	<b>1 105 533</b>	<b>(1 679)</b>	<b>(532 012)</b>	<b>(15 758)</b>	<b>(343 258)</b>	<b>(743)</b>	<b>8 957 149</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	1 612 012	4 340	(5 968)	-	-	-	1 610 384
Buildings	318 334	4 282	-	-	-	(52 250)	270 366
Plant and machinery	13 864	543	-	-	-	(3 410)	10 997
Furniture and fixtures	1 779	1 562	-	-	-	(784)	2 557
Motor vehicles	97 706	1 089	(396)	-	-	(11 988)	86 411
Office equipment	25 149	1 641	(101)	-	-	(4 537)	22 152
Bins and containers	322	-	-	-	-	(95)	227
Other	137	-	-	-	-	(97)	40
Electrical Equipment	11 322	-	-	-	5 340	-	16 662
Emergency Equipment	145	-	-	-	-	(50)	95
Specialised vehicles	59 726	-	-	-	-	(3 734)	55 992
Infrastructure - Sewerage	448 939	9 285	-	-	-	(27 592)	430 632
Infrastructure - Electricity	730 791	8 756	-	-	-	(37 913)	701 634
Infrastructure - Roads and Transport	3 904 235	40 361	-	-	-	(135 027)	3 809 569
Infrastructure - Water	462 276	44 365	-	-	-	(55 057)	451 584
Work in progress	671 222	339 456	-	(107 883)	-	-	902 795
	<b>8 357 959</b>	<b>455 680</b>	<b>(6 465)</b>	<b>(107 883)</b>	<b>5 340</b>	<b>(332 534)</b>	<b>8 372 097</b>



# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - Controlling entity - 2020

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	1 424 029	188 413	(430)	-	-	-	1 612 012
Buildings	363 191	15 895	-	-	-	(60 752)	318 334
Plant and machinery	17 160	533	(23)	-	-	(3 806)	13 864
Furniture and fixtures	2 748	-	-	-	-	(969)	1 779
Motor vehicles	110 318	-	(525)	-	-	(12 087)	97 706
Office equipment	27 236	2 404	(125)	-	-	(4 366)	25 149
Bins and containers	438	-	-	-	-	(116)	322
Other	285	-	-	-	-	(148)	137
Electrical Equipment	27 080	-	-	-	(15 758)	-	11 322
Emergency Equipment	201	-	-	-	-	(56)	145
Specialised vehicles	61 076	3 509	(576)	-	-	(4 283)	59 726
Infrastructure - Sewerage	463 836	12 420	-	-	-	(27 317)	448 939
Infrastructure - Electricity	719 940	48 536	-	-	-	(37 685)	730 791
Infrastructure - Roads and Transport	3 596 962	397 733	-	-	-	(90 460)	3 904 235
Infrastructure - Water	473 553	57 428	-	-	-	(68 705)	462 276
Infrastructure - Work in progress	851 844	351 390	-	(532 012)	-	-	671 222
	<b>8 139 897</b>	<b>1 078 261</b>	<b>(1 679)</b>	<b>(532 012)</b>	<b>(15 758)</b>	<b>(310 750)</b>	<b>8 357 959</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>4. Property, plant and equipment (continued)</b>				
<b>Property, plant and equipment in the process of being constructed or developed</b>				
<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>				
Upgrading of the bulk sewer lines to the WWTW (Western Area) [Project suspended due to non performance by the contractor]	6 992	13 547	6 992	13 547
Boschdal Water Supply (Infra, Water) [Project suspended due to non performance by the contractor]	2 231	2 231	2 231	2 231
Fleet Services [Contract under litigation]	16 745	17 095	16 745	17 095
Marikana Waste Transfer Station - Construction R (Land & Bld, Solid waste fac) [Contract terminated due to non performance by the contractor]	39 096	39 096	39 096	39 096
Motor City Substation - Phase 2 (Infr, Elec) [Project delays due to contractual disagreements]	13 137	13 137	13 137	13 137
Rustenburg - (Incl - Extensions) Replacement Of Water Ac Pipes (Infra, Water) [Project delays due to contractual disagreements]	21 470	21 470	21 470	21 470
Rtb & Extensions - Upgrading Of Water Meters And Aged Connections (Infra, Water) [Project delays due to contractual disagreements]	16 057	15 241	16 057	15 241
Waterkloof Substation-Inter Connection To New Eskom Switching Station , (Infra) [Project delays due to contractual disagreements]	48 003	48 940	48 003	48 940
Construction of RRT Station - Contractor A (Land & Bld, Comm) Bospoort Water Treatment Works [Slow progress on the procurement process of the mechanical and electrical contract]	273 791	168 251	273 791	168 251
	48 585	48 585	-	-
	<b>486 107</b>	<b>387 593</b>	<b>437 522</b>	<b>339 008</b>

### Expenditure incurred to repair and maintain property, plant and equipment

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

Buildings	6 726	15 058	6 726	15 058
Infrastructure - Electricity	25 920	60 495	25 920	60 495
Infrastructure - Roads	23 807	8 879	23 807	8 879
Infrastructure - Sewerage	1 230	662	1 230	662
Infrastructure - Water	-	15 638	-	15 638
Office Equipment	5 377	7 230	5 377	7 230
Rustenburg Water Services Trust Bulk Water Assets	9 996	6 773	-	-
	<b>73 056</b>	<b>114 735</b>	<b>63 060</b>	<b>107 962</b>

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

Work in progress consists of buildings and infrastructure.

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 5. Intangible assets

Economic entity	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	52	(31)	21	52	(26)	26

  

Controlling entity	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	52	(31)	21	52	(26)	26

#### Reconciliation of intangible assets - Economic entity - 2021

	Opening balance	Amortisation	Total
Computer software, other	26	(5)	21

#### Reconciliation of intangible assets - Economic entity - 2020

	Opening balance	Amortisation	Total
Computer software, other	34	(8)	26

#### Reconciliation of intangible assets - Controlling entity - 2021

	Opening balance	Amortisation	Total
Computer software, other	26	(5)	21

#### Reconciliation of intangible assets - Controlling entity - 2020

	Opening balance	Amortisation	Total
Computer software, other	34	(8)	26

#### Other information

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance.

All of the municipality's Intangible Assets are held under freehold interest and no intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2021	2020	2021	2020

### 6. Heritage assets

Economic entity	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Ox Wagon	150	-	150	150	-	150
Historical statue	1 100	-	1 100	1 100	-	1 100
Hand Drawn Field Ambulance	5	-	5	5	-	5
Jewellery	119	-	119	119	-	119
<b>Total</b>	<b>1 374</b>	<b>-</b>	<b>1 374</b>	<b>1 374</b>	<b>-</b>	<b>1 374</b>

Controlling entity	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Ox Wagon	150	-	150	150	-	150
Historical statue	1 100	-	1 100	1 100	-	1 100
Hand Drawn Field Ambulance	5	-	5	5	-	5
Jewellery	119	-	119	119	-	119
<b>Total</b>	<b>1 374</b>	<b>-</b>	<b>1 374</b>	<b>1 374</b>	<b>-</b>	<b>1 374</b>

#### Reconciliation of heritage assets Economic entity - 2021

	Opening balance	Total
Ox Wagon	150	150
Historical statue	1 100	1 100
Hand Drawn Field Ambulance	5	5
Jewellery	119	119
	<b>1 374</b>	<b>1 374</b>

#### Reconciliation of heritage assets Economic entity - 2020

	Opening balance	Total
Ox Wagon	150	150
Historical statue	1 100	1 100
Hand Drawn Field Ambulance	5	5
Jewellery	119	119
	<b>1 374</b>	<b>1 374</b>

#### Reconciliation of heritage assets Controlling entity - 2021

	Opening balance	Total
Ox Wagon	150	150
Historical statue	1 100	1 100
Hand Drawn Field Ambulance	5	5
Jewellery	119	119
	<b>1 374</b>	<b>1 374</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 6. Heritage assets (continued)

#### Reconciliation of heritage assets Controlling entity - 2020

	Opening balance	Total
Ox Wagon	150	150
Historical statue	1 100	1 100
Hand Drawn Field Ambulance	5	5
Jewellery	119	119
	<b>1 374</b>	<b>1 374</b>

### 7. Investments

Name of company	Held by	Carrying amount 2021	Carrying amount 2020	Carrying amount 2021	Carrying amount 2020
Listed Shares - Sanlam		814	775	814	775
Unlisted - Municipal Entity		-	-	1	1
		<b>814</b>	<b>775</b>	<b>815</b>	<b>776</b>

#### Detail

Market value of listed investments is R814; (2020: R775).

### 8. Finance lease receivables

#### Present value of minimum lease payments due

- within one year	-	-	303	251
- in second to fifth year inclusive	-	-	1 290	1 593
	<b>-</b>	<b>-</b>	<b>1 593</b>	<b>1 844</b>
Non-current assets	-	-	1 290	1 593
Current assets	-	-	303	251
	<b>-</b>	<b>-</b>	<b>1 593</b>	<b>1 844</b>

#### Leasing Arrangements

A finance lease was granted to the entity (RWST) for sewerage plant transferred by the municipality to the RWST. The lease is repayable over twenty years, in half yearly payments at the end of June and December, with the last instalment due on 30 June 2025. The interest rate implicit in the lease is 11%. All leases are denominated in Rand Currency Unit.

Management of the municipality is of the opinion that the carrying value of finance lease receivables recorded at amortised cost in the annual financial statements approximate their fair values.

### 9. Operating lease asset (liability)

Current assets	50	65	50	65
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Operating leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>9. Operating lease asset (liability) (continued)</b>				
Balance at beginning of year	65	78	65	78
Operating Lease Revenue recorded	(15)	(13)	(15)	(13)
	<b>50</b>	<b>65</b>	<b>50</b>	<b>65</b>
Up to 1 year	34	31	34	31
2 to 5 years	46	80	46	80
	<b>80</b>	<b>111</b>	<b>80</b>	<b>111</b>

### Total Operating Lease Arrangements:

The impact of charging the escalations in Operating Leases on a straight-line basis over the lease through the Statement of Financial Performance is an increase in current year income of R15 (2020: R13)

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 10. Employee benefit obligations

#### Defined benefit plan

#### Post-retirement Health Care Benefits Liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

#### The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	1 293	1 377	1 293	1 377
In-service Non-members (Employees)	355	411	355	411
Continuation Members (Retirees, widowers and orphans)	126	124	126	124
	<b>1 774</b>	<b>1 912</b>	<b>1 774</b>	<b>1 912</b>

#### The liability in respect of past

	<b>154 596</b>	<b>142 635</b>	<b>154 596</b>	<b>142 635</b>
In-service Members	90 688	80 621	90 688	80 621
Continuation Members	3 375	58 398	3 375	58 398
In-service: Non members	60 533	3 616	60 533	3 616

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

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

##### Carrying value

Present value of the defined benefit obligation	(154 595)	(142 635)	(154 595)	(142 635)
Non-current liabilities	(148 962)	(136 780)	(148 962)	(136 780)
Current liabilities	(5 633)	(5 855)	(5 633)	(5 855)
	<b>(154 595)</b>	<b>(142 635)</b>	<b>(154 595)</b>	<b>(142 635)</b>

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

Opening balance	142 635	96 711	142 635	96 711
Benefits paid	(5 846)	(5 511)	(5 846)	(5 511)
Net (income) / expense recognised in the statement of financial performance	17 806	51 435	17 806	51 435
	<b>154 595</b>	<b>142 635</b>	<b>154 595</b>	<b>142 635</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 10. Employee benefit obligations (continued)

#### Net (income)/expense recognised in the statement of financial performance

Current service cost	6 588	1 925	6 588	1 925
Interest cost	14 635	8 353	14 635	8 353
Actuarial (gains) losses	(3 417)	41 157	(3 417)	41 157
	<b>17 806</b>	<b>51 435</b>	<b>17 806</b>	<b>51 435</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,10 %	10,47 %	10,10 %	10,47 %
Health Care Cost Inflation Rate	6,84 %	6,52 %	6,84 %	6,52 %
Net Effective Discount Rate - Health care cost inflation	3,05 %	3,71 %	3,05 %	3,71 %
Maximum Subsidy Inflation Rate	4,76 %	4,52 %	4,76 %	4,52 %
Net Effective Discount Rate - Maximum subsidy inflation rate	5,10 %	5,70 %	5,10 %	5,70 %

The basis on which the discount rate has been determined is as follow:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post employment liabilities should be used.

Consequently, a discount rate of 10.10% per annum has been used. The corresponding index-linked yield at this term is 4.05%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2021.

These rates are calculated by using a liability-weighted average of the yields for the three components of the liability. Each component's fixed-interest and index-linked yields were taken from the bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

#### Expected Retirement Age

Expected Retirement Age - Female	62	62	62	62
Expected Retirement Age - Male	62	62	62	62
	-	-	-	-



# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 10. Employee benefit obligations (continued)

#### Other assumptions

Amounts for the current and previous four years are as follows:

	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Accrued liability	88 483	89 771	96 711	142 636	154 596
Actuarial Gains / (Losses)	6 619	3 461	(2 490)	(41 157)	3 417
	-	-	-	-	-

Sensitivity Analysis on Current-service and interest cost for the year ending 30 June 2021	Current-service cost	Interest cost	Total
Central Assumptions	6 588	14 635	21 223
Health care inflation (+1%)	7 400	15 792	23 192
Health care inflation (-1%)	5 602	13 233	18 835
Discount rate (+1%)	5 482	14 060	19 542
Discount rate (-1%)	8 019	15 262	23 281
Post-retirement mortality (-1 years)	6 738	15 024	21 762
Average retirement age (-1 year)	7 171	15 496	22 667
Continuation of membership at retirement	5 417	13 038	18 455
	-	-	-

Sensitivity Analysis on the Accrued Liability - Assumptions & Change for the year ending 30 June 2021	In-service	Retired	Total
Central Assumptions	-	94 063	60 533
Health care inflation (+1%)	-	103 629	62 594
Health care inflation (-1%)	-	82 133	57 821
Discount rate (+1%)	-	78 835	55 973
Discount rate (-1%)	-	113 616	65 817
Post-retirement mortality (+1 years)	-	91 790	58 554
Average retirement age (-1 years)	-	103 022	60 533
Continuation of membership at retirement (-10%)	-	80 477	60 533
	-	-	-

#### Expected contributions for the year ending 30 June 2022

Opening balance	154 596
Estimate - benefits to be paid	(5 633)
Estimate - Net (income) / expense	22 698
Estimate Balance - 30 June 2022	171 661

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 11. Multi-Employer Retirement Benefit Information

Some councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds are described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Funds and the Municipal Gratuity Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons: -

- i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

#### Municipal Councillors Pension Fund:

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and Council (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

#### Municipal Joint Pension Fund:

Municipal Joint Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (minimum of 7.5%) and Council (18.00% and 22.00% for employees appointed before 01 July 2012) is sufficient to fund the benefits accruing from the fund in the future.

#### National Fund for Municipal Workers - Pension Fund:

National Fund for Municipal Workers operates as a defined contribution scheme. The contribution rate paid by the members (7.50% or 9.00%) and Council (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

#### Municipal Employees Pension Fund:

The Municipal Employees Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (15.00% and 22.00% for employees appointed before 01 July 2012) is sufficient to fund the benefits accruing from the fund in the future.

### 12. Inventories

Consumable stores	10 183	5 291	10 183	5 291
Water	447	605	447	605
Unsold Properties Held for Resale	24 499	24 499	24 499	24 499
	<b>35 129</b>	<b>30 395</b>	<b>35 129</b>	<b>30 395</b>

Consumables stores consists of maintenance materials and spare parts.

### 13. Receivables from exchange transactions

Prepaid expenses	48 950	48 886	48 886	48 886
Consumer debtors - Electricity	233 612	127 111	233 612	127 111
Consumer debtors - Water	45 565	68 479	24 988	46 893
Consumer debtors - Sewerage	8 621	2 329	8 621	2 329
Consumer debtors - Refuse	8 110	4 421	8 110	4 421
Consumer debtors - Other	338 068	204 703	338 068	204 703
	<b>682 926</b>	<b>455 929</b>	<b>662 285</b>	<b>434 343</b>

#### Fair value of trade and other receivables

Trade and other receivables	682 926	455 929	662 285	434 343
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# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 13. Receivables from exchange transactions (continued)

#### Receivables from exchange transactions past due but not impaired

At 30 June 2021, R254 419 (2020: R409 183) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

2 months past due	254 419	409 183	254 419	409 183
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#### Trade and other receivables impaired

As of 30 June 2021, Receivables from exchange transactions of R5 589 283 (2020: R4 804 758) were impaired and provided for.

### 14. Receivables from non-exchange transactions

Fines	13 010	12 002	13 010	12 002
Sundry Debtors	4 785	4 785	4 785	4 785
Insurance Claims	694	694	694	694
Consumer debtors - Rates	27 901	6 080	27 901	6 080
	<b>46 390</b>	<b>23 561</b>	<b>46 390</b>	<b>23 561</b>
Gross Balance - Fines	21 831	13 685	21 831	13 685
Allowance for Impairment - Fines	(8 821)	(1 683)	(8 821)	(1 683)
<b>Net Balance - Fines</b>	<b>13 010</b>	<b>12 002</b>	<b>13 010</b>	<b>12 002</b>

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus two percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values

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

At 30 June 2021, R2 013 (2020: R8 252 ) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

2 months past due	2 013	8 252	2 013	8 252
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#### Receivables from non-exchange transactions impaired

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 14. Receivables from non-exchange transactions (continued)

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors and fines as the management is of the opinion that all Receivables are recoverable within normal credit terms.

### 15. Consumer debtors disclosure

#### Gross balances

Consumer debtors - Rates	462 531	375 412	462 531	375 412
Consumer debtors - Electricity	1 001 614	953 808	1 001 614	953 808
Consumer debtors - Water	1 849 266	1 594 792	1 828 689	1 573 206
Consumer debtors - Sewerage	489 461	412 588	489 461	412 588
Consumer debtors - Refuse	523 183	443 392	523 183	443 392
Consumer debtors - Other	2 359 735	1 807 221	2 359 735	1 807 221
	<b>6 685 790</b>	<b>5 587 213</b>	<b>6 665 213</b>	<b>5 565 627</b>

#### Less: Allowance for impairment

Consumer debtors - Rates	(434 630)	(369 332)	(434 630)	(369 332)
Consumer debtors - Electricity	(768 002)	(826 697)	(768 002)	(826 697)
Consumer debtors - Water	(1 803 701)	(1 526 313)	(1 803 701)	(1 526 313)
Consumer debtors - Sewerage	(480 840)	(410 259)	(480 840)	(410 259)
Consumer debtors - Refuse	(515 073)	(438 971)	(515 073)	(438 971)
Consumer debtors - Other	(2 021 667)	(1 602 518)	(2 021 667)	(1 602 518)
	<b>(6 023 913)</b>	<b>(5 174 090)</b>	<b>(6 023 913)</b>	<b>(5 174 090)</b>

#### Net balance

Consumer debtors - Rates	27 901	6 080	27 901	6 080
Consumer debtors - Electricity	233 612	127 111	233 612	127 111
Consumer debtors - Water	45 565	68 479	24 988	46 893
Consumer debtors - Sewerage	8 621	2 329	8 621	2 329
Consumer debtors - Refuse	8 110	4 421	8 110	4 421
Consumer debtors - Other	338 068	204 703	338 068	204 703
	<b>661 877</b>	<b>413 123</b>	<b>641 300</b>	<b>391 537</b>

#### Rates

Current (0 -30 days)	19 583	1 592	19 583	1 592
31 - 60 days	6 305	1 235	6 305	1 235
61 - 90 days	2 013	973	2 013	973
> 90 days	-	2 280	-	2 280
	<b>27 901</b>	<b>6 080</b>	<b>27 901</b>	<b>6 080</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>15. Consumer debtors disclosure (continued)</b>				
<b>Electricity</b>				
Current (0 -30 days)	198 331	25 987	198 331	25 987
31 - 60 days	24 784	7 714	24 784	7 714
61 - 90 days	10 497	24 626	10 497	24 626
> 90 days	-	68 784	-	68 784
	<b>233 612</b>	<b>127 111</b>	<b>233 612</b>	<b>127 111</b>
<b>Water</b>				
Current (0 -30 days)	35 534	34 028	14 957	12 442
31 - 60 days	7 094	3 740	7 094	3 740
61 - 90 days	2 937	1 228	2 937	1 228
> 90 days	-	29 483	-	29 483
	<b>45 565</b>	<b>68 479</b>	<b>24 988</b>	<b>46 893</b>
<b>Sewerage</b>				
Current (0 -30 days)	5 459	1 084	5 459	1 084
31 - 60 days	2 182	517	2 182	517
61 - 90 days	980	325	980	325
> 90 days	-	403	-	403
	<b>8 621</b>	<b>2 329</b>	<b>8 621</b>	<b>2 329</b>
<b>Refuse</b>				
Current (0 -30 days)	5 253	953	5 253	953
31 - 60 days	2 035	439	2 035	439
61 - 90 days	822	271	822	271
> 90 days	-	2 758	-	2 758
	<b>8 110</b>	<b>4 421</b>	<b>8 110</b>	<b>4 421</b>
<b>Other</b>				
Current (0 -30 days)	67 909	6 536	67 909	6 536
31 - 60 days	30 977	3 647	30 977	3 647
61 - 90 days	32 723	1 890	32 723	1 890
> 90 days	206 459	192 630	206 459	192 630
	<b>338 068</b>	<b>204 703</b>	<b>338 068</b>	<b>204 703</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 15. Consumer debtors disclosure (continued)

#### Summary of debtors by customer classification

##### Consumers

Current (0 -30 days)	82 901	157 108	82 901	157 108
31 - 60 days	113 946	118 097	113 946	118 097
61 - 90 days	98 382	87 402	98 382	87 402
> 90 days	5 270 681	4 452 433	5 270 681	4 452 433
	5 565 910	4 815 040	5 565 910	4 815 040
Less: Allowance for impairment	(5 489 859)	(4 737 111)	(5 489 859)	(4 737 111)
	<b>76 051</b>	<b>77 929</b>	<b>76 051</b>	<b>77 929</b>

##### Industrial/ commercial

Current (0 -30 days)	346 038	134 568	325 461	112 982
31 - 60 days	69 941	27 605	69 941	27 605
61 - 90 days	54 612	34 799	54 612	34 799
> 90 days	495 129	433 620	495 129	433 620
	965 720	630 592	945 143	609 006
Less: Allowance for impairment	(385 519)	(304 994)	(385 519)	(304 994)
	<b>580 201</b>	<b>325 598</b>	<b>559 624</b>	<b>304 012</b>

##### National and provincial government

Current (0 -30 days)	4 852	6 766	4 852	6 766
31 - 60 days	6 116	5 143	6 116	5 143
61 - 90 days	4 027	2 790	4 027	2 790
> 90 days	139 165	126 882	139 165	126 882
	154 160	141 581	154 160	141 581
Less: Allowance for impairment	(148 535)	(131 985)	(148 535)	(131 985)
	<b>5 625</b>	<b>9 596</b>	<b>5 625</b>	<b>9 596</b>

### 16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	13	13	13	13
Bank balances	482 909	545 022	388 217	530 250
Short-term deposits	23 103	77 185	23 103	21 926
	<b>506 025</b>	<b>622 220</b>	<b>411 333</b>	<b>552 189</b>

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances and Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity			Controlling entity		
Figures in Rand thousand	2021	2020		2021	2020	
<b>16. Cash and cash equivalents (continued)</b>						
<b>The economic entity had the following bank accounts</b>						
<b>Account number / description</b>	<b>Bank statement balances</b>			<b>Cash book balances</b>		
	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
Primary Bank Account - ABSA - Main Branch Rustenburg - Account Number 1220000458	34 985	19 297	29 712	70 721	62 833	(200 675)
Landfill Bank Account - ABSA - Account Number 4093972008	1 837	1 174	623	1 837	1 174	623
Housing Bank Account - ABSA - Main Branch Rustenburg - 4054617192	2 339	136 117	50 283	2 339	136 117	50 283
Reserves Bank Account - ABSA - Main Branch Rustenburg - 9330627743	36 579	34 362	100 878	36 217	34 118	100 878
Deposits Bank Account -ABSA - Main Branch Rustenburg - 9330627793	820	796	676	818	794	676
Conditional GrantsBank Account - ABSA - Main Branch Rustenburg - 9330627858	231 271	284 167	115 899	230 603	283 181	115 899
Traffic Fines Bank Account - ABSA - Main Branch Rustenburg - 4050672659	45 689	12 033	23 243	45 682	12 033	23 243
Distribution Reserve Account - ABSA - Account number 4061024001	22 830	5 917	52	22 830	5 917	52
Distribution Call Account - ABSA - Account number 4077517288	71 862	8 855	48	71 862	8 855	48
Debt Service Reserve Account - ABSA - Account number 4061023877	-	-	35	-	-	35
Contingent Reserve Account - ABSA - Account number 4061024116	-	-	6	-	-	6
Industrial Reserve Account - ABSA - Account number 4061024051	-	-	1	-	-	1
ABSA - Main Branch Rustenburg - 4071196779	-	-	-	-	-	-
<b>Total</b>	<b>448 212</b>	<b>502 718</b>	<b>321 456</b>	<b>482 909</b>	<b>545 022</b>	<b>91 069</b>

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
Absa Call Account	692	332	692	332
Absa	5 667	60 590	5 667	5 331
Standard Bank	583	575	583	575
Kagiso Asset Management	6 656	6 489	6 656	6 489
Sanlam	8 915	8 609	8 915	8 609
Absa Guarantee Deposits	590	590	590	590
<b>Total</b>	<b>23 103</b>	<b>77 185</b>	<b>23 103</b>	<b>21 926</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

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

#### Guarantees

Guarantees reflected above in the Gaurantee deposit of ABSA to the value of R590 (2020:R590) are ceded in favour of third parties.

Financial Guarantee R2 163

Financial Guarantee - (Local Documented Product - Guarantees) R26 782

#### Facilities

Leases (Full maintenance lease) R200 000

### 17. Revaluation reserve

Opening balance	265 353	266 138	-	-
Impairment adjustment for the year	(260)	(477)	-	-
Revaluation Surplus	(332)	(308)	-	-
	<b>264 761</b>	<b>265 353</b>	-	-

### 18. Finance lease obligation

#### Minimum lease payments due

- within one year	-	4 871	-	4 871
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Finance Lease Liabilities relates to IT Equipment with lease terms of 36 months. The effective interest rates on Finance Leases is 10%. Capitalised Lease Liabilities are secured over the items of IT equipment leased.

The municipality entered into a new lease agreement for copiers in June 2021. However delivery did not take place at the end of the financial year. Therefore the lease was not capitalised at 30 June 2021.

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



# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>19. Unspent conditional grants and receipts</b>				
<b>Unspent conditional grants and receipts comprises of:</b>				
<b>Unspent conditional grants and receipts</b>				
National Government Grants - Municipal Infrastructure Grant (MIG)	26 385	5 414	26 385	5 414
Provincial Government Grants - Department of Sports, Arts and Culture (DSAC Library)	2 355	2 917	2 355	2 917
Provincial Government Grants - COGTA	2 017	2 017	2 017	2 017
Provincial Government Grants - Extended Public Works Programme (EPWP)	990	-	990	-
Provincial Government Grants - LG Seta	2 122	2 165	2 122	2 165
Other: EEDG	2 698	-	2 698	-
National Government Grants - Public Transport Network Grant (PTNG)	7 211	125 856	7 211	125 856
National Government Grants - Municipal Water Infrastructure Grant (MWIG)	4 698	6 589	4 698	6 589
National Government Grants - Integrated National Electrification Programme (INEP)	411	6 720	411	6 720
National Government Grants - Neighbourhood Development Programme (NDP)	3 838	17 716	3 838	17 716
	<b>52 725</b>	<b>169 394</b>	<b>52 725</b>	<b>169 394</b>

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

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>20. Other financial liabilities</b>				
<b>At amortised cost</b>				
INCA	20 006	25 084	20 006	25 084
The loan is repayable in equal installments of R4 002 at the end of February and August every year, with final installment payable 29 February 2024. The loan bears interest at 13.82%				
ABSA Loan 30-1798-1971	-	2 059	-	2 059
The loan is repayable in installments of R1 448 payable at the end of May and November, with the final installment payable 31 May 2020. The loan bears interest at 11.73%.				
ABSA Loan 30-1798-2317	3 131	6 041	3 131	6 041
The loan is repayable in installments of R1 456 payable at the end of May and November, with the final installment payable 30/06/2021. The loan bears interest at 11.95%.				
ABSA Loan 30-2236-2516	2 993	7 932	2 993	7 932
The loan is repayable in installments of R1 489 payable at the end of May and November, with the final installment payable 30/06/2022. The loan bears interest at 11.95%.				
DBSA Loan 61007193	212 666	249 036	212 666	249 036
The loan is repayable in 6 monthly installments in December and June, with the redemption date of 2 July 2029. The loan bears interest at 9.90%.				
DBSA Loan 61007264	112 824	129 937	112 824	129 937
The loan is repayable in 6 monthly installments in December and June, with the redemption date of 28 June 2030. The loan bears interest at 10.07%				
ABSA Loan	-	54 751	-	-
The loan is repayable in 6 monthly installments of R20 573, with the redemption date of 30 June 2025. The loan bears interest of 12.34%.				
	<b>351 620</b>	<b>474 840</b>	<b>351 620</b>	<b>420 089</b>
<b>Total other financial liabilities</b>	<b>351 620</b>	<b>474 840</b>	<b>351 620</b>	<b>420 089</b>
<b>Non-current liabilities</b>				
At amortised cost	312 965	367 715	312 965	348 253
<b>Current liabilities</b>				
At amortised cost	38 655	107 125	38 655	71 836

The management of the municipality is of the opinion that the carrying value of Other financial liabilities recorded at amortised cost in the Consolidated Financial Statements approximate their fair value.

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 21. Provisions

#### Reconciliation of provisions - Economic entity - 2021

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation	128 071	-	128 071
Long Service Awards	76 549	(9 293)	67 256
	<b>204 620</b>	<b>(9 293)</b>	<b>195 327</b>

#### Reconciliation of provisions - Economic entity - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	127 935	136	128 071
Long Service Awards	28 457	48 092	76 549
	<b>156 392</b>	<b>48 228</b>	<b>204 620</b>

#### Reconciliation of provisions - Controlling entity - 2021

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation	128 071	-	128 071
Long Service Awards	76 549	(9 293)	67 256
	<b>204 620</b>	<b>(9 293)</b>	<b>195 327</b>

#### Reconciliation of provisions - Controlling entity - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	127 935	136	128 071
Long Service Awards	28 457	48 092	76 549
	<b>156 392</b>	<b>48 228</b>	<b>204 620</b>

Non-current liabilities	66 082	77 192	66 082	77 192
Current liabilities	129 245	127 428	129 245	127 428
	<b>195 327</b>	<b>204 620</b>	<b>195 327</b>	<b>204 620</b>

#### Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R120 196 to restore the site at the end of its useful life, estimated to be 28 years for the Waterval landfill site. An inflation rate of 3.29% was used in determining the future value. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate. A discount rate of 11.29% was used in determining the Net Present Value.

There has been no change to the licence conditions to any of the municipality's landfill sites from the previous reporting period with Waterval being the only operational landfill site. After careful consideration of the cost implications involved with procuring these specialised services and considering that the 2019/20 contribution expense was only R137, the municipality decided not to procure these services for the year under review. Accordingly the landfill closure provision are carried at the 2019/20 cost estimates. Management is of the view that there are no material changes to the landfill closure provisions from the previous reporting period.

#### Long Service Awards

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 21. Provisions (continued)

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable to employees after 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover. Additional cash/gifts are awarded to employees for levels of past service per the LSA policy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2021 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

**The principal assumptions used for the purposes of the actuarial valuations were as follows for the year ended 30 June 2021:**

Discount rate - 9.27%  
General salary inflation - 5.79%  
Net discount rate - 3.29%

**The principal assumptions used for the purposes of the actuarial valuations were as follows for the year ended 30 June 2020:**

Discount rate - 7.54%  
General salary inflation - 4.07%  
Net discount rate - 3.33%

The basis on which the discount rate has been determined is as follows:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post employment liabilities should be used.

Consequently, a discount rate of 9.27% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 3.80%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2021.

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Expected Retirement Age - Females	62	62	62	62
Expected Retirement Age - Males	62	62	62	62
	-	-	-	-

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	76 549	28 457	76 549	28 457
Current service cost	7 056	2 259	7 056	2 259
Interest cost	5 422	1 926	5 422	1 926
Actuarial losses / (gains)	(16 101)	47 139	(16 101)	47 139
Employer Benefit Vesting	(5 671)	(3 232)	(5 671)	(3 232)
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>67 255</b>	<b>76 549</b>	<b>67 255</b>	<b>76 549</b>

**The amount recognised in the Statement of Financial Position are as follows:**

Present value of unfunded obligations	67 255	76 549	67 255	76 549
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# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 21. Provisions (continued)

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

Current service cost	7 056	2 259	7 056	2 259
Interest cost	5 422	1 926	5 422	1 926
Actuarial losses / (gains)	(16 101)	47 139	(16 101)	47 139
<b>Post-Retirement Benefit included in Statement of Financial Performance</b>	<b>(3 623)</b>	<b>51 324</b>	<b>(3 623)</b>	<b>51 324</b>

### History of Liability

	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Accrued Liability	43 271	48 159	28 457	76 549	67 255
Actuarial Gains / (Losses)	1 809	(154)	26 937	(47 139)	16 101
	-	-	-	-	-

### Sensitivity Analysis on Current-service and interest Costs for the year ending 30 June 2021 - Assumptions and Change

		Current-service cost	Interest cost	Total
General assumptions	-	7 056	5 422	12 478
General salary inflation (+1%)	-	7 679	5 812	13 491
General salary inflation (-1%)	-	6 500	5 069	11 569
Discount rate (+1%)	-	6 553	5 733	12 286
Discount rate (-1%)	-	7 628	5 054	12 682
Average retirement age (+2yrs)	-	7 618	5 953	13 571
Average retirement age (-2 yrs)	-	6 443	4 841	11 284
Withdrawal rates (x2)	-	4 986	4 170	9 156
Withdrawal rates (x0.5)	-	8 597	6 294	14 891
	-	-	-	-

### Sensitivity Analysis on the Unfunded Accrued Liability (in R millions) for the year ended 30 June 2021 - Assumptions & Change

				Liability
Central assumptions	-	-	-	67 255
General salary inflation (+1%)	-	-	-	71 770
General salary inflation (-1%)	-	-	-	63 157
Discount rate (+1%)	-	-	-	63 065
Discount rate (-1%)	-	-	-	71 951
Average retirement age (+2 yrs)	-	-	-	73 577
Average retirement age (-2 yrs)	-	-	-	60 292
Withdrawal rates (x2yrs)	-	-	-	52 615
Withdrawal rates (x0.5yrs)	-	-	-	77 340
	-	-	-	-

### 22. Payables from exchange transactions

Trade payables	887 575	959 777	1 136 333	1 195 278
Payments received in advanced	140 979	120 186	140 979	120 186
Accrued leave pay	88 373	68 218	88 373	68 218
Accrued bonus	14 701	15 726	14 701	15 726
Unallocated Deposits	151 982	127 710	151 982	127 710
Retentions	59 142	67 813	59 142	67 813
	<b>1 342 752</b>	<b>1 359 430</b>	<b>1 591 510</b>	<b>1 594 931</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 22. Payables from exchange transactions (continued)

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Payments received in advance are municipal debtors who have credit balances at the reporting date. This is due to various reasons which include clearances paid on properties awaiting transfer at the deeds office. The breakdown per service is as follows:

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

The municipality received R134 097 from the Provincial government to implement the Lethabong project on behalf of the North West Provincial Government Department of Local Government and Human Settlements. However the municipality is not an implementing agent for the North West Provincial Government Department of Local Government and Human Settlements. This was not gazetted nor was the municipality accredited to perform this function. Provincial Government subsequently requested the money to be paid back which was paid back in the 2020/21 financial year. The money received forms part of trade payables for 2019/20 financial year.

The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

### 23. VAT payable

VAT payable	186 692	172 944	184 736	149 171
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VAT is payable on the receipt basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

### 24. Consumer deposits

Electricity and Water	54 733	51 103	54 733	51 103
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#### Guarantees

Guarantees held in lieu of electricity and water	29 288	29 421	29 288	29 421
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Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account..

No interest is paid on Consumer Deposits held.

### 25. Service charges

Sale of electricity	2 378 593	1 986 633	2 378 593	1 986 633
Sale of water	510 632	555 384	444 439	491 385
Sewerage and sanitation charges	161 443	150 805	161 443	150 805
Refuse removal	149 608	137 214	149 608	137 214
	<b>3 200 276</b>	<b>2 830 036</b>	<b>3 134 083</b>	<b>2 766 037</b>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 26. Rental of facilities and equipment

#### Premises

Rental Revenue from Halls	262	211	262	211
Rental Revenue from Buildings	9 321	8 355	9 321	8 355
	<b>9 583</b>	<b>8 566</b>	<b>9 583</b>	<b>8 566</b>

#### Facilities and equipment

Rental Revenue from Amenities	327	278	327	278
Rental Revenue from Other Facilities	100	77	100	77
	<b>427</b>	<b>355</b>	<b>427</b>	<b>355</b>
	<b>10 010</b>	<b>8 921</b>	<b>10 010</b>	<b>8 921</b>

### 27. Other income

Building Plan Fees	1 069	1 036	1 069	1 036
Application for clearance certificate	10	166	10	166
Reconnection fees	4	-	4	-
Cemetery Fees	1 137	795	1 137	795
Advertising Signs	1 430	1 583	1 430	1 583
Photocopies	15	-	15	-
Tender Documents	32	418	31	418
Town Planning Fees	161	-	161	-
Surplus cash	28	8	28	8
Sundry Income	36 364	10 094	12 570	10 094
Swimming pool fees	61	-	61	-
	<b>40 311</b>	<b>14 100</b>	<b>16 516</b>	<b>14 100</b>

### 28. Interest recieved - other

#### Interest revenue

Investments	19 809	30 633	17 054	24 275
Finance leases	-	-	196	220
	<b>19 809</b>	<b>30 633</b>	<b>17 250</b>	<b>24 495</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>29. Property rates</b>				
<b>Rates received</b>				
Residential	169 089	148 869	169 089	148 869
Commercial	222 323	199 568	222 323	199 568
State	15 774	15 905	15 774	15 905
Agriculture	5 701	8 567	5 701	8 567
	<b>412 887</b>	<b>372 909</b>	<b>412 887</b>	<b>372 909</b>

### Valuations

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2021. Supplementary valuations are processed on a monthly basis to take into account changes to individual property values due to alterations and subdivisions.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

### 30. Grants and subsidies paid

<b>Other subsidies</b>				
Community Projects	742	3 659	742	3 659
Rustenburg Water Service Trust	-	-	-	16 597
	<b>742</b>	<b>3 659</b>	<b>742</b>	<b>20 256</b>



# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2021	2020	2021	2020
<b>31. Government grants and subsidies</b>				
<b>Operating grants</b>				
Equitable share	861 905	675 452	861 905	675 452
National - Financial Management Grant	1 700	1 700	1 700	1 700
Provincial - Seta: EPWP training	4 432	3 786	4 432	3 786
Provincial - LG Seta	43	-	43	-
	<b>868 080</b>	<b>680 938</b>	<b>868 080</b>	<b>680 938</b>
<b>Capital grants</b>				
National: Municipal Infrastructure Grant (MIG)	204 196	238 193	204 196	238 193
National - Financial Management Grant	162	2 284	162	2 284
Provincial: COGTA	-	2 014	-	2 014
Grants from private Org - EEDG	1 802	-	1 802	-
National Public Transport Network Grant (PTNG)	157 071	191 466	157 071	191 466
Provincial: Department of Sports, Arts and Culture (DSAC Library)	1 162	1 248	1 162	1 248
National Municipal Water Infrastructure Grant (MWIG)	68 142	93 872	68 142	93 872
National: Integrated National Electrification Program (INEP)	8 310	8 690	8 310	8 690
	<b>440 845</b>	<b>537 767</b>	<b>440 845</b>	<b>537 767</b>
	<b>1 308 925</b>	<b>1 218 705</b>	<b>1 308 925</b>	<b>1 218 705</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority.

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

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

Conditions still to be met - remain liabilities (see note 19).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

### National: Municipal Infrastructure Grant (MIG Funds)

Balance unspent at beginning of year	5 414	8 500	5 414	8 500
Current-year receipts	230 583	235 107	230 583	235 107
Conditions met - transferred to revenue	(204 198)	(238 193)	(204 198)	(238 193)
Roll over not allowed	(5 414)	-	(5 414)	-
	<b>26 385</b>	<b>5 414</b>	<b>26 385</b>	<b>5 414</b>

Conditions still to be met - remain liabilities (see note 19).

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 31. Government grants and subsidies (continued)

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure.

#### Provincial: Department of Sports, Arts and Culture Grant (DSAC Library)

Balance unspent at beginning of year	2 917	2 699	2 917	2 699
Current-year receipts	1 161	1 465	1 161	1 465
Conditions met - transferred to revenue	(1 162)	(1 247)	(1 162)	(1 247)
Roll over not allowed	(561)	-	(561)	-
	<b>2 355</b>	<b>2 917</b>	<b>2 355</b>	<b>2 917</b>

Conditions still to be met - remain liabilities (see note 19).

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

#### Provincial: COGTA

Balance unspent at beginning of year	2 017	4 031	2 017	4 031
Conditions met - transferred to revenue	-	(2 014)	-	(2 014)
	<b>2 017</b>	<b>2 017</b>	<b>2 017</b>	<b>2 017</b>

Conditions still to be met - remain liabilities (see note 19).

The grant was utilised for the maintenance of roads in the jurisdiction area of the municipality.

#### Provincial: Expanded Public Works Programme Integrated Grant (EPWP)

Current-year receipts	5 422	3 786	5 422	3 786
Conditions met - transferred to revenue	(4 432)	(3 786)	(4 432)	(3 786)
	<b>990</b>	<b>-</b>	<b>990</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 19).

The grant was used to incentivise provincial departments to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with EPWP guidelines.

#### Provincial: LG Seta

Balance unspent at beginning of year	2 165	1 188	2 165	1 188
Current-year receipts	-	977	-	977
Conditions met - transferred to revenue	(43)	-	(43)	-
	<b>2 122</b>	<b>2 165</b>	<b>2 122</b>	<b>2 165</b>

Conditions still to be met - remain liabilities (see note 19).

This grant was utilised to construct a training centre for pupils of the fire services division.

#### Local: BPDM: Cleaning of cemeteries / LED Business Plans and other

Balance unspent at beginning of year	-	50 000	-	50 000
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# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>31. Government grants and subsidies (continued)</b>				
Current-year repayment	-	(50 000)	-	(50 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 19).

This grant is received from district municipalities for the cleaning of cemeteries, LED business plans and various other initiatives.

### Other: Energy Efficiency and Demand-Side Management Grant

Current-year receipts	4 500	-	4 500	-
Conditions met - transferred to revenue	(1 802)	-	(1 802)	-
	<b>2 698</b>	<b>-</b>	<b>2 698</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 19).

The grant funds selected municipalities to implement energy-efficiency projects, with a focus on public lighting and energy efficient municipal infrastructure.

### National: Public Transport Network Grant (PTNG)

Balance unspent at beginning of year	125 856	182 810	125 856	182 810
Current-year receipts	164 282	218 911	164 282	218 911
Conditions met - transferred to revenue	(157 071)	(191 465)	(157 071)	(191 465)
Roll over not allowed	(125 856)	(84 400)	(125 856)	(84 400)
	<b>7 211</b>	<b>125 856</b>	<b>7 211</b>	<b>125 856</b>

Conditions still to be met - remain liabilities (see note 19).

### National: MWIG

Balance unspent at beginning of year	6 589	12 462	6 589	12 462
Current-year receipts	72 840	88 000	72 840	88 000
Conditions met - transferred to revenue	(68 142)	(93 873)	(68 142)	(93 873)
Roll over not allowed	(6 589)	-	(6 589)	-
	<b>4 698</b>	<b>6 589</b>	<b>4 698</b>	<b>6 589</b>

Conditions still to be met - remain liabilities (see note 19).

### National: Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	6 720	15 410	6 720	15 410
Current-year receipts	2 000	-	2 000	-
Conditions met - transferred to revenue	(8 309)	(8 690)	(8 309)	(8 690)
	<b>411</b>	<b>6 720</b>	<b>411</b>	<b>6 720</b>

Conditions still to be met - remain liabilities (see note 19).

### National: Neighbourhood Development Programme (NDP)

Balance unspent at beginning of year	17 716	5 000	17 716	5 000
Current-year receipts	4 000	20 000	4 000	20 000
Conditions met - transferred to revenue	(162)	(2 284)	(162)	(2 284)
Roll over not allowed	(17 716)	(5 000)	(17 716)	(5 000)

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>31. Government grants and subsidies (continued)</b>				
	<b>3 838</b>	<b>17 716</b>	<b>3 838</b>	<b>17 716</b>
Conditions still to be met - remain liabilities (see note 19).				
<b>National: Disaster Management</b>				
Current-year receipts	1 210	-	1 210	-
Roll over not allowed	(1 210)	-	(1 210)	-
	-	-	-	-

Conditions still to be met - remain liabilities (see note 19).

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

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>32. Employee related costs</b>				
Basic	476 252	471 846	471 636	466 098
Bonus	34 571	31 031	34 571	31 031
Medical aid - company contributions	44 881	42 864	44 881	42 864
UIF	3 553	3 755	3 553	3 755
WCA	3 765	2 641	3 765	2 641
SDL	5 438	5 518	5 438	5 518
Pension	85 297	81 673	85 297	81 673
Industrial Council Levy	416	579	416	579
Other long-term employee benefits: Long-service awards	-	3 232	-	3 232
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	33 025	26 674	33 025	26 674
Housing benefits and allowances	2 298	2 188	2 298	2 188
Overtime payment	14 539	37 034	14 539	37 034
Other Employee Cost	55 951	46 679	55 951	46 679
	<b>759 986</b>	<b>755 714</b>	<b>755 370</b>	<b>749 966</b>

### Remuneration of Municipal Manager

Annual Remuneration	2 074	916	2 074	916
Acting Allowance	-	157	-	157
Contributions to UIF, Medical and Pension Funds	116	48	116	48
	<b>2 190</b>	<b>1 121</b>	<b>2 190</b>	<b>1 121</b>

### Remuneration of Chief Financial Officer

Annual Remuneration	1 740	1 480	1 740	1 480
Car Allowance	82	-	82	-
Contributions to UIF, Medical and Pension Funds	2	90	2	90
	<b>1 824</b>	<b>1 570</b>	<b>1 824</b>	<b>1 570</b>

### Remuneration of Director: Community Development

Annual Remuneration	1 724	1 470	1 724	1 470
Car Allowance	96	96	96	96
Contributions to UIF, Medical and Pension Funds	2	44	2	44
	<b>1 822</b>	<b>1 610</b>	<b>1 822</b>	<b>1 610</b>

### Remuneration of Director: Corporate Services

Annual Remuneration	1 738	1 405	1 738	1 405
Car Allowance	82	-	82	-
Acting Allowance	4	-	4	-
Contributions to UIF, Medical and Pension Funds	2	86	2	86
	<b>1 826</b>	<b>1 491</b>	<b>1 826</b>	<b>1 491</b>

### Remuneration of Director: Local Economic Development

Annual Remuneration	1 820	1 595	1 820	1 595
Contributions to UIF, Medical and Pension Funds	2	17	2	17
	<b>1 822</b>	<b>1 612</b>	<b>1 822</b>	<b>1 612</b>

# Rustenburg Local Municipality

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## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 32. Employee related costs (continued)

#### Remuneration of Director: Planning and Human Settlements

Annual Remuneration	1 627	1 341	1 627	1 341
Car Allowance	180	135	180	135
Contributions to UIF, Medical and Pension Funds	21	133	21	133
	<b>1 828</b>	<b>1 609</b>	<b>1 828</b>	<b>1 609</b>

#### Remuneration of Director: Technical and Infrastructure Services

Annual Remuneration	1 385	1 592	1 385	1 592
Acting Allowance	61	-	61	-
Contributions to UIF, Medical and Pension Funds	1	15	1	15
	<b>1 447</b>	<b>1 607</b>	<b>1 447</b>	<b>1 607</b>

#### Remuneration of Director: Public Safety

Annual Remuneration	1 411	1 049	1 411	1 049
Car Allowance	329	329	329	329
Contributions to UIF, Medical and Pension Funds	82	78	82	78
	<b>1 822</b>	<b>1 456</b>	<b>1 822</b>	<b>1 456</b>

#### Remuneration of Director: Rust Rapid Transport

Acting Allowance	-	100	-	100
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Total employee related cost	-	774 567	767 890	769 951	762 142
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### 33. Remuneration of councillors

Executive Major	1 383	1 372	1 383	1 372
Speaker	1 548	1 049	1 548	1 049
Mayoral Committee Members	9 944	9 076	9 944	9 076
Chief Whip	81	678	81	678
Councillors	42 140	38 787	42 140	38 787
Company Contributions to UIF, Medical and Pension Funds	5 310	4 995	5 310	4 995
	<b>60 406</b>	<b>55 957</b>	<b>60 406</b>	<b>55 957</b>

### 34. Depreciation and amortisation

Property, plant and equipment	377 605	370 719	338 559	338 211
Investment property	9 154	9 079	9 154	9 079
Intangible assets	6	8	6	8
	<b>386 765</b>	<b>379 806</b>	<b>347 719</b>	<b>347 298</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>35. Impairment of assets</b>				
<b>Impairments</b>				
Property, plant and equipment	611	265	-	-
With the assessment of the useful life and inspection of the asset conditions impairments were recognised.				
Inventories	1 451	20 911	1 451	20 911
During the inventory count obsolete stock were identified and provided for.				
Consumer Debtors	747 493	428 179	747 493	428 179
Recoverability of receivables from exchange and non-exchange transactions were assessed and provision for impairment were identified.				
Receivables from non-exchange revenue	7 138	1 683	7 138	1 683
Recoverability of IGRAP receivables were assessed and provision for impairment were identified.				
	<b>756 693</b>	<b>451 038</b>	<b>756 082</b>	<b>450 773</b>
<b>36. Finance costs</b>				
Employee benefits	20 057	10 278	20 057	10 278
Finance leases	164	912	164	912
Loans and Payables at amortised cost	43 262	69 268	37 888	59 312
Late payment of tax	2 115	5 528	2 115	5 528
Other interest - Eskom	-	13 477	-	13 477
	<b>65 598</b>	<b>99 463</b>	<b>60 224</b>	<b>89 507</b>
<b>37. Bulk purchases</b>				
Electricity	2 091 259	1 658 885	2 091 259	1 658 885
Water	371 099	394 501	531 337	531 073
	<b>2 462 358</b>	<b>2 053 386</b>	<b>2 622 596</b>	<b>2 189 958</b>
<b>38. Contracted services</b>				
<b>Presented previously</b>				
Training	105	547	105	547
Professional fees	33 577	36 696	33 577	36 696
Security services	24 867	24 384	24 867	24 384
Valuation services	-	6 301	-	6 301
Other Contractors	112 213	154 685	112 213	154 685
	<b>170 762</b>	<b>222 613</b>	<b>170 762</b>	<b>222 613</b>

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## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>39. General expenses</b>				
Advertising	1 431	43	1 431	43
Auditors remuneration	13 569	11 722	12 671	10 775
Bank charges	4 771	4 783	4 762	4 770
Commission paid	51 877	125 426	51 877	125 426
Consumables	8 885	4 787	8 885	4 787
Entertainment	18	35	18	35
Legal Costs	298	187	-	-
Hire	234	143	234	143
Insurance	8 577	6 995	7 868	6 153
Marketing	24	715	24	715
Contribution for landfill sites	-	137	-	137
Printing and stationery	4 429	5 532	4 429	5 532
Repairs and maintenance	73 056	114 735	63 060	107 962
Subscriptions and membership fees and levies	16 750	15 258	16 750	15 258
Telephone and fax	4 250	5 184	4 250	5 184
Transport and freight	23 749	17 992	23 749	17 992
Travelling Subsistence	26	350	26	350
Assets written off	497	1 679	497	1 679
Water	100 861	90 432	-	-
Consumption expenditure	1 270	1 905	1 270	1 905
Bad debts written off	34 404	-	34 404	-
Strategic Planning	1 985	-	-	-
License fees	209	431	13	219
Ward committee	7 104	6 156	7 090	6 156
Chemicals	55	182	55	182
Other expenses	7 399	8 638	7 399	8 638
	<b>365 728</b>	<b>423 447</b>	<b>250 762</b>	<b>324 041</b>

The amounts disclosed above for Other Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

### 40. Fair value adjustments

Other financial assets				
• Other financial assets	21	43	21	43

### 41. Auditors' remuneration

Fees	13 569	11 722	12 671	10 775
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# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>42. Cash generated from operations</b>				
Surplus	357 880	514 628	269 698	439 199
<b>Adjustments for:</b>				
Depreciation and amortisation	382 011	352 346	342 965	319 838
Gain on disposal of assets	(10)	(6)	-	-
Fair value adjustments	(21)	(43)	(21)	(43)
Finance costs	43 426	70 180	38 052	60 224
Impairment loss	756 693	451 038	756 082	450 773
Movements in operating lease assets	15	13	15	13
Movements in employee benefit obligations	11 960	45 924	11 960	45 924
Movements in provisions	(9 293)	48 228	(9 293)	48 228
<b>Changes in working capital:</b>				
Inventory	(4 734)	12 143	(4 734)	12 143
Receivables from exchange and non-exchange transactions	(1 005 908)	(980 041)	(1 006 602)	(970 045)
Payables from Exchange transactions and other payables	(115 962)	463 049	(80 895)	521 227
	<b>416 057</b>	<b>977 459</b>	<b>317 227</b>	<b>927 481</b>

## 43. Financial instruments disclosure

### Categories of financial instruments

#### Economic entity - 2021

##### Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	682 926	682 926
Receivables from non-exchange transactions	-	46 390	46 390
Cash and cash equivalents	506 025	-	506 025
Investments	814	-	814
Guarantees	29 268	-	29 268
	<b>536 107</b>	<b>729 316</b>	<b>1 265 423</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	351 620	351 620
Payables from exchange transactions	1 342 752	1 342 752
Consumer deposits	54 733	54 733
	<b>1 749 105</b>	<b>1 749 105</b>

#### Economic entity - 2020

##### Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	455 929	455 929
Receivables from non-exchange transactions	-	23 561	23 561
Cash and cash equivalents	622 220	-	622 220
Investments	775	-	775
Guarantees	29 421	-	29 421

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 43. Financial instruments disclosure (continued)

652 416      479 490      1 131 906

#### Financial liabilities

	At amortised cost	Total
Other financial liabilities	474 840	474 840
Payables from exchange transactions	1 359 430	1 359 430
Consumer deposits	51 103	51 103
Finance lease obligation	4 871	4 871
	<b>1 890 244</b>	<b>1 890 244</b>

#### Controlling entity - 2021

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	662 285	-	662 285
Receivables from non-exchange transactions	-	46 390	-	46 390
Cash and cash equivalents	411 333	-	-	411 333
Investments	814	-	1	815
Finance lease receivables	-	1 593	-	1 593
Guarantees	29 268	-	-	29 268
	<b>441 415</b>	<b>710 268</b>	<b>1</b>	<b>1 151 684</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	351 620	351 620
Payables from exchange transactions	1 591 511	1 591 511
Consumer deposits	54 733	54 733
	<b>1 997 864</b>	<b>1 997 864</b>

#### Controlling entity - 2020

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	434 343	-	434 343
Receivables from non-exchange transactions	-	23 561	-	23 561
Cash and cash equivalents	552 189	-	-	552 189
Investments	775	-	1	776
Finance lease receivables	-	1 844	-	1 844
Guarantees	29 421	-	-	29 421
	<b>582 385</b>	<b>459 748</b>	<b>1</b>	<b>1 042 134</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	420 089	420 089
Payables from exchange transactions	1 594 931	1 594 931

# Rustenburg Local Municipality

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## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>43. Financial instruments disclosure (continued)</b>				
Consumer deposits			51 103	51 103
Finance lease obligation			4 871	4 871
			<b>2 070 994</b>	<b>2 070 994</b>

### Derivative financial instruments and hedging information

Cash and cash equivalents and investments are measured at quoted prices (unadjusted) in active markets for identical assets or liabilities. (level 1) Guarantees are measured at inputs other than quoted market prices. (level 2)

### Financial Liabilities Maturity Analysis

<b>30 June 2020 - Economic entity</b>	< 1 year	1 to 2 years	2 to 5 years	5+ years	Total
Other financial liabilities	107 125	53 749	111 765	202 201	474 840
Payables from exchange transactions	1 359 430	-	-	-	1 359 430
Consumer deposits	51 103	-	-	-	51 103
Finance lease obligation	4 871	-	-	-	4 871
	<b>1 522 529</b>	<b>53 749</b>	<b>111 765</b>	<b>202 201</b>	<b>1 890 244</b>
<b>30 June 2021 - Economic entity</b>	< 1 year	1 to 2 years	2 to 5 years	5+ years	Total
Other financial liabilities	38 655	36 068	40 001	236 896	351 620
Payables from exchange transactions	1 342 752	-	-	-	1 342 752
Consumer deposits	54 733	-	-	-	54 733
	<b>1 436 140</b>	<b>36 068</b>	<b>40 001</b>	<b>236 896</b>	<b>1 749 105</b>
<b>30 June 2020 - Controlling entity</b>	< 1 year	1 to 2 years	2 to 5 years	5+ years	Total
Other financial liabilities	71 836	35 287	111 765	201 201	420 089
Payables from exchange transactions	1 594 931	-	-	-	1 594 931
Consumer deposits	51 103	-	-	-	51 103
Finance lease obligation	4 871	-	-	-	4 871
	<b>1 722 741</b>	<b>35 287</b>	<b>111 765</b>	<b>201 201</b>	<b>2 070 994</b>
<b>30 June 2021 - Controlling entity</b>	< 1 year	1 to 2 years	2 to 5 years	5+ years	Total
Other financial liabilities	38 655	36 068	40 001	236 896	351 620
Payables from exchange transactions	1 591 511	-	-	-	1 591 511
Consumer deposits	54 733	-	-	-	54 733
	<b>1 684 899</b>	<b>36 068</b>	<b>40 001</b>	<b>236 896</b>	<b>1 997 864</b>

### 44. Commitments

#### Commitments in respect of Capital Expenditure

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

• Approved and contracted for	214 643	306 900	213 070	297 157
<b>Total capital commitments</b>				
Approved and contracted for	214 643	306 900	213 070	297 157

# Rustenburg Local Municipality

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## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 45. Contingencies

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
Bonakude Consulting (Pty) Ltd. // RLM Case No. 1053/19. Claim for payment for consulting services which were rendered to RLM per the SLA that was concluded.	11 451	11 451	11 451	11 451
Reonet (Pty) Ltd. T/a Reonet Utility // RLM. Non-payment of services rendered –Automated meter reading water demand management programme	416	416	416	416
Bigen Africa Services (Pty) Ltd // RLM. Claim for non-payment of rendered professional roads and stormwater services rendered.	8 928	8 928	8 928	8 928
Eritha Door and Windows // RLM. Claim against RLM for outstanding amount for Cession agreement concluded with RLM (as subcontractor) of Makgothamishe. The Municipality cancelled the agreement with the main contractor because of poor performance	6 586	6 826	6 586	6 826
GCF Forklifts and Truck Centre (Pty) Ltd / RLM. Application by GCF for payment for services rendered.	1 030	1 030	1 030	1 030
Mmela Investment Holdings (Pty) Ltd // RLM. Issued summons for claiming damages based on the grounds of cancellation of their appointment as per the Bid document.	651 958	651 958	651 958	651 958
Ian Phillip Muller / RLM. Claim for personal injuries suffered as a result of motor vehicle accident in which the Applicant alleges failure of legal duty by the municipality to keep proper maintenance of the road at or near Watsonia Avenue, Geelhout Park, Rustenburg.	1 124	1 124	1 124	1 124
Vesta//RLM. Court Application by RLM to review the contract as invalid, unlawful and unconstitutional. Various urgent interlocutory applications brought to restore and keep access to Phoenix accounting system.	24 962	19 091	24 962	19 091
RLM/ Makgotamishe. RLM has been issued with summons for payment.	71 763	71 763	71 763	71 763
Hennie Motors / RLM. Application for payment for services rendered. Supply chain management process was not followed in that no order was provided before the work can be done.	-	1 649	-	1 649
Frans Lourens Rootman and Another // RLM and Executive Mayor. Claim in respect of the alleged Defamation of Character.	1 307	1 307	1 307	1 307
RLM / IBD Civil Contractors and Training Experts CC. Action against IBD for declaring the sale agreement of land invalid and return of purchase price – High Court –Mafikeng	-	40 000	-	40 000
RLM / Novel Enterprises. Application for payment of the outstanding amounts for the supply of water tankers in various areas in Rustenburg.	1 994	2 515	1 994	2 515
Boffin & Fundi (PTY) LTD / RLM. Claim in respect of services rendered to conduct audit on all properties within the area of jurisdiction of RLM to reconcile with the billing system of RLM.	3 993	3 849	3 993	3 849

# Rustenburg Local Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2021	2020	2021	2020
<b>45. Contingencies (continued)</b>				
Aecom SA (Pty) Ltd / RLM. Claim for payment of professional service rendered –Waste disposal transfer station – R6 818 289-20	7 912	6 818	7 912	6 818
Gabtu Project Management and Construction CC / RLM. Review and setting aside of the tender and claim for damages.	1 288	1 552	1 288	1 552
Lesley Molema /RLM. Review Application against the Arbitrator	2 557	1 534	2 557	1 534
Telkom SA/RLM (8 CASES ). Claim for damages against the RLM	-	212	-	212
Bogadi Gloria Thekwe and others / Ernst Dinale, RLM and Others. Application for claim of damages in respect of the property known as Erf. 2025 Geelhoutpark Ext 6, which is alleged to have extensive domestic refuse and therefore became unsuitable for residential purposes.	700	783	700	783
Waterlink Warehouse (PTY) LTD // RLM – CASE NO: 106/2016. Water link Warehouse (Pty) Ltd had issued Summon against the Defendant (Rustenburg Local Municipality) claiming for outstanding payment for the service rendered. The Plaintiff is therefore now claiming the following from the Defendant:	2 353	1 640	2 353	1 640
S.O. Matshidiso Construction & Projects CC / RLM. On 15 March 2016, S.O. Matshidiso Construction issued Summons against Rustenburg Municipality at the Gauteng Local Division. The dispute arises from a service level agreement that was concluded between the parties on 4 October 2013, for, inter alia, the procurement, supply storage and transportation of paraffin stoves to the indigents on behalf of the Defendant.	51 535	34 998	51 535	34 998
JST Construction CC / RLM. A claim in respect of the design and construction: Extension of the CCTV monitoring unit as per BID No.: RLM/DPS/0043/2013/14.	3 167	3 167	3 167	3 167
Crystal Lagoon Investments 43 CC // RLM. Application for a refund that was paid under protest in order to obtain Clearance Certificate.	250	250	250	250
PEC Utility Management (Pty) Ltd. // RLM. Dispute over municipal account	1 211	1 211	1 211	1 211
Geontsi // RLM. A claim in respect of the design, construction and monitoring of low cost housing at Bethanie Phase 2, Mathopetad Phase 2 and Boitekong Ext 8.	20 174	20 174	20 174	20 174
Diphage Maropeng // RLM & M Banda. Claim in respect of clearance figures of rates and taxes arrears of the Plaintiff's property. The 2nd Defendant was previously employed by RLM but has since been dismissed because of this misconduct	62	62	62	62
Makgosi Consulting CC // RLM. Urgent application to set aside the intended termination of contract for service rendered.	-	12 573	-	12 573
Ms Mboleka - Pupuma. Unfair suspension	1 093	668	1 093	668
SALGBC /RLM – Failure to comply with agency shop collective agreement	-	546	-	546
Obadia Mokonyama. Unfair Dismissal	515	515	515	515
SAMWU obo (Mfolwe, Mongae, Lephogole)/RLM: Unfair Dismissal	4 704	1 882	4 704	1 882

# Rustenburg Local Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2021	2020	2021	2020
<b>45. Contingencies (continued)</b>				
Telkom SA SOC Limited // RLM. Claim for damaged underground electronic communications facilities at various areas	281	281	281	281
Nkululeko Nkomo // RLM. Claim for matrimonial loss pursuant to refusal by RLM Security Officer to avail the facility booked for music festival event.	1 100	1 100	1 100	1 100
JL Mokgatlhe // RLM. The 2nd Defendant – Mr. Diratsagae – had an accident whilst driving a leased Toyota Hilux Double Cab (bearing registration number HRW 067 NW) around Sun City Pretoria Road. The Plaintiff alleges that the 2nd Defendant was negligent in that he failed to exercise proper care and control of the motor vehicle.	-	130	-	130
Thabane Motors / RLM. The plaintiff claims interest and costs against the RLM in respect of unpaid invoices for repairs and maintenance of the Municipality fleet	11 900	11 900	11 900	11 900
Vuka Africa Consulting Engineers and Project Managers / RLM. Vuka Africa instituted arbitration proceedings against the RLM in respect of tender no: RLM/MM/0078/2014/15 awarded to Vuka Africa.	740 621	740 621	740 621	740 621
Van Der Westhuizen / RLM. Overbilling of municipal Water Services.	-	119	-	119
FASCON TLOTO- TLHAGO/ RLM. Claim for Service Rendered	-	747	-	747
RLM / Vega Turkey Projects. Claim for services rendered.	826	826	826	826
Legoa Mokotsoa / minister of Police & Others. Plaintiff claims legal costs for unlawful arrest.	-	580	-	580
Ntja Paulus Sello / RLM. Member of the public claim for loss of income	86	86	86	86
Johannes Motshwane / RLM & Executive Mayor. Action instituted for alleged defamation against the RLM and the Executive Mayor	2 600	2 000	2 600	2 000
MMT Projects - Mosia motubatse Rental & Projects CC / RLM. Claim for services rendered.	4 533	4 533	4 533	4 533
KSP Group Pty Ltd / RLM. Claim for enforcement of contract and service level agreement.	328 842	328 842	328 842	328 842
RISE NOW TRADING 34 Pty Ltd R 478 / RLM. Claim for enforcement of contract and service level agreement	72 250	72 250	72 250	72 250
UMKHONTO PROFESSIONAL SERVICES PTY LTD R 479 / RLM. Claim for enforcement of contract and service level agreement	64 669	64 969	64 669	64 969
RWA Plant Hire / RLM. Claim against municipality based on alleged payment of truck license.	42	40	42	40
Lithadika CC t/a LT Services / RLM. Claim in respect of services rendered.	227	196	227	196
Marata go Bonwa trading / RLM. Claim for unpaid invoices.	-	22	-	22
Orlando Ignatius Ntsala / RLM. Claim for unpaid invoices.	1 482	1 241	1 482	1 241
WSP Group Africa (Pty) Ltd / RLM. Claim for unpaid invoices	-	409	-	409
Mabaso ZA / RLM & Minister of Police. Action for unlawful arrest and detention.	422	422	422	422
Sepumo Primary Cooperative / RLM. Plaintiff issued summons against RLM citing nonpayment for services rendered.	397	397	397	397
Dark Fibre (Pty) Ltd / RLM. Employees of RLM, whilst working, damaged their underground cables.	-	135	-	135

# Rustenburg Local Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2021	2020	2021	2020
<b>45. Contingencies (continued)</b>				
Promptique Trading / RLM. Nonpayment for services rendered.	1 260	1 260	1 260	1 260
Visser / RLM. Summons issued after a water pipe burst and allegedly caused her vehicle to skid and it was damaged as a result.	55	55	55	55
SMEC South Africa / RLM. Plaintiff issued summons for payment of services rendered.	252	252	252	252
Nthabiseng OBO Minor Child / RLM. Summons issued against RLM for damages suffered by minor child as a result of electric box which was left naked.	3 099	3 099	3 099	3 099
Losaba Services CC / RLM. Claim in respect of services rendered.	2 137	1 836	2 137	1 836
ESKOM HOLDINGS SOC LTD / RLM. The municipality is disputing claims made by Eskom for unpaid invoices	28 495	131 238	28 495	131 238
Belinda Manuel / RLM. Unfair dismissal claim	1 601	-	1 601	-
ABINAAR MODIKELE MATLOKO vs THE RUSTENBURG LOCAL MUNICIPALITY. Legal proceedings launched by Mr Abinaar Modikele Matloko against the Rustenburg Local Municipality in terms of which Matloko claims that the Rustenburg Local Municipality allegedly published defamatory publications concerning Mr Matloko during or after August 2019.	1 205	-	1 205	-
RUSTENBURG LOCAL MUNICIPALITY VS MCESE CAPITAL (PTY) LTD. Application to review and set aside the award of a tender to Mcese Capital under tender No. RLM/BTO/0090/2017/18 in respect of proposals for appointment of panel of transactional advisors for infrastructure delivery and acceleration. Tender to be set aside on the grounds that several mandatory procurement processes were not complied with in terms of section 217 of the Constitution, 1996.	15 949	-	15 949	-
UMSO CONSTRUCTION PTY LTD VS RUSTENBURG LOCAL MUNICIPALITY. Summons issued in respect of Contract RLM/MM/0063/2015/16 for services for Detail Design and Construction of the RTT Contract A, CBD North Section.	19 244	-	19 244	-
INTELLIGENCE EVERYWHERE ENTERPRISES PTY LIMITED // RLM Applicant and RLM 1st Respondent MICROSOFT SA PTY LIMITED 2nd Respondent and ELECTRONIC CONNECT PTY LIMITED 3rd Respondent. Application by Intelligence Everywhere to review and set aside the decision of the First Respondent dated October 2020. On review and setting aside of the impugned decision for an order declaring the contractual relationship between the applicant extant and ordering the payment of the sum of R 7 619 253.71 and legal costs other or alternative relief.	7 619	-	7 619	-
RUSTENBURG LOCAL MUNICIPALITY // REUBEN RINGETHA KUBAYI. 18 November 2019 & NW/RUS/RC469/2019	440	-	440	-
DIKGELE DISTRIBUTORS CC V RUSTENBURG LOCAL MUNICIPALITY MAT106644. Summons: Dikgele Distributors instituted action for services rendered to the Municipality for delivery of water tanks at its instance.	10 073	-	10 073	-

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2021	2020	2021	2020
<b>45. Contingencies (continued)</b>				
MAMPEPU CONSTRUCTION AND PROJECTS // RUSTENBURG LOCAL MUNICIPALITY. Mampepu issued summons against RLM for services rendered for delivery of water through water tanks.	10 073	-	10 073	-
SALBC//RLM .The matter is about agency fees where the bargaining council is accused of failing to deduct agency fees from the employees to the bargaining council.	500	-	500	-
I.M. MOGAKABE// RLM .Damages Claim against the Municipality in the amount of R500 000.00	500	-	500	-
	<b>2 215 813</b>	<b>2 280 078</b>	<b>2 215 813</b>	<b>2 280 078</b>

### Contingent assets

Figures in Rand Thousand	Economic entity		Controlling entity	
	2021	2020	2021	2020
RLM/ MAKGOTAMISHE. RLM has instituted summons for payment. Plaintiff has counterclaim. Summons issued and served upon Makgotamishe, Awaiting notice of intention to defend and counterclaim. Action to proceed in the ordinary course. Matter will proceed and will be complex with expert evidence required	15 884	15 884	15 884	15 884
RLM / KSP Group Pty Ltd. Counter application to review and set aside the tender. RLM pursuing recovery of funds.	94 574	141 427	94 574	141 427
RLM / RISE NOW TRADING 34 Pty Ltd R 478. Counter application to review and set aside the tender. RLM pursuing recovery of funds.	52 645	53 199	52 645	53 199
RLM / UMKHONTO PROFESSIONAL SERVICES PTY LTD R 479. Counter application to review and set aside the tender. RLM pursuing recovery of funds.	52 044	109 164	52 044	109 164
Vesta / RLM. Court Application by RLM to review the contract as invalid, unlawful and unconstitutional. Various urgent interlocutory applications brought to restore and keep access to Phoenix accounting system.	27 053	27 053	27 053	27 053
S.O. MATSHIDISO CONSTRUCTION AND PROJECTS C.C. // RUSTENBURG LOCAL MUNICIPALITY – CASE NO: 9236/2016. Counter claim - Commercial matter	23 996	23 996	23 996	23 996
Lithaba Basadi Investments(Pty)Ltd / RLM. Recovery of over payment in the form of deposit unused and not returned.	-	371	-	371
Sello Moraka / Forum for Service Delivery / RLM. Urgent application to declare and set aside the vacancy of the applicant as a councillor of the municipality	20	-	20	-
CMS WATER ENGINEERING CC, THEUNIS JACOBUS EHLERS N.O.; WILLIAM KGOMOTSO KUMBE N.O. JACEY KRUGER N.O.; VINESH DILSHOOK N.O.; ANDBOTSHELO ISHMAEL MPETE N.O. "RWST 2017/02 Mechanical and Electrical Works for the Upgrade of the Bospoort Water Treatment Works" by the Rustenburg Local Municipality to CMS Water Engineering CC on the grounds that several mandatory procurement processes were not complied with in terms of section 217 of the Constitution, 1996.	29 519	-	29 519	-



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### Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020
<b>45. Contingencies (continued)</b>				
Subtotal	295 735	371 094	295 735	371 094
	<b>295 735</b>	<b>371 094</b>	<b>295 735</b>	<b>371 094</b>

# Rustenburg Local Municipality

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## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 46. Related parties

#### Relationships

Controlled entities

Refer to note 7

Joint ventures

Refer to note 32&33

#### Related party balances

##### Loan accounts - Owing (to) by related parties

Rustenburg Water Services Trust	1 593	1 844
---------------------------------	-------	-------

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

Rustenburg Water Services Trust - Water Sales	(223 881)	(250 548)
Rustenburg Water Services Trust - Grant & subsidy	(35 560)	(7 982)
Rustenburg Water Services Trust - IMQS Software	(2 173)	(2 173)

#### Related party transactions

##### Interest paid to (received from) related parties

Rustenburg Water Services Trust	(196)	(220)
---------------------------------	-------	-------

##### Purchases from (sales to) related parties

Rustenburg Water Services Trust	154 147	139 444
---------------------------------	---------	---------

##### Transfer payment / Grant & Subsidy paid to (received from) related parties

Rustenburg Water Services Trust	6 092	15 783
---------------------------------	-------	--------

##### Transfer payment / Grant & Subsidy (conditions met by related party)

Rustenburg Water Services Trust	(6 092)	(15 783)
---------------------------------	---------	----------

The transactions between the Rustenburg Local Municipality and the Rustenburg Water Services Trust is classified as related party transactions. The nature of the relationship is that Rustenburg Local Municipality is the sole beneficiary of the trust and has the right to appoint 4 representatives on the board of trustees.

#### Transactions between Trustees and RWST

	Opening balance
Vincent Dilsook	97
Jacey Kruger	67
Adv Mphete	74
Kgomotso Kumbe	81
	<b>319</b>

The transactions between the Trustees and The Rustenburg Water Services Trust is classified as related party transactions. The nature of the relationship is that the Trustees are on the board and thereby has an influence on financial and operating policies of the Trust.

#### Transactions and Balances between ABSA Bank Limited and RWST

Interest received	2 755	6 358	-	-
Bank charges	(9)	(13)	-	-
Interest paid on term loan	(3 833)	(9 956)	-	-
Term Loan	-	54 751	-	-

The transactions between ABSA Bank limited and The Rustenburg Water Services Trust is classified as related party transactions. The nature of the relationship is that ABSA has the right to appoint one representative to the board of Trustees and thereby has an influence on financial and operating policies of the Trust.

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 47. Change in estimate

#### Change in accounting estimate - Rustenburg Water Services Trust

During the 2012 revaluation, the remaining useful life of the assets that the trust leases from the municipality was limited to the end of the leasing period. During the 2016/17 financial year, it became evident that the assets will not revert back to the Municipality after the lease expiry date and as a result the trust could no longer limit the remaining useful life to the end of the lease period.

During the 2017 revaluation, condition assessments were performed, new residual values and estimated useful lives were determined resulting in a lower depreciation charge. The amount of the effect in future periods could not be disclosed, estimating it is impracticable due to the fact that the change in residual values and estimated useful lives were identified as part of the 2017 revaluation and could not be differentiated.

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### 48. Prior period errors

Transactions reflected in this note are rounded to thousands.

#### The following Prior period error corrections were done for the 2019 financial year:

PPE decreased by R125 923 and Retained earnings decreased by R125 923 due to correction of amounts that were incorrectly included in WIP and the Fixed Asset Register.

Heritage Assets increased by R5 and Retained earnings increased by R5 due to inclusion of hand drawn field ambulance that was previously omitted.

Investment Property decreased by R278 and Retained earnings decreased by R278 due to removal of private owner properties not belonging to the municipality.

An decrease in Property Rates of R4 182, an increase in service charges of R7 703, an increase in Receivables from exchange transactions of R8 858, a decrease in receivables from non-exchange transactions of R4 182 and an increase in VAT payable of R1 155 occurred due to corrections made after year end to accounts due to various reasons which include over and under billing of customer accounts.

An increase in Contracted services of R189, an increase in General expense of R125 998, a decrease in VAT payable of R18 861 and a increase in Payables from exchange transactions of R145 048 occurred due to exceptions raised last year that were corrected as well as additional items that were identified when the full population of creditors were investigated.

A decrease in Payables from exchange transactions of R59 321 and an increase in Retained earnings of R59 321 occurred due correction of duplicate entries that were identified when the full population of creditors were investigated.

A decrease in Retained earnings of R34 488, a decrease in VAT payable of R5 173 and an increase in Payables from exchange transactions of R39 661 occurred due to raising of RWST invoices which was previously omitted.

Fruitless and Wasteful expenditure increased by R969 due to SARS Interest and Penalties which was previously omitted.

An increase in Receivables from non exchange transactions of R1 940 and an increase in Retained earnings of R1 940 occurred due to correction of traffic fines in line with guidance from the Director of Public Prosecutions and correction of prior year exceptions.

Cash & cash equivalents increased by R148 276 and Retained earnings increased by R148 276 due to exceptions raised last year that were corrected and additional items identified when the full population of the cashbook was investigated.

A decrease in Receivables from exchange transactions of R94 919, a decrease in Receivables from non exchange transactions of R3 646 and a decrease in Retained earnings of R98 565 occurred due to reversal of billing on RLM accounts in line with prior year exceptions raised.

A decrease in Receivables from exchange transactions of R60 802 and a decrease in Retained earnings of R60 802 occurred due to errors that were corrected when the full population of receivables was investigated.

Unspent grants decreased by R29 365 and Retained earnings increased by R29 365 due to correction of balances that were not supported and showed no movement for at least five years.

#### The following Prior period error corrections were done for the 2020 financial year:

Receivables from exchange transactions increased by R51 513 and General expenses decreased by R51 513 due to reversal of bad debts written off which was incorrectly processed on municipal own accounts.

An decrease in Retained earnings of R1 366, a decrease in Receivables from exchange transactions of R2 334, an increase in receivables from non-exchange transactions of R662 and a decrease in VAT payable of R304 occurred due to corrections made after year end to accounts due to various reasons which include over and under billing of customer accounts.

An decrease in Retained earnings of R176 457, a decrease in VAT payable of R13 129 and a increase in Payables from exchange transactions of R189 587 occurred due to exceptions raised last year that were corrected as well as additional items

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### 48. Prior period errors (continued)

that were identified when the full population of creditors were investigated.

A increase in Bulk Purchases of R17 563, a decrease in VAT payable of R3 752 and an increase in Payables from exchange transactions of R21 315 occurred due to raising of RWST invoices which was previously omitted.

Commitments decreased by R8 815 due to exceptions raised last year that were investigated and corrected.

Irregular expenditure increased by R362 054 due to exceptions raised last year that were investigated and additional items identified when the full population of payments and contracts were investigated.

A decrease in Fines of R163, a decrease in Receivables from non exchange transactions of R1 192, a decrease in Impairment loss of R4 728 and a decrease in Unallocated deposits of R5 757 occurred due to correction of traffic fines in line with guidance from the Director of Public Prosecutions and correction of prior year exceptions.

Cash & cash equivalents decreased by R11 425 and unallocated deposits decreased by R11 425 due to correction of duplicate entries.

A decrease in Receivables from exchange transactions of R32 822, a decrease in Receivables from non exchange transactions of R1 050, a decrease in Interes trading of R14 251, a decrease in Property rates of R1 050, a decrease in Rental of facilities of R6 and a decrease in Service charges of R18 564 occurred due to reversal of billing on RLM accounts in line with prior year exceptions raised.

Bulk purchases increased by R2 872 and Transfers and subsidies decreased by R2 872 due to a reclassification to improve disclosure.

The combined effects of the prior period errors are as follows in the AFS - Rounded to R'000:

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### 48. Prior period errors (continued)

	Previously reported	Prior period error	Restated amount
<b>Statement of financial position - extract Current assets</b>			
Receivables from exchange transactions	586 434	(130 505)	455 929
Receivables from non-exchange transactions	31 029	(7 468)	23 561
Cash and cash equivalents	485 370	136 850	622 220
<b>Non-current assets</b>			
Investment Property	157 437	(278)	157 159
Property, plant and equipment	9 083 072	(125 923)	8 957 149
Heritage Assets	1 369	5	1 374
<b>Current liabilities</b>			
Payables from exchange transactions	1 040 325	319 105	1 359 430
VAT Payable	213 009	(40 065)	172 944
Unspent Grants	198 759	(29 365)	169 394
<b>Statement of changes in net assets - extract</b>			
Accumulated Surplus	7 780 457	(376 994)	7 403 463
<b>Statement of financial performance - extract</b>			
<b>Revenue</b>			
Service Charges	2 840 897	(10 861)	2 830 036
Rental of facilities	8 927	(6)	8 921
Interest received - trading	389 582	(14 252)	375 330
Property Rates	378 141	(5 232)	372 909
Fines	11 303	(163)	11 140
<b>Expenditure</b>			
Bulk Purchases	2 032 951	20 435	2 053 386
Contracted Services	222 425	188	222 613
Transfers and subsidies	6 531	(2 872)	3 659
General expenses	348 962	74 485	423 447
Impairment loss	455 766	(4 728)	451 038

The following analysis indicates the effect of the prior period errors on the effected line items. The effects are shown in the financial periods ended 30 June 2020 and 30 June 2019 respectively:

	2020	2019	2020	2019
<b>Statement of financial position</b>				
Decrease in PPE	-	125 923	-	125 923
Decrease in Retained earnings	-	125 923	-	125 923
Increase in Heritage assets	-	5	-	5
Increase in Retained earnings	-	5	-	5
Decrease in Investment Property	-	278	-	278
Decrease in Retained earnings	-	278	-	278
Increase in Receivables from Exchange	51 513	-	51 513	-
Decrease in Receivables from exchange	-	2 334	-	2 334
Increase in Receivables from non exchange	-	663	-	663
Decrease in Retained Earnings	-	1 366	-	1 366
Decrease in VAT Payable	-	304	-	304
Increase in Receivables from exchange	8 857	-	8 857	-
Decrease in Receivables from non exchange	4 182	-	4 182	-
Increase in VAT Payable	1 155	-	1 155	-
Decrease in Retained earnings	-	176 457	-	176 457
Decrease in VAT Payables	18 861	13 129	18 861	13 129
Increase in Payables from exchange	145 048	189 587	145 048	189 587
Decrease in Payables from exchange transactions	-	59 321	-	59 321
Increase in Retained earnings	-	59 321	-	59 321

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2021	2020	2021	2020
<b>48. Prior period errors (continued)</b>				
Decrease in Retained earnings	-	34 488	-	34 488
Decrease in VAT Payable	3 752	5 173	3 752	5 173
Increase in Payables from exchange	21 315	39 661	21 315	39 661
Increase in Receivables non exchange	-	1 940	-	1 940
Increase in Retained earnings	-	1 940	-	1 940
Decrease in Receivables non exchange	1 192	-	1 192	-
Decrease in Payables from exchange	5 757	-	5 757	-
Increase in Cash & cash equivalents	-	148 276	-	148 276
Increase in Retained earnings	-	148 276	-	148 276
Decrease in Cash & cash equivalents	11 425	-	11 425	-
Decrease in Payables from exchange	11 425	-	11 425	-
Decrease in Receivables from exchange	32 822	94 919	32 822	94 919
Decrease in Receivables from non exchange	1 050	3 646	1 050	3 646
Decrease in Retained earnings	-	98 565	-	98 565
Decrease in Receivables from exchange	-	60 802	-	60 802
Decrease in Retained earnings	-	60 802	-	60 802
Decrease in Unspent Grants	-	29 365	-	29 365
Increase in Retained earnings	-	29 365	-	29 365
<b>Statement of financial performance</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Decrease in General Expenses	51 513	-	51 513	-
Decrease in Property Rates	4 182	-	4 182	-
Increase in Service Charges	7 703	-	7 703	-
Increase in Contracted services	189	-	189	-
Increase in General Expenses	125 998	-	125 998	-
Increase in Bulk Purchases	17 563	-	17 563	-
Decrease in Fines	163	-	163	-
Decrease in Impairment loss	4 728	-	4 728	-
Decrease in Interest trading	14 251	-	14 251	-
Decrease in Property rates	1 050	-	1 050	-
Decrease in Rental of facilities	6	-	6	-
Decrease in Service charges	18 564	-	18 564	-
Increase in Bulk purchases	2 872	-	-	-
Decrease in Transfers and subsidies	2 872	-	-	-
	<b>2 020</b>	<b>2 019</b>	<b>2 020</b>	<b>2 019</b>
<b>Note to the financial Statements</b>	-	-	-	-
Increase in Fruitless and Wasteful Expenditure	-	969	-	969
Decrease in Commitments	8 815	-	8 815	-
Increase in Irregular Expenditure	362 054	-	362 054	-
<b>49. Comparative figures</b>				

Certain comparative figures have been reclassified. Mainly due to prior year errors, refer to note above..

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## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 50. Risk management

#### Financial risk management

##### Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 21, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 17 and the Statement of Changes in Net Assets.

##### Gearing Ratio's

The gearing ratio at the year-end was as follows:

##### Gearing Ratio's

Debt	(351 620)	(479 711)	(351 620)	(424 960)
Cash and cash equivalents	506 025	622 220	411 333	552 189
<b>Net Debt</b>	<b>154 405</b>	<b>142 509</b>	<b>59 713</b>	<b>127 229</b>

Debt is defined as Long and Short-term Loans and Finance Lease Obligations.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

##### Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.



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## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 50. Risk management (continued)

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department of Finance monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

#### Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

#### Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

#### Liquidity risk

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

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

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## Notes to the Consolidated Annual Financial Statements

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Figures in Rand thousand	2021	2020	2021	2020

### 50. Risk management (continued)

#### Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term receivables, other debtors, bank and cash balances.

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

#### Investments/Bank, Cash and Cash Equivalents

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Figures in Rand thousand	2021	2020	2021	2020

### 50. Risk management (continued)

Refer to <http://www.fidfund.co.za/banking-options/bank-credit-ratings/> for the most updated ratings.

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

### Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On-going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade

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### 50. Risk management (continued)

and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

Financial instrument	Economic entity - 2021	Economic entity - 2020	Controlling entity - 2021	Controlling entity - 2020
Finance Lease Receivables	-	-	1 593	1 844
Receivables from exchange transactions	682 926	455 929	662 285	434 343
Receivables from non-exchange transactions	46 390	23 561	46 390	23 561
Cash and cash equivalents	506 025	622 220	411 333	552 189
Investments	814	775	815	776
Guarantees	29 288	29 421	29 288	29 421

### Market risk

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### 50. Risk management (continued)

#### Detail

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

- interest rate swaps to mitigate the risk of rising interest rates.

Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Note that no interest paid are linked to prime and therefore no impact on the sensitive analysis for interest paid.

#### Sensitivity analysis for financial instruments 2021 - Economic entity 2021

Interest received for the year: -2%	298 189	(74 547)	Decrease in net surplus
Interest received for the year	372 736	-	
Interest received for the year: +2%	447 283	74 547	Increase in net surplus

Note that no interest paid are linked to prime and therefore no impact on the sensitive analysis for interest paid.

#### Sensitivity analysis for financial instruments 2020 - Economic entity 2020

Interest received for the year: -2%	326 751	(79 212)	Decrease in net surplus
Interest received for the year	405 963	-	
Interest received for the year: +2%	485 175	79 212	Increase in net surplus

#### Sensitivity analysis for financial instruments 2021 - Controlling entity 2021

Interest received for the year: -2%	296 142	(74 035)	Decrease in net surplus
Interest received for the year	370 177	-	
Interest received for the year: +2%	444 212	74 305	Increase in net surplus

Note that no interest paid are linked to prime and therefore no impact on the sensitive analysis for interest paid.

#### Sensitivity analysis for financial instruments 2020 - Controlling entity 2020

Interest received for the year: -2%	321 810	(78 015)	Decrease in net surplus
Interest received for the year	399 825	-	
Interest received for the year: +2%	477 840	78 015	Increase in net surplus

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### 50. Risk management (continued)

#### Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

#### Foreign exchange risk

The municipality undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

#### Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

### 51. Going concern

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### 51. Going concern (continued)

The consolidated 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 following conditions existed:

- Current Liabilities exceed current assets
- Recoverability of outstanding debtors are low and more than ninety percent of gross debtors have been impaired.
- On average the municipality takes longer than the prescribed thirty day period to pay creditors
- The municipality is involved in various matters involving litigation of which the outcome is unknown

These matters cast doubt on the ability of the municipality to operate as a going concern. Management will continue to monitor and assess these matters on a regular basis

### 52. Events after the reporting date

Loans due to the value of R3 369 are included in current liabilities as a result of not meeting capital repayment requirements as per the contractual arrangements. This was due to cash flow timing delays. The matter was rectified before the consolidated annual financial statements were authorised for issue.

### 53. Unauthorised expenditure

Opening balance as previously reported	963 824	2 065 380	963 824	2 065 380
<b>Opening balance as restated</b>	<b>963 824</b>	<b>2 065 380</b>	<b>963 824</b>	<b>2 065 380</b>
Unauthorised Expenditure current year	-	-	-	-
Authorised during the financial year	(407 905)	(1 101 556)	(407 905)	(1 101 556)
<b>Closing balance</b>	<b>555 919</b>	<b>963 824</b>	<b>555 919</b>	<b>963 824</b>

### 54. Fruitless and wasteful expenditure

Opening balance as previously reported	29 487	2 965	29 487	2 965
Correction of prior period error	-	15 346	-	15 346
Correction of prior period error identified in the current year	-	969	-	969
<b>Opening balance as restated</b>	<b>29 487</b>	<b>19 280</b>	<b>29 487</b>	<b>19 280</b>
Expenditure incurred during the year	13 358	10 207	13 358	10 207
<b>Closing balance</b>	<b>42 845</b>	<b>29 487</b>	<b>42 845</b>	<b>29 487</b>

Expenditure incurred during the year resulted from interest and penalties levied to the value of R13 358.

### 55. Irregular expenditure

Opening balance as previously reported	5 702 093	5 130 981	5 702 093	5 130 981
Correction of prior period error	362 054	386 831	362 054	386 831
<b>Opening balance as restated</b>	<b>6 064 147</b>	<b>5 517 812</b>	<b>6 064 147</b>	<b>5 517 812</b>
Additional irregular expenditure identified	159 355	-	159 355	-
Irregular expenditure incurred during the year	93 185	184 281	93 185	184 281
<b>Closing balance</b>	<b>6 316 687</b>	<b>5 702 093</b>	<b>6 316 687</b>	<b>5 702 093</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 55. Irregular expenditure (continued)

#### Analysis of irregular expenditure incurred current year - by nature

Procurement process not followed for legacy contracts	11 174	70 555	11 174	70 555
Proper procurement process not followed	241 366	113 726	241 366	113 726
	<b>252 540</b>	<b>184 281</b>	<b>252 540</b>	<b>184 281</b>

#### Analysis of irregular expenditure incurred - by timing

Origin of irregular expenditure - Pre and 2018/2019	252 540	184 281	252 540	184 281
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*Irregular expenditure identified during the current year is undergoing the process of being subjected to investigation. Full details are available in the irregular expenditure register.*

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

#### Contributions to organised local government

Current year subscription / fee	16 731	15 243	16 731	15 243
Amount paid - current year	(16 731)	(15 243)	(16 731)	(15 243)
	-	-	-	-

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

Material Electricity and Water losses were as follows and are not recoverable:

<b>Electricity</b>	Units (kWh)	Units (kWh)	Units (kWh)	Units (kWh)
Purchased during the year	1 939 075	1 585 484	1 939 075	1 585 484
Sold during the year	(1 843 820)	(1 473 354)	(1 843 820)	(1 473 354)
Unaccounted - Normal distribution losses - % of electricity (2021 - 4,91%); (2020 - 7,07%)	95 255	112 130	95 255	112 130
<b>Loss (R): At Cost</b>	<b>121 523</b>	<b>110 814</b>	<b>121 523</b>	<b>110 814</b>

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters are replaced or repaired as soon as they are reported.

<b>Water</b>	Units (kl)	Units (kl)	Units (kl)	Units (kl)
Purchased during the year	41 683	42 971	41 683	42 971
Sold during the year	(21 398)	(23 276)	(21 398)	(23 276)
Unaccounted - Normal distribution losses - % of water (2021 - 48,66%); (2020 - 45,83%)	20 285	19 695	20 285	19 695
<b>Loss (R): At Cost</b>	<b>194 793</b>	<b>188 778</b>	<b>194 793</b>	<b>188 778</b>

Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.



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## Notes to the Consolidated Annual Financial Statements

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Figures in Rand thousand	2021	2020	2021	2020

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

#### Audit fees

Opening balance	1 097	687	1 097	687
Current year subscription / fee	13 569	11 722	12 671	10 775
Amount paid - current year	(11 602)	(11 312)	(10 704)	(10 365)
	<b>3 064</b>	<b>1 097</b>	<b>3 064</b>	<b>1 097</b>

#### PAYE and UIF

Current year subscription / fee	96 566	112 635	96 566	112 635
Amount paid - current year	(96 566)	(112 635)	(96 566)	(112 635)
	-	-	-	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	135 488	129 533	135 488	129 533
Amount paid - current year	(135 488)	(129 533)	(135 488)	(129 533)
	-	-	-	-

#### Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Clr Malinga F	3	-	3
Clr Pelesi KL	2	2	4
Clr Nkosi LM	4	3	7
Clr Mokotedi KG	4	2	6
	<b>13</b>	<b>7</b>	<b>20</b>

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Clr Mokotedi KG	3	3	6
Clr Kodongo	2	82	84
Clr Pelesi KL	4	13	17
Clr Nkosi LM	4	288	292
Clr Tsamai A	2	3	5
Clr Malinga F	2	7	9
Clr Magadane JB&GL	4	-	4
	<b>21</b>	<b>396</b>	<b>417</b>

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 57. Deviation from supply chain management regulations

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

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

The following services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations:

- Maintenance of Weighbridge
- Maintenance of Pump Stations
- Software Licences
- Vehicle Tracking Services
- Operation of landfill Site
- Waste Collection
- Upgrading of community facilities
- Attending to Electrical failures
- RRT Project
- Water Demand and Water conservation
- System Migration and Network Services
- Legal Services
- Hiring of Trucks
- Advertising
- RWST water and administration services

### 58. Segment information

#### General information

#### Identification of segments

The segments were organised around the type of service delivered. Management uses these segments for determining strategic objectives.

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
Electricity	Trading services - electricity
Water	Trading services - water
Refuse	Trading services - refuse
Sewerage and sanitation	Trading services - sewerage and sanitation
Property rates	Levying of property rates

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 58. Segment information (continued)

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

#### Controlling entity - 2021

	Property Rates	Electricity	Water	Sewerage and Sanitation	Refuse	Total
<b>Revenue</b>						
Revenue from non-exchange transactions	412 887	-	-	-	-	412 887
Revenue from exchange transactions	-	2 378 337	510 632	161 443	149 607	3 200 019
Government Grants & Subsidies	-	41 508	561 191	96 272	134 815	833 786
Other Revenue	148	846	26 535	252	819	28 600
Impairment reversal	-	51 038	-	-	-	51 038
<b>Total segment revenue</b>	<b>413 035</b>	<b>2 471 729</b>	<b>1 098 358</b>	<b>257 967</b>	<b>285 241</b>	<b>4 526 330</b>
<b>Entity's revenue</b>						<b>4 526 330</b>
<b>Expenditure</b>						
Employee Costs	31 425	46 013	71 235	27 046	50 323	226 042
Bulk Purchases	-	2 091 259	260 971	110 128	-	2 462 358
Other Expenses	19 225	180 256	270 448	1 816	179 138	650 883
Impairment loss	66 749	-	241 817	61 374	66 176	436 116
<b>Total segment expenditure</b>	<b>117 399</b>	<b>2 317 528</b>	<b>844 471</b>	<b>200 364</b>	<b>295 637</b>	<b>3 775 399</b>
<b>Total segmental surplus/(deficit)</b>						<b>750 931</b>

#### Controlling entity - 2020

Property Rates	Electricity	Water	Sewerage and Sanitation	Refuse	Total
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# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 58. Segment information (continued)

#### Revenue

Revenue from non-exchange transactions	412 887	-	-	-	-	412 887
Revenue from exchange transactions	-	2 378 337	444 439	161 443	149 607	3 133 826
Government Grants & Subsidies	-	41 508	561 191	96 272	134 815	833 786
Other Revenue	148	846	181	252	819	2 246
Impairment reversal	-	51 038	-	-	-	51 038
<b>Total segment revenue</b>	<b>413 035</b>	<b>2 471 729</b>	<b>1 005 811</b>	<b>257 967</b>	<b>285 241</b>	<b>4 433 783</b>
<b>Entity's revenue</b>						<b>4 433 783</b>

#### Expenditure

Employee costs	31 425	46 013	66 619	27 046	50 323	221 426
Bulk Purchases	-	2 091 259	421 209	110 128	-	2 622 596
Other Expenses	19 225	180 256	111 072	1 816	179 138	491 507
Impairment loss	66 749	-	241 206	61 374	66 176	435 505
<b>Total segment expenditure</b>	<b>117 399</b>	<b>2 317 528</b>	<b>840 106</b>	<b>200 364</b>	<b>295 637</b>	<b>3 771 034</b>
<b>Total segmental surplus/(deficit)</b>						<b>662 749</b>

### 59. Budget differences

Material differences between budget and actual amounts

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 59. Budget differences (continued)

#### Controlling entity:

Agency Services - Budgeted for collection of license disks which is the full amount collected. Budget was based on the full amount received for Agency fees, whereas only 20% belongs to the Municipality, 80% of the funds received belongs to the North West Department of Transport and should not have been included.

Interest Received (Trading) - Decrease due to reversal of interest billed on own accounts in line with prior year audit findings. Furthermore prime interest rate decreased as part of monetary policy measures to combat the pandemic which resulted in a lower interest charge.

Licences and Permits - Decrease due to impact of the Covid 19 pandemic. Fewer renewals and waiving of penalties for late renewals.

Interest Received (Investments) - Due to substantial decrease in the balance of Cash & cash equivalents from the previous financial year. Lower bank and investments balances will result in lower interest income.

Fines - We used collection of fines as a base for budgeting instead of fines issued as per iGRAP. Furthermore additional fines were issued for non compliance to covid regulations.

Depreciation and Amortisation - Various duplicates and unsupported entries were removed from the asset registers resulting in a lower depreciation charge for the year.

Impairment Losses - Decrease in line with year end assessment and impairment methodology on the collectability of debtors. Budget was based on a projected collection rate.

Finance Costs - Inadequate provision during the budgeting process. Impact of employee benefits, leases and SARS was not considered.

Lease rentals on operating lease - Budgeted under General Expenses in line with mSCOA.

Repairs and Maintenance - Increase due to various unplanned electrical outages during the financial year.

Bulk Purchases - Inadequate provision during the budgeting process. Increased usage and consumption due to easing of various restrictions under the Disaster Management Act.

Transfers and Subsidies - Lower than expected MIG claims by the municipal entity.

Contracted Services and General Expenses - Combined decrease due to cost containment measures. Various reclassifications between these two items in line with the latest mSCOA chart.

Gain on disposal of assets and liabilities - No gains realised during the financial year as disposal of various developments did not materialise.

Fair value adjustments - Not Budgeted for

Actuarial gains/losses - Not Budgeted for

#### Economic entity:

Reasons for variances the same as above

#### Basis of preparation and presentation of budget

The budget is prepared on the accrual basis of accounting and the classification format adopted is consistent with that of the financial statements. The period of the budget is 01 July 2020 to 30 June 2021.

#### Changes from the approved budget to the final budget

# Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2021	2020	2021	2020

### 59. Budget differences (continued)

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. Further details of the changes are included in the municipality's published adjustments budget for the year ended 30 June 2021.

Financial Performance	Original Budget	Adjustments	Adjusted Budget
Property rates	398 240	-	398 240
Service charges	3 339 986	(60 000)	3 279 986
Rental of facilities and equipment	10 498	-	10 498
Interest received - other	27 312	-	27 312
Interest received (trading)	395 409	-	395 409
Fines, penalties and forfeits	9 000	-	9 000
Licences and Permits	11 913	-	11 913
Agency services	100 849	-	100 849
Government Grants and Subsidies Received	1 327 592	67 267	1 394 859
Other income	15 001	-	15 001
Gains on disposal of assets	14 035	-	14 035
<b>Total revenue</b>	<b>5 649 835</b>	<b>7 267</b>	<b>5 657 102</b>
Employee related costs	792 398	6 911	799 309
Remuneration of councillors	64 306	-	64 306
Impairment losses	898 087	-	898 087
Depreciation and Amortization	507 217	-	507 217
Finance charges	43 444	515	43 959
Bulk purchases	1 358 419	564 917	1 923 336
Repairs and Maintenance	55 670	(178)	55 492
Contracted services	394 970	44 492	439 462
Transfers and subsidies	18 684	50	18 734
General expenses	230 495	(120)	230 375
<b>Total expenditure</b>	<b>4 363 690</b>	<b>616 587</b>	<b>4 980 277</b>
<b>Surplus / (Deficit) for the year</b>	<b>1 286 145</b>	<b>(609 320)</b>	<b>676 825</b>
	-	-	-